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By Email Only

29th March 2019

Dear Settlement Reform and Charging and Access Teams,

OVO response to Ofgem's call for evidence on Consumer Impacts of Market-wide Settlement Reform

Founded in 2009, OVO Energy is the leading independent energy retail company in the UK and OVO Group's flagship energy brand, offering an unparalleled scope of digital energy services, solutions and technologies to its pay-monthly customers. OVO Energy redesigned the energy experience to be fair, effortless, green and simple for all customers. Today OVO Energy is a progressive energy company striving to deliver more abundant clean energy for everyone.

Kaluza is an intelligent grid technology company leading the digital transformation of the electricity system. Kaluza's mission is to securely connect all devices to an intelligent zero carbon grid and facilitate a global transition from fossil fuels to renewable energy. It was created to solve the challenge faced by grid operators, energy suppliers and device manufacturers of integrating millions of energy intensive appliances such as electric vehicles onto the grid. Initially a technology division within OVO, Kaluza now supplies software and hardware solutions – as well as in-home installation services – to a range of partners.

OVO Energy welcomes Ofgem engaging with suppliers on the consumer benefits of market-wide settlement reform. We believe that whole-market half-hourly settlement (HHS) is crucial to realising the smart and flexible system of the future. Without it, economic distortions and operational barriers to a functioning domestic flexibility market cannot be overcome.

We see consumers engaging with energy in increasingly innovative and novel ways. Concurrently, the decarbonisation of heat and transport means that there is more value than ever in consumer engagement; with the appropriate pricing signals and markets in place, we expect the rate of innovation to continue to increase. Furthermore,

non-traditional players in the energy market are providing yet more routes for consumer engagement, both directly and indirectly. We urge Ofgem to ensure there are the appropriate incentives in place for the industry to support consumer engagement through innovation, without prescriptive regulation. Consumer choice should be supported by outcomes-based regulation and a streamlined data access/sharing framework that enables suppliers and third parties to communicate consumer benefits in the simplest, easiest and most compelling way to customers (e.g. “better heating comfort” or “free Electric Vehicle charging”). In this way, a wide range of energy consumers will be able to directly and indirectly contribute to the efficient energy system that will deliver lower costs for consumers in a decarbonised future.

Through OVO’s innovative propositions and trials, we have demonstrated examples of consumer benefits of HHS without requiring direct engagement, through our Kaluza platform. However, non-half-hourly settlement (NHHS) currently represents a barrier to realising these benefits, and to the smart and flexible grid of the future. Market wide HHS will unlock the benefits of domestic flexibility and is essential to achieve a low cost, low carbon energy system avoiding c.£6.9bn¹ in reinforcement costs by 2040.

Residential flexibility will also facilitate better grid management and utilisation of existing infrastructure resulting in a more efficient, lower cost system as we achieve our decarbonisation targets. Unlocked by HHS, residential flexibility will enable the Electricity System Operator and Distribution Networks to better understand and manage the constraints on their system.

OVO Energy have outlined answers to Ofgem’s questions in more detail below.

Should you have any questions please do not hesitate to contact policy@ovoenergy.com

Kind regards,
The OVO Team

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<https://www.ovoenergy.com/binaries/content/assets/documents/pdfs/newsroom/blueprint-for-a-post-carbon-society-how-residential-flexibility-is-key-to-decarbonising-power-heat-and-transport/blueprintforapostcarbonsocietypdf-compressed.pdf>

Questions

Question 2.1: Individual domestic consumers will differ in their ability and/or willingness to engage with how they use electricity.

- **a) What are your views on the forms of communication most likely to facilitate/encourage consumers to engage with their energy use to help them make informed choices?**
- **b) What specific information about their energy use could encourage consumers to engage? Please consider how this information is presented and how regularly it is communicated.**

OVO Energy's online offerings (through our app and website) enable consumers to engage directly with their consumption in a flexible way; we can tailor information to customers, and rapidly develop it based on customer feedback. Most of our customers engage with their energy use in this way, and can enjoy the charts and insight in to their consumption we can provide.

