

Ofgem-BEIS Independent Suppliers Forum

4 July 2019



Introduction from chairs

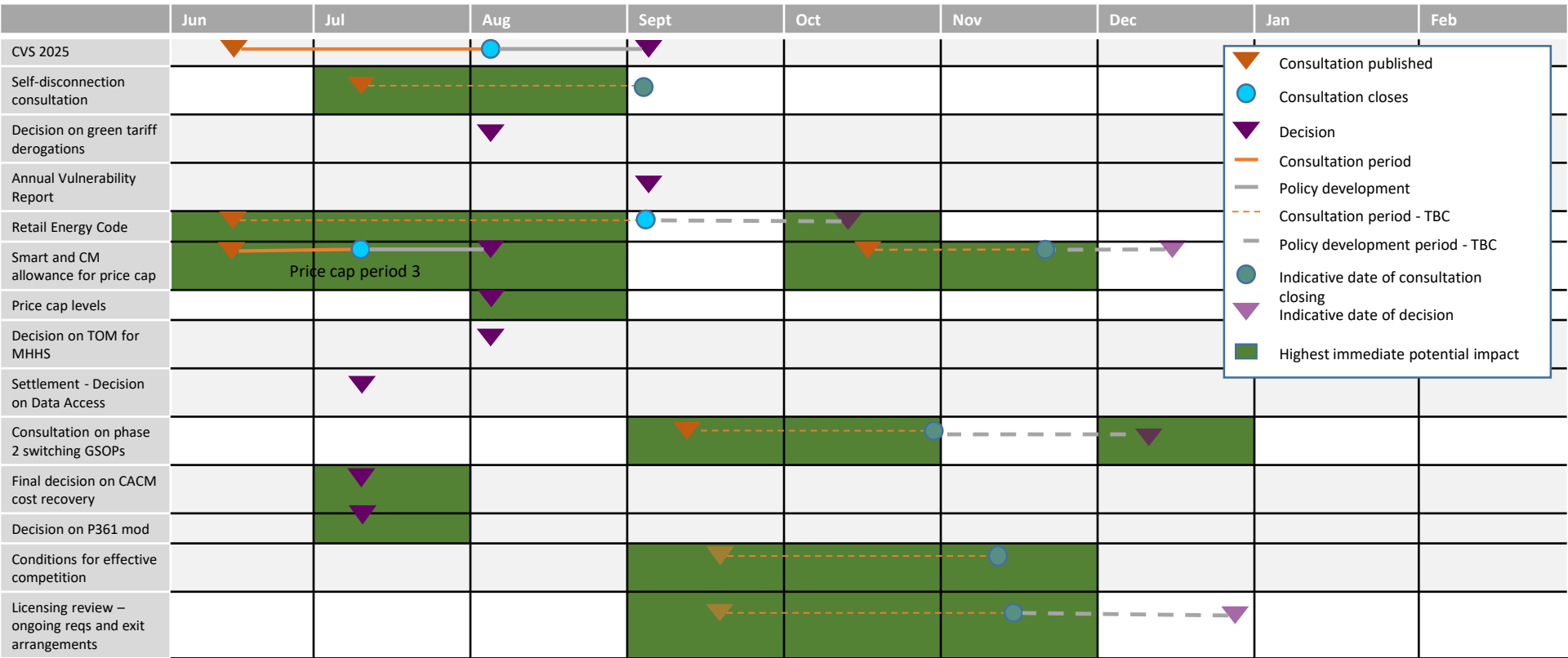
Rachel Clark, *Programme Director,
Switching Programme, Ofgem*

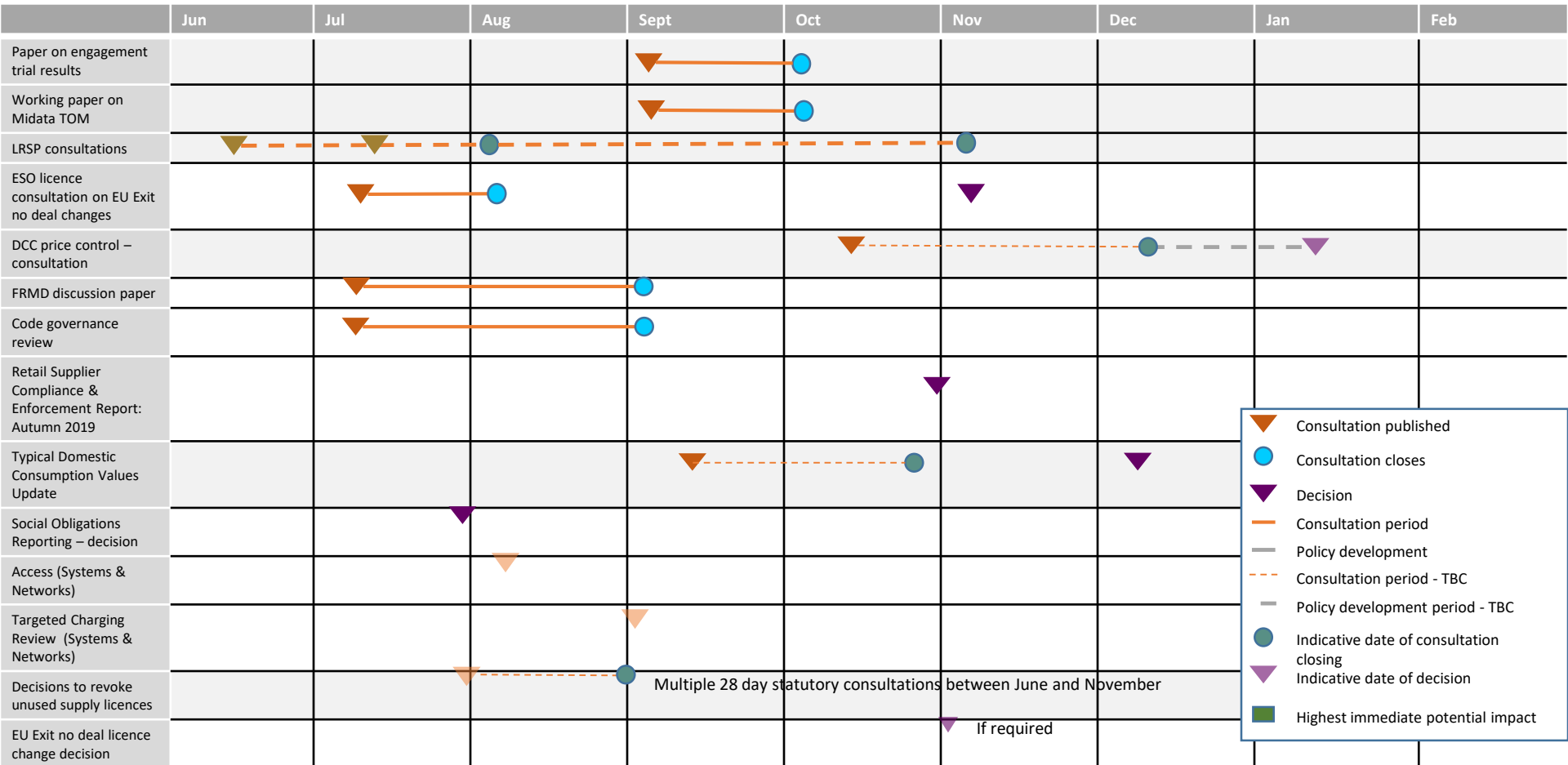
Jane Walker, *Deputy Director, Energy
Markets & Affordability, BEIS*

