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Sent by email to: Retailpriceregulation@ofgem.gov.uk

Dear Anna

Reviewing smart metering costs in the default tariff cap: Response Papers #1, #3 and #4

This response sets out Centrica's views on Response Papers 1, 3 and 4 on Ofgem's review of smart metering costs in the default tariff cap (DTC). Our specific views on each of the Papers is set out in an Appendix to this letter.

While we have sought to be constructive in the views we have provided, you will see we have significant concerns regarding the proposals set out in each of these papers. Most notably:

- We believe the suggestion that any difference between estimates made at different times can be interpreted as providing an "advance allowance":
    a) misunderstands how the allowance Ofgem has already determined impacts levels of efficiently incurred costs;
    b) is based on an incorrect assumption that there is no ongoing net cost to a smart meter (compared with a traditional meter) ("Net Cost Error"); and
    c) does not take account of different suppliers having different starting positions, including relative to the unknown 2017 benchmark.

- Focus should be on conducting a successful review of net smart meter costs including through open consultation on the model underpinning the allowances, and appropriate (restricted) access to any and all underlying data truly considered to be confidential.

All Reasonable Steps and the Default Tariff Cap

British Gas has been, and remains, entirely committed to the smart meter programme. Our track record speaks for itself, leading industry through the early Foundation stages and the subsequent transition to SMETS2 metering. Our strong performance to date has been grounded in a clear economic framework we introduced, that allowed us to translate our All Reasonable Steps (ARS) rollout obligation into operational reality.

However, the advent of the Default Tariff Cap (DTC) required us to reassess how we interpret our ARS obligation. In an environment in which the revenue we are able to earn is constrained, ARS means that we must achieve as many smart installations as possible within the allowance, operating as efficiently as possible. It cannot be considered reasonable for suppliers to incur efficient costs greater than allowed under the cap.

This is the basis on which we submitted our binding 2019 milestone forecast, and on which we set our spending plans in each cap period. Making changes to these plans for a programme of this size is not straightforward; material changes as a result of changes to rollout funding have a lead time of around 9 months. Additionally, we are required to submit forecasts to Ofgem detailing our rollout assumptions for periods where the level of allowance is uncertain. For this reason, regulatory certainty regarding our smart rollout obligations is of critical importance.

We are now in the critical final stage of the smart rollout, at a time when suppliers are completing (or indeed have already completed) their preparations for the final year of the rollout. At this time when regulatory certainty is more important than ever, Response Paper 3 presents a number of concerning proposals for discussion that – under some scenarios – could fundamentally undermine suppliers' rollout plans.

Response Papers

Our primary concern with Response Paper 3 is Ofgem now appears to be contemplating revising the allowance on a backward (i.e. clawback) and forward-looking basis. It is also considering implementing these changes from as soon as the price cap period starting 1 April 2020. We believe the assumptions underpinning these proposals are flawed.

We do not see how it is possible for Ofgem to set a single allowance for all suppliers and expect them to achieve the same rollout profile given all suppliers are at different stages in their rollout plans (due to differences in size, customer mix and strategic approach). Instead, Ofgem should set allowances transparently on an ex ante basis and rely on the "All Reasonable Steps" obligation to ensure each supplier delivers the mandate as efficiently as possible. We would therefore encourage Ofgem to be transparent regarding precisely how the allowance has been determined. A failure to do so will damage suppliers' ability to comply with the ARS obligation, as well as Ofgem's ability to enforce it.

The suggestion in Response Paper 3 that any difference between estimates made at different times can be interpreted as providing an "advance allowance" misunderstands how the allowance Ofgem has already determined impacts levels of efficiently incurred costs. Irrespective of how allowances have been derived, the allowances Ofgem has set feed through into current investment. Allowances that have already been invested efficiently in cap periods 1, 2 and 3 will therefore not be available to 'top up' below cost allowances in later cap periods.