Further to Ofgem's consideration of consumer data preferences, Ofgem should continue to consider the requirements for data access to facilitate agile and innovative communication development. For example, access to a customers' historic consumption data by a new supplier may be required in order to present the most relevant information to customers in the simplest way. This may include bespoke information on how their engagement will result in direct benefit e.g. compared to their previous behaviour.

OVO Energy has been supportive of Ofgem's move to a more principles based regulatory framework. We think this should be extended to HHS and Ofgem should avoid re-introducing overly prescriptive requirements to customer communications regarding their energy use. Instead, Ofgem should ensure that suppliers or relevant market players are able to tailor and innovate their communications to foster greater engagement, within a principles-based regulatory framework. This would ensure that communications would be able to continually adapt to evolving customer expectations, changes in the method in which they engage and developments in technology to aid in communications.

Question 2.2: Aside from communication, what other measures or initiatives would encourage consumers to become more confident about engaging with their energy use? This engagement may be direct, or through an intermediary/third party.

OVO Energy always aims to utilise the newest smart technology to engage our customers and enable them to utilise smart technology. We have outlined some of our approaches below.

Boost, the UK's first truly smart prepayment platform, is our dedicated prepayment energy brand, removes the need for inconvenient card or key top-up systems, and

instead lets customers add credit through a smartphone app linked to a smart meter. This gives customers much more control over when and how they top up. Boost recently launched a Winter Wallet proposition, which has enabled customers to save towards their winter energy bills throughout the year by allowing customers to set up a savings pot that can be added to every time they top up. Over the summer months, when energy usage is less, customers can add money to the savings pot to help even out the amount they pay over the year. Customers are incentivised to save with a credit bonus if they reach their savings target. The launch of Winter Wallet supports those who struggle the most to save and gives them the same advantage as energy consumers on a fixed Direct Debit, which takes into account fluctuations across the seasons. We will be developing the product in 2019 with the aim of encouraging more customers to better manage their bills through more compelling rewards for saving and making the process easier.

Across OVO Energy's brands, we find consumers responding to a range of non-kWh information. For example, consumers on our green bolt on can buy "months of green", and our EV Everywhere tariff gives consumers a free smart charger in return for offering their flexibility. Suppliers and third parties in a competitive market will necessarily communicate customer benefits based on those that are most compelling to customers. This requires outcomes-based regulation to ensure consumer choice is maximised through innovative engagement without being blocked by prescriptive regulation.

Please refer to our answer for Q2.8 for more information on how we are engaging consumers indirectly with their energy use through our tariffs.

In addition, we have undertaken a number of trials where consumers engaged with flexibility through community projects. Some more detail on these has been outlined below.

- "Smile" and "Heat Smart Orkney": Enabling island communities in the Orkney islands to benefit from smarter heating while better utilising their local generation. Both of these projects demonstrate the value of domestic flexibility in supporting better grid management (reducing the need for curtailment) and subsequently support more renewable generation on the grid.
- Projects with Newcastle City Council and subsequently the Scottish Government's LCITP programme: Connected storage heaters to Kaluza's² Intelligent Energy Platform in tower blocks of flats. Many participants in these trials saw a decrease in energy consumption as smarter heating removed the need for supplementary heating (e.g. electric fires, fan heaters, oil-filled radiators), while all experienced better heating comfort
- The ACCESS project (Isle of Mull): Paired Kaluza-enabled domestic heaters with a local hydro station to match generation output in real-time. Controls were also installed at the hydro station, providing a second, failsafe line of control for mitigation of grid constraints, should switching of the domestic heaters prove insufficient. Comfort levels in participants' homes were set by the participants so

² At the time, Kaluza products were branded VCharge a former iteration of Kaluza's intelligent platform and technologies

that they remained in control of their heating requirements. The project demonstrated that local loads can be switched on and off remotely to match the power output of a hydro-electric generator, enabling the maximisation of the output from the community hydro scheme while ensuring customers' heating comfort is retained.

