



Ofgem-BEIS Independent Suppliers Forum

18/05/2018

ofgem

Introduction from Chairs

Rachel Clark (Ofgem)
Mark Holden (BEIS)

Time	Item	Speaker	Applies to
0930	Arrival - tea and coffee available		
1000	Introduction from chairs	Rachel Clark (Ofgem) and Mark Holden (BEIS)	All
1015	Welcome speech	Rob Salter-Church, Interim Executive Director, Consumers and Markets (Ofgem)	All
1030	Next day switching (REC) <i>(presentation)</i>	Jonathan Dixon, Ofgem	All
1050	Innovation Link <i>(presentation)</i>	Samuel Taylor and Daniel Kirk, Ofgem	All
1110	Future Retail Market Design <i>(workshop)</i>	James Proudfoot, Ofgem	All
1200	Networking lunch		

Time	Item	Speaker	Applies to
1300	Retail Price Regulation <i>(presentation)</i>	Colin Down, Ofgem Sebastian James, BEIS	All
1320	Sustainability First: Project Inspire <i>(workshop)</i>	Zoe McLeod, Sustainability First	All
1410	Consumer Engagement <i>(presentation)</i>	Fiona Cochrane-Williams, Ofgem	Domestic
1430	Coffee break		
1445	Supplier-customer communication proposals <i>(workshop)</i>	Fiona Cochrane-Williams and Katherine Harris, Ofgem	Domestic
1535	Energy Efficiency and Social Programmes <i>(presentation)</i>	Hannah Clapham and James Morgan, Ofgem Andrej Miller, BEIS	Domestic
1555	<i>Closing remarks</i>	Rachel Clark (Ofgem) and Steph Hurst (BEIS)	All
1600	Finish		

Welcome from Rob Salter-Church

Interim Executive Director, Consumers
and Markets, Ofgem

Ofgem's work programme will move us towards tomorrow's better functioning retail market

Step 1:
Swift action to protect consumers in the short term: this creates safe harbour while we design and implement a new market that better serves all consumers.

Introducing temporary retail price protection, so disengaged customers are protected

Step 2:
Take quicker action to improve customer service in a small number of priority areas. Increase our focus on the conduct and stability of smaller suppliers.

Improving retail market conduct & quality of service for all customers, especially vulnerable

Step 3:
In the short term conclude trials on engaging new customers. Undertake a review to decide on whether and what ongoing role engagement prompts have in our strategy.

Engaging more consumers in energy, so they make active decisions about meeting their heat & power needs, creating competitive pressure

Step 4:
Design the future retail market arrangements, working across Ofgem to take a holistic approach at the future energy system

Implementing new markets & systems which support innovation and enable customers more choice in providers to meet heat & power needs

Step 5:
Assess whether there are better alternatives to the default tariff cap to protect the disengaged

Review and replace retail price protection with new default arrangements which protect the disengaged



Conduct & Enforcement

Future Retail Markets

Retail System Transformation

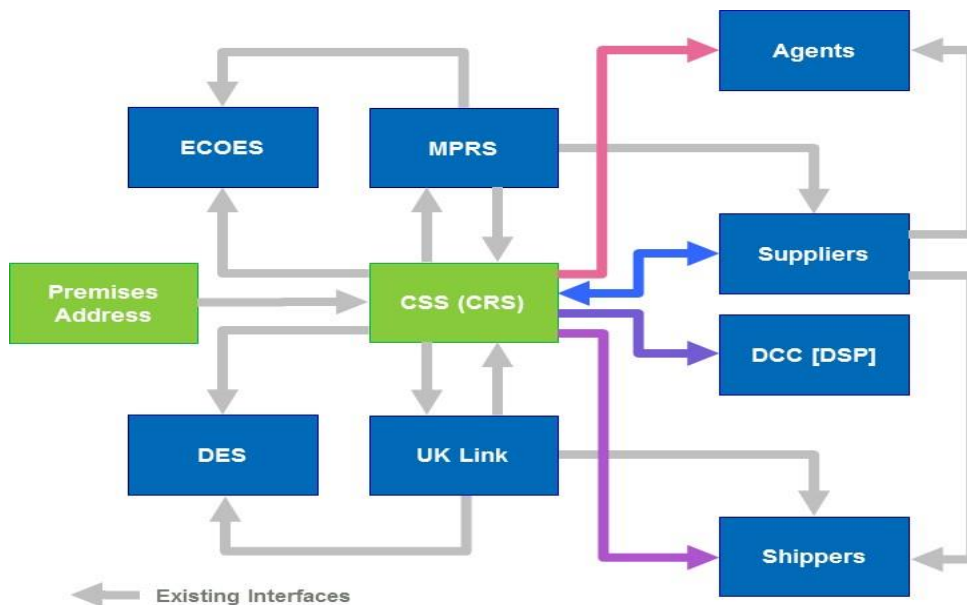
Next day switching (Ofgem)

Jonathan Dixon

Jonathan.Dixon@ofgem.gov.uk

The Switching Programme aims to enable consumers to switch their energy supplier **reliably** and **quickly**, including by the end of the next working day if they choose. We will do this by simplifying and harmonising the gas and electricity switching arrangements in a cost-effective manner.

We aim to overhaul the switching arrangements by introducing a package of reforms, which include requiring the Data Communications Company (DCC) to procure a new Centralised Switching Service (CSS).



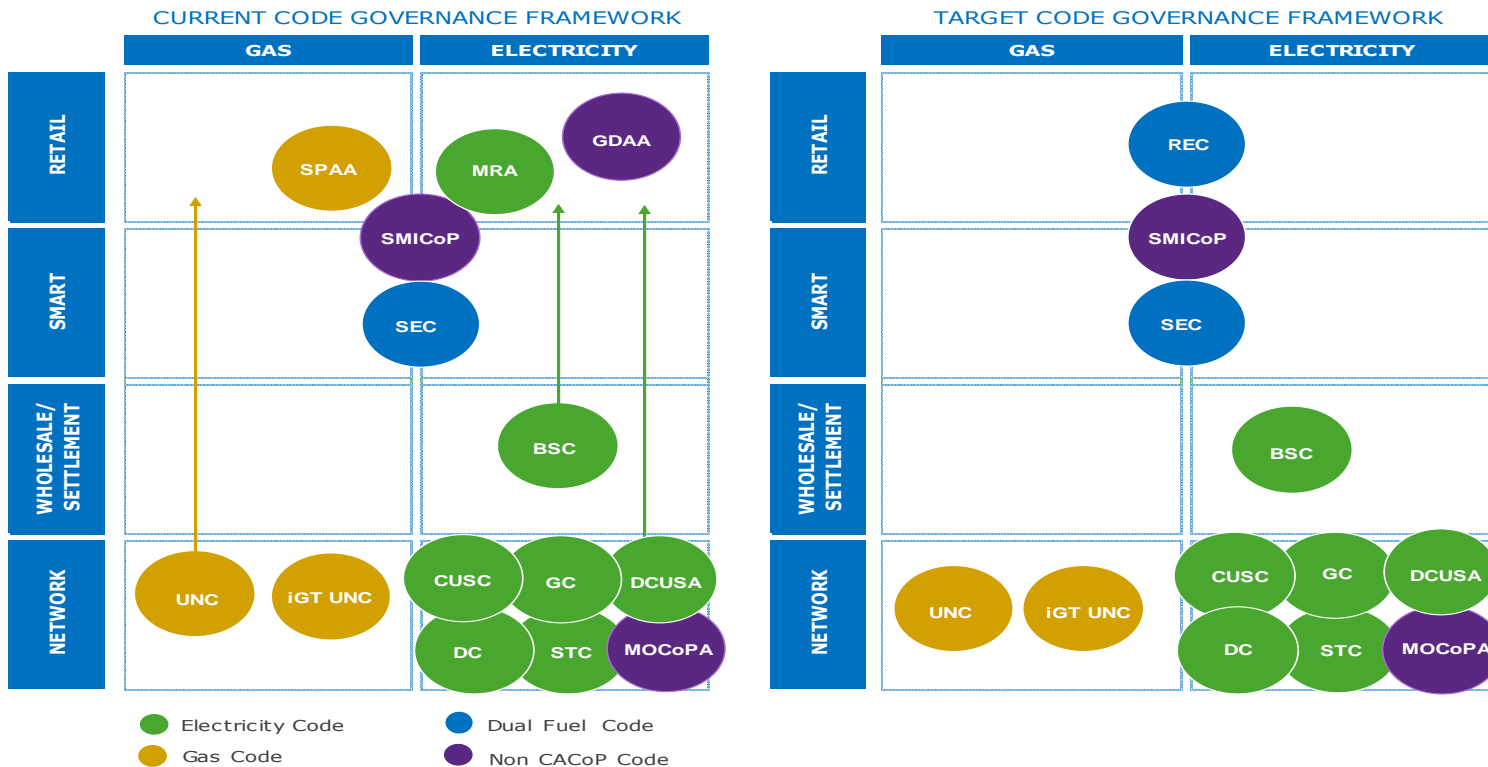
The CSS will sit alongside rather than replace the existing registration systems.

Therefore, in addition to developing governance of this new market role, which we will do through the introduction of a new dual-fuel **Retail Energy Code**, the Switching Programme will require substantive changes to existing industry codes.

Governance framework: Possible long-term REC scope



We envisage that a REC would in due course incorporate SPAA and MRA in their entirety, with elements of other codes to be determined on the basis of primary relevance. Consolidation for its own sake originally ruled out of scope – but fresh appetite for this within Ofgem.



The REC is being developed in three distinct phases:

REC V1.0 - transitional

- Learning lessons of other programmes such as Project Nexus and Smart metering, we are taking the opportunity to codify some of the transitional requirements we have of industry parties, thereby increasing assurance that they will be completed on time/budget and to the desired standard.
- However, this will be at a relatively high principles level, providing a governance ‘hook’ for the more detailed requirements that may be produced by a system integrator or other bodies at a later stage.
- Designation of code upon licence changes coming into effect.

REC V2.0 – switching arrangement

- First draft of the code provisions as we expect them to look at CSS go-live – circa 2020;
- Initial focus will be on the roles and responsibilities of parties, including the CSS, involved in the switching process.
- Features of code design and governance include:
 - Designed to be a plain English, web enabled document;
 - Change process facilitated by a suitably empowered, resourced and accountable Code Manager;
 - Greater flexibility – targeting of obligations & clear path to derogation/exemption, rather than one-size fits all
- V2.0 will be given effect through Ofgem directed modifications to the REC (alongside other codes)

REC V3.0 – all relevant retail arrangements

- Migrate residual elements of the SPAA and MRA (or other codes) as appropriate;
- Changes will be progressed through normal code modification procedures – including those of the REC;
- Timetable for this work is under consideration – conceivable it could happen in parallel with V3.0.

In addition to an obligation to accede to and comply with the REC, which will contain transitional requirements, a generic licence obligation will be placed upon relevant licensees to cooperate with certain designated programmes.

