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Sent by email to FWP@ofgem.gov.uk

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Dear Forward Work Programme Team,

Response from Electricity North West Ltd (ENWL) to Ofgem's Draft Forward Work Programme 2021-2022 consultation

Thank you for the opportunity to input into your draft Forward Work Programme. It is important for stakeholders to fully understand Ofgem's focus, direction and work activities for the coming years and we welcome the engagement this consultation brings. We support many of the areas of focus in Ofgem's Work Programme for 2021-22. There are a number of key change programmes Ofgem itself is leading such as the Significant Code Reviews, and other policy developments including network price controls and the successor to the retail price cap.

Below we have commented on some of the points raised in Ofgem's consultation. We have no comment on the points which we have not raised in this response.

Point 1: Ofgem's new strategic framework

ENWL agrees with the key themes of Ofgem's strategic vision and that it is correct to prioritise the protection of consumers in vulnerable circumstances in parallel with the significant changes to the electricity system required to reduce the use of fossil fuels and to increase the use of low carbon technologies (LCTs). Already, markets for flexibility services are being developed and these are being accessed where costs are lower than investments in infrastructure. We are continuing to develop the flexibility market in the North West, supporting the new licence requirements brought in by the Clean Energy Package.

Whilst we are close to completing our data privacy plan (DPP) which will set the standard for how we will use smart data, the number of communicable smart meters installed in the North West and the North region as a whole needs to be drastically increased. The amount of smart meter data available



needs to be much higher in order for us and our sector to be able to secure the hoped-for benefits, and we support any Ofgem measures to expedite the meter rollout.

One of the observations we have about the current Ofgem work programme is that it is for one single year, whereas previous versions have been for multiple years. It would be helpful for the energy industry for Ofgem to provide through the work programme a longer-term view of their objectives and priorities for the future, as this will assist impacted organisations to plan their activities accordingly and aid all stakeholders working towards Ofgem's goals to benefit consumers.

It would also be useful to understand the process behind how Ofgem might update or amend the work programme following any feedback received through this consultation process with a challenging short period of time between the end of the consultation and the start of the 2021/22 year. It would especially be interesting to see more detail on how the programme has been shaped or informed by the work of BEIS, and how the programme might have been tailored by the feedback of regional stakeholders. Network companies' business plans are influenced significantly by the needs of the people and organisations based in their region. It would be of great value to understand what stakeholder engagement has been undertaken specifically to feed into the work programme, and how this has influenced the prioritisation of different topics.

One of the key areas that interaction with other stakeholders would be especially useful is in developing cross-utility support for consumers in vulnerable circumstances. ENWL has worked with United Utilities and Citizens Advice to develop services that better serve the needs of customers by coordinating across services and reducing the amount of contact the customer requires with utility companies, thereby enabling the help to come to the customer, rather than the customer having to seek help with each individual entity they interact with.

Point 4: low carbon infrastructure

It is vital that the RIIO-ED2 final determinations allow DNOs to make sufficient investments to help deliver the network upgrades that will facilitate the connection of LCTs so that Great Britain is able to achieve the ambitious Net Zero targets. The targets are set not only nationally, but also locally where several of the local authorities in our region have made more ambitious targets to reduce their carbon emissions at a much quicker rate than the UK government. These local targets need to be accounted for when setting the RIIO-ED2 price control parameters. We support ensuring network companies do not become blockers to net zero and will be shortly submitting a business plan to Ofgem that focuses on enabling Net Zero at lowest cost within the context of meeting all the needs of our customers.

Point 5: full chain flexibility

The continuation of the rollout of procurement of flexibility services by DNOs will help to deliver the full chain flexibility that Ofgem has identified as a key area of growth for 2021/22. Through our innovation projects, QUEST and Smart Street, ENWL is already testing and implementing innovative solutions which will make better use of existing network capacity by improving the network management technology. The smart meter rollout will also help to provide more data which can be used to better manage the network, but the speed of the rollout is a concern especially with the impact of COVID-19 on the number of meter installations.

Point 6: future of retail

One of the areas of particular importance for the future of retail is ensuring customers on prepay meters receive a good level of service. In some cases, we have received calls from customers who have experienced problems with their meters being updated with new credit, resulting in them being temporarily cut off. If this happens outside of normal business hours, some customers have been unable to contact their supplier to rectify the issue, so they have called us for help. It is vital for customers on prepayment meters to have a range of access methods to 24 hour customer service channels so that they are not inadvertently cut off from energy supplies.

