

Forward Work Programme 2016-17

Draft for Consultation

Publication date: 17 December 2015

Contact: Keith Avis

Team: Project Management Group

Tel: 0207 901 3077

Email: pmg@ofgem.gov.uk

Overview:

This document is a consultation on our Forward Work Programme. It is an opportunity for you to help shape our work to make the greatest positive difference for consumers in the coming financial year.

We talk to and engage with our stakeholders, in particular consumers and their representatives, to whom we are accountable.

Please respond to this draft Forward Work Programme by noon on 17 February 2016. Unless you ask us not to, we will publish your responses on our website when we publish our final Forward Work Programme 2016-17, planned for March 2016.

Contents

Chairman’s Foreword	3
Introduction	5
1. Regulation of Network Companies and other Monopolies	9
2. Setting the Rules for Markets	15
3. Effective Competition	19
4. High Standards of Outputs and Protection	25
5. Partnership with Government and Stakeholders	30
6. Trust and Confidence	34
7. Efficiency and Reduced Regulatory Burdens	39
8. Budgets and Spend	44
Appendix 1 – Key Performance Indicators	46
Appendix 2 – Feedback Questionnaire	49

Chairman's Foreword

The energy market continues to evolve at real pace, with greater innovation and more independent suppliers promising to provide real benefits for consumers. This presents us with a complex portfolio of work, which is solidly underpinned by our guiding principle of making a positive difference for energy consumers.

We strive to achieve the right balance between facilitating effective competition and proportionate regulation that allows the market to function properly. In June 2014 we referred the market to the Competition and Markets Authority (CMA) for a detailed market investigation. We have welcomed the CMA's provisional findings, and the final remedies will have an important impact on the shape of our work programme for next year.

The next few years are likely to see an acceleration of the pace of change in the energy industry. The energy system is likely to need to adapt to changes in the generation mix towards cleaner, smaller scale, intermittent sources of energy, which will place greater emphasis on the need for demand response and system flexibility. The roll out of smart meters is an important part of this transition, which opens up new sources of flexibility and new ways in which consumers can engage with the market. We have to remain open to innovation and new business models that seek to address the challenges and take advantage of the opportunities that arise. We need to make sure that our market rules keep pace with the changing demands on the system.

A large proportion of our work is influenced by developments in Europe, where we work with the EU and other European institutions to achieve outcomes that meet the interests of GB consumers. Through effective influencing and building support for our position in key areas, such as the development of European codes, we will continue to drive our work on the European agenda with real vigour.

It is vitally important that the regulatory framework enables positive change, but also has the interests of consumers at its very heart. We want to move from a reliance on prescriptive rules towards a more principles-based approach, designed to reduce regulatory burdens and increase innovation without compromising consumer protection. This will not be a world of light touch regulation. Suppliers will continue to be governed by clear rules that set demanding standards for how they treat consumers. They will benefit from fewer prescriptive rules, but we will expect suppliers to comply with both the letter and the spirit of the regulations. We will continue to be tough in taking enforcement action against suppliers who fail their customers. Over the coming months we look forward to working constructively with suppliers to help them through this transition.

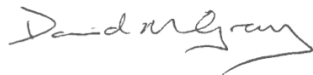
The trust and confidence of both consumers and investors in the energy market is central to ensuring that our regulatory and markets framework delivers tangible benefits. In recent years, consumer trust has hit an all-time low. Helping rebuild this trust is a priority and a vitally important component of our work as an independent regulator.

In December 2014 we published our Strategy and our planned activities for 2016-17 are driven by the objectives and outputs we set out in that document.

We are, of course, fully committed to working within the financial limits set for us in the recent Government Spending Review. At the same time we recognise the scale and urgency of the work we need to do and aim to drive our efficiency and effectiveness so that we can deliver all of our objectives.

We have recently announced a new organisational structure, which is part of our drive to maximise efficiency and effectiveness and be in the best place to meet the challenges ahead. All of our deliverables have been carefully costed and we are confident that consumers and industry will still see real benefit from the work that we are undertaking.

Our portfolio of work is broad and far reaching, but carefully targeted to ensure that we are best able to meet the needs of consumers. I am confident that we can meet the challenges we will face over the coming year and make a positive difference for consumers.

A handwritten signature in black ink that reads "David Gray". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Gray
Chairman

Introduction

Since we published our Forward Work Programme (FWP) last year, there has been a lot going on in the energy sector. In May 2015 a new government was elected. In the run up to the general election, the energy market and the role we play in it was a key theme. Since spring 2015 energy prices have largely remained static. We would still like to see reductions in energy prices and we remain focused on making a positive difference for energy consumers.

The Competition and Markets Authority (CMA) market investigation continues apace. The CMA has extended the date it will publish its final recommendations and we stand ready to work with the CMA to implement any of the changes it may recommend in 2016-17 and beyond. We will further consider this FWP during 2016-17 to take account of any CMA findings. Of course, its final remedies should not just focus on immediate issues, but what can be done to facilitate a better market for tomorrow. New technologies and new entrants will transform the energy market, so any recommendations that serve to facilitate greater innovation and competition, within the boundaries of effective regulation are to be welcomed.

There have been a number of changes to the decarbonisation schemes that we administer on behalf of government. We have been working with government, industry and stakeholders to put these changes to the renewable heat and electricity schemes in place as effectively as possible.

Security of supply continues to be of interest to all stakeholders across the spectrum. Our role in this area is to oversee and regulate National Grid who are charged with balancing the system in an era of tightening supply margins. We will continue to work with the government, Parliament, National Grid and the energy industry to ensure that best value is achieved for consumers during this time of tight supply margins – as it is ultimately consumers who pay for the controls put in place to manage security of supply.

There are a number of interesting patterns of change in the energy supply market. Smaller energy suppliers continue to grow their market share – a positive trend we want to see continue in order to increase levels of competition in the sector. In terms of small scale solar generation we expected to see around 1.5GW of generation by 2015, yet today we see around 6.5GW. Another positive trend is the general cost reduction in emerging renewable technologies – in some cases approaching cost parity with traditional fossil fuelled generation.

Looking at our energy system from an historical perspective, we have seen the introduction of privatisation and competition in the UK energy sector, but the way that energy is produced and consumed has not radically changed if we compare, say, 1970 to 2010. If we look forward 40 years from 2010, we will likely see a significantly different landscape in terms of how energy is both produced and consumed. The energy landscape in a 'smart' future will be quite different from how it is today.

So although we cannot foresee exactly what the future energy sector will look like in 2050, our primary goal will be the same; to protect the short-term and long-term interests of energy consumers.

We have thought long and hard about this context when considering the work we will do in 2016-17 and believe that the initiatives set out in this FWP put us in the best position to meet the future challenges we see. We have a fixed budget and a set amount of resources available to us to tackle these challenges. This means we must choose carefully which areas of work to prioritise and take forward. We believe this FWP will help us to best protect consumers now and in the future.

We recognise that consumers have been unhappy at the value that they get from their engagement with the energy market. We also see the need for the right enablers to be put in place to manage the transition to a low carbon energy system. The industry is changing at pace, with technology innovations and the integration of new business models demanding effective but proportionate regulation. We recognise the need for an agile approach to ensure that the market realises its potential, and are considering this in our approach to future retail regulation.

As part of the Autumn Statement, presented to Parliament on 25 November, government announced the outcome of its 2015 Spending Review. Along with other independent economic regulators, Ofgem was included in this process for the first time and the commitments in this Forward Work Programme reflect how we will deliver while meeting the requirement on us to reduce spending by 15% over the next five years.

The Spending Review settlement reaffirms the financial discipline which has informed our activities for many years, including through the RPI-3% cost control regime which delivered considerable savings through bearing down on Ofgem's running costs. Our Strategy¹ commits us to manage our resources to deliver more benefit for consumers for less money and this Forward Work Programme demonstrates how we will achieve this.

Government's spending decisions also have implications for the programmes that we deliver on behalf of the Department of Energy and Climate Change (DECC). The Spending Review confirmed the extension of a number of these schemes until at least 2021, with the Warm Home Discount, which provides support for the most vulnerable consumers, continuing until 2022 at the current levels of £320m a year.

Government has prioritised energy security, with a clear focus on innovation that accords with our aims to enable space for new types of business models and support solutions that ensure the energy system remains fit for purpose. Detail on how we intend to deliver these aims is included in this Forward Work Programme.

¹Corporate Strategy <https://www.ofgem.gov.uk/publications-and-updates/corporate-strategy>

What can you expect from us?

Our Strategy articulates how we will try to deliver our consumer outcomes:

- **Lower bills** than would otherwise have been the case
- **Reduced environmental damage** both now and in the future
- **Improved reliability and safety**
- **Better quality of service** appropriate for an essential service
- **Benefits for society as a whole** including those struggling to pay their bills

E-Serve continues to take the lead in developing innovative ways to deliver environmental schemes and consumer and social programmes, on behalf of government. Under the stewardship of its Operational Excellence Forum, it continues to find ways to reduce transaction costs, cut overall spending and enhance the quality of service scheme participants receive. This is ensuring value for money for consumers and the industry.

Our priority is our duty to protect the interests of existing and future gas and electricity consumers, particularly those who are vulnerable. We recognise the priorities and objectives of the government elected in May and work within the parameters of policy that affects the energy sector.

How are we going to achieve it?

Over the past year, our internal Strategic Transformation Programme has been the catalyst for change in Ofgem. It has made sure we are organised and focused on the things that are going to make a real difference for consumers. As part of the transformation a new organisational structure has been established to ensure that we can target our resources to maximum effect, so that we are best placed to secure the deliverables in this document and fulfil the strategy of the organisation.