This text is for illustration only, but the intent and principle is to embed some of the recent lessons learnt into standard industry practice (i.e. those requiring large scale and mutually dependent systems changes). Text along these lines would be inserted into licence wherever reference to the SCR process appears:

The licensee will cooperate, as necessary, with any person(s) appointed by the Authority or appointed pursuant to a Direction of the Authority, to undertake any planning, project assurance or coordination/systems integration in order to give full effect to the conclusions of a significant code review. Such **cooperation** may include but not be limited to:

- a) the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a SCR;
- b) the **provision of such data** as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;
- c) the **preparation and cleansing of such data** as may reasonably be requested in order to facilitate live operation of the new central system;
- d) the provision of test scripts and results of any **testing** as may be requested by any person appointed to assure the success of any testing;
- e) reasonable endeavours to:
 - i) meet [key] programme milestones for the completion of any action(s) assigned to the licensee;
 - ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme; and
 - iii) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of [these obligations].

Proposed licence modifications – governance

- Obligations on relevant parties to accede to and comply with the REC
- Generic **obligations on licensees to cooperate** with a programme designated as a Significant Code Review (see next slide)

Proposed Licence modifications – DCC

- Current obligations extend only to procurement, these would be extended to cover DBT and early years of live operations
- Associated changes to price control framework made through direction

REC V1.0

- Transitional requirements (facilitating switching programme)
- Establishment of the REC Company
- Funding and billing arrangements

REC V2.0

- As much detail as practicable on how the REC will look when the switching arrangements go live circa late 2020 – priority being roles and responsibilities of, and interactions with the CSS provider
- Placeholders for non-urgent drafting that sets scope of future code consolidation (i.e. which provisions will migrate across from SPAA and MRA into the REC)

Significant Code Review (SCR) process

- Expansion on how we expect future changes to industry codes (including the REC) to be developed and given effect
- Ofgem will continue to hold the pen and will direct that the changes be made
- Previously published scope of the SCR to be revised

Key message:

- In developing the REC we are keen to ensure that it addresses both the immediate needs of the new switching arrangements, and concerns that stakeholders have raised with respect to the burden of and difficulties in changing existing code governance;
- We encourage you all to engage in the development of the REC and help us to ensure that it becomes a code that works effectively for all parties, and may act as a catalyst for improvements elsewhere.

Next steps:

- Switching programme engagement day: **21 May**. Spaces are still available, if you would like to attend please email jonathan.Dixon@ofgem.gov.uk
- Consultation on the REC and associated licence modifications: targeting publication **31 May**. Responses expected by end of July.
- Statutory consultation on licence modifications: **Sept 2018**
- Anticipated REC V1.0 effective date: **Dec 2018**

The Innovation Link (Ofgem)

Samuel Taylor

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Daniel Kirk

Daniel.Kirk@ofgem.gov.uk

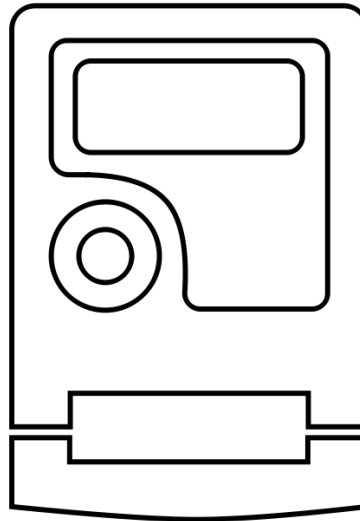
“Change is coming”

Dermot Nolan, Chief Executive, Ofgem



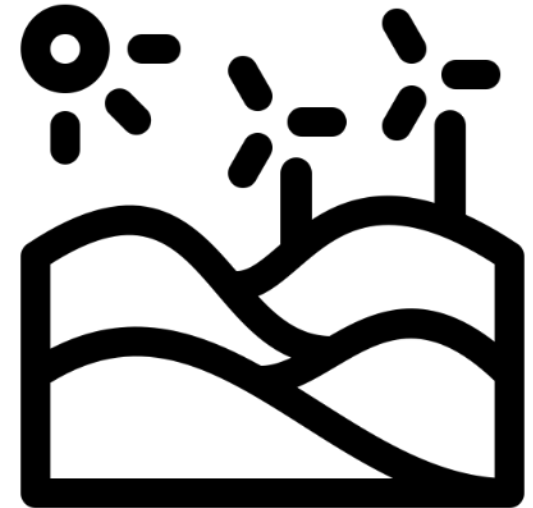
Decarbonisation

Icon by Kelcey Hurst
from Noun Project



Digitalisation

Icon by Marcel Schmidt
from Noun Project



Decentralisation

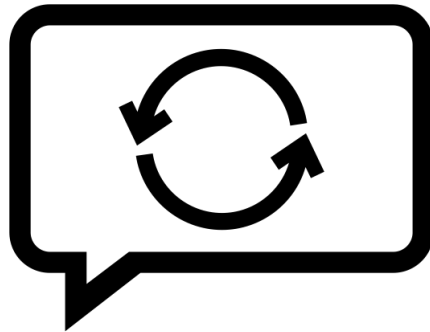
Icon by Yorlmar Campos
from Noun Project

Ofgem wants to be part of the solution

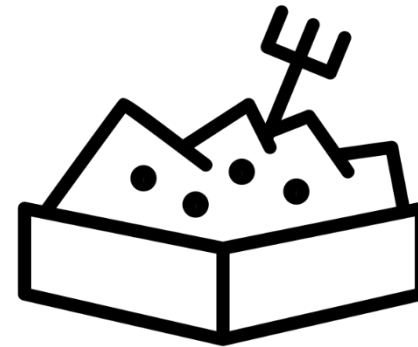


Department for
Business, Energy
& Industrial Strategy

The Innovation Link supports organisations looking to introduce innovative propositions to the energy sector.

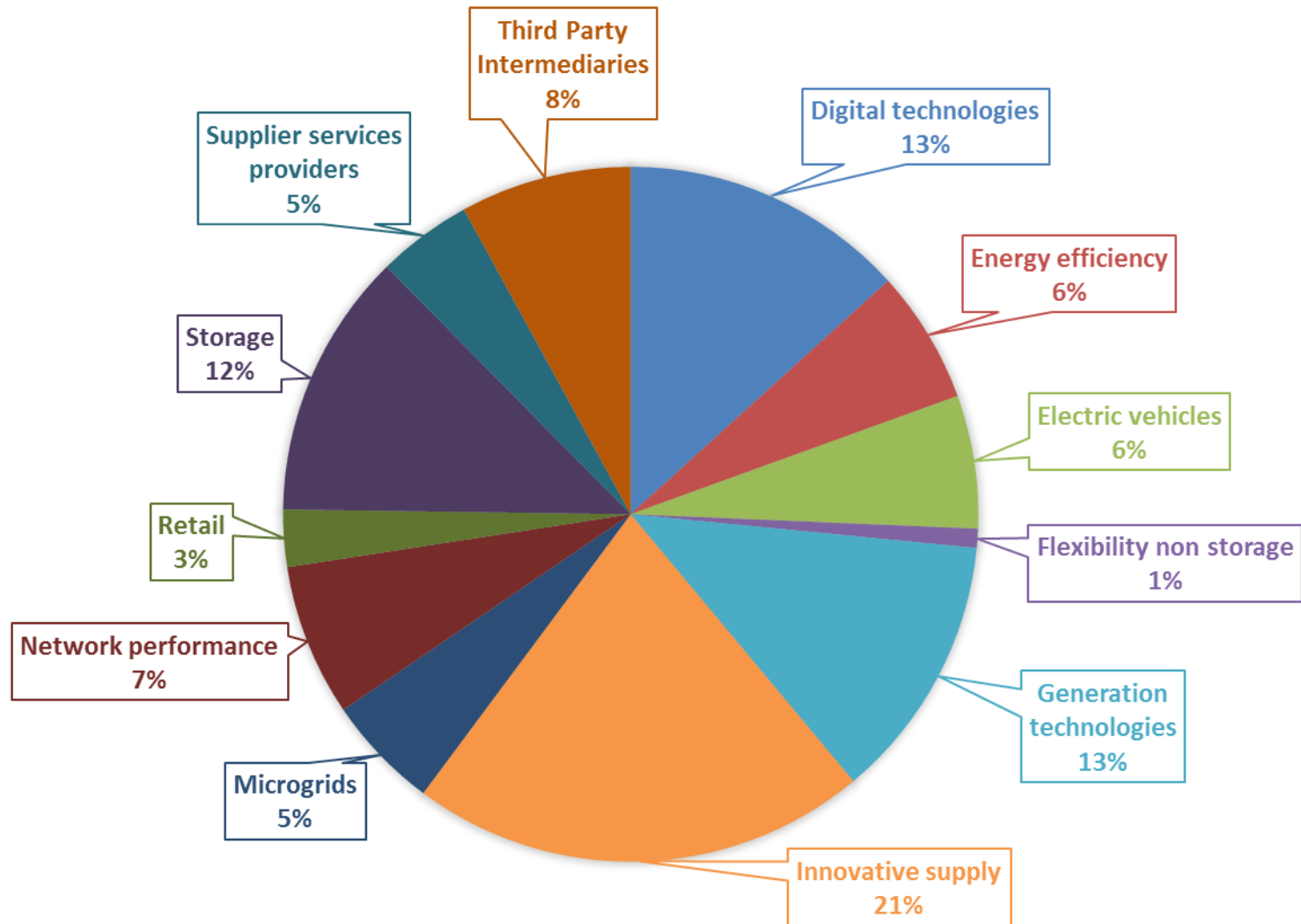


Fast, frank feedback on the regulatory implications of new business propositions



Regulatory sandbox to support trials

150+ diverse innovators supported so far



innovationlink@ofgem.gov.uk

www.ofgem.gov.uk/innovation-link



Created by Gregor Cresnar
from Noun Project

Criteria:

1. Innovation
2. Consumer benefit
3. Background research
4. Need for Support



Created by David
from Noun Project



Created by Gan Khoun Lay
from Noun Project



The Innovation Link

innovationlink@ofgem.gov.uk

www.ofgem.gov.uk/innovation-link

Ofgem's investigation into future supply market arrangements (Ofgem)

James Proudfoot

James.Proudfoot@ofgem.gov.uk

Is the 'Supplier Hub' model still fit for purpose, or should we consider changes as the energy system evolves?

Call for Evidence

In November 2017 we published our call for evidence seeking views on the answer to this question.

What are the main **barriers to innovation** within the current model?

What would be better **alternative default arrangements?**

How should **consumer protections** change given the wider variety of intermediaries in the market?

Asking this question now provides an opportunity to address a number of fundamental issues with the supply market and harness the energy transition to deliver better consumer outcomes.

The task of intermediating between the energy sector and energy users is getting a lot more sophisticated and valuable.

Unacceptable outcomes for disengaged customers persist.

The evolution of intermediaries is raising challenges for the current consumer protection framework.

As we enter a period of price protection in the retail market, we believe now is the time to take a step back and to consider whether current market arrangements are working for current and future consumers.