Another area of concern is the number of suppliers going out of business. ENWL has led the way to reduce the impact supplier bad debt has on consumer bills by proposing DCUSA Change 349 to reduce the amount of unsecured credit suppliers can hold¹. Previously, suppliers have been rewarded for good payment history with a reduction in the amount of security they need to have in place, which this code modification seeks to reduce. In the long term this will help to reduce the cost to consumers of suppliers which fail and end up with their costs socialised across all customers.

Point 7: data and digitalisation

As we and other DNOs are delivering DSO functions, it will be increasingly important that network companies have access to the new smart data that is available to them as an additional tool to help manage supply and demand effectively. It is also vital that there are appropriate protocols on how the data can be used with protections for customers built in. Our DPP will protect consumers and their data, and the integration of smart data with our new Network Management System (NMS) will help us to make more timely decisions on how to manage our network efficiently and economically. The pace of the smart meter rollout needs to increase in the North of Great Britain to ensure the DNOs in this part of the country are as well equipped with smart data as those in the Central and South regions, so that consumers receive an equal service level wherever they are based.

Point 8: energy system governance

The governance of the energy system is certainly in need of reform, however as the various code changes which are currently in progress demonstrate, the scale of the task should not be underestimated. Complex arrangements are necessary in the electricity industry due to the licence structure and the rules on ownership of assets and restrictions on activities. As a result of this, there will naturally be many interfaces between market participants, and there need to be rules on how these different organisations are allowed to operate, such as the handling of metering and settlement data. The focus should be on making changes to the areas that will bring the most value, such as PSR data exchange protocols which will benefit customers. It is also important that whilst the codes are going through a lot of change through the various different code reviews already underway, the system still needs to work smoothly day to day as we work towards the Net Zero and decarbonisation targets.

Point 9: transforming Ofgem

In order to understand the changes that Ofgem is planning to make in this area, it would be helpful to see statistics on the diversity of the organisation currently, and more detail on Ofgem's ambitions in this area. This would also help stakeholders to see the progress being made from year to year.

We support the objectives to make decision making and governance more efficient, particularly as more of the decisions on how to deliver Net Zero at the lowest cost to consumers are being made by GEMA. The workload of the various price control agreements for RIIO-2 and the code reviews mean that there are a lot of important decisions to be made to strict deadlines. With the parallel objectives of delivering the changes required now, and the long-term decarbonisation targets, a work programme which covers more than one year would help to bridge the gap between Ofgem's strategic vision and the plan for the current year.

Point 10: reducing burdens

This is a positive ambition and we are in support of measures that reduce the cost and time required for licensees to fulfil their obligations. We would be interested to discuss this further with Ofgem and other licensees.

One area that could be of consideration is reducing the duplication or overlap of obligations on licensees resulting from similar obligations being put in place in two or more different codes at the

¹ <https://www.dcusa.co.uk/change/effectiveness-of-the-current-provision-of-unsecured-cover-under-schedule-1/>

same time. An example of this is the Meter Point Administration Service under Standard Licence Condition 18, which is a useful service for consumers to promote reliable and faster supplier switching. This role is currently transitioning from being a network company obligation to a DCC obligation. The obligation is being transferred from network company licences to the DCC licence, but may also affect the Master Registration Agreement, Retail Energy Code and Balancing and Settlement Code. If not considered in the full context of the various codes that govern the energy industry, it is possible that changes made to obligations like these in different codes on the same topic might cause duplicated or contradictory obligations on licensees.

Point 11: estimated expenditure

It would be useful to see a breakdown of Ofgem's budget and how this compares to previous years, as well as how Ofgem performed against the budget for the 2020/21 year too. This would be helpful as it would show which areas are using the most resources. It would be interesting to understand how the actions taken in previous years have impacted the new budget such as ongoing efficiency programmes.

I hope these comments are helpful. Please do not hesitate to contact me or Tom Selby (07824 321980) if you would like to follow up on any particular aspect of our response.

Yours sincerely,

Paul Auckland
Head of Economic Regulation