Agenda for day
10am – Introduction from chairs
10.10am – Welcoming speech: Martin Cave, Ofgem Chairman
10.30am – Strategic Review of microbusiness retail market
10.50am – Retail Energy Code
11.10am – Coffee break
11.25am – Power market liquidity
11.45am – Guaranteed Standards of Practice
12.00pm - Compliance
12.10pm – Networking lunch
1.05pm – Switching Programme
1.30pm – Future Retail Market Review
2.20pm – Coffee break
2.20pm – Workshop: Settlement Reform (DCC)
3.25pm - BSC Modifications (Elexon)
3.50pm – Closing remarks

Welcome from keynote speaker

Martin Cave, Ofgem Chairman





Strategic Review of the microbusiness retail market



Microbusinesses in the retail energy market and the wider economy

- Microbusinesses play a central role in the UK economy - providing a wide range of products and services
- Microbusinesses are equally important in the retail energy market and make up a significant proportion of energy expenditure – meter points accounting for £3.5bn in 2018

Causes for concern, our vision, customer journey model and theories of harm

- **Causes for concern** – Our evidence base suggests the market is not working well for some microbusinesses
- **We envisage a retail market:**
 - *Where providers meet microbusinesses' needs and preferences;*
 - *That microbusinesses can easily navigate and access competitive offerings to make informed decisions;*
 - *Where microbusinesses are adequately protected and receive great service.*
- **Customer journey model**
- **Aware – Browse – Contract – Dialogue –Exit**
- **Theories of harm:** Our theories of harm represent areas where either we already see some evidence of detriment, or where we suspect consumer harm

Scope, timings and next steps

- **Scope:** Customer type and industry actors
- **Timings:** The Strategic Review is scheduled to run for the course of our 2019-2021 Forward Work Programme
- **Next steps:** **May CFI now closed.** Following analysis of CFI responses and other evidence gathering activities we intend publishing our action plan with priority areas for intervention in winter 2019

Questions from the floor

Opening Statement – Microbusiness Strategic Review

Contacts:

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Retail Energy Code



Louise Stumbles

Recap: What is the Retail Energy Code?

- The Retail Energy Code (REC) will govern the operation of faster and more reliable arrangements for consumers to switch their energy suppliers.
- It will bring together the dual fuel code requirements relating to retail energy activity, providing an opportunity for wider retail code consolidation.

Transitional switching requirements and RECCo establishment

REC designated 1 Feb 2019.

Codified the **transitional** requirements to facilitate timely & effective implementation of new Central Switching Service (CSS) arrangements;

Established the RECCo; procurement of the REC Manager and performance assurance analytics can commence ahead of and be in place for go-live

Enduring switching arrangements

Consulting on drafting of the **enduring** switching schedules, and consequential changes to impacted codes, to be maintained through Ofgem SCR process until next version of the REC will be given effect

RECCo and/or REC Manager to develop digital transformation strategy – ideally at, or ASAP after v2.0 implementation.

(Previously known as version 2)

Retail code consolidation

Intending to launch a separate SCR to complete non-switching **retail consolidation**.

Enables all changes to be effected as a single point of cutover, avoiding prolonged and voluminous transitional modifications;

(Previously known as version 3)

REC



**To be designated 1
April 2021**

Switching Programme SCR

Delivers the necessary REC provisions to support switching

Makes consequential changes to other codes, related to switching

Retail Code Consolidation SCR

Rehomes all other provisions from MRA and SPAA (not necessarily in the REC)

Simplifies governance of metering Codes of Practice



Consolidation

- Initially '2 become 1', but expect other agreements and codes to follow;
- Aiming to simplify and **future-proof**, not simply lift and shift
- May bring together governance of all existing 'BAU' touch points between industry and the consumer.



Access

- Being developed as a **web-based and query-driven code**;
- Bottom up targeted application – matched to prevailing business model rather than licence held;
- Non-licensees expected to become Parties and access REC data and services;
- Propose to remove restrictions on who can propose change.



Compliance

- **Performance assurance** 'baked into' the drafting;
- If it can't be measured it's not a 'rule';
- Focus on the principle, not the mechanics;
- Meaningful code sanctions for non-compliance.



Code Manager

- **Proactive and empowered**, not solely upon instruction of Panel;
- Responsible for scheduling work and able to prioritise;
- Expected to develop and analyse proposal 'offline', not rely on F2F industry meetings;
- Resources to procure additional support;
- Able to instigate and progress change.

Scope of includes:

- REC governance
- Indicative licence changes
- Drafting of the operational REC schedules
- Plan and approach for delivering code and licence changes
- The scope of the Retail Code Consolidation SCR

Responses:

- Consultation will be open until 9 September
- There are two areas where asking for earlier response: REC Manager role, and MPAS provisions by 29 July

Planned activity between now and go-live

- We'll continue to manage the designated REC, baselined schedules and impacted code drafting, utilising Switching Programme change control process, and governance groups
- Autumn 2019: We'll consult on the complete package of end to end Switching SCR consequential changes to impacted codes, & launch the Retail Code Consolidation SCR
- Early 2020: Consultation on the licence change drafting
- Q2 2020: Consultation on the Retail Code Consolidation SCR drafting
- Q4 2020: We'll publish a statutory consultation on the licence change drafting
- Early 2021: Ofgem decision on both SCRs and licence changes
- 1 April 2021: Changes effective: Providing as much certainty to parties ahead of the unknown Switching Programme go/no-go decision and subsequent go-live date
- Between 1 April 2021 and Switching Programme go-live: The designated REC to cover both the legacy and *dormant* enduring switching provisions
- Go/No-go decision in Summer 2021: Ofgem to issue a direction making switching *enduring* provisions and licence changes 'active', when the decision is made for the new switching arrangements to go live

Questions?

Or please email us at:
switchingprogramme@ofgem.gov.uk

Power Market Liquidity – Update



Heather Stewart

What is our power market liquidity policy?

Liquidity is an important feature of a well-functioning, competitive market that can benefit consumers by:

- **Lowering costs:** suppliers are better able to hedge their customers' requirements, reducing transaction costs and risk.
- **Promoting competition:** reduced transaction costs and regular opportunities to trade lower barriers to entry.
- **Supporting investment:** robust reference prices along the curve provide market signals which can lower the cost of investing in the energy system.

In 2014, we introduced **Secure & Promote** to improve market access to forward power markets and secure fairer trading terms for small suppliers.

Policy Objective	Policy Mechanism
Promote the availability of products that support hedging	Supplier Market Access (SMA) rules introduced minimum service standards on the largest 8 generation companies when dealing with small suppliers.
Promote robust reference prices for forward products	Placed a Market Making Obligation (MMO) on the largest vertically integrated companies. This requires obligated parties to place bids and offers into the market for a selected range of forward products at a mandated spread during two hour-long windows per day.
Secure near-term market liquidity	Placed Reporting Requirement on the MMO and SMA trades of the largest 8 generation companies.

Ofgem liquidity publications

Aug 2018: Centrica released from the MMO following corporate restructuring (following the release of E.ON in November 2016).

