

Future of retail market regulation

03 February 2016

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|--------------|---|
| 1015 – 1040 | Welcome and overview of day |
| 1040 – 1045 | Roundtable 1: Balancing principles with prescription |
| 1140 – 12:30 | Roundtable 2: Monitoring compliance with principles |
| 1230 – 1315 | Networking lunch |
| 1315 – 14:35 | Roundtable 3: Realising benefits and managing challenges (SLC 25) |
| 1435 – 1450 | General questions, remarks, comments, discussion |
| 1450 – 1500 | Next steps, close |

Welcome

Neil Barnes

Associate Partner, Consumers and Competition

Key considerations

Balance of principles and prescription

Potential tensions e.g. innovation and simplicity

Need for culture change

As we move forward, key areas we'll need to consider ...

Designing a package of measures

Importance of ongoing engagement

Regulatory and operational challenges

High level overview of consultation and progress to date

Adhir Ramdarshan

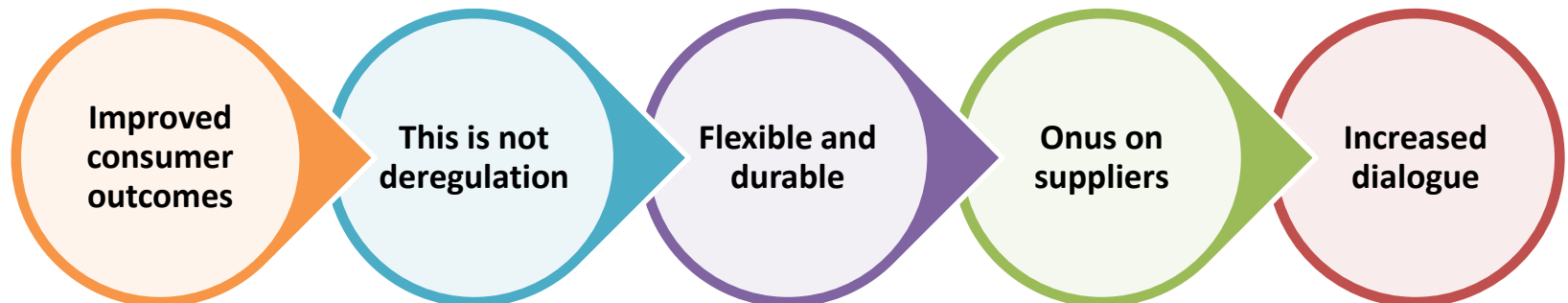
Head of Future Retail Regulation

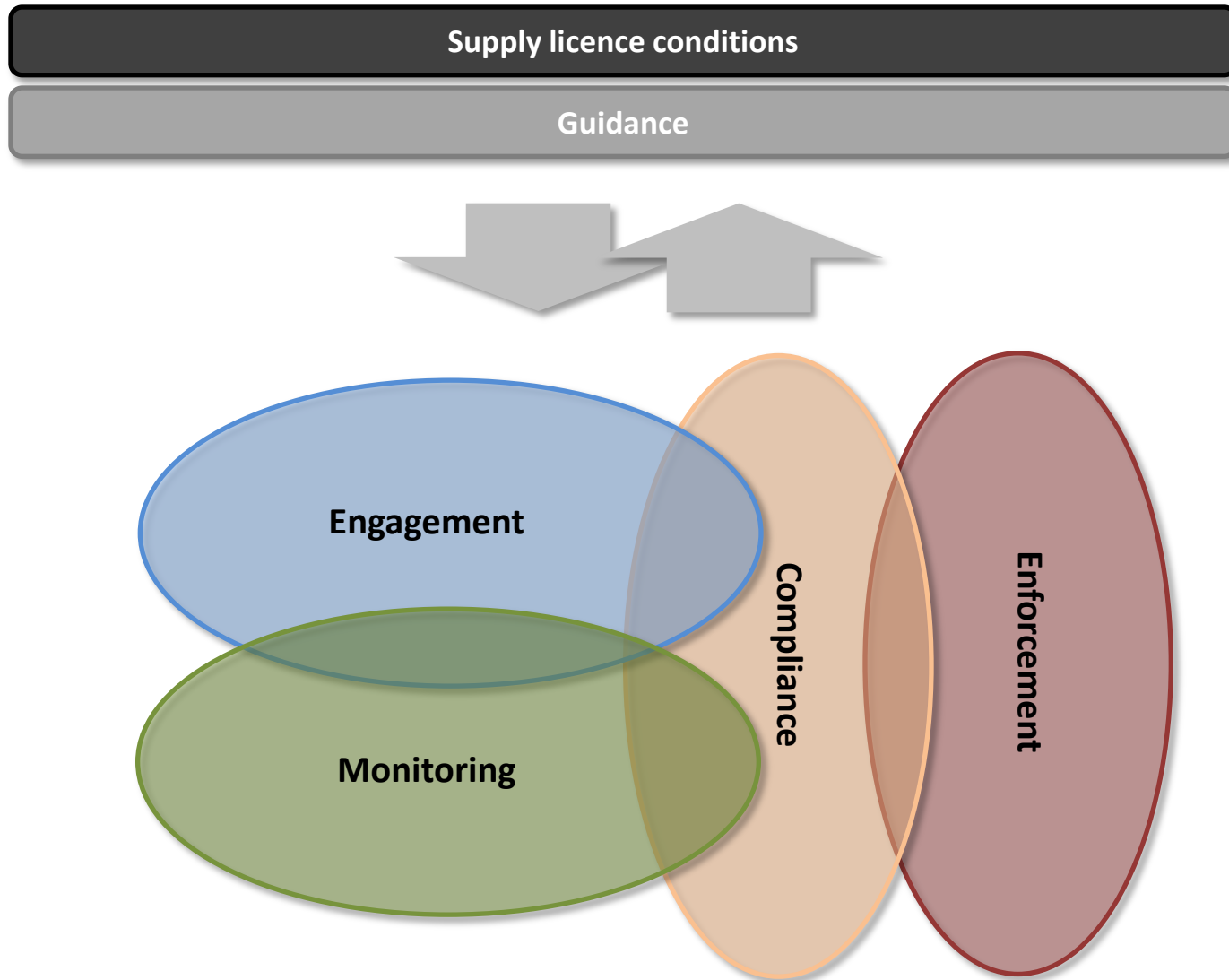
Our consultation – Scope, objective and next steps