We also consider this proposal contradicts and undermines Ofgem's own annual milestone process. As part of this process, suppliers are required to submit 'duly justified' binding annual milestones, which are subsequently accepted or rejected by Ofgem. Acceptance by Ofgem suggests that it agrees a supplier's milestones reflect an ambitious and efficient rollout profile (giving suppliers certainty and confidence that their approach has been accepted by Ofgem). Any 'clawback' attempt would severely undermine this process and bring to question the regulatory reporting framework of the smart mandate.

As discussed in the Appendix, Ofgem provides no evidence to support its assumption that the cap can be set to provide all suppliers with the efficient costs needed to achieve the smart meter mandate, other than an "illustrative" diagram (Figure 2) that it acknowledges is <u>not</u> based on the actual net costs of rollout. For it to be true that costs net out over time, Ofgem must additionally

assume that there is no ongoing net cost to a smart meter (compared with a traditional meter) ("Net Cost Error"). This is simply not the case. In British Gas's experience, the ongoing net costs exceed the benefits. Under these circumstances, there is no expectation that the differences will simply "net out". Instead having more smart meters in operation for longer comes with a cost that will constrain the number of additional installs that can be made within any allowed budget.

The implications of any "clawback" of allowances from previous price cap periods would be that future rollout plans will be underfunded. Below cost allowances would have damaging and negative effects on the smart programme, which is incompatible with Ofgem's statutory duties. Not only would this undermine the policy objective of the smart rollout, but it would also conflict with the Tariff Cap Act (TCA) which requires that, when Ofgem assesses the Conditions for Effective Competition, it must take smart meter rollout into account. A failure to adequately fund the smart rollout may therefore result in the cap becoming self-fulfilling.

Finally, we would highlight the importance of Ofgem reviewing net smart meter costs successfully. It is now clearly acknowledged that the initial smart metering CBA is not accurate, and we believe the current estimates are substantially below the efficient level. There are therefore real risks to the rollout should Ofgem choose to persist with them. We believe the most appropriate way of doing so is to consult openly on the model underpinning the allowances, and we comment in detail on Disclosure in the Appendix.

It is clear that there is little, if any, truly confidential material in the SMNCC model. The model should therefore be disclosed in its entirety or with any minimal information considered truly confidential redacted or replaced by ranges. Any data found to be truly confidential should be made available on a restricted basis, including all input data and assumptions with no exceptions. As Ofgem is aware:

- we have repeatedly asked for proper transparency of the model and access to the relevant data and been unable to secure it; and
- the answers given to us as to the failure to disclose the model have been unsatisfactory and not consistent with Ofgem's duties.

We ask that these concerns are addressed as soon as possible. We address this point more fully in the appendix to this response.

We hope that our response to the Response Papers is helpful as Ofgem seeks to construct an accurate smart metering allowance that fulfils the ambitions of the programme and gives enough certainty to suppliers to plan and deliver their rollout ambitions.

I am copying this letter to Daron Walker at BEIS, given the fundamental importance of the issues addressed in the Response Papers to the success of the smart meter rollout.

Yours sincerely

Tim Dewhurst
Regulatory Affairs Director

Appendix – specific comments on Ofgem's position across Response Papers 1, 3 and 4

Overarching rationale for Ofgem's SMNCC approach

1. Ofgem sets out its belief that the cap can be set to provide all suppliers with the efficient costs needed to achieve the smart meter mandate. This is despite the fact that:

   a) suppliers are at different stages of the rollout; and

   b) the cap must provide the same allowance for all suppliers.

2. Ofgem believes this is the case because "over the life of the rollout the difference between the rollout profile in the allowance and individual suppliers' rollout should net out."[1] The importance of this assumption to Ofgem's overall approach is reinforced by the fact that similar references are also made in paras 2.10; 2.17; 4.9; 5.16; 5.26 of RP #3.