Aug 2018: Open letter seeking views on the potential suspension of the MMO given past and anticipated market changes

Nov 2018: Decision not to suspend the MMO but that the market should prepare for this if certain planned corporate transactions completed

Jan 2019: Scottish Power released from MMO following sale of assets.

March 2019: Ofgem Forward Work Plan 2019/20 confirms review of the effectiveness of the MMO in light of changing market structure and potential action if evidence suggests policy change would be in the interests of consumers.

May 2019: Open letter signaling that we will conduct an options assessment to consider whether intervention is still required and, if so, whether it can be improved upon, and seeking views on the objectives for our liquidity policy.

Our **aim** is to make a decision on whether continued intervention to support liquidity in the GB power market is still required and, if so, whether policy change is in the interests of consumers.

How we plan to achieve this:

- Re-fresh our market liquidity objectives
- Evaluate the impact of Secure & Promote
- Conduct an options assessment of alternatives to the MMO
- If change is required, consult on a 'minded to' position.

Small independent suppliers remain a key demographic for this work: improving liquidity and market access for small and new entrant electricity suppliers is vital for a competitive, well-functioning market.

What we need from you:

We require robust evidence on the impact of Secure & Promote to evaluate the policy and come to a view on whether intervention in some form is still required.

- Can you access products to support hedging?
- Are there robust reference prices along the curve?
- Is there an effective near term market?
- Should our review focus on the MMO, or should we consider changes to the Supplier Access Market rules?
- What has been your wholesale market experience before and after Secure & Promote was introduced?

Options Assessment

- Should we amend the current MMO (obligated parties and/or rules) or look to tender for market making service?
- What other options outside of market-making should we consider to support liquidity?

What method of engagement and evidence gathering work best?

- Small-supplier workshop on liquidity
- Informal consultation / open letters
- Bilateral meetings

Liquidity work programme for 2019/20:

- 01 July: Responses to May 2019 letter received
- Review responses and consider changes to our liquidity policy objectives
- Evaluate the effectiveness of Secure & Promote and conduct a First Principles Review on the need for continued intervention
- Options Assessment – with stakeholder workshop
- If we are minded to make changes, consult on a minded to position.

We expect the bulk of this work to take place over the next few months. We will keep industry updated on progress and timings for next steps.

Guaranteed Standards and Automatic Compensation for Delayed and Erroneous Switches



James Crump

Erroneous Switches

- Approximately 0.96% of domestic switches were erroneous in 2016
- Equivalent to 89,000 erroneous switches based on 2017 data

Delayed Switches

- Approximately 693,000 switches (7%) were delayed beyond 21 days for invalid reasons in 2017

Timing of final bill

- We understand that 8% of final bills are issued more than 6 weeks after switching
- *(Ofgem's 2017 monitoring data from 17 different suppliers)*

Refund of credit balances

- Evidence from our Rfl suggests that c.145,000 customers would have been eligible for a payment under the proposed standard in 2017.

These problems cause real consumer harm. Guaranteed Standards will provide automatic redress to consumers who suffer detriment in these areas without the need for further enforcement action.

		Guaranteed Standard	Cost incurred by	£
Stage 1	B	To agree whether a switch is valid or erroneous within 20 working days of identification of the possible erroneous switch	'New' supplier	£30
			'Old' supplier	£30
	D	To send the Erroneous Transfer Customer Charter "20 working day letter" to an erroneously transferred consumer	Contacted supplier	£30
	A1	To return an erroneously switched customer within 21 working days of identification of an erroneous switch	'Old' supplier	£30
	F	To refund credit balances within two weeks of sending the final bill	Losing supplier	£30

- As of May 1st 2019, suppliers have been liable to make payments in these areas.
- We will collect data on the number of GSOPs paid out and compare this with contextual data (number of switches, ETs reported (from Electralink), monitoring data etc).
- A Request for Information will be made in the next few days, based on a draft data reporting template. This has already been circulated and is available online.

		Guaranteed Standard	Cost incurred by	£
Stage 2	A	To ensure a switch is completed within 21 calendar days from the date the consumer enters into contract with gaining supplier, unless there are valid reasons for delay to switch	(TBC)	£30 (TBC)
	C	To ensure a consumer is not erroneously transferred	(TBC)	£30 (TBC)
	E	To issue final bills within six weeks of a switch	(TBC)	£30 (TBC)

- These have been developed from our original proposals after listening to concerns from (principally) independent suppliers that some Guaranteed Standards risked penalising suppliers for poor behaviour by other suppliers.
- We have held extensive discussion with a workgroup of stakeholders in order to produce the most appropriate distribution of responsibility. Minutes of these discussions are available on Ofgem’s [website](#).
- We are now working to produce a consultation and Statutory Instrument, for publication in late summer 2019. We hope to hold a session before this date (currently planned for early August) to discuss our emerging thinking.

1	Open letter to suppliers detailing proposals to introduce Guaranteed Standards and to publish supplier performance data.	PUBLISHED December 2017
2	Initial consultation and Approach to Impact Assessment document, identifying ~£70m of consumer detriment in 2017 and proposing 6 new Guaranteed Standards.	PUBLISHED June 2018
3	Publish Decision and Statutory Instrument creating Guaranteed Standards B, D and F relating to Erroneous Transfers (and credit refunds) immediately, Guaranteed Standard A1 requiring return of erroneously switched customers within 21 days.	PUBLISHED 23 November 2018
4	Decision on Initial Statutory Instrument.	COMPLETED 21 December 2018
5	Statutory Instrument is made.	PUBLISHED 13 February 2019
6	Guaranteed Standards A1, B, D and F comes into effect.	COMPLETED 1 May 2019
7	Phase 2 Working Group to develop Guaranteed Standards A, C and E targeted at those suppliers who are at fault for detriment.	FINAL SESSION 19 June 2019
8	Ofgem to start work on second SI to implement Phase 2 Guaranteed Standards.	May/June 2019
8	Collection of first round of quarterly reporting on Phase 1 GSOPs.	July 2019
9	Publication of further Statutory Instrument implementing second phase of Guaranteed Standards.	Summer 2019
10	Expected implementation of second tranche of Guaranteed Standards, after Statutory Consultation	Autumn 2019 – Winter 2019/2020

1. Suppliers should be **making compensation payments for the Phase 1 Guaranteed Standards now.**
2. We will imminently issue a Request for Information to **collect data on supplier performance**, and using this to inform decisions on how the standards are being implemented.
3. We expect suppliers **to make principle-based decisions** on how the Guaranteed Standards should be implemented. We can't provide a guidance on the right approach in every instance.
4. We will **publish an Statutory Instrument covering the remaining Guaranteed Standards in late Summer.** We will consult on the policy and SI, and further engage before then.

Any questions?

Retail Compliance – plans for the near future



Frank Hemmes
4 July 2019

Introduction

- The Retail Compliance team sits within the Conduct & Enforcement portfolio of Ofgem's Consumers & Markets Division, which is headed by Mary Stark.
- Our primary objective is to promote good outcomes for consumers by ensuring that suppliers comply with the supply licence conditions. We have a particular focus on the outcomes for vulnerable customers, in line with our Customer Vulnerability Strategy.
- Where we find non-compliance we may engage through account management, by initiating compliance engagement, or referring a case to our colleagues in Enforcement.
- We act on intelligence that we gather from a number of sources:
 - Consumers
 - Social media
 - Whistleblowers
 - Information requests
 - Citizens Advice and the Energy Ombudsman
- As well as reacting to compliance issues we discover, we also conduct proactive projects to understand specific parts of the market. We intend to shift the balance more towards proactive work over the next 12 months.