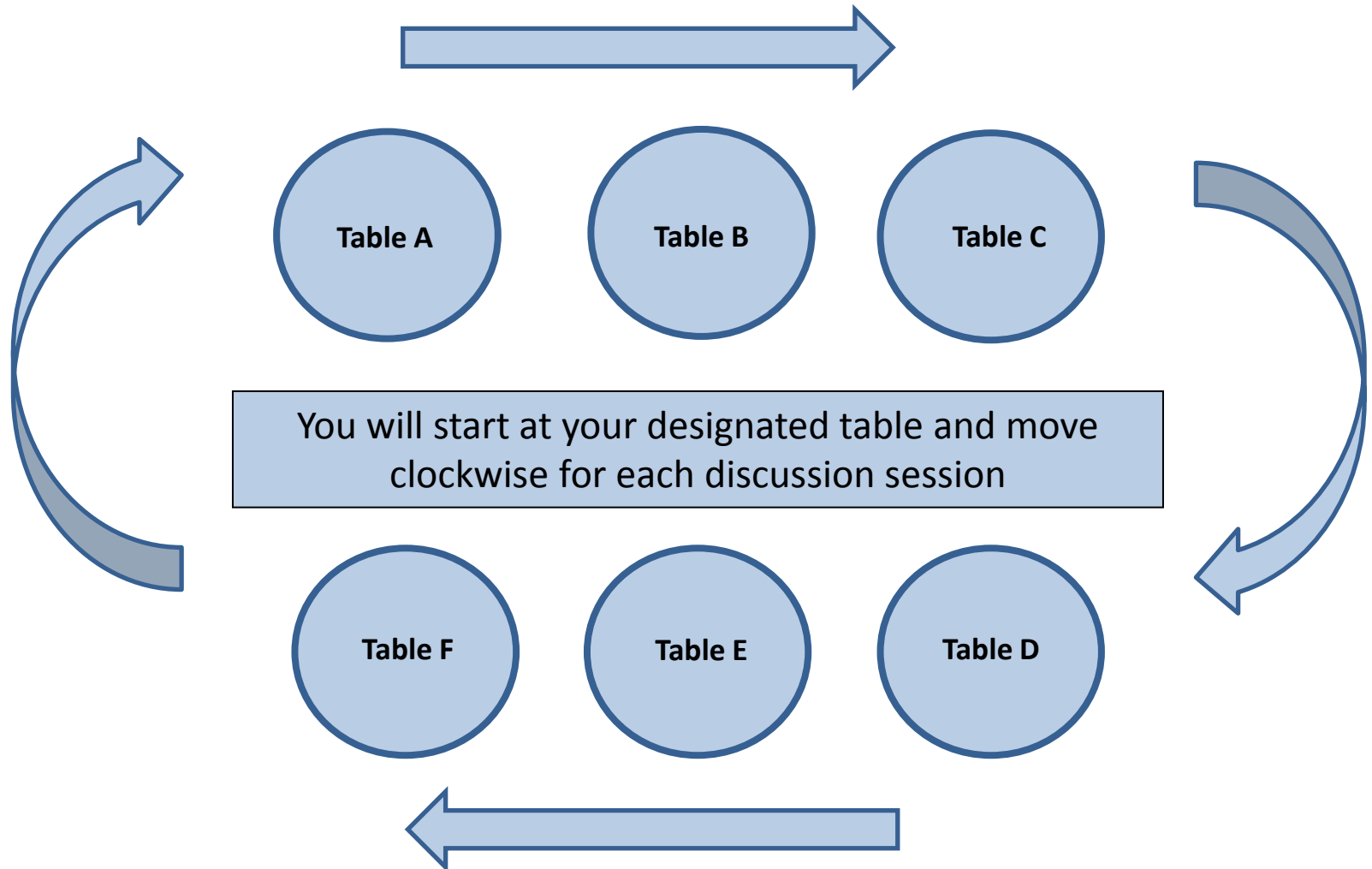
Scope – Currently focused on domestic retail supply licences.

Objective – Shorter, more comprehensive rulebook that relies more on principles and reduced unnecessary prescription. Ultimately, improved consumer protection and a more flexible, innovative retail market.

Consultation on way forward – Consultation published in December. Responses due by 11 March. We hope to publish our response in the summer.







Roundtable discussion 1: The rulebook

Niki Sharp
Senior Policy Manager, Future Retail Regulation

What should the future rulebook look like?

Broad principles-based rules

High-level principles are sufficiently generic to sit across multiple areas of policy.

An existing example is the Customer Objective in the Standards of Conduct (SLC 25C), that customers should be “treated fairly”.

Narrow/thematic principles-based rules

Specific principles are higher-level requirements than prescriptive rules but, unlike broad principles, apply to specific policy areas.

An existing example is that suppliers must take all reasonable steps to ascertain a customer’s ability to pay when in payment difficulties (SLC 27.8).

Prescriptive rules

Prescriptive rules specify detailed obligations that suppliers must meet.

For example, “the licensee must provide a Written copy [of a Tariff Information Label] to that person free of charge within 5 days after the day the request was received...” (SLC 31B.3).

