

Emailed to: halfhourlysettlement@ofgem.gov.uk

10 South Colonnade
Canary Wharf
London
E14 4PU

14 September 2020

Dear Sir/Madam

Electricity retail market-wide half-hourly settlement: consultation

I write in response to the Electricity retail market-wide half-hourly settlement consultation. In our response we provide some general comments, focus on a few key points relating to consumer impacts (chapter 8) and consumer data and privacy (chapter 7); and at Appendix A we provide some background to Ombudsman Services.

General Comments:

We support the move towards market-wide half-hourly settlement (MHHS) and understand the necessity for this as an enabler to decarbonise the energy sector in the most effective way. Achieving net zero emission targets by 2050 will mean using more renewable and low carbon electricity, an increase in electric vehicles and better data visibility will provide a clearer picture of usage and capacity; it will allow energy suppliers to develop informed products and services to help consumers change when and how much energy they use. To be able to take advantage of this data and encourage the uptake of more tailored products and services, it will be important to engage with consumers and microbusinesses to sell the benefit of half-hourly settlement and ensure that they are protected when things go wrong.

Key points:

We would like to highlight some of those areas, raised in Chapter 8 and in the consumer impacts paper associated with this consultation, which may be experienced by consumers and microbusinesses. It will be important to increase consumer understanding of the benefits, to make clear how they can take make the best use of new tariffs and services that are offered as a result of MHHS. Communication and engagement with consumers and microbusinesses, as well as ensuring clear consumer protections, will be important for building trust, confidence and maximising the impact MHHS can make to help achieve the net zero emissions target by 2050.

Communication and engagement

As an enabler for suppliers to offer the best energy tariffs and services, it will be important to ease data privacy concerns and be open and transparent with consumers about what their data is being used for. Consistent messaging across suppliers will be important and for that reason we can see the merit in having a central element to which suppliers could refer consumers to for more information about settlement. (Q13)



With the wider retail market adopting half-hourly settlement, this is likely to lead to more Time-of-Use (ToU) tariffs being available to consumers across different suppliers. We already see some complaints from consumers who have misunderstood their ToU energy tariff so it is important that, as the market offers more choice, suppliers communicate effectively with consumers to help them understand whether a tariff will be suitable and what, if any, behaviour change will be necessary to take advantage of the tariff. As more sophisticated tariffs may become more challenging for consumers to compare through Third Party Intermediaries (TPIs) or Price Comparison Websites (PCWs), it will be important to ensure communications are delivered in the ways consumers want and will respond to in terms of making informed choices.

Those most engaged with the energy market are more likely to already be browsing for the best offers, making use of new tariffs, taking advantage of offers to make cost savings and/or reduce their energy consumption. But there are a range of consumer groups with different energy needs and levels of engagement. To reach net zero emissions, it's important to build engagement with as much of the market as possible. It is worth noting, therefore, that there is a proportion of consumers who already, in the current market, find it difficult to access the best deals due to vulnerable circumstances, a lack of engagement or digital exclusion, and it seems sensible to take steps to ensure the gap does not widen. Likewise, there may be some consumer groups, such as microbusinesses, who may be less able to take advantage of tariffs which encourage energy use at off-peak times, so it will be important to consider how to ensure that consumer groups are provided with the right information and opportunity to reduce their usage and make savings.

Consumer protection

The current consumer protection framework operates through principles-based regulation of suppliers and aims to be future proof to market changes, and we agree this should be monitored to ensure it remains robust. As the market develops, innovation will lead to new products and services. As you mention, there could be new bundling of assets and energy tariffs to deliver particular outcomes, but which may also lead to consumer detriment. From the communications sector, for example, we have seen how bundled airtime and handset agreements, while delivering benefits to many, can lead to consumer detriment in certain instances, so we think it is prudent to monitor and assess supplier offerings to ensure they remain fair and also that gaps in consumer protection are identified early.

Please do not hesitate to contact us if you would like further information regarding our response. Our response is not confidential.

Your sincerely,



Ed Dodman
Director of Regulatory Affairs

For more information regarding this consultation please contact:

David Pilling
Head of Policy and Public Affairs
Ombudsman Services
3300 Daresbury Park
Daresbury
Warrington
WA4 4HS

t: 07595 449366

e: dpilling@ombudsman-services.org

Appendix A

About Ombudsman Services:

Ombudsman Services is a not-for-profit private limited company established in 2002 which runs a range of discrete national ombudsman schemes across different sectors including energy, communications and an appeals service in private parking. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2019 we received 157,808 initial contacts from complainants and resolved 88,840 complaints. In the energy sector we received 116,700 initial contacts and resolved 58,034 cases, and in the communications sector, we received 40,184 initial contacts and resolved 17,426 cases. We also received over 84,000 appeals in our private parking appeals service.

We are:

- to our consumers, the people they can turn to for impartial advice and solution that's fair;
- to our partners, the people they look to for knowledgeable and insightful ways to help them reduce complaints by enabling them to make the changes they need to deliver better customer services;
- to our regulators, champions in protecting rights as well as partners in information sharing, we share our analysis so that regulators and business partners can make improvements; and
- to our people, here to enable them to deliver clarity to consumers and partners through meaningful work.