- The Retail Compliance team has previously undertaken number of proactive compliance projects which looked at different parts of the market.
- We have scoped out our projects in a range of different ways:
 - Detailed reviews of very specific elements of the market
 - Increased and structured engagement with a selection of suppliers
 - Periodic assessments of supplier compliance with specific requirements across the market
- We intend to rebalance our activities towards more proactive works over the next 12 months, in order to drive improvements in standards, performance and customer outcomes across industry.
- We expect to initiate projects in the following areas over the next 12 months:
 - Customer Contact
 - Vulnerability
 - Financial Resilience

- We are currently scoping a proactive project on customer contact: how easy it is for customers to contact their supplier and have a query answered or an issue resolved.
- This would look at a wide range of ways and reasons a customer can have to contact their supplier.
- We are reviewing the information and indicators we currently to identify any gaps in our understanding.
- Our aim is to review supplier processes across areas where they have contact with customers with the aim of identifying good practice where we see it and encouraging all industry participants to improve
- We recognise that there is no 'one size fits all' approach to customer contact and that different companies will address challenges in different ways
- We are proposing to undertake this work in stages – looking at small/medium suppliers first.

- Supplier financial resilience is a priority area for us given the impact of supplier failure on the market, consumer outcomes and customer service.
- We monitor financial resilience using a combination of proxy indicators and information obtained through account management conversations.
- Ofgem is also consulting in additional requirements on suppliers as part of the Supplier Licencing Review.
- All suppliers should familiarize themselves with the conditions imposed on them in case of insolvency, and contact us as soon as possible if there is a risk a supplier will cease trading.

- Ensuring good outcomes for vulnerable consumers remains a priority for us.
- Ofgem is currently consulting on its updated Consumer Vulnerability Strategy. The consultation is open until 8 August.
- We expect to undertake a proactive compliance project once the CVS is finalized, which will focus on some of the priority areas set out in the CVS.
- Impacts on vulnerable consumers also remain an important factor in deciding our approach to, and prioritisation of, our reactive compliance engagement.

- We will continue to engage with the market on a wide range of issues, including customer service levels, treatment of vulnerable customers and supplier financial resilience.
- We may ask suppliers for information, either informally or through formal Requests for Information (RFIs). It is important that suppliers respond to these promptly, accurately and in full.
- All domestic suppliers will be assigned an account manager. Suppliers should contact their account manager in the first instance with any questions, updates on relevant changes to their business, or to self-report any non-compliance.

Networking Lunch

12.10 – 13.05

Switching Programme



Nicola Garland

Agenda

- Key Updates from Ofgem
- Update on Governance forums and working groups
- Programme Parties Mobilisation Readiness Assessment
- Assurance update
- Switching Programme Web-Portal (Salesforce) update
- Questions

Key Updates from Ofgem on programme



Key Updates to discuss

- Entered DBT Phase on 14 May 2019, 6 weeks behind original timeline
- Revised near term plan to get to next major milestone Programme Parties Mobilised (PPM) in August 2019 approved at the Delivery Group on 18 June 2019
- This plan sets out how and when the following key deliverables will be produced and consulted on:
 - The **Physical interface design** - Design Forum
 - The **CSS Integration Approach** (the 'How') and **Plan** (the 'When') – Testing Working Group, Data Working Group and Design Forum
 - The **Programme 'Plan on a Page' re-baselining** - Implementation Group
- All these deliverables will be approved by the Delivery Group on 27 August (L1-05 and L1-06 milestones)
- Programme Parties will also need to demonstrate a number of other criteria at the PPM Milestone which will be discussed later in this presentation.

Update on governance and working groups



Update on governance and working groups

- All planned Design Build and Test (DBT) governance forums now established
- **Delivery Group** and **Implementation Groups** are representative and include:
 - Webex 1 week ahead of the meeting, open to all, to go through content
 - Representative model and for Small Suppliers it is Martin Evans and Karen Lee
 - Please feed your comments through them to take in to the meeting
- The majority of the other Working Groups are open to all and all have virtual (webex) capability
- The key working groups to attend at the moment are:
 - **Design Forum**
 - **Testing Working Group**
 - **Data Working Group**
- The key working groups to be established in the future are:
 - **Cutover Working Group**
 - **Post-Implementation Working Group**

Programme Parties Mobilisation Readiness Assessment

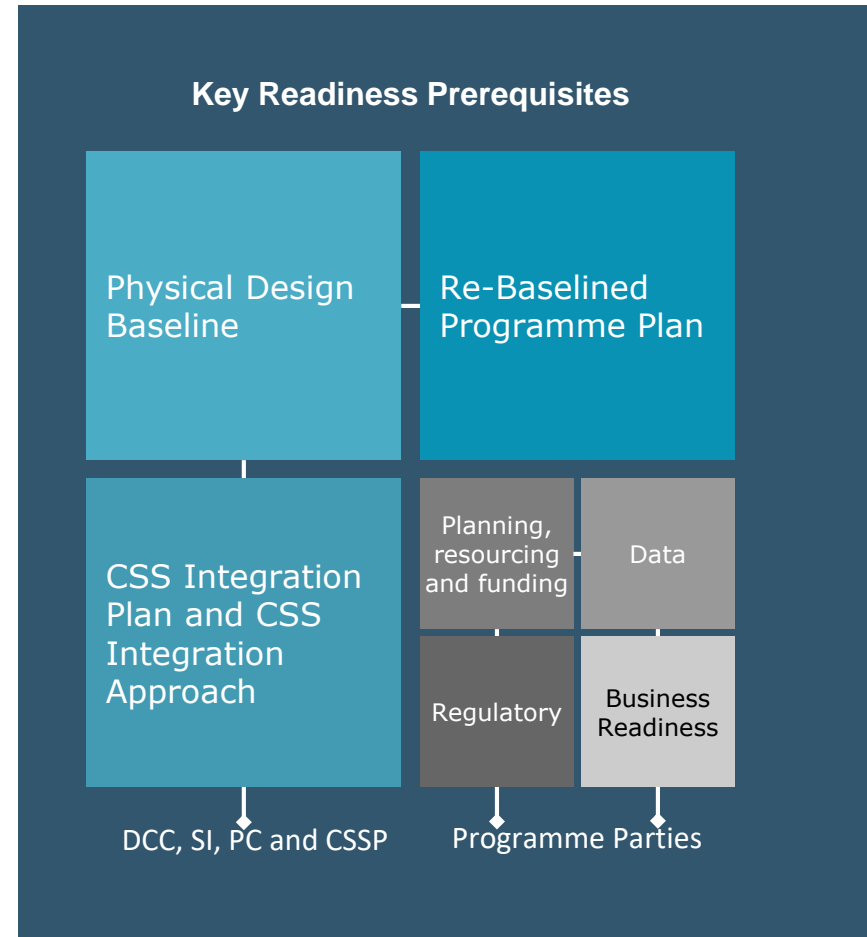


Programme Parties Mobilised Readiness Assessment

Assessment Approach

- Similar approach to DBT Entry with self assessment by Programme Parties against a set of agreed criteria
- Greater focus on Licenced Parties in addition to the Existing Systems Providers and Central Delivery Partners
- PPM Framework expanded to provide additional guidance including:
 - Indicating where suppliers may reasonably be expected to consult with 3rd Party IT systems providers for a response
 - Detail on expectations (e.g. resourcing levels)
- Two self assessments are expected to provide a glide path of readiness and allow issues to be resolved. Indicative submission deadlines dates:
 - Dates are to be confirmed as part of near term re-planning
 - Delivery Group to take final decision on milestone attainment
 - Assurance will be conducted