Barriers to Innovation

- Complexity and volume of codes
- Supply licences are too complex
- Poor access to data
- Support for alternative licencing models (eg licence lite)

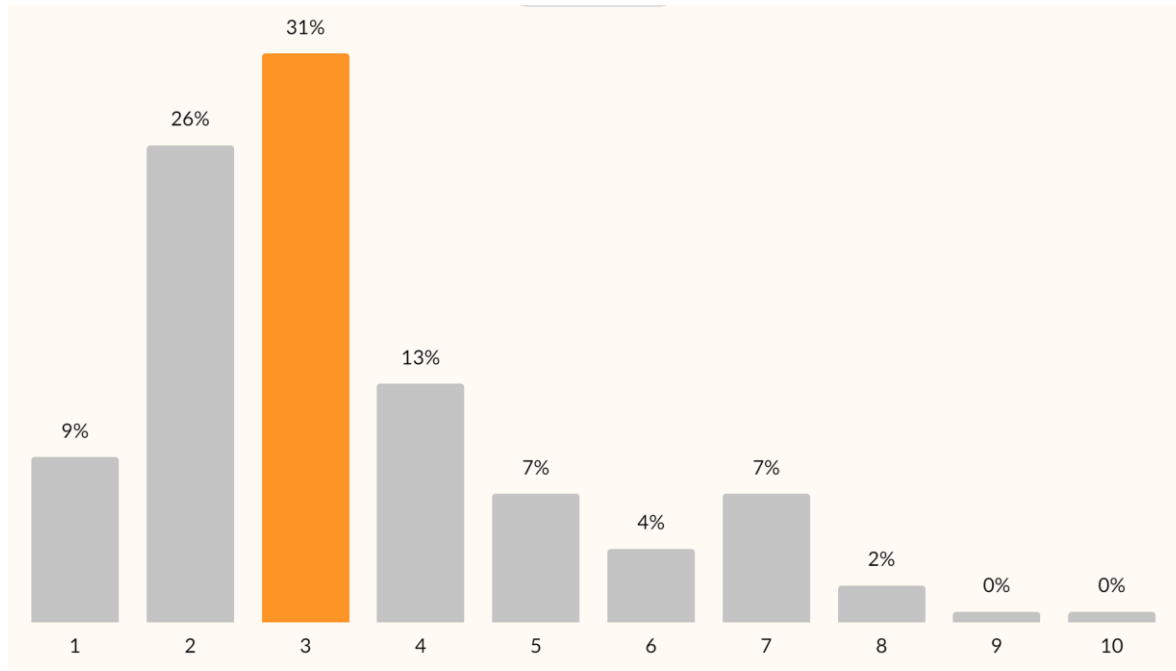
Outcomes for disengaged consumers

- Desire to focus on prompting greater engagement before further significant market interventions
- Opt-out collective switching seen as disruptive to consumers
- Strong views that consumers must always have access to energy supply

Risks to consumer protection

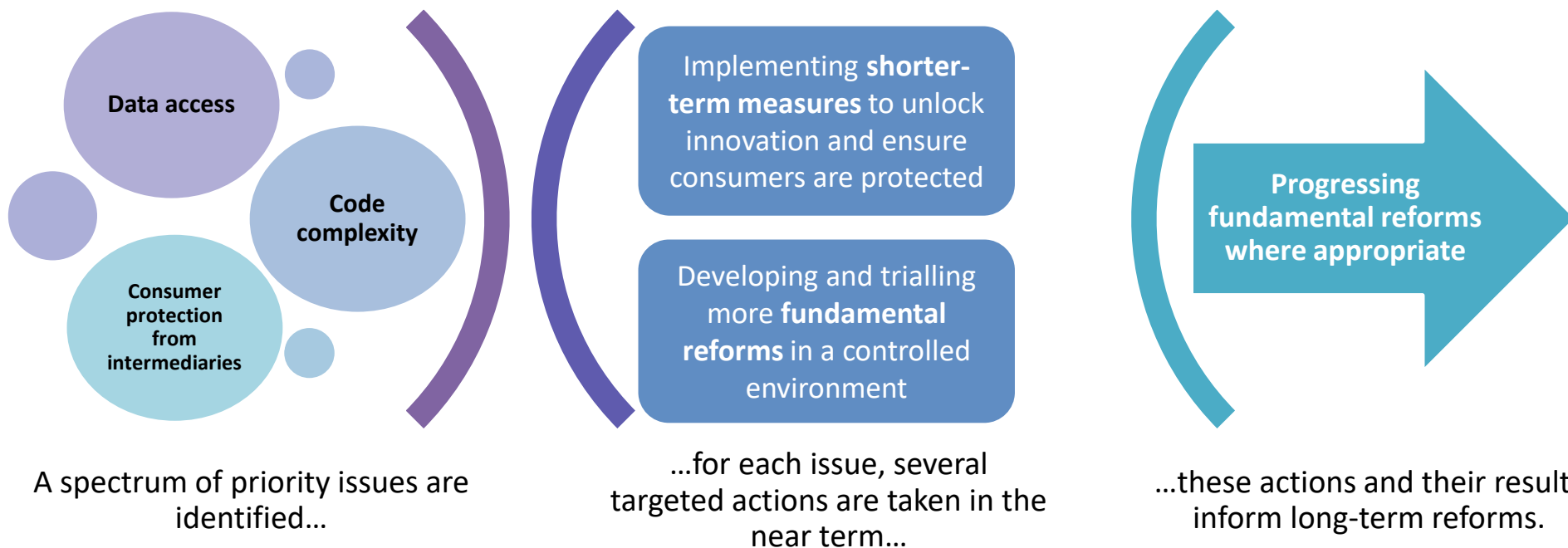
- Regulation should focus more on outcomes and services provided
- Not regulating intermediaries is a problem
- Need to ensure consumers can engaged in a more complex market

At our March #FutureSupply lab we asked innovators, think tanks, consumer bodies & traditional suppliers to tell us whether the current supply market arrangements are fit for purpose – both now and for the future.



Stakeholders considered that we are far away from the market arrangements necessary to achieve our vision

A range of initiatives already underway are looking to improve the market in the near-term, including the smart meter rollout, half hourly settlement, innovation link, faster switching programme, CMA engagement remedies, cross-code sandbox etc.



We are exploring other potential options that could improve consumer outcomes in the near term

Improving the market in such a substantial way will require further consultation in order to achieve our vision in the most effective way

- We are due to publish a response to our Call for Evidence shortly.
- We will set out our next steps in the Summer
- Please email futuresupply@ofgem.gov.uk to get in touch.

Paraphrasing of stakeholder views

Regulatory Complexity

The volume of rules is too high

It is difficult to determine who regulates what

It is difficult to find the right information

The rules are too prescriptive

Code Arrangements

It is difficult to input into code changes

The code change process is too long

There is a lack of co-ordination between codes

The codes are too complex/inflexible

Access to Data

Industry access to data is limited

It is not easy for consumers to share their data

Anonymous or aggregated energy volume data should be available to all potential market participants

Constraints on new business models

All licensees are largely subject to the same regulations irrespective of their business model, consumer make-up or size.

Licensees have to carry out a number of functions that are not a core part of their business model.

Innovators do not have a way to test their business models.

1. How are these barriers a problem for independent suppliers and your consumers?
2. What new changes in the market will help address the problems?

Networking Lunch

12:00 – 13:00

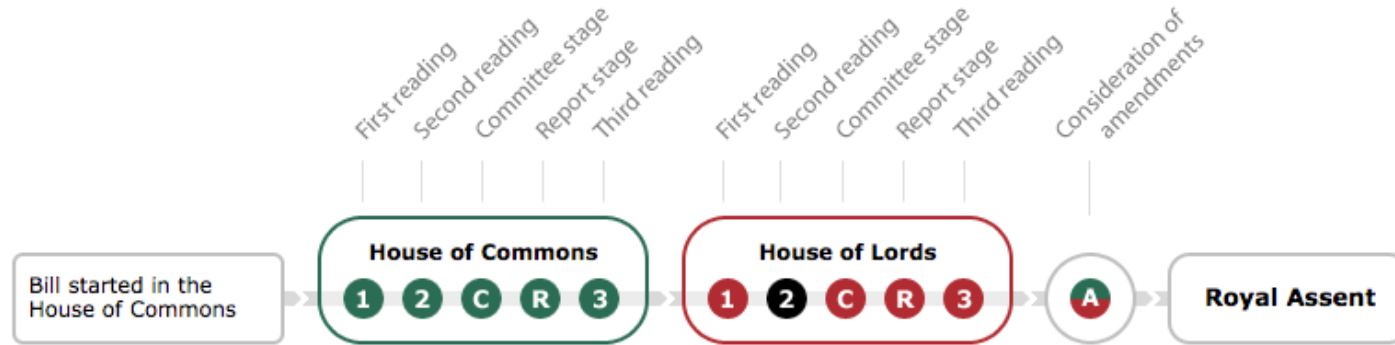
Retail Price Regulation (Ofgem and BEIS)

Colin Down

Colin.Down@ofgem.gov.uk

Sebastian James

Sebastian.James@beis.gov.uk



Pre-legislative scrutiny – Complete, with some recommendations to strengthen the Bill and make it more robust to legal challenge, and to require Ofgem to look at the level of the cap at least every 6-months and consider exemptions for ‘green’ tariffs.

Commons stages – Complete, no amendments to the Bill. Wide cross-party support for the measures

Lords stages – 2nd reading on Tuesday 22nd May (available to watch on parliamentlive.tv). Next stages announced thereafter. Hopeful for Royal Assent before the Parliamentary summer recess.

Any comments or questions:

Sebastian James, Policy Manager for the Bill.

Sebastian.james@beis.gov.uk

The government's default tariff cap

What has happened so far?

- In March we published an open letter setting out our overall delivery plan.
- Since then, we have published five working papers, for comment, on the policy design.
- We have also issued a number of RFIs to suppliers.

What happens next?

- We will publish a policy consultation later in May.
- A statutory consultation will follow later in the year.
- The cap will be in place by the end of the year.

The vulnerable safeguard tariff

What has happened so far?

- We recently published our statutory consultation (including licence drafting) on data matching.

What happens next?

- The statutory consultation closes on 31 May. We welcome comments.
- We intend to host a Webinar/workshop for suppliers in due course, focusing on the draft licence conditions.