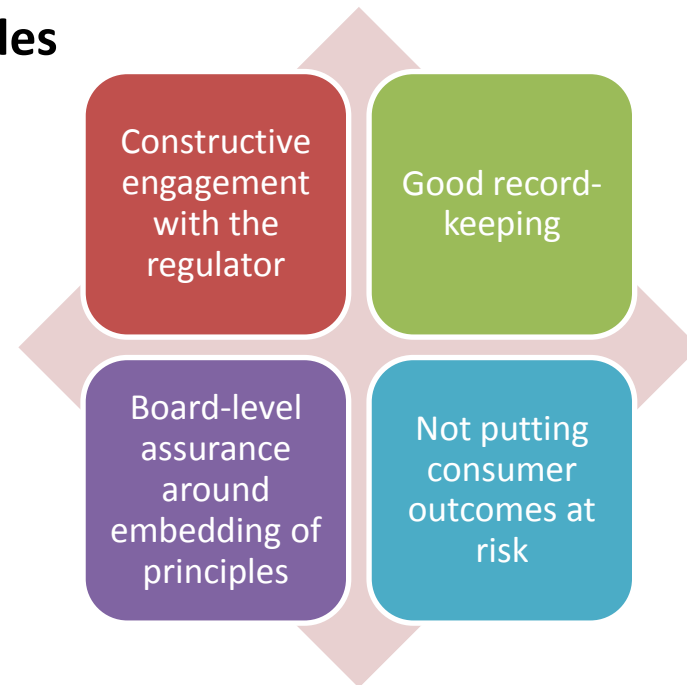
Guidance

Guidance can be issued to provide clarity around existing obligations (prescriptive or principles-based).

What parts of the rulebook lend themselves to broad / narrow / prescriptive rules?

What should the future rulebook look like?

1. What existing rules in the supply licence have / could limit innovation?
2. What broad principles would you support and why? What are the benefits and challenges of implementing these?
3. What is the right balance between rules and guidance?