As part of the reorganisation, we are undertaking horizon scanning to understand potential changes in the sector and how our regulatory framework should best accommodate them. This will build on the learning from the non-traditional business models project and other work focusing on future regulatory arrangements. We will examine both the shorter-term actions required and also on the implications of longer-term trends. We hope that stakeholders will play a central role in our horizon scanning. We will set out more information on this by spring 2016.

There are six key outputs as part of our strategy. We focus on these throughout our Forward Work Programme, and consider them constantly throughout our work:

- **Regulation** - designing strong, stable systems for regulating monopoly activities and the way markets operate
 - **Competition** - promoting effective competition where this can benefit consumers by driving down costs and improving service quality
 - **Standards** - ensuring results and protection for consumers meet the high standards expected of an essential service
 - **Partnership** - engaging with the government and others to make sure consumers get the greatest benefit from independent regulation
-

- **Confidence** - fostering trust and confidence across the energy market through transparency, accountability and good regulatory processes
- **Efficiency** - minimising the direct and indirect costs we impose on consumers and the industry

This Forward Work Programme also includes:

- A section on budgets and spend in chapter eight.
- A list of the major deliverables as currently planned. Planning will continue across our work and delivery dates may change.

1. Regulation of Network Companies and other Monopolies

1.1. Several functions in the industry, including onshore network companies and the System Operator, are monopoly activities. We aim to regulate these businesses so that they achieve the outcomes consumers and market participants require in an efficient manner.

1.2. A continuing challenge is to ensure that our regulatory approach is sufficiently flexible to cope with technology and other change in the industry and that our regulation meets the needs of future as well as current consumers. We introduced the RIIO (Revenue = Incentives + Innovation + Outputs) approach to regulating networks in response to this challenge.

1.3. The RIIO price controls are how we set the maximum allowed revenues for the companies that own and run the electricity and gas networks. The aim is to ensure that consumers get value for money.

1.4. Network operators are now required to deliver a set of network-specific outputs, to ensure they are delivering what their customers need and what consumers value. These outputs reflect the consumer outcomes identified in our strategy. Some of the outputs the companies have to deliver are financially incentivised; some are reputational. They cover safety, reliability, customer satisfaction, conditions for connection, environmental and social requirements. Some incentives apply to all sectors, for example the independent annual assessments of how the network companies engage with their stakeholders, others only apply to specific sectors.

a. Regulation of onshore network companies – our RIIO framework

Activities

Setting allowed revenues

1.5. Now that the RIIO price controls have been set for an eight year price control period, our focus is keeping them updated and ensuring they are working. In particular, through the annual iteration process we update and roll forward the price control financial models for each licensee, making adjustments to base revenue allowances to reflect companies' performance and external factors such as interest rates.

Distribution price control review close out

1.6. The previous electricity distribution price control review (period 5) ended in March 2015. There are some parts that could only be assessed once the control had finished, we will review these in summer 2016.

Innovation stimulus (RIIO)

1.7. The innovation stimulus package provides funding through price control to incentivise network companies to develop or test new solutions to help accelerate our move to a low-carbon sector and benefit consumers. We will continue to monitor projects that have received funding under the stimulus, and will run a further Network Innovation Competition (NIC) in 2016. We have launched a review of the governance of the NIC, and will make changes resulting from this review either before the 2016 NIC for straightforward changes, or before the 2017 NIC for changes requiring consultation.

1.8. We are also reviewing the benefits generated by projects funded by the Low Carbon Network Fund (the predecessor to NIC). The outcome of this will help us decide how much money should be available to fund NIC projects from 2017 onwards. We will conclude the review and announce our decision in autumn 2016.

RIIO mid-period review reopeners and major onshore investments

1.9. RIIO-Transmission 1 (T1) and Gas Distribution 1 (GD1) were the first price controls under the RIIO regulatory framework. With a move to an eight year price control as part of RIIO we recognised that there is uncertainty during a price control period. We introduced a mid-period review (MPR) of output requirements as one of RIIO's uncertainty mechanisms. The MPR's scope will be restricted to changes to outputs that can be justified by clear changes in government policy, and the introduction of new outputs to meet the needs of consumers and other network users.

1.10. We are consulting on the potential need for an MPR in both the T1 and GD1 price controls and expect to issue a decision on whether to proceed with an MPR in Q1 of 2016-17. If we decide to proceed, we will consult on our MPR proposals in Q2, and make a decision on those proposals in Q3.

1.11. As well as the MPR, the controls include a number of reopeners to deal with specific issues that were uncertain when we set the price control. If requested by the companies we will need to consider the requests by Q2 2016-17.

Major onshore investments

1.12. An important part of our role in regulating electricity transmission is to assess the need for, and efficiency of, major projects. This includes onshore projects that meet the criteria for Strategic Wider Works under RIIO. We expect to complete our assessment of whether a number of such projects are needed in 2016, and to scrutinise the efficiency of those projects when they are closer to construction.

RIIO monitoring and compliance

1.13. We have already required companies to publish more of their information and improve their communications with stakeholders. We publish the network companies' data on our website and report annually on our view of their performance against both the agreed outputs and the revenue allowances set at the start of the control. Following the first year of reporting for RIIO-T1 and GD1 we have consulted on what

information stakeholders want to see for RIIO- Electricity Distribution 1 (ED1), and will be setting the companies' reporting requirements in autumn 2016.

1.14. Our Data Assurance Guidance requires the network companies to risk assess the information they report to us and to demonstrate that they have taken a proportionate approach to validating data they are submitting, improving timeliness and accuracy of reporting to the regulator. We will consider their submissions and consider any actions needed.

1.15. The network companies have to deliver agreed levels of risk mitigation associated with the health and criticality of their assets. The companies are developing common approaches to assessing these levels. We will approve these approaches and translate the existing targets into the new format.

RIIO accounts

1.16. We are working to introduce a new form of financial accounts for network operators subject to price control under RIIO. They will require companies to report their position and performance in RIIO terms and provide new levels of transparency in financial performance reporting. We published two consultation papers in 2015, and are continuing a dialogue with the industry, investors, auditors and accounting standard-setters. We will create tools to make it easier for those preparing the accounts and developing a regulatory financial reporting standard capable of underpinning a 'fairly presents' view of network operators' regulatory financial position and performance.

RIIO risk project

1.17. Our RIIO price control processes affect the balance of risks that price-controlled energy networks are exposed to, and our RIIO policy thinking is informed by our understanding of risk. We will analyse and engage with investors and other interested parties to understand the risk environment for RIIO-regulated networks. This might take up to two years, but will help us align the next cycles of RIIO (RIIO T2, GD2 and ED2) with how we allow for the cost of capital.

Developing future price controls

1.18. Following a 'lessons learned' exercise for RIIO-ED1 we will create a work plan for the next RIIO price control reviews, which will start in 2018.

1.19. We will develop our thinking around our approach for RIIO-GD2 and RIIO-T2. We will consult in 2018 on the strategy for RIIO-GD2 and RIIO-T2 ahead of the licensees submitting their business plans to us in 2019. We will build on the lessons learned from the first round of price controls and start to develop our thinking and tools, including benchmarking tools, for RIIO 2.

b. Regulation of other monopolies

Activities

Development of long-term System Operator incentives

1.20. When we introduced the current electricity system operator incentives for 2015-17, we said to industry that we intend to do a more in-depth review of the current incentive framework when we set incentives from 1 April 2017. We have started this review, and in 2016-17 will decide on the best way to incentivise the System Operator (SO) to innovate and reduce costs to consumers. For gas, we will focus on National Grid Gas (NGG) pursuing the innovation mechanism we set for exploring how to offset greenhouse gas emissions. We will continue to monitor National Grid Electricity Transmission (NGET) and NGG's performance against these incentives to ensure that they are delivering value for consumers.

Data and Communications Company regulation

1.21. The Data and Communications Company (DCC) is the licensed monopoly that is responsible for the communications between smart meters and market participants. Following its second annual price control report in 2015, we will continue to scrutinise the DCC's costs through the annual price control process to ensure it provides value for money. In 2016 we plan to consult on an operational incentive for the DCC, so it is encouraged to provide a good service once its smart meter services have gone live.

Interconnectors – new investment

1.22. In August 2014 we established our cap and floor regime², which regulates how much money a developer can earn, and announced that five new interconnectors would be developed under it. Over the coming year we expect to reach major milestones for some of those projects; beginning construction, making investment decisions, and doing our Final Project Assessment for some of them. We also expect to further assess new interconnector projects during the spring and summer as part of our second window for applications for cap and floor treatment.

Offshore transmission owners, interconnectors, monitoring and compliance

1.23. A key role in relation to the offshore transmission and interconnector regimes is to make sure that offshore transmission owners (OFTOs) and interconnector owners are meeting their obligations, as well as monitoring their performance against incentives in their licence.

1.24. To ensure continued confidence in the offshore transmission regime we will continue to incentivise OFTOs to successfully operate and maintain the transmission

² Cap and floor regime details <https://www.ofgem.gov.uk/publications-and-updates/decision-roll-out-cap-and-floor-regime-near-term-electricity-interconnectors>

assets and manage risks associated with the assets effectively. This includes monitoring their performance against the 98% availability target.

1.25. We will put in place systems and processes in order to monitor and ensure compliance of interconnectors which are under the cap and floor regime, as well as interconnectors not subject to the cap and floor regime. Ensuring timely delivery and efficient operation will contribute to security of supply and the reduction of energy bills.