Sustainability *first*

Project 'Inspire'

Innovation and consumer vulnerability: improving service for energy customers in vulnerable situations

zoe.mcleod@sustainabilityfirst.org.uk

Ofgem's Independent Supplier Forum

18 May 2018

www.sustainabilityfirst.org.uk

 @SustainFirst

Overarching aims

Aims

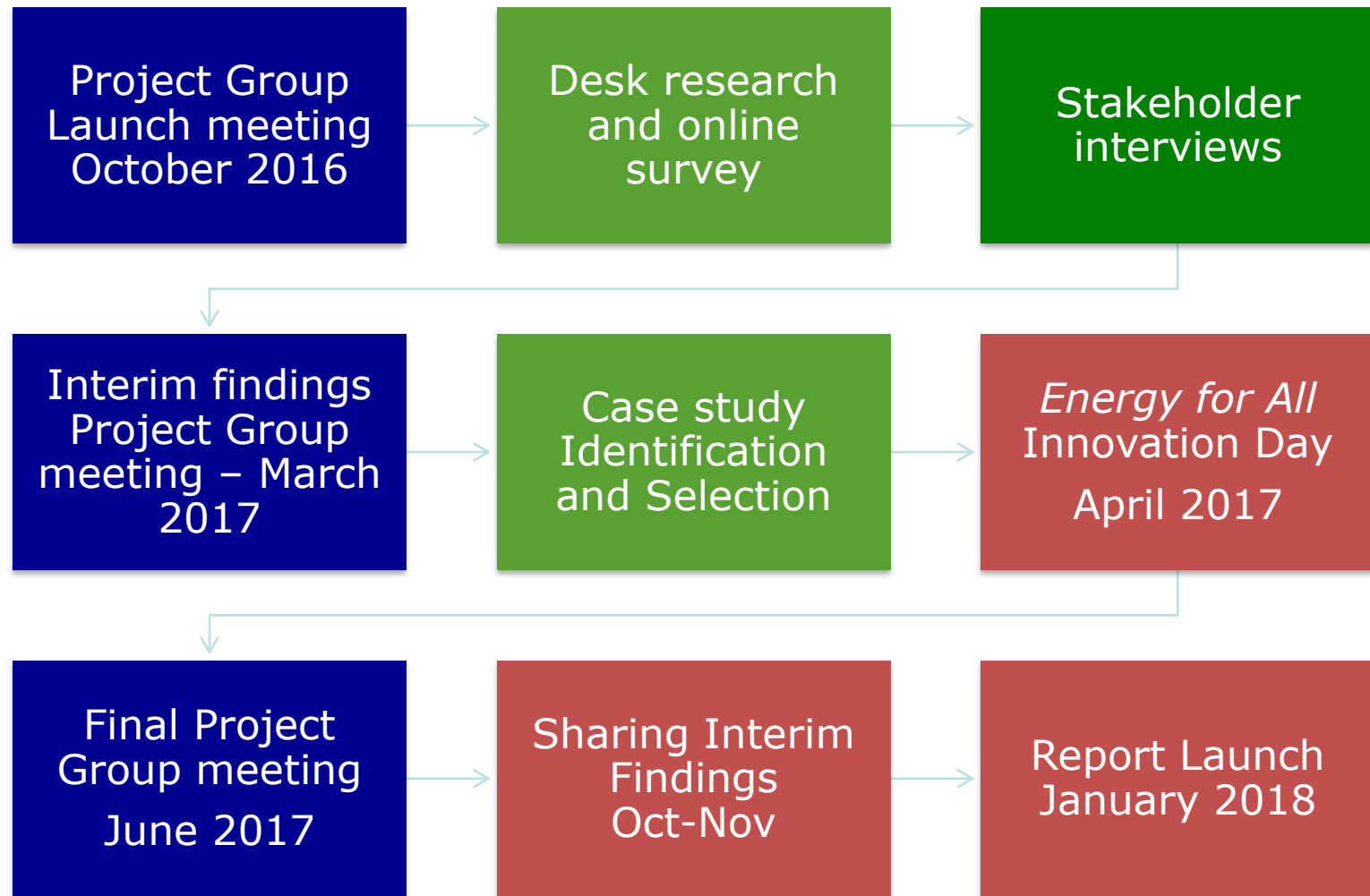
To improve service delivery and quality of life for energy customers in vulnerable situations



How

- Identify, share and promote examples of effective innovative practice so as to raise standards
- Explore barriers and enablers to vulnerability innovation
- Horizon scanning – opportunities and challenges in the future to help customers with additional needs and on low incomes

Methodology



Energy for all
innovation day

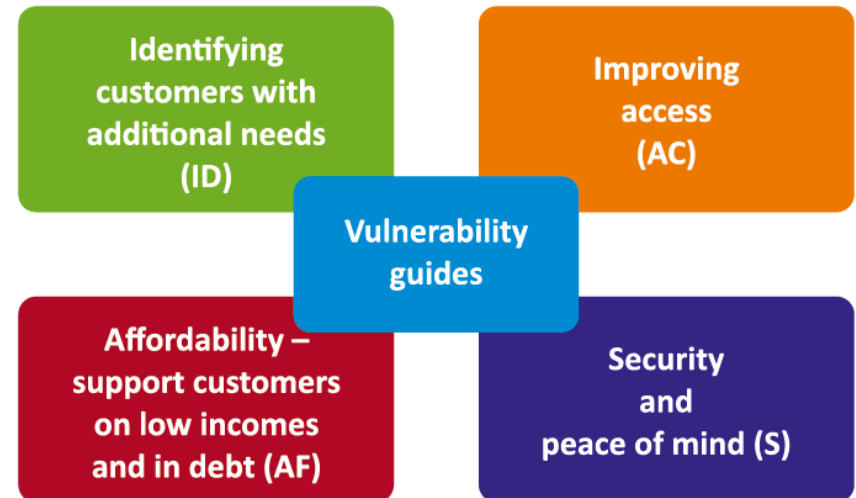


33% said it was useful
67% said it was very useful

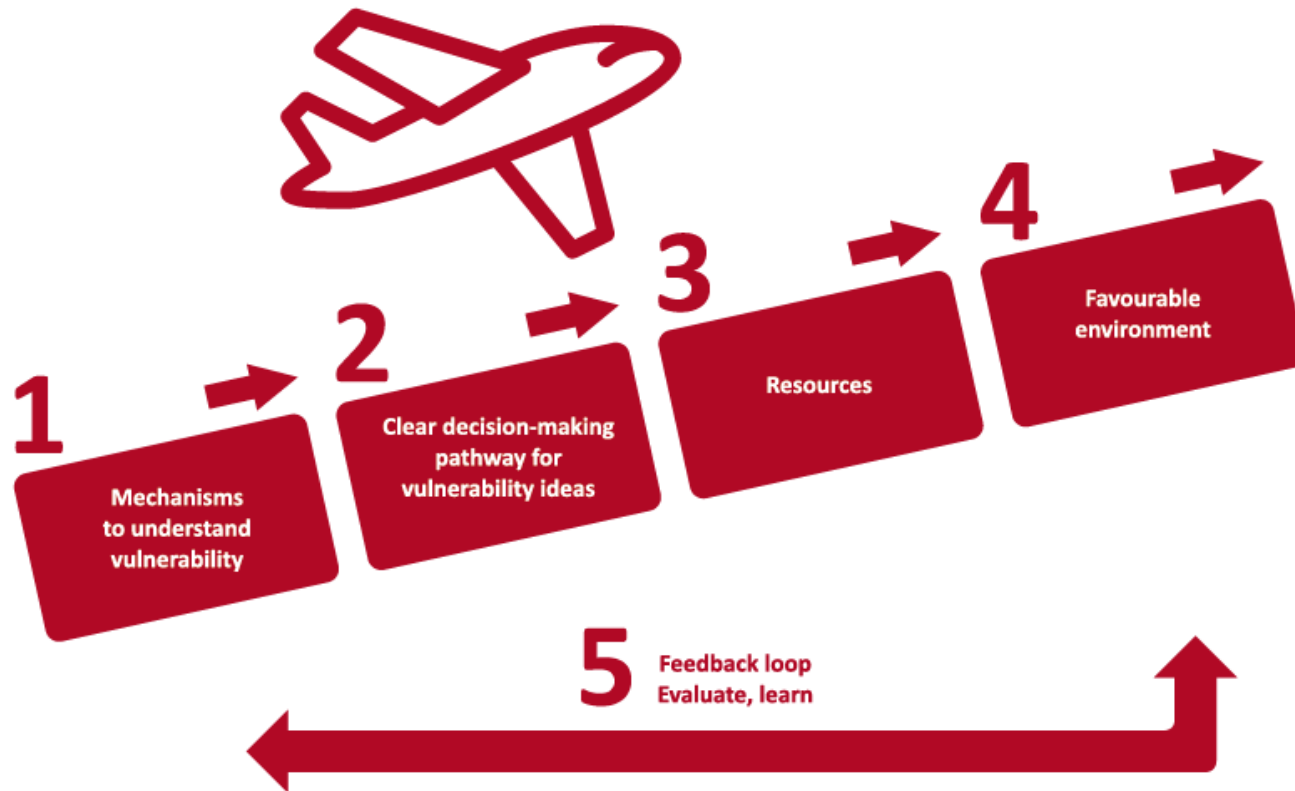
100% said we should
run an event like this
again

5 key outputs from the report

1. **Four Guides** to show-case standard, good and innovative practice.
2. **A set of 18 recommendations**, which taken together form a basis for a new framework to catalyse effective innovation for energy customers in vulnerable situations.
3. A high-level overview of the current **regulatory framework** as it applies to innovation for vulnerable customers.
4. A **practical look at how smart innovation** can better serve vulnerable customers, both today and tomorrow.



5. Vulnerability Innovation Flight Path



'Inspired' so far...

Scottish Power evaluating **SignVideo**, nPower exploring

Scottish Power implementing a new partnership with **Clic Sargent** to help families with children with cancer

WPD - Sensus Access (Robobrace), InterpreterNow and NGTLite, Recite me, BSL Sign Language videos. Partnership with Action on Hearing Loss (AOHL) strengthened - *"I think there will be more to come but at this stage we are still reviewing the case studies in the report."*



SGN and WWU piloting **B-Warm** & working with SSEN extend their energy efficiency gap funding

New partnerships e.g. South East Water – **SSEN/UKPN** vulnerability data

Energy Systems Catapult – hackathon on 'Fairer Futures'

40 Sharing of innovation via Ofwat, UKRN and Ofgem

Key supplier-related findings

1. There are pockets of real innovation – but progress is more incremental than transformational

- Many companies still focused on getting the basics right
- Networks seen as more innovative than suppliers
- Particular challenges for small suppliers
- Companies often don't know what they are doing is innovative