*Dates dependent on near term plan checkpoint on 31 May 2019 being passed



Assurance update

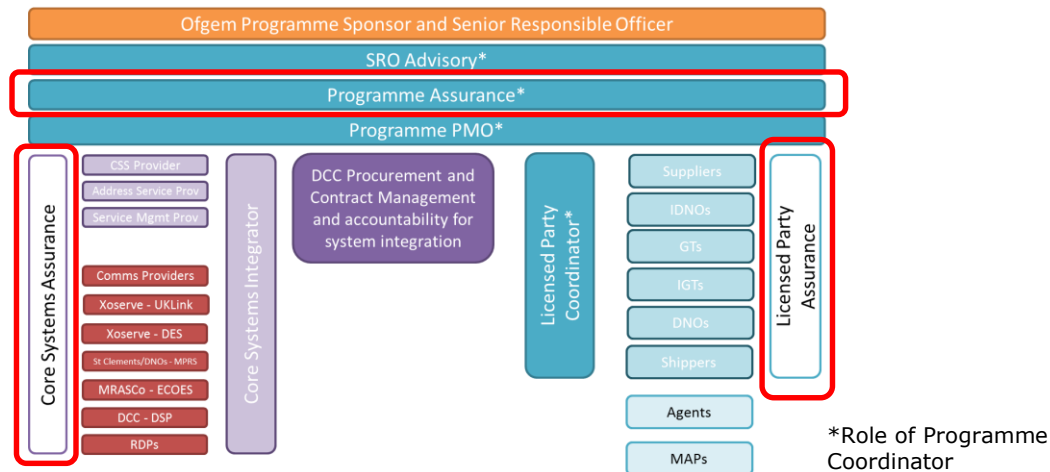


Assurance Update

A **co-ordinated assurance approach** is being implemented for DBT phase to build confidence that quality decision-making

A milestone based approach is being adopted and is being set out in the '**Milestone Assurance Framework**'.

The framework will be coordinated by the **Programme Coordinator (PC)** with assurance activities primarily performed by the **Core Systems Assurance (CSA)** provider and **Licensed Party Assurance (LPA)** provider.



Progress and next steps:

- The **Milestone Assurance Framework** will be reviewed and approved through Switching Programme Governance over the next month and socialised with industry in early June. This will provide more details of what industry can expect in terms of assurance activity.
- **Expleo has been appointed as CSA** are now commencing engagement with Core Systems Providers.
- The **LPA** procurement is currently underway by Ofgem and expected to be announced during May.

*Role of Programme Coordinator

Programme Web-Portal Update



Switching Programme Web-Portal (Salesforce) Update

Switching Programme Web-Portal Update:

The Web-Portal went live on 4 June 2019. Key updates include

- **Configuration** - Configuration of Release 1 functionality is complete
- **Testing** - Completed successfully including security testing
- **Data** - Account and contact information has been loaded however, we still require users to be confirmed
- **Salesforce Go-Live preparation** - A decision to Go-live was taken on 4 June 2019 and the system is now available for use
- **Support** - guidance material has been issued and 3 webex sessions held to provide support.

Contact Switching PMO at SwitchingPMO@ofgem.gov.uk to request new user access

Home Screen and overview of functionality

The screenshot displays the home screen of the Switching Programme Web-Portal. At the top, there is a navigation bar with the 'ofgem' logo, 'Home', and 'Groups' links, along with a search bar and a user profile icon. Below this is a prominent banner titled 'Key Programme Updates and What's Expected of You:' which states that the Design, Build and Test (DBT) Phase commenced on 14 May 2019 and requests completion of the Programme Parties Mobilised Readiness Assessment (Licenced Parties) by 07 June 2019. The main content area features four blue navigation tabs: 'MY ORGANISATION', 'MY QUERIES', 'READINESS ASSESSMENTS', and 'KNOWLEDGE BASE'. Each tab is accompanied by a circular icon representing its function. Below the tabs, there are four white boxes with blue borders, each containing a list of key functionalities:

- MY ORGANISATION:**
 - View details about your account
 - Add, amend and remove key contacts within your teams
 - See a summary of all your queries and requests for information
- MY QUERIES:**
 - Raise a Programme Query to customer support
 - Check the status and responses of your queries
- READINESS ASSESSMENTS:**
 - Access Programme Assessments
 - Respond to assessments
 - Review and update responses as required
- KNOWLEDGE BASE:**
 - View and search key Programme articles and documents
 - View monthly newsletters

Any questions?



FUTURE ENERGY RETAIL MARKET REVIEW

Independent Suppliers' Forum

4th July 2019



Department for
Business, Energy
& Industrial Strategy

Outline of today's session



- Quick update on status of the review since last ISF
- Break out sessions to discuss key opportunities
 - Fair pricing
 - Debt
 - Feedback

Since the last ISF in December...



- Joint kick-off event in March.
- The joint BEIS and Ofgem team have been meeting with stakeholders to develop policy options and the five key outcomes for a future market.
- Aiming to consult on preliminary findings and options.
- We will continue to engage over coming weeks with stakeholders.
- Interested in your views today.

Five key outcomes



Opportunity

Challenge to overcome

Ensuring consumers have a wider choice of energy services

- Regulation blocks innovative products and services that would allow consumers to take advantage of new technologies and system flexibility

Ensuring consumers can make choices free from distortions

- Regulation, including a wide range of supplier obligations, increases costs for larger suppliers leading to price discrimination

Ensuring consumers are consistently protected

- There are gaps and inconsistencies in consumer protections as new products and services emerge - which distort the market and create risks for consumers.

Ensuring all consumers face fair prices

- Real and perceived barriers to effective consumer choices inhibit the power of competition to deliver fair prices and good customer service to all.

Ensuring vulnerable consumers receive the services they need

- The market lacks incentives to develop products and services that meet the additional needs of vulnerable consumers.

Innovation

Fairness



Tables can break off and discuss some key opportunities for change in the future retail market. Half of the tables will be looking at debt, half at fair pricing.



You should nominate a note taker to summarise a few key points from each discussion.



Avoiding excessive pricing



Without effective protections in place there is a risk that consumers who do not (or cannot) shop around for their energy will pay excessive or uncompetitive prices.