Deliverables

Action	Quarter Due	Division
D1.1 Decision on whether to proceed with an MPR	Q1	Networks
D1.2 Implement changes to NGET licence for cross-border electricity interconnector regimes	Q1	Networks
D1.3 Implement changes to NEMOlink interconnector licence for cap and floor	Q1	Networks
D1.4 Publish decision on revenue indexation for near-term OFTO and Interconnector projects	Q1	Networks
D1.5 Publish consultation on form of regulatory financial reporting standard for RIIO accounts	Q1	Networks
D1.6 If we decide to proceed with an MPR, we expect to issue a consultation on our MPR proposals	Q2	Networks
D1.7 Publish Interconnector Use Of Revenue statement approvals	Q2	Networks
D1.8 We expect to consult on the conclusions of the independent evaluation of the Low Carbon Networks Fund and on potential changes affecting the Network Innovation Competitions	Q2	Networks
D1.9 We will conclude the review of the Low Carbon Network Fund following consideration of the independent evaluation and announce our decision by the end of 2016. This will include the amount of money for electricity distribution related projects.	Q3	Networks
D1.10 Decision on any MPR proposals following consultation	Q3	Networks
D1.11 Publish regulatory report on Offshore Transmission Owner (OFTO) revenues	Q3	Networks
D1.12 Decision on RIIO accounts requirements	Q3	Networks
D1.13 Decision on elements of DPCR5 that could not be finalised without 14/15 data	Q3	Networks
D1.14 Complete Annual Iteration Process	Q3	Networks
D1.15 Licences changes as a result of any MPR proposals	Q4	Networks
D1.16 Publish consultation on initial project assessment of second window cap and floor applications	Q4	Networks
D1.17 Publish RIIO-T1, GD1 and ED1 annual reports	Q4	Networks

2. Setting the Rules for Markets

2.1. Competition, either for or within the market, is usually the best way to protect consumer interests. The process of competition and rivalry can bring forward innovation and help reveal which technologies and business models best meet the needs of consumers. This is of particular relevance to the energy sector which potentially faces an unprecedented scale of change.

2.2. The wholesale and retail energy markets are man-made and market rules are in place to support competition. We keep these rules under review to ensure they allow for effective competition between participants and for the entry and growth of new players, including those relying on new technology and business models.

Activities

Half-hourly settlement

2.3. In 2016-17, we will take forward a project to introduce settlement for domestic consumers and small businesses based on their actual half-hourly meter readings. In the near-term, this will include work to remove barriers to cost-effective elective half-hourly settlement. We expect to have largely completed this work on elective half-hourly settlement during 2016-17.

2.4. Looking to the longer-term, we intend to launch a Significant Code Review (SCR) on mandatory half-hourly settlement for all consumers early in 2016-17. This consultation on the draft Forward Work Programme constitutes the pre-launch consultation for the SCR. This would be an important change to the current arrangements for all domestic and small business sites. An SCR will allow us to examine the wide range of issues which could need to be addressed before shifting all customers to half-hourly settlement. An SCR is the best tool currently available to examine an issue which may require changes across multiple codes. As our work develops, we will look to take advantage of any further tools which become available.

2.5. We expect that the scope of this SCR will include: issues covered during the preliminary work we carried out with our Electricity Settlement Expert Group, other issues which need to be addressed to meet our high-level aim of delivering mandatory half-hourly settlement, and issues which can be tackled efficiently as a by-product (e.g. shortening settlement timescales). We intend to refine and prioritise the issues within scope during the SCR.

2.6. We anticipate that the policy phase of the SCR would last around one year, and would involve opportunities for industry participation. This will be followed by detailed design work to develop modifications. Finally, we recognise that mandatory half-hourly settlement would require substantial updates to IT systems and business processes – we will try to ensure that the timing of the transition takes account of other industry changes.

2.7. This work will be led by Ofgem, but there will be involvement from DECC as part of our joint project on flexibility (see paragraph 2.8). We will also take full

account of any conclusions on this subject from the Competition and Markets Authority (CMA) in its Final Report.

Flexibility strategy

2.8. We define flexibility as 'modifying generation and/or consumption patterns in reaction to an external signal (such as a change in price) to provide a service within the energy system'. In September 2015 we announced initial priority work areas to help the Great Britain electricity system get access to, and make efficient use of, more sources of flexibility. These areas include clarifying the role of aggregators and implications for industry arrangements, increasing participation of industrial and commercial consumers in flexibility opportunities, and deciding how electricity storage fits into the legal, regulatory and industry framework. The other key areas are the transition from Distribution Network Operators (DNOs) into an active network management role, including the changing relationship with the transmission networks and the System Operator, and examining the extent to which distribution network charges should change to facilitate flexibility, and time of use retail tariffs.

2.9. This work should deliver positive consumer outcomes by using electricity differently, facilitating competition and new entry, and enabling new products with the potential to support greater use of low carbon generation and improve reliability. We will continue to work with DECC on these issues. We will engage with stakeholders throughout this process and will provide an update for industry and stakeholders on these work areas in spring 2016.

Development of System Operator role and structure

2.10. Under the new licence conditions, put in place as an outcome of our Integrated Transmission Planning and Regulation project during 2015, National Grid has an obligation as the System Operator (SO) to produce an annual network options assessment report. This report is useful in identifying transmission network and interconnection needs, and assessing the options to meet them. The first report will be produced by 31 March 2016, and during 2016-17 we will work closely with National Grid to ensure this report provides us and industry with meaningful information that helps us understand future network requirements, including identifying suitable projects for onshore competition.

2.11. We will ensure that the internal structures of National Grid, who are both the transmission owner for England and Wales and SO operating the whole transmission network for GB, mean it has sufficient separation between its activities to mitigate potential conflicts of interest arising between these roles for onshore competition.

2.12. We will also work with government to consider whether further changes are needed to the role and structure of different parties, including the SO, to let the energy system evolve in a way that brings most benefit to consumers.

Innovation space

2.13. As set out in 'A better deal: boosting competition to bring down bills for families and firms'³ we will build on existing innovation programmes to develop new approaches to support innovation and the safe testing of new products and services. We will report on this as part of the Innovation Plans published in the government's 2016 Budget.

Shetland competition process

2.14. A competitive process for new generation on Shetland is run by Scottish Hydro Electric Power Distribution (SHEPD), a DNO owned by Scottish and Southern Energy. As regulator, we are overseeing this process and holding SHEPD to account.

Licence and code changes

2.15. Certain core gas and electricity activities require a licence from Ofgem. We will continue to progress licence applications, including applications for licensable activities subject to timings established by provisions in European law. We also have a role in deciding on any material changes to the industry codes, the documents which set out the rules underpinning the operation of the gas and electricity arrangements. We will continue to make industry code change decisions promptly, reporting against agreed key performance indicators for code decisions in our annual report.

Code governance review phase three

2.16. From our experience we are aware of the many challenges involved in implementing changes to the industry framework, in particular the industry codes. In 2015 we reviewed the reforms we introduced under our previous Code Governance Reviews⁴. We proposed further reforms to ensure the code governance arrangements are fit for a changing industry and the increasing pace, volume and complexity of change planned in the coming years. We will continue to work with industry to implement our reforms in 2016-17.

2.17. The CMA has also provisionally identified code governance as having an adverse effect on competition under the Energy Market Investigation Reference, and proposed remedies. We will continue to work with the CMA and DECC in 2016-17 on remedies in this area.

Objections

2.18. Following our call for evidence last year, we will finalise our assessment of the objections regime to see if the current arrangements could be improved to make it easier for consumers to get the best deal. If our work assessing the objections

³ A better deal:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/480797/a_better_deal_for_families_and_firms_print.pdf

⁴ Code and Governance review details <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-governance-review>

regime indicates that changes are the best way forward, we will implement them in 2016.

Deliverables

Action	Quarter Due	Division
D2.1 Provide an update for industry and stakeholders on flexibility work areas	Q1	Energy Systems
D2.2 Publish first design baseline on Switching Programme blueprint phase	Q4	Consumers and Competition
D2.3 We will work with industry to deliver changes to industry codes to enable cost-effective elective half-hourly settlement for small sites	Q4	Consumers and Competition

3. Effective Competition

3.1. We believe that effective competition in the energy market is the best way to protect consumers' interests, by driving efficiency and innovation. We welcome the Competition and Markets Authority's (CMA) provisional findings from its investigation into the operation of the energy market. We look forward to working with the CMA and industry to make sure that the remedies it decides upon succeed.

3.2. We continue to look at ways to enhance competition and market integrity within existing market rules, creating a clear, stable framework of market rules, ensuring barriers to entry are addressed and that our regulation does not impose unnecessary costs upon existing market participants. In the coming year we will have a strong focus on enhancing competition through projects that will transform how the market operates to the benefit of consumers. This includes how we regulate retail suppliers and how customers can engage with the market, both in terms of how their bills are calculated and how quickly they can change suppliers. We will also continue our work extending where competition can be used to benefit end consumers, through our work on tendering for onshore and offshore infrastructure projects.

3.3. However, given the essential nature of energy as a service, it is also necessary to protect consumers against inadequate standards of conduct. It is therefore important that we are prepared to intervene to take steps to ensure that markets deliver for consumers, including ensuring vulnerable consumers have the right levels of protection. Our work will include monitoring what is happening in the market and, where necessary, taking enforcement action under our competition, licence and consumer protection powers when we see behaviours that are inconsistent with fair competition or putting the interests of consumers first.