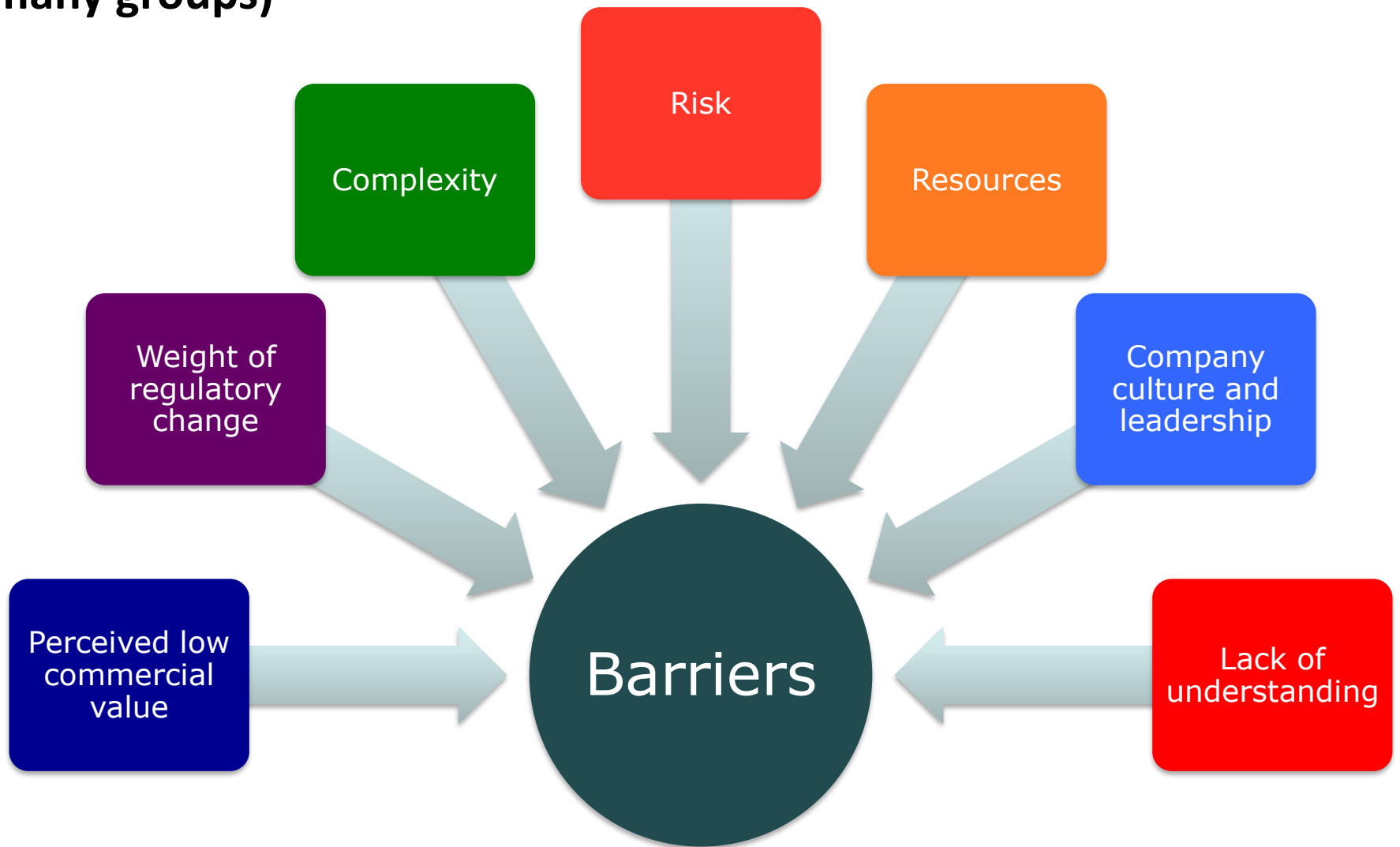
2. Sharing of innovation is improving but still limited - in part due to competition

- Step change in sharing innovation since started the Project
- Significant variation between how proactive are in identifying innovation - ad hoc v. proactive & systematic
- Existing services still not well promoted to customers
- Existing channels are valued but industry events and working groups are limited in what they can achieve
- Gas networks are better at sharing – in part culture, in part incentives
- Tension between ‘collaboration’ and ‘competition’ despite the benefits to vulnerable customers – especially for suppliers

Significant variation between how proactive companies are in identifying innovation - ad hoc v. proactive & systematic

Standard practice – ‘ad hoc’ approach	Good practice – more systematic and proactive
<ul style="list-style-type: none"> • Read good practice and performance reports • Attend ad hoc energy sector events and conferences • Use feedback from benchmarking exercises • Participate in ENA or EUK-led industry working groups • Identify ideas as and when from general reading. • Use online resources 	<ul style="list-style-type: none"> • Map and seek to strategically understand the vulnerabilities of their customer base. • Participate in regional forums that bring together utilities and wider organisations, • Actively seek learning from other sectors, • Are proactive in identifying new opportunities to identify innovative practice, • Undertake external auditing • Scottish Power has a Vulnerability Forum whose role includes identifying and sharing best practice internally, reviewing new initiatives, sharing lessons learned from internal and external organisations.

3. Competition alone is unlikely to deliver the supply-side vulnerability innovation needed (at least not in a timely way for many groups)



But there were some exceptions noted:



Though the prepay cap thought by some to be stifling innovation



Though strong focus on minimising bad debt

4. Lack of vulnerability understanding is limiting innovation

- Companies don't understand vulnerable customer needs
- Companies not monitoring vulnerable customer experiences
- Commercial value and market size poorly understood
- While less of an issue for networks - much vulnerability innovation not properly evaluated
- Value to wider society not known

Research gap:
What customers
want!

Findings shared by the NAO and Scope
Extra Cost Commission reports

5. Vulnerability/inclusive approaches are not yet properly embedded in energy company cultures

- Most vulnerability staff passionate and committed – but can face barriers when trying to innovate
- Teams operating in silos separate from each other and the wider organisation
- No clear ownership and pathway for vulnerability decision-making
- Staff lack skills, knowledge and ‘confidence to care’
- Vulnerability seen as ‘nice to have’ by leadership

6. The political and regulatory environment is a key enabler for vulnerability innovation

- ‘Ofgem allocated customer funds’ (e.g. redress funds, unclaimed balances, unallocated prepayment) have been an important source of ‘big innovation’ funding
- Political and regulatory discourse drive innovation
- ‘Jury is out’ on how effective the new Vulnerability Principle and principles based innovation will be in stimulating innovation
- Cautious support for more ‘reputation regulation’ but not without caveats

7. The 'smarter world' offers real opportunities to benefit customers in vulnerable situations

- Cautious optimism about the future

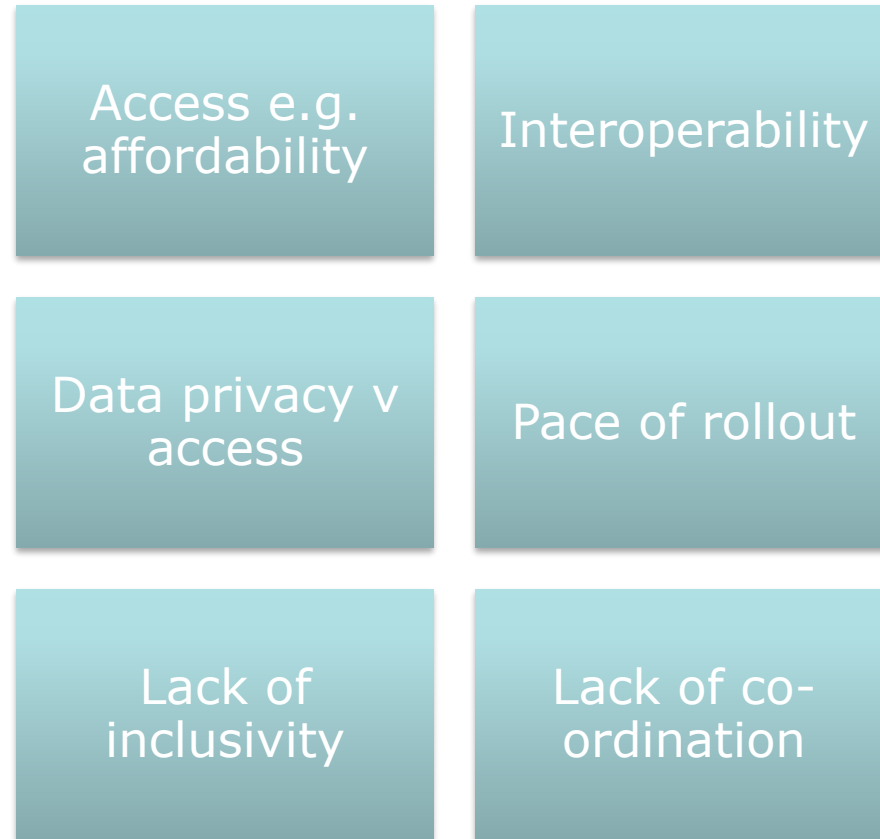
Ten potential benefits (in no particular order)

1. **Greater financial control**
2. An accessible in-home energy display
3. New interfaces - empowering customers
4. Smart pay as you go energy
5. **More affordable energy**
6. **Tailored advice and support**
7. Blockchain – more targeted energy support?
8. Timely support during outages and less time off-supply
9. Health monitoring and assistive living
10. Automation – of energy management and switching



8....But concerns many opportunities to deliver improvements will be missed or slow to develop.

Work underway to address many of the challenges



5 Questions for you
(20 mins – on handout on your tables)

1. What are the 'barriers' and 'enablers' to more innovation which supports vulnerable customers for smaller energy suppliers? E.g. financial, time, understanding, information, access to data, lack of need etc

2. How do you currently learn about new approaches to support and empower vulnerable customers/if at all?

3. How useful would you find the following on a scale 1-5 (1 not very useful 5 very useful) – please say why

a. A regular forum for **sharing new/innovative practice/lessons learned** e.g. Dragons Den type event to showcase new innovations, annual vulnerability innovation conference, Ofgem based forum?

b. A regular event **to hear from** organisations representing customers on low incomes and with additional needs to learn more about their experiences in the energy market?

c. **Support and information** to help you take relatively low-cost action to make your services more accessible and inclusive?

d. A practical workshop with examples demonstrating how you **can embed the needs** of vulnerable customers into your organisational structures and training?

e. Vulnerability **innovation funding and incentives**?

4. Is there anything else that would help your company better support and empower customers in vulnerable situations?

5. Do you think that Citizens Advice and/or Ofgem should publish comparative information on a) Company performance to support vulnerable customers and/or b) Services provided by companies for customers with additional needs to drive customer demand/support competition? E.g. different types of smart prepay services
If yes/no – what are your reasons?

Recommendations (Background only)

Recommendation 1

We welcome recent initiatives by Ofgem, Energy UK, the UK Regulators Network (UKRN) and Citizens Advice in identifying and **sharing good practice**. All parties, including companies, consumer and disability groups and regulators, **should build on this work and consider what more they can do to identify and share vulnerability innovation and learning, including what doesn't work**, between:

- Electricity and gas suppliers
- Energy companies and disability/consumer groups
- Across sectors and internationally.

And of course implement effective practice!



Recommendation 2

In order to improve the collection and **availability of data about customers in vulnerable situations**:

- a) Industry should **commission research into the commercial and market opportunities** to retailers of different vulnerable energy customer segments, including potential impact on reducing overall cost-to-serve.
- b) Energy networks and suppliers should:
 - Proactively **monitor and research** the experience of their vulnerable customers e.g. capture complaints data and satisfaction data broken down by key vulnerability demographics
 - Develop **effective and strategic working relationships** with organisations working with vulnerable customers. This includes ‘co-designing solutions to problems with those that experience them.
 - Draw upon the **experience of staff** so that staff become principle agents of change.
 - Review how they evaluate the **impact of vulnerability initiatives** to see where improvements can be made including capturing in terms of benefits to customer, business and wider societal benefit.
 - **Welcome EUK’s Vulnerability Commission** – can contribute to the evidence base.