All of the above projects have enabled or are enabling some of the most fuel poor customer segments in the UK to benefit from better heating solutions that also result in whole-system benefits and support decarbonisation, without the need to directly engage with their energy consumption at all.

Question 2.3: Based on any relevant evidence you have collected,

- **a) what proportion of consumers would be price responsive?**
- **b) what enablers would be important and what barriers might exist?**
- **c) what volume of load shifting from peak to off-peak periods (%) will a consumer be able to offer?**

There is very little evidence available currently on consumers' willingness to load shift in "real-life"; existing trials rely on self-selection, and immature propositions with participants often guaranteed "no downside". The price signals are too small, and the experience not streamlined enough. Stronger pricing signals are required to incentivise the innovation and development needed to enable a more streamlined and simpler route to engagement for customers.

A key barrier is clearly the smart meter rollout. However, this means that appropriately incentivising flexibility offerings through strong pricing signals would have an additional benefit of also incentivising the smart rollout.

The extent of customers' load shifting will depend on the technology and tools built to support it. A customer with an optimised storage asset in the home (e.g. through a platform such as Kaluza) may be able to provide 100% load shifting from peak times.

Question 2.4: A number of different approaches to load shifting exist.

- **a) Which approaches to load shifting (direct, or indirect, with or without automation) would domestic consumers be more likely to prefer and respond to?**
- **b) What are the risks and benefits of these approaches?**
- **c) How could those risks be mitigated?**
- **d) Would certain types/groups of consumers favour certain approaches?**
- **e) Would certain types/groups of consumers be at greater risk of detriment from certain approaches? These approaches could include but are not limited to: ToU tariffs, Tariffs reflecting capacity-based charges, which may involve a defined access limit or different types of access option as described in paragraph 2.6 and Appendix 4**

Domestic consumers have a broad range of behaviours, risk appetites and data sharing preferences. This can be seen in practice in the smart meter rollout. We should be careful not to restrict customer choice by making assumptions based on historic behaviour, especially as the energy industry undergoes such rapid change. Through our trial with Newcastle City Council (see Q. 2.2) we saw some of the most fuel-poor and disengaged customers engaging with flexibility while enjoying direct benefits (in this case better heating comfort). As consumers increasingly engage with decarbonisation of heat and transport their preferences and responses will evolve too. Strong enough pricing signals and a robust consumer protection framework are needed to engender innovation to respond to these changing consumer preferences.

OVO Energy believe whole-system benefits will be maximised through simple, fair options that a wide range of consumers can engage with. To that end, we see indirect engagement through technology & automation as core to unlocking these benefits. Technologies such as the Kaluza Intelligent Energy Platform optimises connected assets (electric heaters, EVs, batteries etc) to unlock the value of this residential flexibility for the system without any direct action from the consumer required. Our propositions (see Q2.8 for more detail) insulate consumers from pricing or volume risk, while delivering direct customer benefits such as free charging, smart heat control or a monthly credit.

In terms of direct engagement, more granular tariffs will enable many customers to enjoy more direct control of their energy bills - for example, some customers with solar panels already shift their consumption during periods of sunshine to maximise their self-consumption. However, a key risk of more granular charging to consumers is that their behaviour is “peakier” than they were expecting, or unexpected events result in unplanned consumption in peak periods. For customers that are unwilling or unable to take this risk, tariff options that mitigate downside while still benefiting consumers can be used. For example, a rebate or “cashback” tariff whereby consumption is charged at a single unit rate, but cost savings from “good behaviour” are passed through to the customer.