Activities

Future retail regulation

3.4. There are a range of developments on the horizon which will transform how retail energy markets operate. These include the growing role of third party intermediaries in empowering consumers, alongside the platform of smart metering facilitating the development of innovative products, offerings and services. We want to ensure that the regulatory framework enables positive change, while continuing to protect consumers. We are therefore committed to reducing our reliance on prescriptive rules and moving to a greater reliance on principles and outcomes.

3.5. In December 2015, we took our first step on this journey and published our consultation on how to implement principles-based regulation. We aim to respond to this consultation and set out priority areas for a move to principles in Q1 2016-17. We also intend to develop and consult on a set of principles covering these areas later in the year.

Switching programme

3.6. The objective of the switching programme is to improve customers' experience of switching. The rationale is that designing and implementing a new, reliable, fast and cost-effective switching process will lead to consumers being more engaged in the retail energy market. In turn this will build consumer confidence and facilitate competition, delivering better outcomes for consumers. The programme is an opportunity for Ofgem, government and industry to work in partnership to design and deliver new arrangements that help rebuild consumer trust and engagement in the energy market.

3.7. We are establishing a central team to lead the cross-industry programme and develop the new arrangements. However, suppliers, networks and the Data and Communications Company will all have to establish their own internal change programmes to update their own systems to interface with the new centralised registration systems and associated rules. We will publish the findings from the first phase of the programme in Q3 2016-17.

Market Investigation Reference

3.8. We will continue to support the work of the CMA as it concludes its Energy Market Investigation. The CMA expects to produce its Final Report in 2016. This may include recommendations for Ofgem to carry out work to implement remedies. The areas involved will depend on the CMA's decision, but could include changes to aspects such as tariff rules introduced under the Retail Market Review, and code governance. Where the CMA proposes to implement remedies itself (via an Order), it can carry out further work following its Final Report. In this case, we will continue to provide information and advice to the CMA to help it with its work.

A continuing commitment to involve consumers

3.9. Consumer research shapes our regulatory interventions and ensures that the consumer voice is heard when we are considering policy options. In the coming year we will continue to put consumers at the heart of our regulation through more innovative, diverse and ambitious consumer research. We will look to understand the priorities, views and experiences of a wide range of energy consumers, including vulnerable consumers and businesses. The high quality consumer data and insight that we provide will complement other approaches such as economic analysis and market monitoring, to ensure that policy is driven by evidence that will withstand public scrutiny.

3.10. In addition, we want to advance our work on behavioural insights. Increasingly, governments and regulators are using this when designing policies or making regulatory interventions and we want to be at the leading edge. Designing interventions that work with the way consumers really behave rather than the way we think they ought to behave means that the interventions are more likely to be successful. It builds hard evidence that will apply to future regulatory interventions too. In markets where we want consumers to engage, this includes considering the best default outcomes for consumers who do not engage.

Consumer vulnerability strategy

3.11. In September 2015 we published the consumer vulnerability strategy update report. The report outlines our impact for consumers in vulnerable situations since we published our strategy in 2013. It covers our updated approach and work plan on fuel poverty and vulnerability.

3.12. Our priorities for 2016-17 are to implement the outcomes of the Priority Services Register review and the Prepayment Meter review. We will continue to support and lead on the UK Regulators Network's vulnerability work to identify cross sectoral synergies.

3.13. We will report on the suppliers' social obligations performance as well as considering a more principles-based approach through the future retail regulation project. We will also continue to support consumers to reduce their energy costs, enhance awareness and promote stronger financial capability through our successful partnership with the Citizens Advice Energy Best Deal. Our work priorities will be underpinned by market monitoring including compliance monitoring.

Company performance monitoring

3.14. We will continue to publish information about suppliers' performance to let consumers make effective switching decisions. We will work closely with the Energy Ombudsman and Citizens Advice to ensure that information is relevant, comparable and consistent, and will look to coordinate publication where we can.

Compliance and enforcement

3.15. We will progress new and ongoing cases across the range of our powers, including enforcing licence conditions, competition law, and the Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT).

3.16. We will investigate issues of concern according to our prioritisation criteria. We have specific annual enforcement priorities⁵ which let us target specific areas and issues in the market⁶. We are considering the right enforcement priorities for the year ahead, and these will be decided by the Authority in spring 2016 in light of the final version of this document.

3.17. We will assess whether we have the right tools and powers to deliver credible deterrence and compliance. We will look for opportunities to strengthen and develop these as necessary, and consider how these might evolve in the context of a move toward more principles-based regulation.

⁵ Our annual enforcement priorities for 2015-16 (issued in June 2015) can be found here <https://www.ofgem.gov.uk/publications-and-updates/annual-enforcement-priorities-2015-16>

⁶ Our enforcement guidelines can be found here <https://www.ofgem.gov.uk/publications-and-updates/enforcement-guidelines>

Wholesale market integrity and transparency

3.18. We want transparency and trust in the wholesale energy markets. We will increase our monitoring and engage with market participants to make them aware of their obligations. We will continue to speak with the Agency for the Cooperation of Energy Regulators and other national and financial regulators to coordinate policy views and actions, where we need to.

Microbusiness regulation

3.19. The focus of our non-domestic regulation over the next year will be on implementing any potential CMA remedies that affect microbusinesses. We will then consider the needs of microbusinesses and whether any change in the regulatory arrangements could complement the CMA's remedies and lead to even better outcomes for consumers. Our monitoring will continue through publishing our annual non-domestic consumer survey and assessing compliance with, and the effectiveness of, our policies.

Onshore transmission competition – extending competition in transmission (ECIT)

3.20. We are consulting on how to tender out new onshore electricity transmission infrastructure projects worth £100m or more from 2017. We consider that using tendering to select a party to construct and own some new onshore projects is likely to create cost savings for consumers. 'New onshore electricity transmission infrastructure projects' in this context refers to either brand new overhead lines, cables or substations, or a complete replacement of existing overhead lines, cables or substations. Additionally, projects will only be tendered if it is possible to clearly delineate ownership boundaries so that it is clear who is responsible for each asset.

3.21. In 2016-17, we will continue to develop the detailed design of the regime (e.g. the tender models) and associated proposals for changes to legislation and licences, working with DECC as appropriate.

Offshore tenders

3.22. We will continue to manage the offshore transmission competitive tender process to appoint offshore transmission owners (OFTOs). In March 2015 we completed the third tender round of OFTO projects, the first under the enduring regime, bringing the total investment to date to just under £3bn and connecting over 4.3GW of offshore wind generation to the onshore grid. The process for tender round four will begin in April 2016 and it is expected that tender round five will commence later in 2016-17 – with both rounds combined representing over £2bn of transmission investment and connecting over 2.5GW of offshore wind generating capacity.

3.23. An independent assessment of tender round one estimated that savings of around £200m-400m were achieved through the competitive regime. A similar assessment will be carried out and published for both tender rounds two and three.

3.24. We will continue to manage the tenders and transaction process so that OFTO projects can be successfully concluded, and expect to reach financial close for the final tender round three project during the first half year and tender round four

thereafter. We will also continue to engage with offshore wind farm developers interested in considering the flexible OFTO Build framework which we published during 2015-16, and which could create benefits for delivering offshore wind farm connections at lower overall cost.

Local energy

3.25. In response to our non-traditional business models consultation in 2015-16, stakeholders identified local energy as a key emerging energy system trend. We will explore how local energy interacts with the regulatory regime and whether changes are required in order to unlock consumer benefits. We will publish a discussion paper before the end of Q4 2016-17.

Deliverables

Action	Quarter Due	Division
D3.1 Commence Offshore Tender Round 4	Q1	Networks
D3.2 Publish analysis on savings from Offshore Tender Round 2	Q1	Networks
D3.3 Publish decision on revenue indexation for near-term OFTO and Interconnector projects	Q1	Networks
D3.4 Priority service register statutory consultation for supply licence conditions	Q1	Consumers and Competition
D3.5 Domestic suppliers' social obligations annual report	Q1	Consumers and Competition
D3.6 Enforcement priorities for the year ahead will be decided by the Authority in spring 2016	Q1	Improving Regulation
D3.7 Response to consultation including setting out priority areas of the supply licence for a move to principles-based regulation	Q1	Consumers and Competition
D3.8 Grant final licence in OFTO Tender Round three	Q2	Networks
D3.9 Prepayment meter final decision on proposed changes (i.e. not taking into account supply licence condition implementation effective from date)	Q2	Consumers and Competition
D3.10 Consult on mechanisms for assisting allocation of consumer redress	Q2	Consumers and Competition
D3.11 Publish consultation on detailed arrangements for introducing competitive tenders for onshore transmission	Q2	Networks
D3.12 Publish analysis on savings from Offshore Tender Round 2 and 3	Q3	Networks
D3.13 Commence Offshore Tender Round five	Q3	Networks
D3.14 Annual enforcement conference to share perspectives on enforcement and compliance	Q3	Consumers and Competition
D3.15 Consultation on supply licence principles	Q3	Improving Regulation
D3.16 Consultation paper on local energy	Q4	Improving Regulation
D3.17 Publish annual review of interest during construction for generator build offshore transmission projects	Q4	Networks
D3.18 We will publish our third annual 'enforcement scorecard'	Q4	Improving Regulation

4. High Standards of Outputs and Protection

4.1. Given the essential nature of energy, we expect all electricity and gas companies to offer a high quality service and ensure suppliers place customers at the heart of their business. It is right that consumers share this expectation and are protected by standards.