Recommendation 12

To be most effective energy suppliers must **embed vulnerability into their organisational structures.**

For example:

- Develop and regularly update their vulnerability strategy
- Ensure they think about the implications of key decisions on different customer segments
- Design services inclusively
- Train and empower staff so that they have the flexibility, autonomy, skills and 'confidence to care' and to innovate
- Recognise staff for their successful vulnerability innovations – big and small



Recommendation 13

All energy companies should ensure they have a clear 'pathway' or 'flight path' for ideas to flow from all levels of the company and from outside of their organisation to a decision and, if successful, to delivery. For example they should have a:

- A known person/s with responsibility for vulnerability decision-making
- Mechanisms to capture ideas from front-line staff and partner organisations
- Where appropriate, cross-departmental mechanisms to share insight, ideas and facilitate decision-making.



Recommendation 15

Energy companies should develop and publish **comprehensive indicators** to demonstrate how they are using smart meters and new technologies to deliver improved service and quality of life to customers with additional needs. These could be:

- **Outcomes-based** e.g. satisfaction levels, complaints, energy reduction broken down by key demographics.
- **Outputs orientated.** e.g. the number of customers with additional needs receiving extra help/accessible IHDs/alternative equipment when appliances condemned etc.



Recommendation 16

Ensuring usability or user's ability to use smart products and service is an important factor in minimising the digital divide and ensuring the benefits of innovation are delivered for all.

- a. Companies should ensure that, wherever possible their products and services are **inclusively designed and are tested with customers with additional needs early in development.**

Rationale:

- Not happening as much as it should do
- Overly prescriptive procurement requirements limiting innovation
- Too much technology led innovation



Recommendation 17

Government, Ofgem, energy companies and consumer and disability groups should work with organisations such as **Digital Catapult and Open Data Institute** to explore how they can open up anonymised data sets in a timely, secure privacy-friendly way to enable all parties including non-energy parties to innovate and collaborate around vulnerability issues.



Thanks to our Project Group



Department for
Business, Energy
& Industrial Strategy



SCOTTISHPOWER

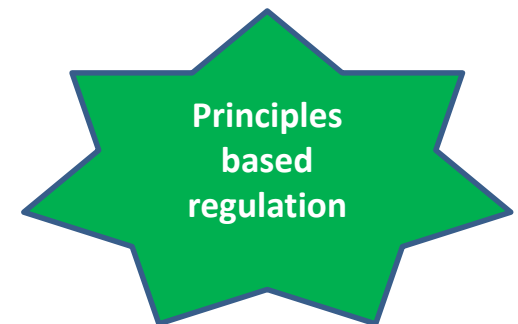
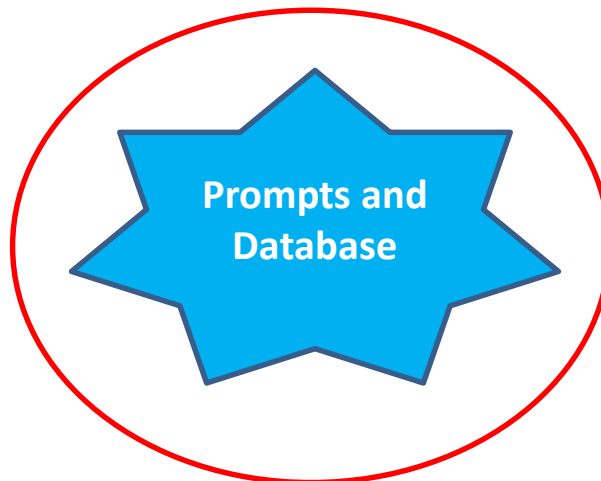
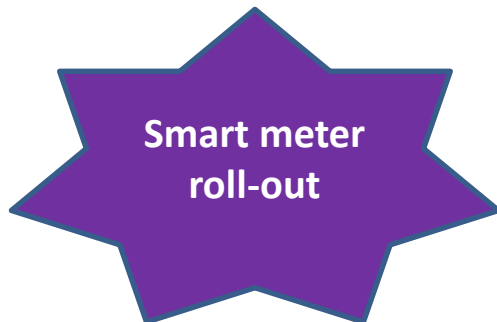


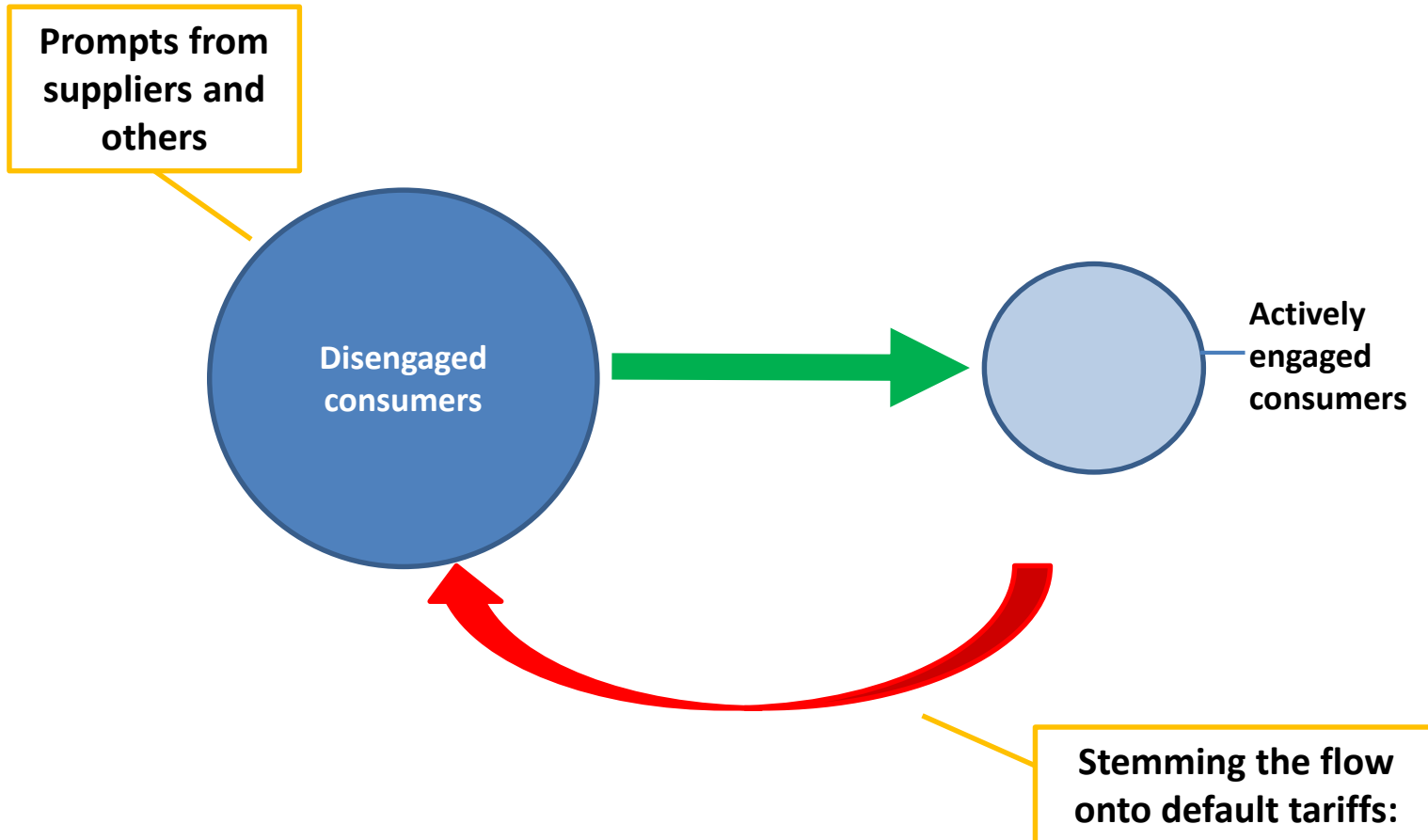
Consumer Engagement (Ofgem)

Fiona Cochrane-Williams

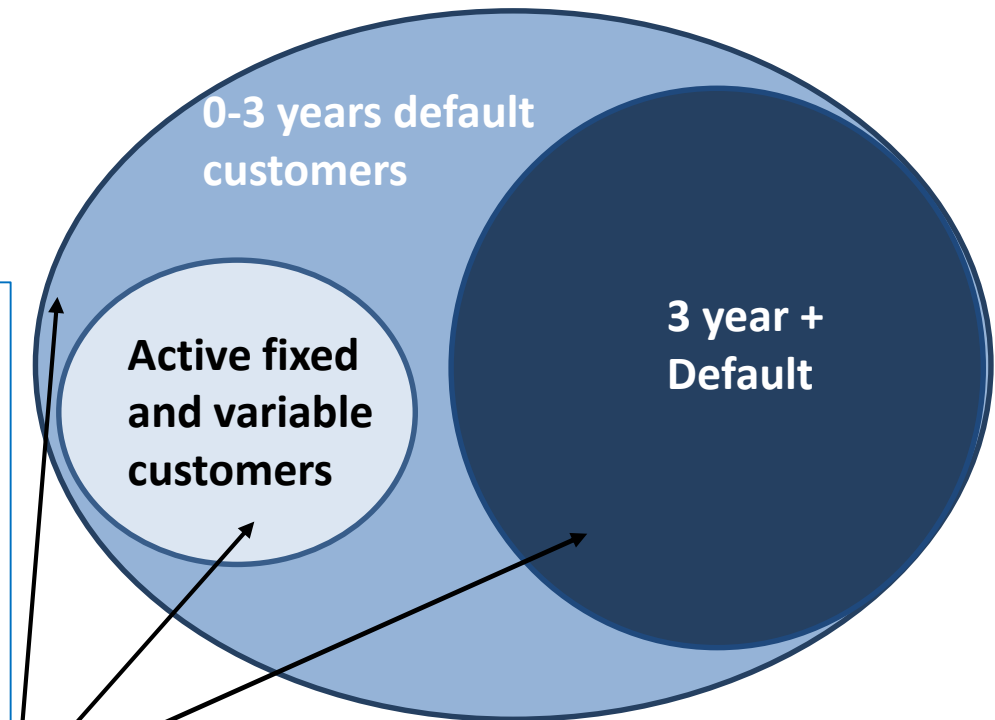
Fiona.Cochrane-Williams@ofgem.gov.uk

- Supporting and enabling greater levels of consumer engagement is a priority for Ofgem
- Across Ofgem there are a series of different activities too address this now and in the future, including





Domestic Consumers



Prompts:

- All domestic customers
- New and more effective ways to encourage and enable engagement primarily via existing suppliers

Database derived services:

- Using the database to find ways to make it easier for consumers to switch and prompt them to do so

No one size fits all solution -
identify a package of measures

0-3 Year Default	3 year plus Default	Engaged customers
Billing trial – Supplier led		
	Database small scale trial	
	Check your energy deal	
Generic prompt – Supplier led		
		EFTN trials x 6 – supplier led
CMOL trial – Ofgem led		
	Collective switch – in analysis	
CMOC Trial (in development) – Ofgem led		
		EFTN trials (including market offers, multiple comms in early dev) – Ofgem led

Database derived – digital services

Database Remedy will start trialling a **Digital Service** in Autumn 2018 and begin the process of uploading disengaged customers to establish the **Database** ready for services in 2019.