3. Ofgem provides no evidence to support this assumption other than an "illustrative" diagram (Figure 2) that it acknowledges is not based on the actual net costs of rollout. It also recognises that it relies on a "constant efficient cost per smart meter"[2] and also needs to take into account financing costs.[3] However, for it to be true that costs net out over time, it must additionally assume that there is no ongoing net cost to a smart meter (compared with a traditional meter) ("Net Cost Error"). This is simply not the case.

4. In British Gas's experience, the ongoing net costs exceed the benefits. Under these circumstances, there is no expectation that the differences will simply "net out". Instead having more smart meters in operation for longer comes with a cost that will constrain the number of additional installs that can be made within any allowed budget.

5. Ofgem makes two important errors here:

   a) first, it appears to proceed on the basis of an assumption, possibly based on outdated information; and

   b) secondly, the assumption is wrong.

   As Ofgem is aware, either a failure to make proper enquiry[4] or an error in objective fact[5] will render a decision unlawful.

6. Once the Net Cost Error is relaxed, Ofgem will need to recognise that – depending on the assumed profile applied – the allowance will constrain the rollout of each supplier to a different level depending on its starting position. Therefore it is not true that "if a supplier installs fewer meters than allowed for in a specific cap period, then their costs in that cap period should be lower".[6] If Ofgem dictates a slower profile, any supplier that was going faster than it will need to slow down, given that there will be no long term "net out" of the costs associated with going faster.

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[1] Ofgem RP #3 (2019) para 1.4.
[2] Ofgem RP #3 (2019) para 2.15.
[3] Ofgem RP #3 (2019) paras 4.14 and 4.15.
[4] See for example SoS for Education and Science v Tameside MBC 1977 AC 1014
[5] See for example R. (on the application of Z) v Croydon LBC 2011 EWCA Civ 59; correct as a general proposition but a fortiori where, as in this case, a regulator is given extensive and intrusive evidence-gathering powers.
[6] Ofgem RP #3 (2019) para 2.16.

7. Crucially, Ofgem also needs to recognise that the allowance under the cap impacts directly on suppliers' ability to comply with the "all reasonable steps" obligation in Conditions 33 and 39 of the standard supply conditions. That obligation will need to be interpreted in the light of the allowance made under the cap; it cannot possibly be reasonable (in the terms of those conditions) for suppliers to incur costs greater than allowed under the cap.

8. While Ofgem may wish to think it is setting the efficient costs of the mandate for all suppliers on an *ex ante* basis, it will need to recognise that this simply isn't possible given the constraints of the price cap and given that it is proceeding on the basis that the allowance has to be set at the same level for all.

9. It would also be a mistake to think that there is a single "efficient" rollout profile for all suppliers. Differences in size and customer mix will impact on what the appropriate rollout profile will be. British Gas believes that its profile is efficient for its size and customer mix. To avoid constraining the rollout for those suppliers that are ahead of industry average, Ofgem should ensure that the profile continues to be ambitious.

Identification of smart meter allowance

10. Ofgem makes a number of statements to the effect that the cap determines the allowance that can be spent on smart meters. For example, "the smart metering allowance should not have been used for commitments and investments not relating to smart meters. Any allowances received in advance should only have been used for the smart meter rollout"[7] and "money allocated to the smart meter rollout should not be spent on other costs".[8]

11. While RP#3 identifies the non-passthrough SMNCC allowance, it is left to a footnote[9] to reference the additional net costs within the 2017 baseline. Ofgem has never identified to suppliers what these are. British Gas has explained to Ofgem that it has had to estimate this value for the purpose of determining its smart meter programme for 2019. However, should Ofgem wish suppliers to use the actual value on a forward-looking basis, it will need to disclose what this is.

12. We note that the disclosure rules on Permitted Purpose set out in RP #4 only allow Authorised Attendees of the supplier to view the allowance for the purpose of responding to the consultation. They will not allow this information to be used for any other purpose, including the purpose of setting a smart meter budget. To the extent that the actual allowance remains undisclosed we will have no option other than to continue with our approach of estimation of its value.