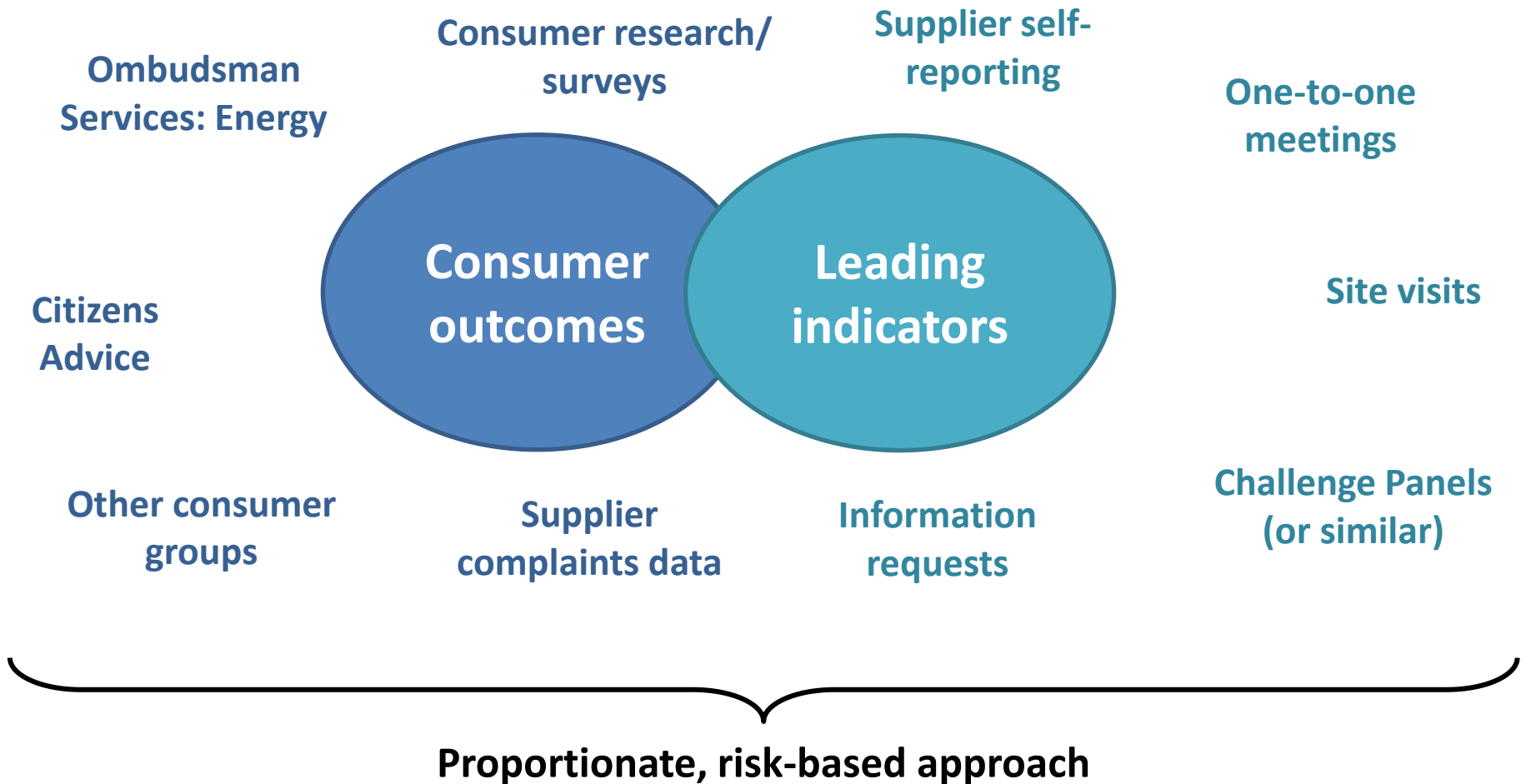
Feedback

Roundtable discussion 2: Monitoring compliance

Katherine Harris
Economist, Future Retail Regulation

Roundtable discussion 2

Monitoring compliance with principles



Roundtable discussion 2

Monitoring compliance with principles

- 1. What are the best indicators/processes to measure and assess whether suppliers are ‘treating customers fairly’?**
- 2. If the prescriptive parts of SLC 25 were removed, how could suppliers demonstrate to us that they were complying with the objective?**
- 3. What indicators should we be monitoring to give us an early indication of misselling activities?**

Feedback

Networking Lunch

Roundtable discussion 3: Case study of SLC 25

Beth Hanna
Senior Policy Manager, Future Retail Regulation

Realising benefits and managing challenges (focus on SLC 25)

Benefits

- Create room for innovation
- Better protect consumers
- Future-proof regulation
- Place a greater onus on suppliers

Challenges

- Monitoring – including developing early warning indicators
- Balance principles and prescription
- Changes to supplier culture and the way Ofgem works

Condition 25. Marketing gas and electricity to Domestic Customers

25.1 The objective of this licence condition is to ensure that:

(a) all information [...] is **complete and accurate**, is **capable of being easily understood** by Domestic Customers, **does not relate to products which are inappropriate** to the Domestic Customer [...], **does not mislead** the Domestic Customer [...] and is **otherwise fair** both in [...] its content and [...] how it is presented [...]

(b) the licensee's Marketing Activities [...] and all contact [...] and behaviour [...] are conducted in a **fair, transparent, appropriate and professional manner**.

Realising benefits and managing challenges (focus on SLC 25)

- 1. What are the opportunities and challenges of removing all prescriptive elements from SLC 25? Are there any areas in SLC 25 where prescription should remain?**
- 2. How can these challenges be effectively managed and the benefits realised?**
- 3. Could face-to-face marketing play a positive role for both suppliers and consumers?**
- 4. What other wider challenges and opportunities need to be considered as we transition to principles? And how should we collectively manage these?**

Feedback

General Q&A

- Our consultation opened on the 18 December. We would like to hear your views. The deadline for comments is 11 March 2016.
- We are continuing with our ongoing engagement through bi-laterals and are happy to engage via phone or email.
- Please contact us on FutureRetailRegulation@ofgem.gov.uk



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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.