4.2. We set standards and obligations as part of the market and regulatory arrangements. This ensures that companies meet requirements in line with wider societal objectives, and lets us monitor and enforce if necessary.

4.3. As part of our role in administering government social and environmental schemes, we are able to use our administrative tools to make sure standards are maintained. By administering the schemes in the most economical and consumer-conscious ways possible, and by providing input into DECC's ongoing development of the schemes, we are making a positive difference for consumers.

4.4. We will continue to use the enforcement powers and tools at our disposal to ensure that businesses operate in ways that recognise that energy is an essential service. We will monitor the standards that are delivered and ensure that the framework we have in place is effective.

Activities

Consumer empowerment and protection in a smarter market

4.5. The Consumer Empowerment and Protection project⁷ has many workstreams. Last year we worked on smart billing and smart prepayment as part of Phase 1. We delayed our 'Retail Markets Review for Time of Use' workstream in light of the Competition and Markets Authority's (CMA) market investigation, and we will consider what to do next in the context of the CMA's final remedies. This year we will prepare the groundwork for Phase 2 and engage with stakeholders to understand which parts to take forward and when. We will also align this with our work on flexibility.

Smart meter rollout

4.6. In early 2016 we will receive suppliers' formal plans to roll out smart meters by 2020 in accordance with government legislation. During 2015 we engaged suppliers in a 'dry run' exercise as we wanted to see whether they had solid plans in place to meet their annual milestone targets. These targets will be formal and binding from 2016 onwards. We will start to monitor suppliers' progress towards their targets during 2016 with progress reporting starting in early 2017.

⁷ Consumer empowerment and protection project details <https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets-updated-work-programme>

4.7. We will continue to regulate suppliers' delivery of the government's plans to engage consumers during the smart meter rollout. These include the delivery of Smart Energy GB and the Smart Metering Installation Code of Practice (SMICOP) obligations set out in licence conditions. Smart Energy GB is the national campaign for the Smart Meter rollout and details of the SMICOP can be found in the link below⁸. We will also continue our observer role in the Smart Energy GB Board and SMICOP Panel.

Security of supply

4.8. We are committed to working with National Grid to ensure it has the tools necessary to meet high standards for security of supply. This work is particularly important to ensure that National Grid is able to meet the challenges of tighter electricity margins during the mid-decade winters. We will continue to oversee National Grid's use of new balancing services (Supplemental Balancing Reserve and Demand Side Balancing Reserve) to ensure that they deliver value for money for consumers.

Ongoing monitoring of guaranteed standards

4.9. We will monitor suppliers' implementation of the new guaranteed standards regime, ensuring that information about suppliers' performance under each of the standards is published consistently and transparently. We will also monitor distribution network operators' (DNO) implementation of the increased payments under the new regime as part of our monitoring of their performance under RIIO in reducing interruptions.

Supplier objections

4.10. Last year we started reviewing the circumstances in which suppliers might object to domestic customers switching. We found many areas where we would need more information from suppliers to inform our policy conclusions. We will finalise our assessment of the objections regime to see if the current arrangements could be improved to make it easier for consumers to get the best deal. If our work assessing the objections regime indicates that changes are the best way forward, we will implement them in 2016.

Ombudsman and company complaints handling

4.11. The review of the Ombudsman scheme, published on 23 September 2015, found that several improvements could be made. We will work with the Ombudsman to make sure these are implemented so that consumers can benefit from an effective redress scheme and to drive improvement in company complaints handling. We will also publish the results of our latest survey of customers' satisfaction with suppliers'

⁸ Smart metering installation code of practice
https://www.ofgem.gov.uk/sites/default/files/docs/2013/04/smart_metering_installation_code_of_practice_0.pdf

complaints handling. These will be reviewed against the commitments suppliers made to improving performance last year.

Third Party Intermediary regulation

4.12. In 2016 we will work closely with the CMA to help implement remedies that affect Third Party Intermediaries (TPI). We will also continue to develop our TPI regulatory tools, provided that this work does not cut across the CMA remedies. For TPIs dealing with business consumers, we will evaluate and develop the Code of Practice. For Price Comparison Websites we will improve accreditation and audit processes.

4.13. The intermediary landscape continues to develop rapidly, with new business models and routes to market. We also see intermediaries playing a central role in helping deliver the benefits of smart meters to consumers. In 2016 we will commence work to implement a robust and flexible regulatory framework for intermediaries to protect consumers and promote competition, consistent with our approach to future retail regulation.

Improving the connection process

4.14. We are exploring how the connections process could be improved. This includes making better use of existing capacity on the network and finding ways to make investment in new capacity for connections earlier. We are also assessing how well DNOs understand the requirements of new generators connecting to their networks and whether they are taking appropriate steps to ensure that grid capacity does not constrain growth.

Project Nexus

4.15. In 2015, we established project governance and assurance arrangements to oversee Project Nexus, a major cross-industry programme to replace gas settlement systems and improve the associated business processes. We are playing an active role on the industry steering group overseeing the programme through to implementation. The new systems are due to go live in October 2016.

Sector resilience

4.16. We will keep under review our ring-fence arrangements to ensure they are robust and we can deal with any financial distress in companies we regulate. We will also continue to work with DECC on energy sector resilience, considering both physical and cyber security.

Key initiatives planned for environmental schemes

4.17. In 2016-17 we will continue to monitor and enforce compliance by scheme participants and suppliers with the obligations that apply to them. This plays its part in ensuring that government policy targets are met, that consumers are protected and that schemes are delivering value for money.

4.18. For example, under the Warm Home Discount (WHD) we ensure that domestic energy suppliers are meeting their obligations by helping nearly 2.2 million vulnerable customers a year through the provision of electricity bill rebates and indirect support for consumers at risk of fuel poverty. We are working closely with

industry and DECC to develop the park homes initiative beyond the pilot stage, for delivery under the WHD. This will provide support to a specific group of vulnerable consumers we had not previously benefitted under the scheme.

4.19. Under the Energy Companies Obligation we will continue to work closely with stakeholders to drive improvements in energy efficiency installation quality and to ensure that only eligible energy efficiency measures are allowed.

4.20. Our renewable heat and electricity schemes have audit strategies in place which ensure that compliance by scheme participants is rigorously audited, based on market intelligence. For example, during 2015-16 we successfully carried out a round of site audits for micro scale stations under the Renewables Obligation in Northern Ireland, which will be repeated in 2016-17. Under the Non-Domestic Renewables Heat Incentive, our audit approach measures both targeted and statistically sampled audits. This approach enables us to identify a more realistic view of non-compliances and is proven to be cost-effective. We will continue to review our audit strategies and update them in line with scheme changes, to ensure they provide the highest standard of protection.

4.21. We constantly strive to improve the security and efficiency of our application processes under the renewable heat and electricity schemes. This ensures a quality customer experience whilst minimising the risk of fraud and protecting public money as only applicants that meet the eligibility criteria are accredited. Across all schemes, proactively detecting and preventing fraud is a key area of focus. Where we find evidence of fraud we use our administrative tools to pursue action and liaise with prosecuting authorities and certification bodies where appropriate.

Deliverables

Action	Quarter Due	Division
D4.1 Monitor suppliers' progress towards smart meter targets during 2016 with progress reporting starting in early 2017	Ongoing	Consumers and Competition
D4.2 Commence work to implement a robust and flexible regulatory framework for intermediaries to protect consumers and promote competition, consistent with our approach to future retail regulation	Ongoing	Consumers and Competition
D4.3 Work closely with the CMA to help implement those remedies that affect Third Party Intermediaries	Ongoing	Consumers and Competition
D4.4 Delivery of Smart Energy GB and the Smart Metering Installation Code of Practice (SMICOP) obligations set out in licence conditions	TBC	Consumers and Competition
D4.5 Microbusiness and domestic objections review consultation	Q1	Consumers and Competition
D4.6 Take forward the results of our analysis of domestic supplier objections and publish our next steps	Q1	Consumers and Competition

D4.7 Publish our research of customers' satisfaction with suppliers' complaints handling	Q2	Consumers and Competition
---	----	---------------------------

5. Partnership with Government and Stakeholders

5.1. As an independent regulator, we have an important role in getting the best deal for consumers. We have good relationships with consumer groups of all sizes, with industry, and have been listening to and giving views to the new government. We are continually engaging with other partners, such as National Grid, other regulators and devolved administrations to bring about the right results.

5.2. We will continue to engage with the Scottish and Welsh governments and with elected representatives in Holyrood and Cardiff Bay. Through our regular contact programme we aim to keep politicians and their staff up-to-date with the work we do to protect the interests of gas and electricity consumers.

5.3. We will give evidence to Committees of the Scottish Parliament and Welsh Assembly on our work and on energy issues. We will provide opportunities for elected representatives to meet with us individually and at events in Scotland and Wales. We will continue to sit as observers on forums advising the Scottish and Welsh governments on energy efficiency and fuel poverty, and within our role we will work to support the implementation of new energy powers transferred to Scotland and Wales under the Scotland Bill and the Wales Bill.

5.4. As in the past, the Gas and Electricity Markets Authority will also host an event in Scotland and in Wales during 2016 to discuss energy issues with key political, industry, consumer and business stakeholders.

5.5. The things we do are shaped by the insight that we gain by talking to stakeholders from across the sector. Through listening to their views and concerns, and drawing on our own research, we are able to make well-informed choices on how we frame and take forward our activities.