Consumers should be supported in their tariff choices by clearly defined comparison frameworks that ensure consumers are informed about the risk associated with any proposition that they are choosing. Appropriate data sharing and regulation of TPIs should be used to ensure consumers make the right choice for them, including taking into account their appetite and ability to bear risk (as happens with credit cards). Where consumers are unable to engage either directly or indirectly through vulnerability they should be supported to engage and protected from detriment through robust regulation of all parties (including TPIs).

Question 2.5: Which parties (eg suppliers, other third parties, network companies, community schemes etc) do you consider could be best placed and/or trusted to facilitate these above approaches?

Competitive markets with strong regulation on how choices are made will facilitate those parties best placed to improve consumer outcomes. An agile and flexible data sharing framework should support this.

Question 2.6: Certain consumers may face barriers that prevent them from load shifting.

- **a) What barriers exist that may prevent consumers from load shifting?**
- **b) Which particular groups of domestic consumers may face greater or more significant barriers than others?**
- **c) For particular consumers are there certain types or levels of consumption that there will be less scope to flex (ie are there any forms of consumption that consumers would consider as “essential” and be unable to shift, such that suppliers, network companies or third parties should not be able to offer to reduce consumers’ usage below this limit)?**

Please refer to Q2.9 for more detail on specific barriers to indirect engagement with domestic flexibility.

OVO Energy believes that strong, granular pricing signals and the removal of operational barriers will facilitate innovation to support domestic engagement with load shifting; currently, flexibility markets for domestic customers are nascent and pricing signals post TCR reform do not provide appropriate signals to unlock residential flexibility.

Furthermore, domestic load shifting and flexibility services are blocked by the lack of market-wide HHS meaning the most “peaky” customers (and therefore the most costly to the system, and those who will benefit the most from load shifting) see a cost barrier to elective HHS. Market-wide HHS is essential in creating a level playing field for consumers to engage and benefit from the flexibility they can provide. In addition, the charging of environmental levies on import for export represents a significant blocker to utilising domestic export in residential flexibility.

While OVO Energy agrees that some customers or types of consumption may have less scope to flex, defining an “essential” level of consumption makes that consumption unshiftable. This creates a blocker to engagement for these customers. We note that developments in technology, decarbonisation of heat and transport and increasing efficiency of appliances mean that any “essential” consumption is a moving feast and indeed may be met by storage devices in the future. Any interventions that blunt the signals that incentivise a low cost, low carbon energy system will be detrimental to the efficiency of the system and customers as a whole. Instead, separate and robust customer protection should provide targeted support to those customers who need it.

Question 2.7: Do you have any views about the scale of any distributional impacts? How may these be mitigated?

OVO Energy does not have any further comments on this.

Question 2.8: How could innovative technologies or solutions enable more consumers to provide flexibility, either individually or collectively (eg through a community approach)?

Innovative technologies which harness the inherent flexibility associated with, for example, residential heating systems and Electric Vehicle (EV) charge points, are enabling a wide range of new offerings to domestic customers. Many of these propositions centre around delivering value, in some form, to the end customer in return for providing flexibility. The technologies that underpin these propositions are typically built around using IoT technology to connect and intelligently control flexible devices in order to manage any flexibility available in response to the energy market and network signals. Such smart technologies don't rely on customers explicitly offering and managing kW or kWh of flexibility from their devices over given time periods but rather work around customers needs and requirements and extract value from the flexibility available in meeting those requirements. In the example of residential smart EV charge points, customers' charging need will often be a fully charged vehicle when they leave home for work in the morning. The EV will often be plugged in from early evening the day before, thus providing a large window of opportunity in which to charge the vehicle. This flexibility, when harnessed intelligently, can be used to generate value in energy markets which can then be delivered back to the customer through a variety of means (e.g. discount on the hardware product, a cheaper tariff, direct payments).

Three example propositions offered by OVO Energy which work in this way are summarised below. One of the major benefits of such offerings is that customers receive value from providing flexibility without significant engagement being required.