13. This, of course, is relevant to our point at paragraph 7 above. It is not reasonable[10] that suppliers are put in a position where important specific information is available about the allowance (where that information is not confidential in any meaningful sense) but where Ofgem refuses to allow suppliers to use that information to plan their roll-out.

Allowances received to date

14. We continue to reject the idea that there may be clawback associated with allowances received to date. As set out above, it is not possible for Ofgem to set a single allowance for all suppliers and expect them to achieve the same rollout profile. Instead, Ofgem should set allowances transparently on an ex ante basis and rely on the "All Reasonable Steps"

[7] Ofgem RP #3 (2019) para 5.19 – Ofgem's underlining.
[8] Ofgem RP #3 (2019 para 5.27.
[9] Ofgem RP #3 (2019) footnote 7: "Note that the allowance provides funding for the net costs that are additional to the net costs already incurred by suppliers up to (and including) 2017".
[10] In a legal sense: British Gas considers that this is not within the range of reasonable decisions open to Ofgem as decision maker. See for example Boddington v. British Transport Policy 1999 2 AC 143

obligation to ensure each supplier delivers the mandate as efficiently as possible. We would therefore encourage Ofgem to be transparent regarding precisely how the allowance has been determined. A failure to do so will damage suppliers' ability to comply with the ARS obligation, as well as Ofgem's ability to enforce it.

15. This was the basis on which British Gas submitted its Annual Milestone Forecast in 2019. For the avoidance of doubt, this does not assume any 'surplus' allowance available for expenditure in later periods.

16. It is critically important to the success of the smart programme that suppliers can understand and have confidence in whatever non-pass-through SMNCC allowance Ofgem determines. Any suggestion that any difference between estimates made at different times can be interpreted as providing an 'advance allowance' (or "surplus carry forward") misunderstands how the allowance Ofgem has already determined impacts the level of efficiently incurred costs now. It will pose very substantial risks to the smart programme.

17. Put simply, allowances that have already been invested efficiently in cap periods 1, 2 and 3 will not be available to 'top up' below cost allowances in later cap periods. Irrespective of how they have been derived, the allowances Ofgem has set feed through into current investment. All else equal, a 'high' allowance will translate into 'high' investment, accelerating expected customer benefits rather than increasing supplier margins. If current allowances had to support future period expenditure as well as current spending, current expenditure would have to be reduced accordingly.

18. Either way, below cost allowances would clearly have damaging negative effects on the smart programme and we fail to see how this outcome would be compatible with Ofgem's statutory duties.

Review of net costs and disclosure

19. Centrica considers that Ofgem is making a fundamental mis-step in relation to disclosure. It is now clear that there is little, if any, truly confidential material in the SMNCC model and this should be either be disclosed in its entirety or (to the extent that there is some confidential information in relation to MAPs) with that minimal information redacted or replaced by ranges. The rules which Ofgem proposes are disproportionate and conflict with the approach taken by the Courts to disclosure.

20. It is essential that Ofgem considers that each of the barriers it has put in place is necessary to meet Ofgem's confidentiality obligations. This is no more than required by natural justice and fairness. This principle was explained and applied by the Competition Appeal Tribunal in the BMI case[2], quoting R v P Borough Council, ex parte S [1999] Fam 188 at 220, in which Charles J stated:

> *"One of the basic requirements of procedural fairness is that the decision-maker must disclose to the person affected, in advance of the decision, information of relevance to the decision so that* ***the person affected*** *has an opportunity to controvert it or to comment on it."* [emphasis added]

13. The Tribunal explained this principle as follows:

> *"it is for the Applicants to decide how they wish to respond. In cases like the present, doubtless that will involve the retention of an expert legal team, and expert economists and accountants. But, at the end of the day, what the "interested person" (we shall use this term as shorthand to refer to parties like the Applicants, who may be affected a decision, and who are entitled to be consulted on it) chooses to do to respond is a matter for that person, and not for that person's legal or advisory team, still less for the body whose provisional*

decision is being responded to. That, we consider, is very much the message emanating from the Supreme Court[3]*…."*

21. In short: where there is truly confidential information at stake, it is of course correct that it should be properly protected and disclosed only to a small ring of people. Where not, though, the interests of fairness and the law require full disclosure.

