

**By Email Only**

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19<sup>th</sup> February 2021

**GEMSERV RESPONSE TO THE OFGEM FORWARD WORK PLAN 2021/22**

Dear Ofgem, Forward Work Programme Team

We welcome the opportunity to respond to the 2021/22 Ofgem forward work plan. We are broadly supportive of the proposed activities and would highlight the following areas as priorities:

**Consumer protection** – the energy retail market needs to work for all consumers - protecting the interests of existing and future consumers and ensuring fair treatment especially for the vulnerable.

**Whole system approach** – Ofgem should take a more holistic ‘whole systems’ approach to energy policy design.

**Code Governance** – we would encourage Ofgem to take forward some early no-regrets initiatives that would deliver benefits in the short-term, ahead of the wider reform programme which has suffered delay.

**EV Infrastructure** - we think Ofgem should step its work to support EV roll-out, in particular a clear roadmap, strengthened market governance (a new regulation and licensing regime for public Charge point operators) and greater co-ordination across different sectors.

**Heat networks** – as with EVs, we believe the Heat Network sector currently suffers from a lack of a regulatory framework to ensure sufficient protection of customers interests, and we would like Ofgem to have powers to intervene in this market.

**Data and digitalisation** - We believe that Ofgem has a critical role to play in unlocking of the value of data and power of digitalisation.

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**Ofgem's Focus** - Ofgem has a large and complicated work programme which is essential for achieving the UK's net zero ambitions while ensuring fair and competitive markets which work for consumers. Given these pressures we think Ofgem should look for opportunities to focus on core functions, delegating responsibility for programme delivery to others whenever possible.

Further information on these points and other feedback is provided at the appendix.

Yours sincerely

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## **Appendix A: Gemserv response to the activities detailed within the Ofgem 2021/22 Forward Work Plan**

**Consumer protection** – The energy retail market needs to work for all consumers - protecting the interests of existing and future consumers and ensuring fair treatment especially for the vulnerable. To enable this to happen consumers need to be put at the heart of all the processes and policy design. They need to be brought along with change, with their views considered, and not just a tick box at the end. The market needs to be able to support vulnerable consumers and to understand that 'one size does not fit all' especially now that so many consumers have become 'financially' vulnerable due to Covid. To be able to share experiences of consumers in vulnerable circumstances, best practice should be shared across energy industry along with other sectors. The Retail Energy Code will support Ofgem to ensure a faster, more reliable switching programme to make it easier, quicker for consumers to switch their energy supplier. Ofgem needs to ensure that consumers get fair treatment as they adopt products that give them greater control over their energy usage, ensuring that better information is received by consumers who can take advantage of this data.

**Whole system approach** – Ofgem should take a more holistic 'whole systems' approach to energy policy design. This would mean not considering the electricity and gas sector in isolation, not valuing supply differently to demand, and clearly ensuring the interaction with other sectors of the economy such as heat, transport, health and power, in seeking to meet the Net Zero targets at lowest cost to consumers. The principles of interoperability, representation of new participants, innovation, technologies and consumers should form the centre of policymaking.

**Code Governance** – We look forward to the next BEIS and Ofgem consultation on improving energy code governance. We think it is necessary that BEIS and Ofgem drive this complex change programme which will take time to complete. However, in the meantime we would like Ofgem to take forward some early no-regrets initiatives that would deliver benefits in the short-term. This would include Ofgem undertaking the strategic direction function identified in the previous consultation. In doing so, it should take a greater leadership role in ensuring change activities are co-ordinated across the existing electricity and gas market governance institutions, while ensuring accountability of Code Panels to report regularly on their plans and performance against the strategic guidance. Ofgem should also consider how reputational and financial incentives could be used to drive better performance across code governance bodies and encourage a more joined-up approach on important issues around data, digitalisation and reducing the compliance burden on market participants (for example, through a single market portal with all market rules in one place).

Gemserv will shortly issue a thought leadership paper expanding on these points and we will send a copy to Ofgem.

**EV Infrastructure** - While there is positive momentum for developing the electric vehicle infrastructure, we believe that the current roll out of EV charging is highly fragmented in nature. The developing market



lacks a national strategy that could lead to a sustainable and commercially viable transition. For example, the charging experience is far from seamless for many consumers and future opportunities to leverage EVs for flexibility services to the electricity system are not yet fully understood.