5.6. In 2016-17, E-Serve will continue to focus on successfully delivering environmental schemes and consumer and social programmes on behalf of government. We will work with government and stakeholders to improve the schemes we administer so that they stimulate investment and encourage greater use of renewable technologies. We are also working with a growing number of delivery partners across government, adding value to their operations by sharing our knowledge and expertise.

Activities

Smart grids

5.7. The DECC/ Ofgem Smart Grid Forum (SGF) was created by DECC and Ofgem to support the UK's transition to a secure, safe, low carbon, affordable energy system. The main issue discussed at the DECC/ Ofgem SGF is how electricity distribution network companies will address new challenges decarbonising the

electricity supply. We will use the Forum to help take forward our work on flexibility and smart grids.

Future of gas

5.8. We will be doing more work on the future role of gas in the energy mix and, importantly from a RIIIO perspective, the impact of energy policy on the future role of gas networks. We will continue to work off the back of the Oban project which is considering the challenges and opportunities of widening the gas specification in GB, and considering changes that help unconventional gas including biomethane be used more widely in the energy mix.

EU coordination and engagement

5.9. Throughout 2016-17, we continue with a number of European initiatives to deliver a competitive, secure and sustainable single energy market that benefits British consumers. Our engagement in Europe will remain crucial, with the Commission's "Energy Union" initiative putting energy high on the European agenda. An ambitious framework is being set for a new energy market design and governance, focusing more on retail markets and flexibility. It is vital that we continue to influence, understand and engage across Europe so that policy is informed by a clear focus on our desired consumer outcomes.

5.10. As the European Commission continues to push forward with new EU energy policy initiatives, we will continue to influence policy direction through our membership of, and central role within, the European regulatory bodies: the Agency for the Cooperation of Energy Regulators and the Council of European Energy Regulators (CEER). We will continue to work through these bodies with the EU institutions, industry and fellow regulators to implement new rules (in the form of European network codes) and develop infrastructure in a coordinated way. We will also continue working with other EU stakeholders and GB industry to make sure they understand the many new initiatives and changes to existing GB market rules coming from European led policy.

5.11. It is important that we are at the forefront of the debate on areas such as the future of smart grids, and work to ensure decisions taken at European level benefit GB consumers. This includes roles in the CEER Distribution System Operators Working Group, the Smart Grids Co-ordination Task Force and the Flexibility Task Force. We work closely with the European Commission on smart grids and flexibility issues through the Commission's Expert Group 3 task force.

5.12. We need to influence new rulemaking that will affect the development and use of gas network infrastructure: (i) new pan-European gas quality standards, (ii) finalising harmonised gas tariffs rules, (iii) frameworks for public co-financing of new infrastructure projects ("Projects of Common Interest"). We will also remain engaged on possible reforms to EU regulations on gas security of supply and the implications for our cross-border gas network infrastructure.

EU regulation and network codes implementation

5.13. We will remain focused on taking forward our work on the European Network Codes, a suite of binding European laws which promote competition, efficient use of

transmission capacity, integration of energy markets and the harmonisation of rules for the operation of transmission and distribution networks. As the last of these codes are finalised and in force, our focus will be on working with DECC and industry, as well as other European regulators, to ensure we implement them proportionately and promptly. This will also involve managing multiple changes to GB industry arrangements, licences and legislation. We will work with DECC and industry to ensure we implement the codes in a proportionate and timely manner, as well as working closely with our fellow European regulators. This will also involve managing multiple changes to existing GB industry arrangements, licences and legislation where necessary.

5.14. We have recently worked with industry to streamline opportunities for engagement on European regulatory issues, including network codes. We will continue to keep this approach under review and to ensure that changes are clearly communicated, that parties have opportunities to engage with the process of developing policy at European level and that the changes to GB frameworks required to implement European laws are coordinated and effectively delivered.

UK regulators network

5.15. We participate in the UK Regulators Network (UKRN), the collaborative vehicle for joint working between the UK's economic regulators. In 2015, we led two significant UKRN projects to conclusion: the second phase of the Affordability project, to examine factors which may affect consumer bills over the next ten years, and the Cross-sector Infrastructure project, to put in place a set of measures to make it easier for developers to engage with network operators.

5.16. In 2016-17 we will continue to contribute across UKRN's workstreams including to the standing group that considers cost of capital issues across sectors. From April 2016 we will take on leadership of UKRN when Dermot Nolan becomes Chair of the UKRN CEOs' group

Key initiatives planned for environmental schemes

5.17. E-Serve will continue to administer and deliver a range of social and environmental schemes on behalf of government, including the Domestic and Non-Domestic Renewable Heat Incentive (RHI), the Renewables Obligation (RO), the Feed in Tariff (FIT), the Energy Companies Obligation (ECO) and the Warm Homes Discount (WHD).

5.18. We have worked with DECC on streamlining the memorandum of understanding we agreed in March 2013. We will look at how to improve the relationship further, and work more collaboratively to deliver the government's policy objectives. As always, we will work closely with DECC, Northern Ireland's Department of Enterprise, Trade and Investment and the Scottish government to ensure that any changes they make to existing schemes, or any new schemes, can be implemented easily and administered cost effectively.

5.19. For example, under ECO we have already delivered the closedown of the ECO1 scheme and introduced ECO2, working closely with stakeholders to ensure a smooth transition. We approved over 1.4 million measures under ECO1, such as insulation and heating packages, which have benefitted low income and vulnerable households.

In 2016-17 we will continue to work with the delivery chain to identify and clarify further our processes and reduce administrative burden.

5.20. In 2016-17, there will be more changes across the renewable electricity schemes. We have worked closely with DECC to help move the FIT from being a demand-led to a capacity-led scheme. There will be more changes to what is considered eligible under the RO scheme, so we will be providing guidance and workshops to help explain the changes. Our experience in administering renewable electricity schemes means we are recognised as the best party to support the Low Carbon Contracts Company (LCCC) on suitability and fuel measurement and sampling. This work will continue in 2016-17.

5.21. Across our renewable heat schemes, we will continue to seek feedback from stakeholders to help us to improve our administration. Under the Non-Domestic RHI we will continue to work with stakeholders, including customers and the supply chain, to better understand their needs. Under the Domestic RHI, we will work with relevant authorities to raise consumer protection issues and protect consumers from substandard traders and installers.

5.22. We will work with energy companies, consumer groups, scheme participants and other stakeholders to ensure that schemes are delivered in the most economical and consumer-conscious ways possible. We will do this through meetings, consultations, workshops and surveys, providing stakeholders with the opportunity to give us feedback while letting us keep them informed with latest developments.

Deliverables

Action	Quarter Due	Division
D5.1 Stakeholder and political surveys	Ongoing	Corporate Affairs
D5.2 Be an Energy Shopper campaigns	Ongoing	Corporate Affairs

6. Trust and Confidence

6.1. Trust and confidence in the energy market is key to ensuring that the competitive framework delivers benefits, particularly through greater consumer participation, and that network regulation delivers effectively. Building this level of trust is an important component of our work as an independent regulator.

6.2. We will work with the Competition and Markets Authority (CMA) and industry to implement the recommendations set out in the CMA's final report on the operation of the market, which will provide a positive basis to begin to rebuild trust. We will continue to build trust by ensuring consumers and their representatives have access to well targeted advice and information, whether through data we publish ourselves, partnership with other organisations or requirements on the industry to provide transparency. We will build on our work to ensure a clear line of sight on prices, costs, profits and customer service, publishing or highlighting supplier information where this supports consumer choice and engagement in the market.

6.3. On the networks side, we have taken steps through RIIO to provide access to more information on regulated company performance, whether direct from the companies or through our publications. Customers' interests are best served by ensuring the regulatory framework is well understood by investors and risks are allocated with the part of the industry best able to bear them. This helps ensure that outputs are delivered, finance is available and that the cost of capital remains at efficient levels - hence customer bills are no higher than they need to be. We will continue to ensure that we have engaged constructively with the investment community.

6.4. We have received good feedback from stakeholders on the improvements made to E-Serve's transparency and accountability and remain committed to making further improvements during 2016-17. By being more open and transparent, particularly through the publication of more information and statistics about the schemes, we hope to continue to build stakeholder trust and confidence in what we do.

Activities

Security of supply

6.5. We will continue to monitor market fundamentals on a day to day basis and analyse potential implications of any market movements on security of supply of both gas and electricity. We will engage with DECC and National Grid to address any potential issues identified through our monitoring. We will also continue to monitor security of supply of both gas and electricity. We will ensure that our market arrangements are delivering secure supplies for GB consumers. Following on from our previous publications on security of supply, we will continue our analytical work to assess any potential risks to electricity security of supply in the coming years.

6.6. We will scrutinise the analysis done by National Grid Electricity Transmission (NGET) on the volume to procure for each Capacity Market auction. This may include specific areas requested by DECC and ensuring that NGET takes up advice given by the Panel of Technical Experts. We can add significant value for consumers by utilising our expertise in this area, helping to make the analysis robust and avoiding excessive costs for consumers or a lack of secure electricity supply.

Liquidity report

6.7. Secure and Promote was introduced as a special licence condition in obligated parties' generation licences. Its aim was to help them access the wholesale electricity market, and to ensure the market provides the products and price signals needed so that they can compete effectively. We published our first annual assessment on the impact of Secure and Promote in September 2015. The report showed the results of our monitoring since the start of Secure and Promote in Q2 2014. We will continue to monitor liquidity in the market and how independent suppliers are able to access the products they need to compete effectively. We will continue to publish our views in our annual liquidity reports.