In its recent work on loyalty penalties in other sectors the CMA explored several approaches for preventing excessive loyalty penalties:

- a) Interventions to limit price differences or **cap prices**
- b) Regulators applying **principles which describe unfair pricing approaches** – with compliance demonstrated through ex post monitoring
- c) Actively helping people move to a better deal e.g. through the use of **collective switching** (which can be on an **opt-in** or **opt-out** basis)
- d) Enforcement of consumer law and sector specific rules to tackle **harmful practices** that make switching harder (e.g. longer call waiting)

Questions to Prompt Discussion

1. *How would these proposals impact your business?*
2. *Which would be your most/ least preferred approach?*



Analysis from Citizens Advice and the Energy UK Vulnerability Commission suggests that energy debt is a significant problem and some suppliers have a greater proportion of consumers in debt

Research suggests that the level of support consumers who are struggling to afford their energy receive (e.g. repayment plans, preventative steps to pre-empt issues) is inconsistent across different suppliers.

Questions to Prompt Discussion

- 1. What has been your experience when supporting customers struggling to afford their energy?*
- 2. Do you agree that some suppliers have a greater proportion of consumers likely to get into debt?*
- 3. How can we achieve greater consistency of debt support across the sector? Should third-party support play a greater role in helping consumers who are struggling to afford their energy?*



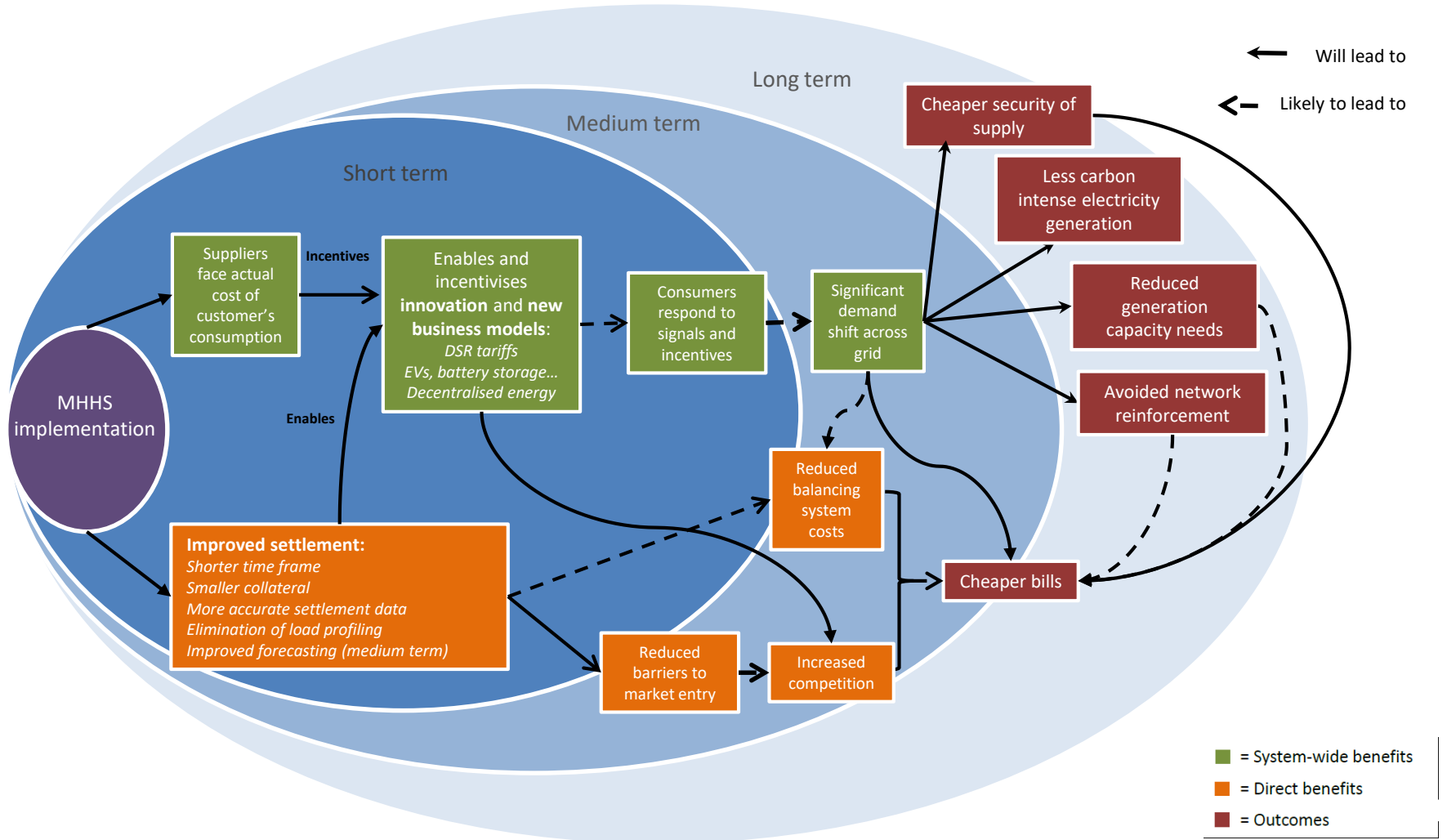
What do you think?

Settlement Reform (Market-wide Half Hourly Settlement - MHHS) Independent Suppliers Forum



halfhourlysettlement@ofgem.gov.uk

Settlement Reform: Benefits



Range of benefits from economic model (Dynamic Dispatch Model):

£1.9bn - £5.4bn by 2045 (NPV in 2018)

Net welfare consists of:

- Carbon cost savings
- Generation, capital and network cost savings
- Balancing cost savings
- Unserved energy and interconnectors

Target Operating Model (TOM)

- Outlines how settlement arrangements will need to change to deliver market-wide HHS (MHHS)
- The industry-led Design Working Group (DWG) has provided their preferred TOM and are now consulting on their preferred transition approach to the final TOM
- Delivery of the DWG TOM and transition approach is expected later in 2019

Business Case

- A 3-stage assessment of the case. We have published the Strategic and Outline Business Cases
- The final stage, the Full Business Case, will include an economic impact assessment of costs/benefits
- The impact assessment will be informed by a Request for Information (RFI) that we will publish shortly

Policy and consumer work

Access to Data: what data should suppliers be able to access for settlement, and what consent should be required. Last week we published our [decision](#) – for domestic consumers access to half-hourly data will be permitted for settlement unless the consumer opts out; there will be no opt-out for business consumers. The data can also be used for forecasting, but not for other purposes eg. marketing, billing

Consumer Impacts: including willingness to load shift and adopt innovative technology; distributional impacts and appropriate consumer protection measures. Issued Call for Evidence in February 2019. Will soon publish **a summary of responses**

Agent Functions

- Consulted in September 2018 and published our [decision](#) in May 2019, in which we confirmed
 - our decision not to centralise agent functions
 - our view that there may be a case for non-aggregated data to be sent to ELEXON for settlement

Workshop Session

- Draft RFI will be issued for comments
- Views on scope, clarity, feasibility sought by mid-July
- We expect to issue the formal RFI by around the end of July
- It will seek information, given the preferred TOM, on
 - potential cost drivers and the scale of those costs, and
 - the effects of different implementation approaches on those costs
- We want to use this session to generate discussion about aspects of the business case RFI.

What are likely to be the most significant cost drivers arising from market-wide half-hourly settlement?

How will market-wide half-hourly settlement affect your ability to forecast customer demand?

What impact will market-wide half-hourly settlement have on your appetite to innovate? How do you think consumers will respond?

1. What are likely to be the most significant cost drivers arising from market-wide half-hourly settlement?
2. How will market-wide half-hourly settlement affect your ability to forecast customer demand?
3. What impact will market-wide half-hourly settlement have on your appetite to innovate? How do you think consumers will respond?