22. Turning to the substance of the disclosure exercise: it is absolutely crucial that Ofgem gets its review of net smart meter costs right. The current estimates are substantially less than the efficient level and there are real risks to the rollout should Ofgem choose to persist with them.

23. Given the importance of this, Ofgem has to fully and transparently consult on both the estimation of these costs and benefits as well as how they are then translated into SMNCC.

24. We welcome Ofgem's acknowledgement that "if individual data is not included, we do not consider that data in the SMNCC model would distort competition between suppliers."[11] However, it is still not apparent that there is data in the SMNCC model that is "commercially sensitive" and that "could distort competition between stakeholders in other sections of the market".[12] If this is the case, Ofgem must identify specifically what this information is; why it would not be available elsewhere (for example from the new BEIS CBA); and how it has reached its supposition that there could be a distortion to competition in other sections of the market (for example, has Ofgem received representations to this effect?). Absent an ability to know what this data is, it is not possible to challenge Ofgem's assertion that the need for confidentiality surpasses the requirement for transparency.

25. We are therefore asking Ofgem for the following:

    a) A detailed and specific explanation of what information it considers confidential;

    b) A full explanation of why Ofgem considers it is confidential;

    c) Any certification of this from external counsel;

    d) An explanation of the steps Ofgem has taken to deal with procedural restrictions on disclosure, such as seeking consent in putback under section 105 of the Utilities Act.

26. If there are no confidentiality concerns then we expect Ofgem to release the executable version of the model to stakeholders without restriction. In the event that there is data that is not confidential to suppliers but is still legitimately deemed to be "commercially sensitive", there will be many less restrictive and more proportionate ways to ensure the information remains confidential to suppliers (and other permitted stakeholders). Ofgem's current approach is entirely disproportionate to the risks identified. We (and our advisers) are aware of no comparable incidence where stakeholders have been required to disclose a "confidentiality plan" which is required to be signed off by a company director. It would be both proportionate and effective for Ofgem to require stakeholders to sign a standard non-disclosure agreement which could:

    a) Restrict disclosure outside the stakeholder organisation; or

    b) Restrict disclosure to particular teams within those organisations.

27. Consultees are very familiar with non-disclosure agreements. They will invariably have established, business as usual process; and these arrangements are used as a matter of

[11] Ofgem RP #4 (2019) para 27.
[12] Ofgem RP #4 (2019) paras 28 and 56.

course to protect highly sensitive information. There is no justification for the onerous procedures suggested by Ofgem.

28. In addition, in these circumstances, we would request that an executable version of the model is released that has this confidential data removed (or replaced by ranges) so that it can be shared without restriction.

29. Ofgem has then set up an "either/or" choice between a (non-confidential) version of disclosure (which can be seen by suppliers) and an alternative confidential version that could only be seen by advisors. There is no reason why Ofgem couldn't (and shouldn't) do both. Unrestricted non-confidential working models and restricted access to properly confidential underlying data are complements not substitutes. It is entirely plain that a high level understanding of the model – which is clearly essential – is not the same as being able to understand and challenge the detailed information which goes into it – which is also essential.

30. As we set out at the start of this section, Ofgem must fully and transparently consult on both the estimation of these costs and benefits as well as how they are then translated into SMNCC. To do the former, access must be granted to the original input data that has been used to set the assumptions that populate the SMNCC model. For example, this would include original supplier ASR submissions (as well as any clarificatory follow-ups that may have been had between the supplier and BEIS and/or Ofgem). It must be remembered that suppliers have not been consulted on the new BEIS CBA and have therefore not had any opportunity to understand or comment on how the smart meter cost and benefit assumptions within that CBA have been arrived at. Ofgem's proposal to release a set of "summary statistics" (i.e. averages and standard deviations). This is a long way short of accessing the source data. This will be needed to undertake alternative statistical analysis; to understand whether the source data has been interpreted correctly; and to test the BEIS and Ofgem computations for errors.