Technologies offered in the market

EVSE Smart Charger

The OVO Energy Smart Charger is a domestic EV charge point that is capable of modulating charging time and charging power to minimise the cost and carbon intensity of your EV charging. The charger's behaviour is optimised by our proprietary intelligent energy platform, Kaluza, which takes signals from across the energy network and requirements from the customer to make decisions on when and how to charge the car without the customer needing to be actively involved in those decisions.

The charger is offered through OVO Energy in a bundle with the EV Everywhere tariff³ and also currently through Charged EV as a standalone smart charging product⁴. The Smart Charger is currently available for free with OVO Energy's EV Everywhere tariff

³ <https://www.ovoenergy.com/ev-everywhere>

⁴ <https://www.chargedev.co.uk/at-home/>

which is only possible because of the value extracted through charging optimisation enabled by domestic HHS.

Customer value includes:

- Ready when you need it - tell us what time you need to drive your car and we'll make sure it's charged & ready to drive
- Create a greener grid - by charging when energy is less carbon intensive, it can reduce the carbon emissions of charging your EV by up to 22%
- Economy 7 ready - will automatically delay charging until your off-peak hours if you're on a time-of-use tariff
- Three year warranty on installation & equipment as standard
- Track, monitor & control your charging through the companion app

EVSE Vehicle-to-Grid (V2G)

The Vehicle to grid (V2G) charger is a domestic, bi-directional EV charge point that is capable of modulating charging time and charging power and of discharging your car's battery equivalently to turn your car into a mini power station. The charger's behaviour is optimised by OVO Energy's proprietary intelligent energy platform, Kaluza, which takes signals from across the energy network and requirements from the customer to make decisions on when and how to charge or discharge the car without the customer needing to be actively involved in those decisions. The platform works to maximise value whilst honouring the customer's requirements e.g. "do not discharge below 20%".

The V2G charger is available to OVO Energy customers only through an Innovate UK funded trial and is currently only available to drivers of Nissan LEAF vehicles under the trial structure.

Customer value includes:

- Save up to £305 per year off your energy bills - for every kWh you're able to export from your car, back to the grid, we'll pay you at your electricity unit rate + 6p - so you're making a profit of 6p on every kWh!
- Ready when you need it - tell us what time you need to drive your car and we'll make sure it's charged & ready to drive
- Use the companion app to set your charging schedules, set your minimum charge level & see live and historical charging updates (i.e. when your car is discharging or charging).
- Create a greener grid - by charging when energy is less carbon intensive and giving energy back at peak times when energy is most in demand and more carbon intensive.

Smart Heat

OVO Energy has partnered with Dimplex, the world's largest manufacturer of electric heating devices to make their Quantum heating systems extra smart. The Quantum range of heaters (including Storage Heaters, Hot Water Cylinders and Electric Radiators) will be connected using IoT technology to a central hub that allows the heaters to function together more akin to a zonal central heating system than to traditional standalone storage heaters. Once connected, we then use our proprietary intelligent energy platform, Kaluza, to connect to the Dimplex heaters and optimise your heater's charging remotely.

Through the Dimplex App you'll be able to zone your heaters, set your temperature settings & schedule by zone and remotely monitor your home temperature just like a smart thermostat. Based on those settings, we'll optimise when your heaters charge and how much to meet your comfort settings at the lowest cost to you taking into account your tariff set up.

Customer value includes:

- Sign up with OVO Energy Smart Home Heat and get a free IoT hub to turn your storage heaters smart (normally £300)
- Effortless control - change and monitor your heating settings via an app, giving you maximum control of your costs and comfort.
- The state of the art Dimplex Quantum intelligently adapts to match climatic conditions and your lifestyle, delivering heat only when it is needed - 24 hours a day.
- Track energy usage - Monitor energy usage with an hourly, 7 day, 28 day and annual view
- Designed, developed and manufactured in the UK by Dimplex, it uses low-cost, off-peak energy to make it the most economical off-peak electric heating system on the market today - save up to £244 per year compared with a standard storage heating system.

