

## Minutes of SDAG Summer meeting 2019

From: Kiran Krishna

Date: 18/06/19

Location: Canary Wharf

Time: 10:15-12:30

### 1. Present

1.1. See annex.

### 2. What we did with your advice

2.1. The Chair gave an update as to what had been done with the SDAG members' advice from the last meeting.

#### 2.2. The regulation of heat networks

2.3. Since the last meeting, a decision was taken to cease the team's work on heat networks regulation, so there was nothing to report at this stage. The suggestion for UCL to host an event on heat networks was however warmly received.

#### 2.4. Supplier Licensing Review

2.5. It was reported to the meeting that the Ofgem team continue to develop the 'theories of harm' diagram which had been well-received at the last meeting.

2.6. The team is using lessons learned from previous SoLRs to inform policy development, in line with members' comments, and are continuing to discuss concepts raised at the meeting (such as "feather-bedding").

2.7. Since the last SDAG they have published a discussion paper to update stakeholders on their thinking on the supplier licensing review, and plan to discuss their updated theories of harm diagram and potential policy options with wider stakeholders at their stakeholder workshop (on 21 June). They have also published [final policy proposals](#) on their entry regime, and expect these to be finalised imminently.

**Action** None

### 3. Data Services

3.1. The Data Services (DS) team presented on Ofgem's plans for future capabilities to collect and analyse data. These digital capabilities will be aimed at both internal and external users. They have worked closely with the Energy Data Taskforce, and will work with BEIS on follow-up to its recommendations.

3.2. In response to questions as to how DS would work with E-serve data, it was explained that current, labour-intensive front end portals would be replaced by the new systems.

3.3. It was explained that the data under discussion is machine-readable quantitative data. Work is ongoing across Ofgem to streamline the data collection from providers.

3.4. Members enquired about collaboration with external organisations. It was confirmed that there are already links with academics, including UKERC, and Citizens Advice.

**Action** None

### 4. E-Serve's use of data

4.1. Due to technical issues of connectivity with the Glasgow office (who were presenting), the presentation and discussion were postponed till a future meeting.

**Action** Take forward E-Serve discussion to a future meeting.

### 5. Ofgem's sustainability responsibility

5.1. The Chair outlined the development of Ofgem's medium-term strategy and the background to it: both in terms of government's overall responsibilities and Ofgem's duties (a primary duty w.r.t. GHG reduction and a secondary one to have regard to sustainable development). There was a discussion of the proposed sustainability element.

5.2. A number of members noted that sustainability is not only an environmental objective – it is considered to have social, environmental and economic dimensions. In effect,

sustainability could be considered also in terms of its interactions with other objectives such as protecting vulnerable consumers, rather than separating these topics.

- 5.3. Some SDAG members suggested that it would be helpful for Ofgem to use the UN Sustainable Development Goals as a framework. It was suggested that this would allow for a more holistic approach. The Chair however responded that this stretched into areas far beyond Ofgem's duties and it was important to ensure practical outcomes, and also not to over-reach.
- 5.4. Some members felt that Ofgem needs to take local and regional issues and differences into greater consideration. However, the Chair noted that as energy regulation isn't a devolved power, there are limited opportunities for Ofgem to differentiate between regions.
- 5.5. A number of members discussed the need for Ofgem to take a more public leadership role. It was noted that Ofgem is recognized as the energy regulator and so is expected to act to help decarbonisation. The large scale and rapid transformation that is needed was noted. It was felt Ofgem could and should be 'vociferous' in pursuing this objective. Members said that there was a role for Ofgem to take a more public-facing role with regard to the energy transition and to engage stakeholders to take people on the journey.
- 5.6. It was felt that the zero-carbon goal was a measurable objective, now agreed by Government. Members agreed that Ofgem had an important role to play in this context. Ofgem should both ensure that it was not doing anything to get in the way, and also acting to actively support this transition: broadly that Ofgem should take decisions to enable future zero carbon infrastructure. In addition, it could raise 'red flags' to Government when it saw the system evolving differently, or when Government schemes, policies or frameworks were insufficient (i.e. policy and/or delivery gap against desired trajectory).

- 5.7. One member expressed a view that Ofgem should 'not become the arbiter of fairness', as this is part of the political process. It was noted that there were however hidden political judgements in decisions (the TCR, and extension of assets lives were raised as examples). It was also noted that in order to regulate successfully through a period of upheaval, Ofgem's decisions will nonetheless need to be 'deemed fair'. Members noted the likelihood that the changes needed in the transition will mean that the area will become increasingly politicized.
- 5.8. Some members raised the point that the current approach to paying for decarbonisation through energy bills was regressive, and was not the approach taken with, for example, road infrastructure. A member wondered whether 'consumer interests' was broad enough to cover their interests as citizens. It was suggested that in this framework Ofgem could usefully elucidate the costs and trade-offs of how the low carbon transition is experienced and paid for. It was also noted that "transparency is not always the friend of politics." The Chair expressed his hope that Ofgem would be able to elucidate both the distributional impacts, and overall impacts on emissions in a more transparent way in the future.
- 5.9. There was a discussion on the potential for Ofgem to use its intelligence from scheme administration, and how care is needed in ensuring there was no 'cross contamination'. The Chair responded that the new strategy, which also included acting managerially and strategically as one organisation, could enable this.
- 5.10. Alongside the decarbonisation agenda, one member felt that different pathways to net zero emissions could have very different implications for habitats and wildlife with the risk that one essential goal is achieved at the expense of another. They said that it may be useful to consider a natural capital approach to factoring in environmental impacts, positive and negative, into decision making.

**Actions** None

## **6. Any other business**

6.1. There was a short discussion on the Targeted Charging Review, and how some of the published documents around it can be quite complex. Members suggested that making them easier for people to understand would help stakeholder engagement and increase the sense of the policy's legitimacy. The Chair took note of members' concerns and agreed that a greater emphasis on clearer communication was important.

## **7. Date of next meeting**

7.1. The next meeting was pencilled in for October 2019, but the date will be confirmed further down the line.

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## **Annex**

Those in attendance were:

### **Chair**

Martin Cave (Gas and Electricity Markets Authority)

### **SDAG members/deputies**

David Sigsworth (Various)

Neil Ritchie (Scottish government)

Adam Scorer (National Energy Action)

Rich Hall (Citizens Advice)

Patrick Erwin (Northern Powergrid)

Doug Parr (Greenpeace)

Dr Nina Skorupska (Renewable Energy Association)

Paul Ekins (UCL)

Steve Crabb (British Gas)

### **Ofgem representatives**

Jane Dennett-Thorpe

Kiran Krishna

Sophie Adams

Alison Hardie

Liam Haggart

Brian Keith

### **Apologies**

Tony Grayling (Environment Agency) sent in comments as he was not able to attend.

Tim Rotheray (The Association for Decentralised Energy)

Graham Edwards (Wales & West Utilities)

Derek Lickorish (Various)

Nick Eyre (University of Oxford)

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