31. This will involve access to confidential supplier data and therefore the restrictions that Ofgem proposes in terms of a Virtual Disclosure Room (VDR) will be required (subject to our comments on these below). We consider that advisors are experienced in undertaking analysis of this type and therefore Ofgem's concerns about the value of this approach are unfounded and the resource cost associated with such disclosure are not disproportionate given the size of the allowances being investigated.

32. Ofgem is required to consult fully and fairly. It is an absolutely fundamental requirement of procedural fairness that we are entitled:

    a) to understand fully what is being proposed; and

    b) to comment on it[13].

    Neither of those things will be possible without access to the underlying data.

33. In terms of the Disclosure Room process, we would make the following comments. The process will need to reflect whether the Disclosure contains supplier-specific data or not.

    a) We welcome the news that the disclosure process (for truly confidential data) will be through a VDR, rather than a physical one.

[13] See, for example, R v SoS for Trade and Industry, ex p. UNISON [1996] ICR 1003: "fair consultation involves giving the body consulted a fair and proper opportunity to understand fully the matters about which it is being consulted and to express its views on those subjects…")

b) We note that there has been a delay in procuring the relevant software. Ofgem should provide an update on when it will be known whether it is available, given that there is a time and cost involved in preparing for the situation where this isn't in place.

c) Ofgem should provide information about how the VDR will operate in practice including issues such as:

    i. how legal privilege will be maintained if any reports need to be made within the VDR environment?

    ii. the process for deletion of any workings once the VDR is closed;

    iii. the process for getting consent from Ofgem to disclose material with a Non-Authorised Person;

    iv. the reason why a Non-Authorised Person must be named;

d) In the event that a VDR process is required for the version of the model without supplier confidential information, a process will be needed for admitting more than six Authorised Attendees given that this number must cover supplier representatives, legal advisors and technical advisors. While the number that physically access the portal could be restricted to six (if there were technical or cost implications associated with this), being able to discuss the contents of the disclosure room with a wider group of named individuals is not unreasonable, not least given Ofgem's admission that there is no information that is confidential to suppliers contained within it. We suggest the following solutions:

    - The number of Authorised Attendees be expanded (but limiting the number access the portal at any one time to 6 if necessary); or

    - A new class of Authorized Person be created – who are entitled to be made aware of and discuss the contents of the VDR, but without being able to access it.

e) The process for providing a "compliance document" is unreasonably onerous, particularly that the requirement that it must be signed by a member of the Board ("as listed in the Relevant Party's company annual report"). We are not aware of this being a requirement previously for a similar exercise, including data rooms, confidential rings and other similar exercises such as spectrum auctions. It seems totally disproportionate.

f) Ofgem has not provided a reason for why the Virtual Disclosure Room opens one week after the consultation opens. We consider it should be open for the full period. Suppliers and their advisers are likely to be very fully engaged in dealing with the consultation in the allotted time and any restriction on how they use that time is unreasonable.

g) We may wish to provide more detailed comments on the proposed disclosure documentation and will aim to do so by the deadline for RP #4 responses of 13 September 2019 or as soon as possible thereafter. It would be helpful to be able to comment on Word versions of those documents and we request that those be made available as soon as possible.

h) In the event that Ofgem changes the model or the data in response to the consultation, Ofgem should disclose the revised model. The model is an important part of the evidence underpinning Ofgem's proposals. We fully understood that Ofgem may wish to change its proposals in response to the consultation and unless those changes are

significant there may be no requirement to reconsult. But if the underpinning material in the model changes, then it will have transpired that stakeholders have been commenting on the wrong basis, which cannot possibly be fair.