The above propositions are made possible by extracting value from shifting when devices consume energy to periods when energy is cheapest and are fundamentally reliant on domestic HHS. Without HHS it is not possible to extract value from shifting load in this way⁵ which leads to the customer missing out on the full value that flexible devices can offer.

The introduction of elective HHS has been a key trigger for the release of the products outlined above to the market. In the coming years products such as these are key to the development of the smart, flexible energy system required to effectively decarbonise electricity, heat and transport. In order to facilitate widespread adoption of these flexible products and ensure that as the market introduces new electric heating and EV

⁵ There are emerging local DSO flexibility markets that could add value to such propositions without HHS but these are only available in certain locations, have requirements (e.g. related to time and duration of service, procurement processes etc.) which limit opportunities to provide service and don't provide an underlying incentive to anyone connected to the network to move demand away from peak, constrained periods.

chargepoint products they are designed to reduce their impact on the system mandatory HHS is essential. The elective HHS processes create some barriers to adoption:

1. The fact that the customers have to be switched to elective HHS imposes operational complexity on the sign up process and increases the risk of customers dropping out of that journey.
2. When assessing the economics behind smart technologies the impact of switching someone from NHH to HH settlement must also be taken in to account. This creates a distortion to the value of the product as if someone is more expensive to settle half hourly that will erode the value from the smart product due to this settlement artefact. As a result, suppliers may not be able to offer optimum cost saving tariffs to these customers.

Please refer to Q2.2 for examples of innovative propositions using the above technologies that have been trialed with community groups

Question 2.9: We want to understand what specific concerns or risks of detriment may exist with the use of technology and innovation to enable flexibility.

- **a) What barriers exist for consumers to access these enabling technologies/innovative products?**
- **b) How could these barriers be overcome?**
- **c) Are there any particular concerns which may apply for certain consumer groups, eg vulnerable consumers (affordability and practicality)?**
- **d) What further protection measures should be considered alongside these Technologies?**

OVO Energy thinks barriers can broadly be categorised in to affordability and practicalities. We have outlined some of these below.

Affordability:

- Stronger pricing signals and the right flexibility markets are essential to appropriately incentivise these smart technologies and innovation to unlock flexibility. The TCR minded-to decision has critically undermined innovation in this space.
- Domestic load shifting and flexibility services are blocked by the lack of market-wide HHS. This means the most “peaky” customers (and therefore the most costly to the system, and those who will benefit the most from load shifting) see a cost barrier to elective HHS. Market-wide HHS is essential in creating a level playing field for consumers to engage and benefit from the flexibility they can provide.
- The incurring of environmental levies on import for export represents a significant blocker to utilising domestic export in residential flexibility.
- Existing funding (e.g. through the ECO scheme and existing government initiatives such as OLEV) could be better deployed supporting these smart

technologies that deliver clear customer benefits, support engagement with energy usage and deliver whole-system benefits. This is an example of a customer protection measure that would not distort the signals for innovation.

Practicalities:

- Internet connectivity/4G coverage & reliability
- Space at home; New building regulations should account for these technologies as standard
- 60A fuses and lack of clarity on associated DNO processes; Ofgem should work with the DNOs to ensure this is clarified.
- The process of registering domestic export is long and poorly accessible, built for larger sites; Ofgem should work with DNOs to reform this process so that it is fit for domestic sites
- Definition of metering requirements for domestic sites to engage with flexibility markets is again not fit for these smaller sites; Ofgem should work with DNOs and ESO to reform these and ensure a clear framework is in place to support innovation and customer choice.

Question 2.10: Do you have any views about whether consumers may prefer particular tariff types over others (for reference, some examples of ToU tariffs are listed in Appendix 2, and potential access options are described in Appendix 4)?