Market monitoring

6.8. In 2016 we will publish our second annual Retail Energy Market report. It will look at how well the retail market is delivering the strategic outcomes in our corporate strategy. It will draw on market indicators to show key trends on the supply and demand sides of the market. Building on last year's analysis, the report will also look at the impact of some of our retail market reforms over the past two years.

6.9. The report will take account of the findings of the CMA's market investigation and will help with implementing the CMA remedies.

6.10. We will continue to monitor the wholesale market to assess how well it is delivering for consumers, and that industry participants are complying with market rules. We will continue to update the Wholesale Market Indicators that we publish regularly on our website, and will publish an updated Wholesale Energy Market Report in 2016.

6.11. Part of our monitoring work will include an assessment of the 'cash-out' rules we changed as part of the Significant Code Reviews in both gas and electricity. These changes, which came into force in winter 2015-16, will be closely monitored to gauge the impact they have had on the market. Considering their effectiveness will be key to understanding how secure GB supply is. We will also continue to closely monitor the impact of liquidity reforms in electricity through the 'Secure and Promote' licence condition. Each quarter, we will publish liquidity metrics for both gas and electricity on our website.

Closed account credit balances

6.12. Following the analysis of monitoring information we are receiving from energy companies about returning closed account money, we will consider whether further action is required.

Determinations/ derogations

6.13. We have a statutory duty to handle requests for determinations if they fall within our powers. Determinations can arise if a customer is in dispute with a network company and they typically concern the charges of providing a customer with a new connection to the network. We manage this process and any policy issues that arise.

6.14. We also handle occasional requests from licensees to derogate from certain licence conditions. This may be on a temporary basis, for example to deal with new types of gas, and when certain factors outside of their control make it impossible to fully comply.

Key initiatives planned for environmental schemes

6.15. Over the last year we have worked hard to improve trust and confidence in the schemes we deliver by making sure they are transparent and accountable. This has been possible because of the strong transaction and regulatory processes we have in place and effective communication with stakeholders.

6.16. On our website, we publish information about what we do and over the last year we have made improvements to help stakeholders to find the information they want more easily. We have introduced website publication libraries for each of the schemes to help users search for documents and have published interactive charts. We have also rolled out new electronic newsletters for each of the key schemes, to keep stakeholders up to date with all the latest developments.

6.17. Under the Feed in Tariff and Renewables obligation schemes, the information we publish includes data on accredited installations and new tariff caps as well as annual reports. This information helps inform stakeholders of progress towards the new caps and scheme uptake. Our renewable heat schemes also publish quarterly and annual reports that provide information about our administration of the schemes and uptake of different technologies.

6.18. We also report on our energy efficiency and social programmes. Under the Energy Companies Obligation (ECO) we have improved our reporting on ongoing scheme progress, including the final determination report on ECO. We will also carry out the Government Electricity Rebate (GER) and Warm Homes Discount (WHD) end-of-year assessments of suppliers and will produce annual reports on the delivery of WHD and GER.

6.19. Last year we set up a group to look at the information we hold and how we could make it more accessible, such as through an online mapping tool. Our objective is to provide regional and constituency level information on metrics as diverse as technology type installed, installed capacity and energy efficiency measures installed. We will continue to build on the momentum of this initiative in 2016-17.

6.20. Another development for 2016-17 will be launching a customer satisfaction measurement tool for transaction-based schemes. We want to ensure that we are doing all we can to uphold the high standard of customer service that scheme applicants expect. The tool will allow customers to give feedback on their application experience, helping us to understand more about how we can improve it.

6.21. We will also continue to work with DECC and other bodies that fund the schemes to build trust through openness, professionalism and high-quality administration. We will do this by improving our reporting processes and engaging proactively.

Deliverables

Action	Quarter Due	Division
D6.1 In 2016 we will publish our second annual Retail Energy Market report	TBC	Consumers and Competition
D6.2 We will continue to monitor the development of liquidity in the market and how independent suppliers are able to access the products they need to compete effectively. We will publish our views in an annual report in 2016 and 2017.	Ongoing	Energy Systems
D6.3 We will publish an updated Wholesale Energy Market report in 2016	TBC	Energy Systems
D6.4 Our monitoring activities will continue through the publication of our annual non-domestic consumer survey	TBC	Consumers and Competition
D6.5 Liquidity metrics will be published quarterly on our website for both gas and electricity	Ongoing	Energy Systems
D6.6 Publish annual report on the Domestic Renewable Heat Incentive (RHI) scheme	Q2	E-Serve
D6.7 Publish annual report on the Non-Domestic RHI scheme	Q2	E-Serve
D6.8 Publish FIT annual levelisation process	Q2	E-Serve
D6.9 Publish annual report on the Warm Home Discount (WHD) scheme	Q3	E-Serve
D6.10 Publish annual report on Government Electricity Rebate (GER)	Q3	E-Serve
D6.11 Publish annual report on the Feed-in-Tariffs (FIT) scheme	Q4	E-Serve
D6.12 Publish annual report on the Renewables Obligation (RO) scheme	Q4	E-Serve
D6.13 Publish compliance progress reports against Energy Companies Obligation (ECO)	Monthly	E-Serve
D6.14 Publish quarterly report on Domestic RHI scheme	Quarterly	E-Serve
D6.15 Publish quarterly report on Non-Domestic RHI scheme	Quarterly	E-Serve

7. Efficiency and Reduced Regulatory Burdens

7.1. Increasing the efficiency of our operations and reducing the costs we impose on industry, and therefore consumers, is an important consideration for Ofgem.

7.2. Being efficient means delivering as much benefit to consumers as possible with our limited resources. This involves not only doing more for less, but also making sure that we choose to do the things that have the greatest impact.

7.3. We aim to manage our activities strategically. This means that we will prioritise those activities that we expect to deliver the greatest value for consumers, both today and in the future. These decisions need to be based on a clear understanding of the current state of affairs and a well-developed view of the challenges of the future.

7.4. We will also continue to invest in our capability, to make sure that our people have the right skills and expertise, and the right tools and systems at their disposal to do the best job possible on behalf of consumers.

7.5. Ofgem's Strategic Transformation Programme (STP) is central to the improvement of our performance and efficiency. The programme's aim is to bring our strategy into effect, by focusing on improving the management of our people, processes and technology. Last year we reviewed our operating model and designed specific improvement projects around our organisational structure, systems, processes and governance. In 2016-17 we will implement those changes.

Activities

Optimising outcomes for energy customers

7.6. Across the organisation we are constantly reviewing the way we work and challenging ourselves to deliver the maximum outcomes for current and future energy consumers, while optimising the costs we impose on consumers and the industry. As part of STP a new organisational structure was established and this structure will be embedded during 2016. The new structure will allow us to be more responsive to the needs of consumers and work in a more agile way. The divisions in the new structure ensure that we are better placed to fulfil the strategy of the organisation. These new divisions are; Corporate Affairs, Improving Regulation, Consumers and Competition, Energy Systems, Networks, Corporate Functions and E-Serve.

7.7. We continue to set ourselves challenging budgetary targets to ensure that we are delivering value for money. Our budget for 2016-17 will be lower than last year, despite the scale and complexity of the initiatives we are planning to deliver.

In everything we do, we must regard the principles of better regulation. This means that our activities must be transparent, accountable, proportionate, consistent and

targeted only where action is needed. We have a duty to keep our regulatory functions under review and to make sure that, when we exercise them, we do not impose or maintain unnecessary burdens.

7.8. As our main delivery team, E-Serve is expert in operational design and delivery excellence. A culture of continuous improvement is fully embedded within E-Serve and initiatives are overseen by the work of our Operational Excellence Forum. In 2016-17 E-Serve will continue to lead the way in developing innovative process improvements that result in cost and time savings as well as quality improvements, to the benefit of scheme applicants and ultimately consumers.

Reducing burdens

7.9. We support the government's aim to reduce burdens on business. Regulating in effective, proportionate ways accords with the approach in our strategy and delivers the best value for consumers. We have a statutory duty to keep our activities under review and to publish an annual statement setting out what we have done and what we intend to do to reduce regulatory burdens. This statement is our Simplification Plan, which is published alongside the final version of this Forward Work Programme in March 2016.

7.10. We have worked closely with government on the development of requirements in the Enterprise Bill to extend the Business Impact Target (BIT) to our activities, including the new framework for sharing assessments of costs with the Regulatory Policy Committee. Our Simplification Plan 2016-17 gives more insight on which of our activities are in scope of the BIT, how considerations of business burdens are reflected in our planning and decision making and what this means for the businesses we regulate and the consumers they serve.

Strategic projects

7.11. During 2015 several projects were launched to examine our business functions. A new approach to corporate planning and performance management aligns to our strategic objectives and internal and external performance indicators will be implemented in 2016. The combination of the improved management information and planning will enable us to target our resources and activities and measure our efficiency and performance against our planned outcomes.

7.12. In 2016 we will develop our knowledge management capability and will address a wide range of related factors with the aim of ensuring that we build our body of corporate knowledge, that information across the organisation is easier to retrieve and access and that key learnings are available to be applied to future work.

7.13. We will also focus on improving our regulation through a new analytical excellence team. This team will provide central analytical support across the organisation, set out regulatory stances for use by staff when making key regulatory decisions, run a modelling network to ensure best practice and develop Ofgem guidance to improve the robustness of modelling and the consequent decisions taken based on such modelling.