Digital Service

- Notice of Direction released in mid May with Open Letter to industry
- Will apply to up to 350k customers from 7 suppliers
- One Distribution Network Area

Similar to last years “Check Your Energy Deal” trial, the service will show consumers cheaper alternative tariffs.

Trial suppliers will also be required to upload **all disengaged customers** onto the Database by March 2019.

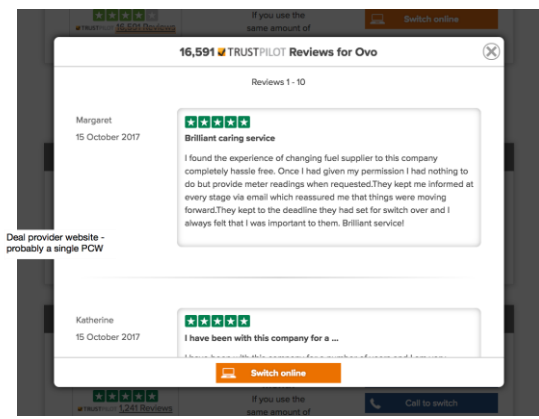
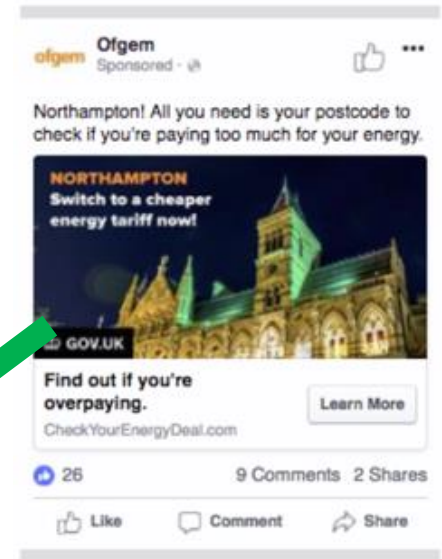
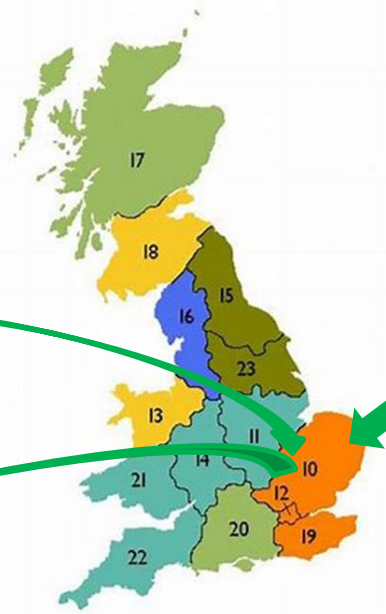
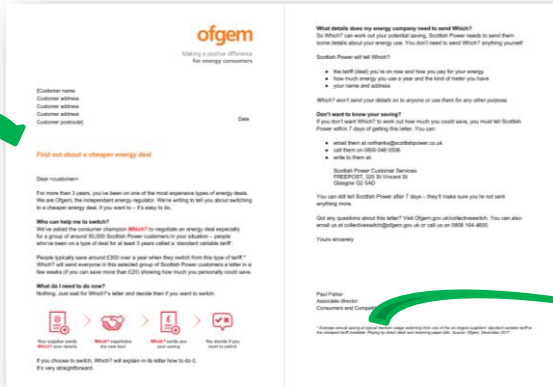
Why another trial?

Allows us to test:

- at a larger scale
- functionality of service
- quality of supplier data
- impact on supplier pricing

GEMA to make a decision on the services offered for national rollout in Spring 2019.

Up to 350k disengaged customers (default 3 yrs+) from 7 suppliers



Cheaper Market Offer Communication trial

- The Cheaper Market Offers Letter (CMOL) trial, was carried out by Ofgem in Summer 2017
- 1yr plus SVT customers, but excluded a number of customer groups.
- Customer either received 1) supplier branded letter; 2) Ofgem branded letter or 3) nothing
- Results:
 - increased switching** from 1% to an average of 2.9%.
 - messenger** matters - supplier-branded letter increased switching to 3.4%, and 4.5% for the other.
 - Switching is related to the **potential savings**
 - greater** relative effect on **3yr plus** customers
 - Customers saved **an average of around £50 more** from a switch if they had received the letter.



Making a positive difference
for energy consumers

26 May 2017

3 simple steps to cheaper energy

- 1 - See what cheaper energy tariffs are available and how they compare to your current tariff
- 2 - If you think another tariff is better for you, contact the new supplier to switch
- 3 - Your new supplier will take it from there

Ref: [redacted]

Dear [redacted]

You could save £996.29 by switching your energy supplier

Ofgem is the energy regulator and works to protect energy consumers. We are writing to you because you could save money by switching suppliers.¹

[redacted] has estimated that your energy costs for the next 12 months will be: £3734.92. This is based on your current gas and electricity tariffs and how much energy you have used over the past year. Using this information, we've found that you could save £996.29 by switching to another energy supplier. The tariffs below match how you pay for your energy and if you get paper bills or manage your account online.

It's very easy and safe to switch suppliers. Your energy supply will not be cut off. Once you switch you have 14 days to change your mind if you're not happy with your decision.

Cheaper tariffs you could switch to:

Energy supplier	Bulb 0300 30 30635	Together Energy 03331 501 699	Extra Energy 0800 9534774
Estimated annual savings	£996.29	£993.18	£984.63
Estimated annual cost	£2738.63	£2741.74	£2750.29
Tariff name	Vari-Fair	Together Variable	Variable Price v1
Tariff end date	No end date	No end date	No end date

Source: [redacted]

¹All personalised information in this letter has been generated by your supplier on behalf of Ofgem.

Before making a decision about implementing policy, there are a number of questions we would like to address – this is the purpose of the CMOC trial.

These questions include:

- Impact of the CMOC on an average default customer
- The impact of sending a letter versus a communication according to customer's preferences
- The impact of a reminder
- The impact of including a tariff from the incumbent supplier

The CMOC is very similar to the CMOL – setting out up to three cheaper tariffs from the market for that customer. It will not include suppliers going through CME.

The trial will be live in Summer 2018. If you have a cheap tariff at that time you may be listed the CMOCs.

Our intention is to submit an RFI to suppliers who gain a certain number of customers as a result of the trial to understand what the level of savings achieved was and their route to switch.

Questions?

Coffee Break

14:40 – 14:45

Future Retail Regulation: Supplier- customer communication proposals (Ofgem)

Fiona Cochrane-Williams

Fiona.Cochrane-Williams@ofgem.gov.uk

Katherine Harris

Katherine.Harris@ofgem.gov.uk

- Background
- Proposed changes to the rulebook
- Workshop discussion – (1) addressing questions about our proposals and (2) discussing what they'll mean in practice

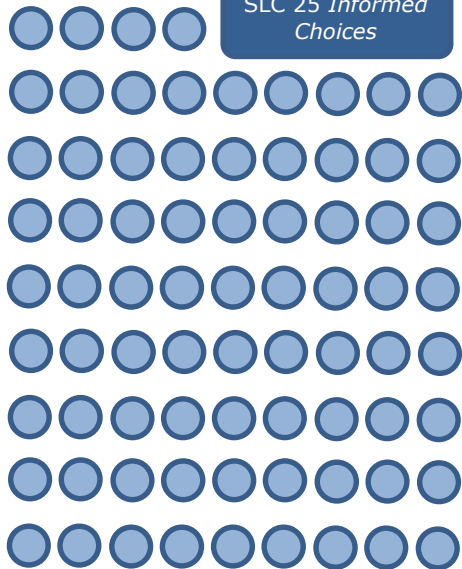


- Consumers having the **right information** at the **right time** and in the **right format** to make informed choices and effectively manage their consumption and costs.
- Our rules must be flexible enough to enable suppliers to **innovate** and find better ways of meeting consumer needs and preferences as technologies and digital services advance.
 - E.g. Billing information innovating beyond traditional paper-based channels
- We last came to the Independent Suppliers Forum in October 2017, and have since analysed views and evidence from both stakeholders and consumers. We have now developed proposals for changes to customer communication rules for domestic consumers.



Today's rules...

SLC 0 *Standards of Conduct including vulnerability and informed choices principles*



Broad principles

Narrow principles

Prescription

The way forward...

SLC 0 *Standards of Conduct including vulnerability and informed choices principles*

Assistance and advice

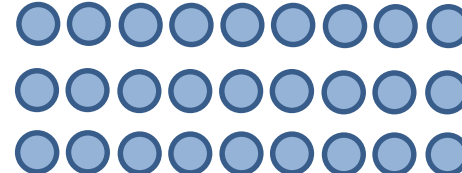
Encouraging and enabling engagement:
contract choices

Encouraging and enabling engagement:
cost and consumption choices

Bills and
billing info

Changes
to terms

SLC 25
Informed
Choices



Flexibility in content, style, wording and formatting of communications

- We are looking to remove significant amounts of prescription in this area, including the specific wording of the cheapest tariff message, information required on Bills (eg network details) and removing the requirement for an Annual Statement all together.
- This will give suppliers flexibility to design more engaging communications and tailor information to consumers' characteristics and preferences, including those in vulnerable situations.

Timing of communications

- When communications are provided can impact the effectiveness of them as a prompt for consumers to engage.
- We are removing some requirements for timings of communications (eg contract change notifications and the cheapest tariff message) and instead setting out our expectations in principles.
- Suppliers would be required to provide certain information at 'key engagement points' – points in time where a customer is likely to want to consider/could benefit from considering their options. This would put the onus on suppliers to determine when to provide this information.

Taking into account characteristics and preferences of your customers

- Different consumers have different characteristics and preferences. We want to allow room for suppliers recognise the characteristics and preferences of their customers, and reflect this in the services they offer.
- Examples of characteristics and preferences may include consumption patterns, technology type, billing frequency, payment method, location, how regularly they engage and switch etc.

Encouraging and enabling engagement

- **Suppliers will be required to ensure that consumers are encouraged and enabled to engage at ‘key engagement points’ and throughout the year.** Taking into account customers’ characteristics, preferences and current tariff, suppliers must provide their customers with information, services and/or tools that:
 - ✓ Enables them to understand that they can switch tariff and/or supplier, and how they can benefit financially from doing so
 - ✓ Encourages them to consider their options relating to their contract incl. tariff
 - ✓ Enables them to understand the key features of their tariff, and make timely choices in how and when they consume energy
 - ✓ Encourages them to consider options to improve their ability to manage costs and consumption, incl. being more efficient and flexible in how they consume energy.
- Suppliers would have **more flexibility over formatting, wording and content** of existing information tools and prompts (cheapest tariff message, Tariff Information Label, “about your tariff” box, Estimated Annual Cost and switching reminders).
- We expect suppliers to be **thinking harder about the best ways of prompting consumers to engage** (not just switching tariff/supplier but also with their consumption more broadly).
- We also expect suppliers to be thinking about the best ways of communicating information about time-of-use tariffs, so that consumers can **understand and manage their costs and consumption**, including by adjusting the time at which they use energy in order to reduce their costs.