As discussed previously, domestic consumers have a broad range of behaviours, risk appetites and data sharing preferences. OVO Energy thinks the industry and Ofgem should be careful not to restrict customer choice by making assumptions based on historic behaviour, especially as the energy industry undergoes such rapid change. Through our trial with Newcastle City Council (see q. 2.2) we saw some of the most fuel-poor and disengaged customers engaging with flexibility while enjoying direct benefits (in this case better heating comfort). As consumers increasingly engage with decarbonisation of heat and transport their preferences and responses will be evolving too.

OVO Energy believes whole-system benefits will be maximised through simple, fair options that a wide range of consumers can engage with. To that end, we see indirect engagement through technology and automation as core to unlocking these benefits. Our propositions (see Q2.8 for more detail) demonstrate options that will insulate consumers from pricing or volume risk, while delivering direct customer benefits such as free charging, smart heat control or a monthly credit. Strong enough pricing signals and functioning flexibility markets are essential to support these propositions.

Question 2.11: Which types of flexible tariffs and offers are likely to be available following settlement reform, considering the potential network charging and access options described? Please identify specifically the types of tariff options which

- a) suppliers are already offering or are developing
- b) you expect may emerge following settlement reform
- c) you expect suppliers may develop in response to more granular, locationally differing network charging signals and the availability of different access options for their consumers. Would you expect to see such tariffs, automation deals or offers targeted to consumers by location if underlying network charges varied locationally?

Please refer to Q.2.8 on OVO Energy tariff offerings. We note that market-wide settlement, strong, locational and granular pricing signals, as well as functioning flexibility markets are required for tariffs such as this to be scalable, enabling consumer benefits without the requirement for direct engagement.

Furthermore, “peak rebate” or “cashback” tariffs will enable customers to benefit from settlement reform while suppliers retain volume, pricing and locational risk.

Question 2.12: Considering any tariff options or packages you have developed or may develop, please provide any evidence of consumers’ attitudes or response to them.

See answers to Q2.8 for our technology-enabled offerings and Q2.2 for a description of OVO Energy’s Winter Wallet and trials with community partners.

Our data shows that the Winter wallet proposition allowed participants to save an average of about £60. This is around 15% of their energy spend between December and January. Even though there was a relatively short savings period last year (August - November), we saw over 20% of eligible customers take part. This contributed to over £1m saved in their Winter Wallets.

Question 2.13: How far could principles-based obligations help ensure tariffs/choices are appropriate, including in relation to potential new access options?

OVO Energy recognise that there are a number of potential benefits associated to HHS that could be realised by a large number of domestic consumers. However we are concerned that if Ofgem introduce prescriptive regulation to govern how suppliers create opportunities for consumers, the benefits could be significantly limited. We would encourage Ofgem to consider principles based outcomes for consumers when regulating suppliers in this area, so as not to restrict innovation and ultimately maximise all of the potential benefits. Within the Kaluza arm of OVO Group, we have developed plans to offer a number of innovative propositions and solutions that will enable engagement in residential flexibility. Prescriptive regulation could limit the ability of suppliers to innovate further and deliver meaningful benefits to consumers, and put the solutions we have already developed at risk. This could result in a significant detriment to many consumers.

OVO Energy also recognise that the potential benefits associated with HHS may not be realised or accessible by all consumers. Whilst we believe that it is fair for customers who choose not to engage to be exposed to higher pricing, we recognise the need for constructive policy development from Ofgem to protect those who are not able to. This policy needs to be separate from the principles based approach to flexibility that we have encouraged above, to ensure no restriction to innovation. The benefits of flexibility will reduce the cost of energy for all, and therefore must be allowed to flourish. We would welcome an industry review of funding for vulnerable customers, as we believe that the cost of regulatory schemes such as Warm Home Discount and ECO could be put to more effective use in the future energy system