Feedback and Questions

Please email us on halfhourlysettlement@ofgem.gov.uk
if you have any further questions

Public

BSC Changes

Independent Suppliers Forum

4 July 2019
Lawrence Jones and Ivar Macsween



Who we are and what we do



Code Administration

- Industry rules management
- Trusted critical friend
- Dedicated customer support /training

Code Operation

- 24/7 settlement
- Design/change implementation
- Assurance services
- Dedicated customer support/training

Policy Delivery Support

- Impartial, expert advice/guidance
- Market scanning
- Providing support to deliver policy outcomes

ELEXON – trusted, reliable independent market experts

We serve **468**
market participants
including:



EMRS - We also calculate, collect & distribute payments to CFD generators and Capacity Market providers



How we work for you

Support

- Proposers in development of changes
- Workgroups in assessment of changes
- Market participants with queries and understanding/training

Trusted

- Not-for-profit
- Critical friend

Transparent

- Publication of Workgroup materials
- Modification Reports
- Change Report
- Change Register

Independent

- Working for the benefit of industry and consumers
- Independent Panel and Workgroups

Industry led change process



P362 – Electricity Market Sandbox

Enables innovative ideas to be trialed



P370 – Allowing non-BSC Parties to raise Modifications

Enables non-BSC Parties to raise Change

What does the future change process need to look like?

We have been told of some issues with the current change process

Takes too long

- Changes take too long to assess
- Changes work to slowest participants
- Changes based on big bang / waterfall approach

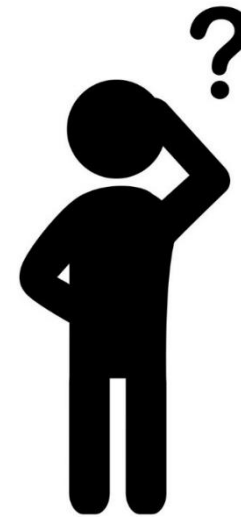
Reactive

- Deals with existing problems rather than looking forward in preparing the energy system for the future
- Designed to fix defects rather than strategic or holistic changes

Resource Intensive

- Lack of responses from smaller/new participants
- Raising and progressing a change is resource intensive
- Some changes struggle to attract Workgroup Members, delaying the change

ANY IDEAS?



High standard of customer service independently verified

ofgem

Code administrators' performance survey, 2018

86%



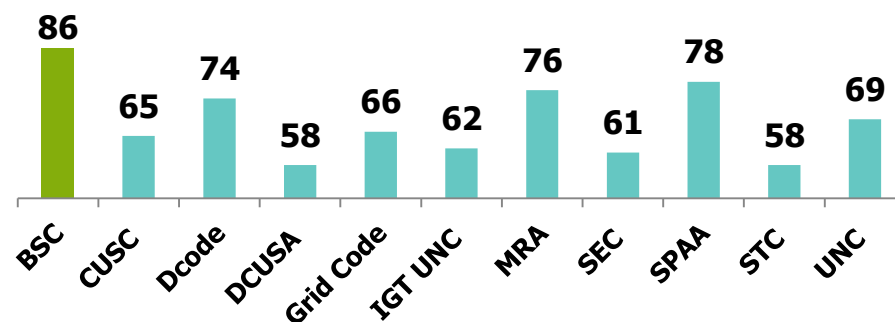
are **satisfied** with
ELEXON's service (nearly
50% are **very satisfied**)

ELEXON scored **the highest net satisfaction rating of all the code bodies for a second year**

// Elexon were very knowledgeable about the process, no sort of grey areas, saying 'if this is what you want, then this is the next step', mentioning the pitfalls, and every question that we asked they were on top of.

// I think Elexon are very good..... Elexon is doing a pretty good job [in relation to the BSC].

Satisfaction with the provision of support from code administrator (%)






ELEXON is rated **very highly** for providing support in relation to the BSC

Get involved

At ELEXON we do encourage wider industry participation in our Change process at all applicable stages

- 1 Raise Changes**
 - Have you spotted a defect in the arrangements?
- 2 Respond to Consultations**
 - Your views matter
 - Quick Response
- 3 Join Workgroups**
 - Your views matter
 - Engage in discussions

Directly

-  Call us
-  Email us
-  Come and see us



Open Modifications to the BSC

P344 – TERRE and Wider Access

Addresses: EU wide project to introduce a platform for Replacement Reserve allocation as part of the EB GL – go-live is December 2019, and extend BM access to more participants

Justification: Enabling a greater range of participants to provide balancing services to TERRE and the BM

Progress to date: Phase one implemented in February 2019; Phase two in November 2019

Creates Virtual Lead Parties (VLPs) and Secondary BM Units (SBMUs)
Market Entry registration is already open – market.entry@elexon.co.uk

Next Steps:

Industry testing is July, September and October – Forum and news articles in June
Contact terre.testing@elexon.co.uk

Consequential Changes being raised: Clarifying redlining, Further changes to CSDs
Post Brexit, Wider Access will go ahead as planned, but TERRE access would need agreement

Testing Timeline

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
P344	ⓘ		ⓘ	ⓘ		✓			

P374 – Aligning BSC Change process with the EB GL

Defect: EB GL's Article 18 Terms and Conditions of Balancing that are due to come into force early next year. Any changes to the T&Cs require a month consultation period

Solution: The BSC may need to be amended and we are working through how best to do this

- This may need include an increase in the minimum consultation period
- Potentially, any changes that overlap with EB GLs could only be approved by the Authority



There will be a transition period and 'in-flight' Modifications may be delayed as we transition

Justification: aims to ensure that the BSC aligns to requirements of the EB GL's Article 18 terms and conditions of Balancing

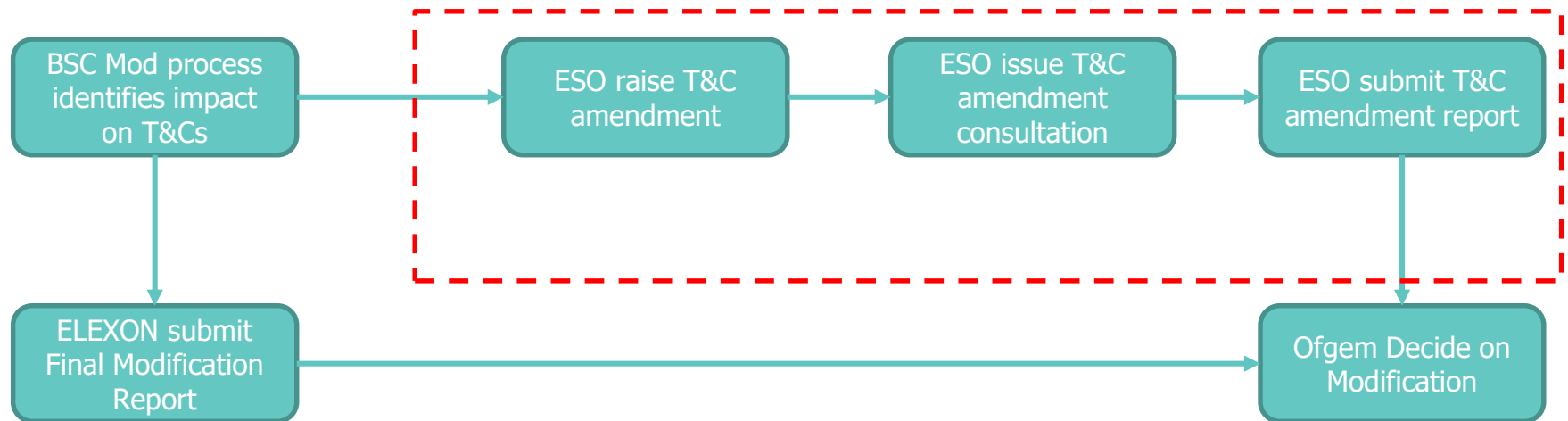
Next Steps:

We welcome responses to the Assessment Procedure Consultation by 18 July 2019 and seeking availability for the fourth Workgroup meeting

Consultation Timeline

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
P374									

Indicative EBGL Change Process



- ESO will consult on T&C changes once BSC Modification solution finalised (post AR)
- Ofgem will consider both BSC Final Modification Report and ESO T&C Amendment Report
- EB GL consultation is legally separate from BSC
- We will amend our templates and Workgroup Terms of Reference in preparation for T&C approval
- We are continuing to support ESO
 - EB GL change process for BSC may be delegated/assigned to ELEXON for efficiency

P375 & P376 – Use of asset metering and baselines

Defect: FPNs may be inaccurate if submitted by the VLPs where there is other uncontrollable demand assets on the same site. This may lead to VLPs not being paid fully for the services they provide

Solution (P375): Settle SBMUs using metering equipment behind the defined Boundary Point for Balancing Services rather than Boundary Point Meter

Solution (P376): use a Baseline Methodology based on recent historic in lieu of submitting Final Physical Notifications (FPNs)





Justification: Enabling a greater range of participants to provide balancing services to TERRE and the BM

Next Steps:

P375: Workgroup early July to finalise the solution and agree requirements

P376: Workgroup mid July to consider proposed solution

Consultation Timeline

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
P375									
P376									

P379 – Buying and selling from multiple Suppliers

Defect: ELEXON white paper last year set out options from a Settlement perspective which was picked-up by the Proposer

Solution: Will enable innovation including (among others):

- Community energy schemes
- Electric vehicle (EV) and other consumer appliance providers offering bundled supply
- Peer-to-peer trading participants and other local market developers
- Storage providers (and other aggregators) – both behind and in front of the meter
- Existing Trading Parties

Justification: Gives consumers more choice in how they buy and sell their energy; reflecting changing market needs

Next Steps:

Several more workshops over the remainder of the year before consulting in December

Consultation Timeline

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
P344									

Other Modifications

	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Dec 19	Jan 20	Feb 20
P332 – Supplier Hub				AR				
P366 – Hard To Read sites	DMR							
P371 – Inclusion of Non BM Fast Reserve		AR	DMR					
P374 – EB GL requirements		AR	DMR					
P375 – Using asset metering		AR	DMR					
P376 – using a baseline			AR	DMR				
P379 – multiple Suppliers	Interim			AR	DMR			
P382 - Brexit					DMR			
P383 – reporting of demand data			AR	DMR				
P385 – improving Default processes			AR	DMR				
P386 – Clarifications for TERRE	DMR							
P387 – improving Panel elections	DMR							

What else is happening?

Over 30 potential Modifications or Issues at various stages. Highlights include:

- Project MARI – creation of EU platform for Manual Frequency Restoration Reserves (mFRR)
- Clean Energy Package – suite of EU legislation to meet Paris Agreement requirements
- Harmonisation of Imbalance Settlement
- Performance Assurance Framework review – changes on how we check compliance etc.
- Changes to the usability of BMRS and what is published

Ongoing Issues

Issue	Area
Issue 73	Review of Fault management and resolution timescales
Issue 77	Reviewing the suitability of Specified Charges.
Issue 78	Supplier Charges with respect to hard-to-read Meters, performance targets and monitoring of performance
Issue 79	Ensuring correct consumption data is used during Change of Supplier in respect to smart Meter register counts
Issue 80	Increase in minimum data storage memory requirements in Half Hourly Meters
Issue 81	Publication of some balancing data
Issue 82	Expanding the BSC Panel's power to raise Modifications
Issue 83	Review of Buy Price Price Adjustment

Open consultations

Issue	Area	Responses due
P371 - Inclusion of non-BM Fast Reserve actions into the Imbalance Price calculation	Assessment Procedure Consultation	5 July 2019
P374 - Aligning the BSC with EBGL	Assessment Procedure Consultation	18 July 2019
P383 - Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281	Assessment Procedure Consultation	22 July 2019

Any questions?

CONTACT US

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ELEXON provides key
energy market
infrastructure

**Code
Administration**



**Code
Operation**



**Policy
Delivery Support**



ELEXON: trusted, independent, reliable market experts

ELEXON

If you would like more information:

The ELEXON change page:

<https://www.elexon.co.uk/change/>

Modifications:

<https://www.elexon.co.uk/change/modifications/>

Issues:

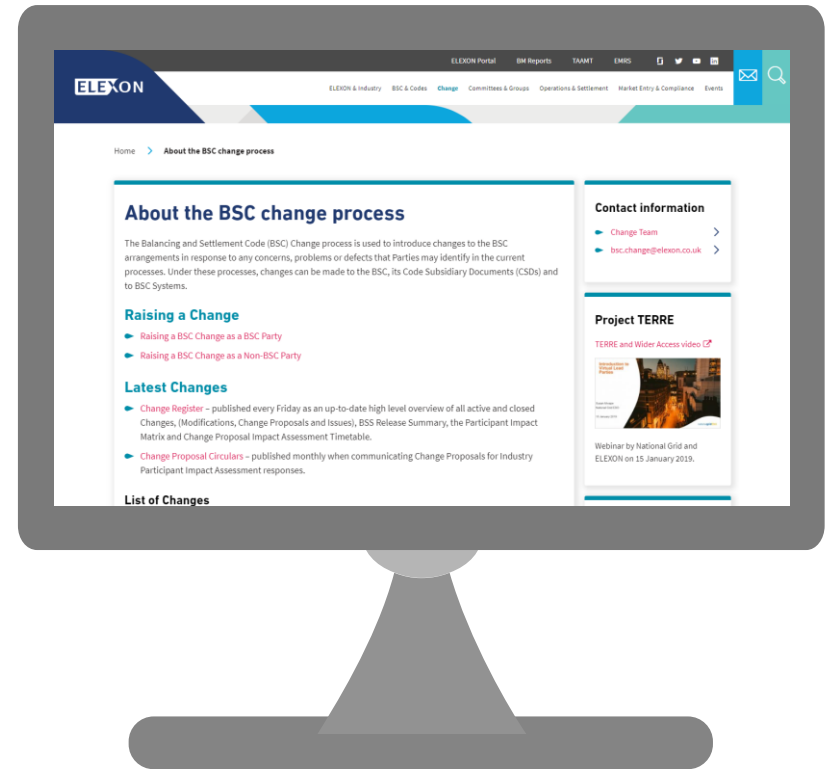
<https://www.elexon.co.uk/change/standing-modification-group-issues/>

BSC and ELEXON events calendar:

<https://www.elexon.co.uk/events-calendar/>

Any questions:

bsc.change@elexon.co.uk



Closing Remarks