Providing assistance and advice

- **Suppliers must provide relevant supportive information to their customers at appropriate frequency and form** such that customers know how to quickly and easily:
 - ✓ Identify and contact the relevant party about a problem, query, complaint, dispute or emergency
 - ✓ Seek impartial advice from independent parties
 - ✓ Identify their rights relating to dispute settlement
 - ✓ Access assistance, including to information about managing debt and finances, managing energy consumption and associated costs, and energy efficiency/social/financial programmes.
- Suppliers would have more flexibility over how some specific pieces of information are communicated (eg network contact information).
- We expect provision of information about available assistance and advice to be a **key consideration for suppliers** as part of their customer service offering.
- We expect suppliers to be thinking **more holistically about ensuring customers know how to find appropriate assistance and advice**, rather than just including standard lines on certain communications.

Bills and billing information

- **Suppliers must provide Bills, statements of account and/or relevant billing information to their customers at a frequency and in a form** that takes into account the customer's characteristics, preferences and ability to manage their costs and consumption, including information about:
 - ✓ Charges that are, or will be, owed to/by the supplier
 - ✓ How any charges since the last Bill/statement of account have been calculated
 - ✓ When and how the customer needs to pay any charges, leaving adequate time for the customer to understand their circumstances and arrange payment
- Suppliers would have **more flexibility over the content and format** of Bills and statements of account. This includes Bills not needing to be provided in a particular format such as paper or PDF form. We expect suppliers to use this flexibility to make Bills and billing information more engaging.
- We expect suppliers to consider the most effective way of communicating billing information to all consumers, **including those with prepayment meters**. Suppliers should not assume that use of a prepayment meter in and of itself is sufficient to ensure customers can manage their costs and consumption.

Contract and price changes

- **Suppliers must provide notification to customers or any disadvantageous contract change, price change or renewal of a fixed term contract.** Taking into account that customer's characteristics and/or preferences, the notification(s) must:
 - ✓ Be provided in adequate time and in a form that enables customers to make an informed choice, and take action to allow them to avoid changes before they take effect
 - ✓ Describe what the change is, including explaining the reason(s) for the change, any implications of the change if the customer takes no action, and when the changes take effect
 - ✓ Communicate the customer's rights and options relevant to the change
- Suppliers would have **more flexibility over the content and format of these notices**, though some specific pieces of information would still need to be included. Suppliers would also have **more flexibility over when the notices are provided**.
- We expect suppliers to take advantage of this flexibility to provide more notices that are **more engaging** in themselves, and provided at a time that will **maximise their effectiveness as a prompt to engage** (while still giving customers enough time to make an informed choice).

We want to know what questions you have about these proposals, and what they mean for you.

- Are our expectations of suppliers clear?
- Is this communicated clearly in the way the principles are drafted?
- What do you see as the opportunities, and risks to consumers?

We'll have 15-20 minutes for discussion in tables. The facilitator will feed back top questions from each table, and we will provide clarifications where necessary to the whole group.

- We are holding a workshop to discuss these proposals in more detail on **30 May**. If you would like to attend please let one of us know today or email us on futureretailregulation@ofgem.gov.uk ASAP.
- The deadline for providing written responses to our [consultation](#) is **21 June**.
- We are looking to move to statutory consultation as quickly as possible. We are hoping that licence changes will come into effect by early 2019.

PRINCIPLES: ENCOURAGING AND ENABLING ENGAGEMENT

Contract choices

The licensee must ensure that it provides information, services and/or tools for each Domestic Customer at all Key Engagement Points and throughout each year that, taking into account that Domestic Customer's characteristics, preferences and current Tariff, is effective in:

- a. *Enabling that Domestic Customer to understand that they can switch Tariff and Energy Supplier, and how they may benefit financially from doing so.*
- b. *Encouraging that Domestic Customer to consider their options relating to contracts and terms, including their choice of Tariff.*

Consumption and cost choices

The licensee must ensure that it provides information, services and/or tools for each Domestic Customer throughout each year that, taking into account that Domestic Customer's characteristics, preferences and current Tariff, is effective in:

- a. *Enabling that Domestic Customer to understand the key features of their Tariff, including any Charges, and make timely choices in how and when they consume [electricity/gas].*
- b. *Encouraging that Domestic Customer to consider their options to improve their ability to manage costs and consumption, including ways to be more efficient and flexible in how that Domestic Customer consumes [electricity/gas].*

Key Engagement Points: *Points in time where a Domestic Customer is likely to want to consider, or could benefit from considering, their options relating to contracts and terms, including their choice of Tariff.*

Note that these proposed new principles would supplement existing principles (Standards of Conduct and SLC 25 informed choices principles)

PRINCIPLE: ASSISTANCE AND ADVICE INFORMATION

The licensee must ensure that it provides relevant information about their energy services to each Domestic Customer at a frequency and in a form that enables that Domestic Customer to know how to quickly and easily:

- a. Identify and contact the Relevant Party about a problem, question and/or other request for assistance. This includes, but is not limited to, general or specific queries, complaints, disputes and emergencies;*
- b. Seek impartial advice from independent parties such as Citizens Advice or Citizens Advice Scotland;*
- c. Identify their rights as regards to the means of dispute settlement, including how to access to any Relevant Ombudsman, in the event of a dispute with a Relevant Party; and*
- d. Access assistance. This includes, but is not limited to information about:*
 - i. Managing debt and finances;*
 - ii. Managing energy consumption and associated costs; and*
 - iii. Energy efficiency, social and financial programmes.*

Relevant Party: *All relevant party/parties in relation to a Domestic Customer's energy supply. This includes, but is not limited to, the licensee, their Representatives or energy network companies.*

Note that these proposed new principles would supplement existing principles (Standards of Conduct and SLC 25 informed choices principles)

PRINCIPLE: BILLS AND BILLING INFORMATION

The licensee must ensure that they provide Bills, statements of account and/or any relevant billing information to each Domestic Customer, at a frequency and in a form that takes into account that Domestic Customer's characteristics, preferences and their ability to effectively manage their costs and consumption, including clear and comprehensive information about:

- a. Any Charges that are, or will be, owed to and/or by the Licensee*
- b. How any Charges due or previously paid since the last Bill or statement of account have been calculated, and*
- c. When and how that Domestic Customer needs to pay any Charges , leaving adequate time for that Domestic Customer to understand their circumstances and, where appropriate, take steps to arrange payment.*

Note that these proposed new principles would supplement existing principles (Standards of Conduct and SLC 25 informed choices principles)

PRINCIPLE: CONTRACT CHANGES

The licensee must ensure that it provides notification(s) to each Domestic Customer of any disadvantageous contract change, price change or any renewal of a fixed term contract. Taking into account that Domestic Customer's characteristics and/or preferences, the notification(s) must:

- a. Be provided in adequate time and in a form that enables that Domestic Customer to make an informed choice and take action to allow them to avoid any changes before they take effect;*
- b. Describe what the change is, including an explanation of the reason(s) for the change, any implications of the change if that customer takes no action and when the changes take effect; and*
- c. Communicate to the Domestic Customer their rights and options relevant to the change, including those set out in [\[link to prescription about customer rights\]](#)*

Note that these proposed new principles would supplement existing principles (Standards of Conduct and SLC 25 informed choices principles)

Energy Efficiency and Social Programmes (Ofgem and BEIS)

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Andrej Miller

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The Energy Company Obligation (ECO)

- An energy efficiency scheme for Great Britain. It assists in aiming to reduce carbon emissions and fuel poverty.
- An obligation on larger energy suppliers to deliver energy efficiency measures to domestic premises.
- It focuses on insulation and heating measures and supports vulnerable consumer groups.
- There are sub-obligations which ensure some delivery is focussed on rural areas, and some on solid wall insulation.
- BEIS have just consulted on proposals for ECO3, to begin on 1 October 2018.

Obligated supplier engagement with Ofgem (ECO)

- **Submit to Ofgem:** customer numbers and supply volumes for annual obligation setting.
- **Report to Ofgem:** measures that have been installed in the previous month. Ofgem will then publicly report on supplier progress towards each obligation.
- **Engage with Ofgem:** several operational processes to ensure eligibility of measures eg. Duplicates, residual addresses, measure amendments, processing errors, fraud investigations.
- **Monitoring and reporting:** perform technical monitoring on measures to ensure that they are installed to the relevant standards. Hold appropriate evidence to support this in the event of an audit.
- **Regular meetings:** Monthly bi-lateral with each obligated supplier, Quarterly supplier forum, ECO Reporting Working Group (ERWG), Fraud Prevention Group

ECO - New or 'nearly' obligated?

- We encourage 'nearly obligated' suppliers to **engage with us early**
- Important to ensure that **supplier processes are operational in time** for the start of their obligation
- For newly obligated suppliers, we can offer a **initial process audit** prior to any ECO installations being done
- On top of this we perform **annual process audits** on all suppliers
- Anything else? **eco@ofgem.gov.uk**

Trading under ECO

- Obligated suppliers may trade all or part of each of their obligations between one another or between their own licences.
- Trades can be submitted for review within set windows throughout the scheme.
- We will assess a trade against criteria including:
 - The amount to be traded is not more than supplier A's transferring obligation
 - Following the trade none of the sub-obligations are more than its total parent obligation
 - We are satisfied that the trade is not likely to adversely affect our ability to enforce the requirements placed on Supplier B
 - Have regard to whether Supplier B is capable of delivering the additional savings

BEIS ECO Policy Update

- New obligation from October 2018 to March 2022 worth around £640m per year (2017 prices)
- Targets set in notional lifetime bill savings (not carbon)
- Whole scheme focused on low income and vulnerable households – proposed group of 6.5m homes
- Thresholds – the arguments for lowering the thresholds appear stronger than previously
- Expect to have:
 - Rural sub-obligation
 - Support for solid walled homes
 - Capped support for broken heating systems
- Also expect to have an option to support products not previously installed under ECO to encourage innovation
- Government response to consultation to be published in July

The Warm Home Discount (WHD)

- WHD is an obligation on larger energy suppliers to support people who are in fuel poverty or are in a fuel poverty risk group. Some smaller suppliers also voluntarily participate in part of the scheme.
- It has three different elements: the Core Group, Broader Group and Industry Initiatives.
- Core and Broader Group elements are rebates provided by suppliers to customers in or at risk of fuel poverty.
- Industry Initiatives provide a wider range of support to fuel poor customers.
- Energy suppliers with over 250,000 domestic customers are required to participate in each element of the scheme. Voluntary suppliers meanwhile only take part in the Core Group.

WHD - New or nearly obligated?

- **Identify the cost of the scheme early** and prepare accordingly
- **Engage with DWP** to find out more about their matching service and related process
- **Consider** multi-supplier Industry Initiatives
- **Account** for the time taken to set up brand new Industry Initiatives

BEIS WHD Policy Update

- Scheme will continue until March 2021 at £320m per year (2015 prices)
- Consulted on minimal changes to scheme for 2019/20
- However, expect to make regulations for three years with flexibility to make changes subsequently
- Intend to consult this autumn on more significant reforms for 2020-22
- Those reforms should make delivery easier and cheaper strengthening the argument for lower thresholds

Closing Remarks

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.