7.14. The changes to our organisation will be embedded with a revised governance framework to ensure direction is clear, there is appropriate delegation and empowerment and lines of ownership and accountability are transparent. The future

organisation model is oriented to, and starts with, a clear strategic focus on delivering the best deal for consumers, efficiently and effectively, as an exemplar of regulatory excellence. The structure and associated governance linked to robust delegation models will enable us to invest our resources wisely.

7.15. In 2016-17 we will continue to plan for a move to more cost-effective office premises. As part of this programme of work we will maintain a strong focus on achieving smarter working practices across the business, seeking to use technology which will reduce costs and increase our efficiency.

7.16. During 2016-17 we will be operating under a new internal governance system. This is designed to ensure that delegation from GEMA to the executive is appropriate and clear, the executive team is empowered to deliver agreed outputs in support of our strategic objectives, lines of ownership and accountability are transparent.

Key initiatives planned for environmental schemes

7.17. In our delivery of environmental schemes, E-Serve's aim is to achieve delivery excellence in all that we do. We do this by seeking cost, quality and efficiency improvements, ensuring value for money for consumers and the industry.

7.18. Under the oversight of the Operational Excellence Forum, operational excellence was launched within schemes during 2015-16. It built upon existing continuous improvement work and expanded it to ensure that all aspects of delivery excellence were brought together. This involved finding ways to reduce transaction costs, cut overall spending and enhance the quality of service received by scheme participants. There are a number of initiatives already underway and updates are reported to the E-Serve Board as required.

7.19. We will continue to embed this during 2016-17 with the Operational Excellence Forum helping to maximise cross-scheme opportunities, as well as sharing best-practice, to deliver operational savings and to optimise our processes. At the same time we will ensure that we continue to maintain the high levels of service that our stakeholders have come to expect.

7.20. We made a number of improvements last year, which we intend to build upon in 2016-17. For example, our Renewable Electricity team have delivered a streamlined application process for micro-scale applicants in Northern Ireland. Taking feedback from applicants we re-worded application questions to make them more user-friendly and published factsheets with easy to access information. We also strengthened our dedicated application processing team in Glasgow, which has been very successful in tackling application peaks.

7.21. Under the Domestic RHI we have delivered significant efficiencies to the cost of our operation since scheme launch. We also implemented a Change Management System to further enhance our ability to effectively manage process and system improvements. In 2016-17 we will take further strides towards achieving an even higher automatic processing rate, reducing the number of applications that need to be reviewed manually.

7.22. Across our energy efficiency and social programmes we delivered significant cost reductions during 2015-2016, through administrative process improvements. During 2016-17 we will continue to work closely with stakeholders to identify

improvements in scheme administration, making further cost reductions, whilst continuing to maintain high levels of service.

Deliverables

Action	Quarter Due	Division
D7.1 Further revisions to the Impact Assessment guidance (to be confirmed)	TBC	Improving Regulation
D7.2 Publish regulatory stances	Q3	Improving Regulation
D7.3 Publish consultation on the 2017-18 Forward Work Programme	Q3	Corporate Functions
D7.4 Publish final 2017-18 Forward Work Programme	Q4	Corporate Functions
D7.5 Publish Simplification Plan 2017-18	Q4	Improving Regulation

8. Budgets and Spend

8.1. Our budget is funded by fees collected from licensed energy companies. The majority of E-Serve's funding comes from DECC but income is also received from other sources including the Northern Ireland Department of Enterprise, Trade and Investment (DETI) and electricity suppliers. We also receive a contribution from the Department of Environment, Food and Rural Affairs (Defra) to cover our proportion of the costs of running the headquarters building shared by Ofgem and Defra.

Five year plan

8.2. Our estimated gross costs for the next five year period are set out below.

Figure 1: Ofgem's expenditure

£m	2015-16 planned	2016-17	2017-18	2018-19	2019-20	2020-21
Regulation of Monopolies and Enabling Markets / Setting the Rules for Markets	23.6	23.8	22.0	20.4	20.9	20.5
Effective Competition	21.4	21.6	23.1	22.7	22.2	22.7
High Standards of Outputs and Protection	4.0	4.0	4.4	4.1	2.7	2.6
Partnership with Government & Stakeholders	4.8	4.8	4.3	3.9	4.1	4.1
Trust and Confidence	5.4	5.4	5.0	4.7	4.7	4.7
Efficiency and Reduced Regulatory Burdens	2.2	2.1	3.3	2.5	2.5	2.5
Regulatory Sub Total	61.4	61.7	62.1	58.3	57.1	57.1
E-Serve	26.1	25.0	23.7	23.6	22.9	22.9
Contingency	2.0	2.0	2.0	2.0	2.0	2.0
Total	89.5	88.7	87.8	83.9	82.0	82.0

8.3. Included in these costs is an allocation of corporate overhead. These costs represent our estimated future expenditure. The new organisational structure has allowed us to prioritise and target resources to where they will have the greatest impact on consumer outcomes. The new divisions will also be reviewing their priorities and this may result in a different estimated spend within the overall total shown in Figure 1.

Cost control regime

8.4. We have agreed with government a new five year framework for the period 1 April 2016 to 31 March 2021. It will take our total expenditure down to £82 million by 2019-20 representing a reduction in real terms of 15%. This is a challenging target and we have structured the organisation to deliver against our objectives, allowing us to prioritise and make the best use of resources at our disposal. Some details of how the new framework will operate are to be finalised in January 2016 and this may impact on our expenditure table shown in Figure 1.

8.5. As set out in our existing Licence fee cost recovery principles document⁹, we previously operated under a cost control regime on the basis of RPI minus 3%. We will reflect the new framework in a revised principles document.

⁹ Our Licence fee cost recovery principles document can be accessed here: https://www.ofgem.gov.uk/sites/default/files/docs/revised_licence_fee_cost_recovery_principles_publication_amendments_public_bodies_order_2014.pdf

Appendix 1 – Key Performance Indicators

Effective Competition

Metric	What is being measured	Annual Target	Division
RMR Derogation requests	Make decisions on RMR derogation requests within 60 working days of receiving a request (unless formal consultation is needed)	90%	Consumers and Competition
Offshore Transmission processing	Licence grant within 70 days of commencement of Section 8a consultation	70 working days	Networks
Offshore Transmission processing	Preferred Bidder selection within 120 days of ITT submission (excluding Best And Final Offer)	120 working days	Networks

High Standards of Outputs and Protection

Metric	What is being measured	Annual Target	Division
Domestic Renewable Heat Incentive (RHI) processing	Applications to receive an automatic decision on the day of application	60%	E-Serve
Non-Domestic Renewable Heat Incentive (RHI) processing	Responding to queries within 10 working days	90%	E-Serve
Renewables Obligation (RO) processing	Responding to enquiries about applications within 10 working days	90%	E-Serve
Feed-in Tariff (FIT) processing	Responding to enquiries about applications within 10 working days	90%	E-Serve
Energy Company Obligation (ECO)	Responding to queries within 10 working days	90%	E-Serve
Warm Home Discount (WHD) processing	Responding to obligated party submitted Warm Homes Discount schemes for approval, within 28 days ¹⁰	100% ¹¹	E-Serve
Domestic Renewable Heat Incentive (RHI)	Maintaining system availability during	99% (or above)	E-Serve

¹⁰ Required by legislation.

¹¹ Required by legislation.

processing	business hours		
Non-Domestic Renewable Heat Incentive (RHI) processing	Maintaining system availability during business hours	99% (or above)	E-Serve
Renewables Obligation (RO) processing	Maintaining system availability during business hours	99% (or above)	E-Serve
Feed-in Tariff (FIT) processing	Maintaining system availability during business hours	99% (or above)	E-Serve
Energy Company Obligation (ECO) processing	Maintaining system availability during business hours	99% (or above)	E-Serve
Licence Applications	Make decisions on licence applications within 45 days	100%	Consumers and Competition
Code Modifications	Make code modification decisions within 25 working days of receiving the Final Modification Report (or, where applicable, final responses to a Final Impact Assessment or other Ofgem consultation) and, where applicable, publish code modification Impact Assessment (or other Ofgem consultation) within 3 months of receiving the Final Modification Report.	90%	Consumers and Competition

Trust and Confidence

Metric	What is being measured	Annual Target	Division
Customer Contacts	Time taken for first substantive response to customer contacts	93% - 10 working days	Sustainable Development
Whistle-blowers	Time taken for first response to whistle-blower contacts	90% to receive initial engagement within 1 working day	Sustainable Development

Efficiency and Effectiveness

Metric	What is being measured	Annual Target	Division
Domestic Renewable Heat Incentive (RHI)	Making payments within 5 working days	95%	E-Serve

processing			
Non-Domestic Renewable Heat Incentive (RHI) processing	Making payments within 30 working days	95%	E-Serve
Renewables Obligation (RO) processing	Issuing the main batch of ROCs, following the generators' output data reporting deadline, within 17 working days (Apr - Jun) and 12 working days (July -Mar)	95%	E-Serve
Feed-in Tariff (FIT) processing	Completing the levelisation process within 22 working days	95%	E-Serve
Energy Company Obligation (ECO)	Processing measures submitted within calendar month	95%	E-Serve

Appendix 2 – Feedback Questionnaire

Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the document?
3. Was the document easy to read and understand, could it have been better written?
4. To what extent did the document's conclusions provide a balanced view?
5. To what extent did the document make reasoned recommendations for improvement?
6. Do you have any further comments?

Please send your comments to:

Mark Wagstaff
Consultation Coordinator
Ofgem
9 Millbank
London
SW1P 3GE

mark.wagstaff@ofgem.gov.uk