34. If the new BEIS CBA has not been released in sufficient time for Ofgem's consultation, we expect Ofgem to release the existing SMNCC model instead, assuming that is what it will be using to set P4 cap. The same principles for disclosure would apply to whether SMNCC for P4 was being set by the new or the old model. Similarly, we would also require the confidential supplier specific data that underlies the assumptions included within the model to be released through a confidential disclosure process.

35. When the new BEIS CBA is finally released, this should be made available as early as possible in the process, with no need to deliberately hold it back to the New Year if it can be shared sooner.

36. Permitted purpose: we note that Ofgem proposes to restrict the purposes for which disclose information may be used. This is unlikely to be necessary or appropriate. The starting point here should be transparency and the onus is on Ofgem to explain why it considers the permitted purpose restriction to be required. This is even more the case where the information is not properly confidential. And as we have noted (in paragraphs 11 and 13 above) there is at least one wider purpose for which this information would not only be useful but is effectively required if smart meter rollout is not to be damaged.

Prepayment

37. Ofgem has a single paragraph on prepayment meters that essentially says that these are out of scope for this review.[14] We refer Ofgem to our comments on smart prepayment meter costs within our response to RP #2.[15]

Contingency arrangements

38. RP#1 sets out Ofgem's proposals for contingency arrangements that would occur in either of two circumstances.

    a) If BEIS does not publish its new SMIP CBA "before October" (RP#1 para 25)

    b) If, following consultation, Ofgem considers "significant revisions" are required to the methodology which require consultation in the new year.

39. In such circumstances, Ofgem has proposed to use the current SMNCC model. Paragraph 29 of RP#1 is unclear in its drafting, but we assume that it is saying that Ofgem may apply "interim adjustments" to the current SMNCC in such circumstances, while not being clear about what these may be. We request that Ofgem clarifies this point.

40. We would make the following comments on this approach:

    a) Clearly no allowance is not the right answer.

    b) Consistent with our approach to date, we will treat the allowance as being certain and seek to use it in an efficient manner. Given that Ofgem will essentially be deciding on rollout funding through to 31 September 2019 – only 3 months ahead of the mandate end point – this seems entirely reasonable.

    c) If Ofgem is going to use the existing SMNCC model to set charges for the next period, disclosure arrangements must be made to allow release of this model and the

[14] Ofgem RP #3 (2019) para 4.17.
[15] Letter from Tim Dewhurst to Anna Rossington (30 August 2019) p. 5.

underlying assumptions to allow suppliers and other interested parties to respond to the consultation. RP#4 makes no mention of this. We note from the write-up in RP#1, Ofgem has been analysing this model and making adjustments to understand its impact (as described in its "preliminary assessment" in para 27) and suppliers need access to this model to be able to respond to Ofgem's proposals.

d) Centrica will have to reserve judgement on what the appropriate contingency arrangements would be until it has access to this information.

Consultation process

41. Ofgem had planned to provide an initial substantive consultation on methodology in August or September and then provide detailed modelling in October with a final substantive consultation on methodology. RP#1 sets out that Ofgem cannot now do this as it doesn't have the new BEIS CBA. Instead it proposes to present its proposals in October (or early November) on an implementable basis and then – if it reveals significant revisions are needed - it will implement its contingency arrangements.

42. It would be extremely unfortunate if the substantive result of this process were to become subordinate to the process. Ofgem has been seized of these issues for some time and Ofgem had no guarantee that the BEIS CBA would be available in time. We recognise that Ofgem will want to run this process in an efficient manner but administrative convenience does not take precedence over Ofgem's substantive obligations.

43. More generally, Centrica has real concerns about the consultation process here and considers it may already have been compromised. Our areas for concern include:

    a) Too little time to respond – especially given the holiday period

    b) Proposals have been presented as is they are already decided ("we will"…);

    c) Material defects in the disclosure process (which can be corrected).

44. We reserve our rights in all these regards. For the moment it seems likely to us that in order for the process to work properly from here, Ofgem will need to allow considerably more time than it has currently allotted.