We think a new regulation and licensing regime for public Charge point operators is needed to provide confidence to consumers that the charging experience is fit for purpose. Key issues to be addressed through such a regime include:

- *Health and safety compliance* – periodic declaration of professional inspection and maintenance of the EV Charger installations which are under the stewardship of the licensed operator.
- *Expected levels of Service* – reporting of EV charger uptime and number of incidents where the EV driver was unable to charge as well as code of practice to adhere to for compensation of undelivered services. In this context an operator license may be revoked for not meeting minimum requirements over a 12-month period.
- *Guarantee operational integration with the electricity grid* – automated notifications of high EV charging demand, available of onsite generation, onsite battery storage and smart charging flexibility of aggregated EV charging assets to ramp up or ramp down of electricity supply to vehicles in a geographic area. “Digital Kill Switch” to provision emergency stop of EV charging in a geographical location where grid assets are at risks of causing a black out.
- *Common standards on data sharing* to deliver a seamlessly integrated consumer experience and resolve the interdependencies between the stakeholders involved.
- *Rigorous assessment and optimisation of business models, complaint, and redress arrangements* to deliver the transition to EVs to ensure public confidence as well as a level playing field for all stakeholders.

Ofgem also needs to facilitate a much closer coordination between the different players involved - from car manufacturers and infrastructure investors to the energy, telecoms and technology players and the policymakers and regulators. Silos cannot continue if we are to move at the speed that is now needed.

At a time when consumer demand for EVs must rapidly gather pace to hit the decarbonisation targets, clarity on what we want the future to look like, a detailed route to get there and establishing the rules of the road is vital. We, therefore, believe that Ofgem must step up its policy and regulatory plans, that ensures smooth transition while providing the required confidence to both – investors and consumers.



**Data and digitalisation** - To enable the low carbon transition it is necessary to manage the anticipated disruption caused by proliferation of consumer data leading to complexity in the market as the number of actors and types of service offerings grow that ultimately underpin the need for a foundation of clear communication, data sharing and improved planning and management of data. Unlocking the value of data by sharing and utilising data sources across sectors e.g., utilising data on people, buildings and consumption to produce insight whilst ensuring data protections will support the low carbon transition. To do this the data needs to be available, accessible, accurate and protected.

We believe that Ofgem has a critical role to play in sending the right signals to the market by supporting the unlocking of the value of data held within individual companies and data monopolies and thereby supporting innovation. Activities should include for example working with the Information Commissioner's Office, other regulators, government departments and consumer advocates, as well as encouraging the coordination of data related initiatives and non-proliferation of databases.

Gemserv thinks that there is an emerging realisation by businesses that deriving value is not just down to data volumes but there needs to be empowering change to harness the fuller potential of data itself by sharing it across industries. Ofgem must facilitate this change by taking a broader view in collaboration within the energy market but also with other sectors such as banking, finance, health and telecoms, that are also going through the same transition, to bring value to consumers.

We see open data as a key component, with the presumption that data is open by default with the infrastructure in place to protect and secure data for the consumer. Gemserv believes that open data will put consumers in control of their data so they can choose to share their energy data quickly, securely and easily with trusted third parties. This sharing will allow for the development of new products and services and improve upon existing services for consumers.

Gemserv's vision for open data has four states:

*Consent administration* - The initial step involves government and regulators looking at ways towards improving transparency of consumer consent before the transition to make the data open;

*Industry alignment* – Ofgem should encourage by design the enactment of early adopters to focus on interoperability beyond energy e.g., like interoperability with open banking and open telecoms.

*Market awareness* – This requires making public the benefits that can be achieved via innovations and incentivising the adoption of open data across all organisations as to not burden smaller businesses to operate in the market; and,



*Realising Commercial & consumer value* – Value from the end result will be achieved once maturity has been reached from the above steps ensuring efficiency benefits and cost savings.

We believe that the open data transition will involve a cross industry approach, where foundations will be built by incumbents with the intentions for the right of data portability, a consent administrator will be in place before the transition and the benefits will be made publicly aware. These views are supplemented by our recent discussions with BEIS on the subject of smart data. The UK government, under the national data strategy, already make available non-personal UK government data as open data. We strongly believe that having relevant data and digitalisation standards that are both robust and encourage innovation are necessary for addressing a greater openness of data, data quality and transparency, that Ofgem should work towards.

**Smart Systems and Governance** - We are supportive of the positive role provided by Ofgem and would encourage this to continue and the work with BEIS prompting additional progress, particularly on smart appliance standards. The overarching banner of the 'Flexibility Plan' encompasses many areas. Embedding an effective whole systems governance approach will largely depend on the degree to which Ofgem and other bodies acting in the public and environmental interest to detect, intervene and enforce. Given that the market is largely self-regulated, moving to a more authority driven model will require significant shifts in reporting, operations and compliance. To discharge its duties effectively, Ofgem needs unfettered access to organisations and their operations along with a more interconnected view that looks at the impact on end users and the environment. For clarity, there is a pressing need for greater accountability to ensure that all parties are driving towards the same goal at pace.

The whole system must also shift how it evaluates innovative ideas to ensure that immediate benefits are not realised at the cost of long-term adverse impacts on consumers, the environment and the whole system itself. The whole system must also look at the role that a market plays and the effectiveness of market drivers on the achievement of the changes needed to meet the decarbonisation targets.

Overall, we support Ofgem taking a regulatory requirement based on the principles of – interoperability, data privacy, grid-stability & cyber-security and consumer protection.

**Hydrogen** - Gemserv are supportive of the Government's decision to implement a 2030 5GW hydrogen production target through the Prime Ministers Ten Point Plan. Gemserv consider this target to be conservative and could be adjusted upwards in the future. Hydrogen has a key role to play in the decarbonisation of our energy system and early investment in production, infrastructure and end use technologies will give the UK greater flexibility as it looks to meet emissions targets. It will also allow the UK to capitalise on the economic opportunity presented by the emerging global hydrogen market.

We expect government to launch the Hydrogen Strategy in the early part of 2021. Our view is that the Government must now focus on delivering the business models and policy and regulatory frameworks



required to bring projects forward to deliver on this target. Coordination between the various Government departments and regulatory bodies will be key given the broad range of applications, ensuring that synergies are captured, and activities are sequenced correctly. Consideration must be made for how hydrogen will be regulated as production and technologies scale, ensuring that the needs of consumers are kept at the heart of decisions.

### **Ofgem's focus**

Ofgem has a large and complicated work programme which is essential for achieving the UK's net zero ambitions while ensuring fair and competitive markets which work for consumers. Given these pressures we think Ofgem should look for opportunities to focus on core functions, delegating responsibility for the delivery of programmes to others. This already happens to an extent, for example, where private sector organisations are contracted by Ofgem to deliver certain functions. We think Ofgem could go further by contracting out more of E-serve's functions leaving Ofgem to focus on its core regulatory role.

**Innovation** - The forward work programme should nurture innovators to try their ideas in an unconstrained manner to bring about the best solutions. Often, good ideas are killed by the constraints (presented as 'market realities') within which it is commonly perceived that they must survive and deliver a return on investment. To enable an effective transition to a zero-carbon economy within the timeframes outlined, the regulator must challenge these market realities and, where the market refuses to evolve (or does so slowly), create sub-markets within which innovative ideas can serve and thrive.

To embed successful innovation, the regulator will need to drive cross industry regulatory change through pan industry (or whole system) sandboxes and modifications processes through use of regulatory technologies.

We think, creating a single regulatory repository (or hub) which allows all parties to see the changes cascade across the whole system as well as allowing feedback channels through the hub will be key to achieving a fast, impactful and open shift to a low carbon economy which protects both environment and people. The repository will also maintain a view of sub-markets and market offshoots as well as openly sharing the impact of any innovative trials so that the whole market can learn and transform as one system rather than a disparate set of competing forces.

**Energy efficiency and low carbon heat** – Ofgem plays an important role in delivering government schemes, notably across renewable electricity, renewable heat and energy efficiency. Gemserv agrees that 2021/22 will be an important year for heat decarbonisation and supports the measures taken to improve the Green Homes Grant scheme. In addition, we also welcome the expansion of the Energy Company Obligation (ECO) to £1 billion per annum from 2022-2026, with a focus on multiple measures.



Gemserv also support the continued inclusion of innovation within ECO, but also notes some challenges that are associated with the ECO innovation routes and the administration of the RHI.

We welcome the recent consultation on the Clean Heat Grant and supports the proposals for a 'technology-neutral grant'. We can support further policy development in this area through our experience on BSL, especially by utilising the data held on the BSL portal. We believe that Ofgem should ensure a joined-up approach with Defra to improving air quality while undertaking data analysis to better inform these policy decisions.

We also welcome the government's recent consultation on improving homes energy performance through lenders and are aware of work to assess the opportunities associated with utilising stamp duty and council tax.

Finally, we think it is important that Ofgem focuses on providing long-term policy stability and certainty for investment to ensure best outcomes for industry and consumers alike.

**Heat networks** - We think that Heat Network sector currently suffers from lack of a regulatory framework to ensure sufficient protection for the customers. Gemserv strongly believe that regulating this market will unlock further investment and provide the confidence needed to drive a sustainable growth. The Competition and Markets Authority recommended that Ofgem should be given the powers to regulate the market. We support this recommendation as it maximises efficiencies and builds on Ofgem's experience in regulating other markets and enforcing consumer protection standards.

Given that the heat network sector differs from the gas and electricity, it is important that the team responsible for administering the new framework are adequately trained and understand the challenges faced by the sector to ensure that there is a smooth transition.