

Ofgem-DECC Independent Suppliers Forum Quick Policy Updates **19 February 2016**

Ofgem Update

Smart prepayment

In September 2015, we consulted on our [smart prepayment proposals](#) for a smarter market. We received 20 responses from a broad range of stakeholders, including independent suppliers. We will publish those non-confidential responses. We aim to publish our final decisions, including a summary of responses and details of further work before the end of March 2016. Please contact Joshua Wilson at Joshua.Wilson@ofgem.gov.uk if you have any questions.

Secure and Promote

We will be publishing our second annual report in summer 2016. We are continuing our monitoring of the impacts of our intervention on liquidity and remain keen to hear comments and feedback from independent suppliers on their experience in trading with the large generators. Please contact Yasmin Valji at Yasmin.Valji@ofgem.gov.uk

E-serve reminders on suppliers hitting thresholds

Government environmental and social programmes administered by Ofgem E-Serve place various obligations on licensed energy suppliers. The guide provides an overview of which schemes will become relevant as suppliers grow, and outlines when and how they will need to take action.

See [here](#) for E-Serve's 'Information for Independent Suppliers' factsheet. Contact details for each scheme are included in the factsheet.

Spending Review

There were significant announcements relating to schemes administered by Ofgem E-Serve in the government's Spending Review 2015.

The current ECO scheme ends in March 2017, and will be replaced with a new energy supplier obligation which will run for 5 years with an annual cost of £640m.

The current Warm Home Discount scheme will be extended until 2020-21.

Funding for the Renewable Heat Incentive has been confirmed until 2020-21 and will continue to rise to £1.15 billion in 2020-21.

Government will provide an exemption for energy-intensive industries from the policy costs of the Renewable Obligation and Feed-In Tariffs schemes. These changes will add £5 onto projected household energy bills annually to 2020/21.

Contacts for each scheme are provided in the above factsheet.

PSR Final Proposals consultation

We published our final proposals consultation for the Priority Services Register Review on 17 December 2015, which contains draft licence conditions for suppliers and distribution networks and a draft impact assessment. This consultation is now closed. Please contact Bhavika Mithani at Bhavika.Mithani@ofgem.gov.uk if you have any questions.

Switch Guarantee

The energy switch guarantee is being developed by Energy UK on behalf of industry – all suppliers can sign-up not just Energy UK members. Members of the guarantee will be able to use the logo and will be listed on the guarantee's website which is currently being developed. Ofgem and DECC consider it an important initiative that can help allay

consumers' concerns with the switching process, encouraging more people to engage in the market.

The guarantee will be soft-launched from the end of March and then launched officially at the end of May. To sign-up, suppliers will need to demonstrate compliance with the guarantee's commitments. Please contact Daisy Cross at Energy UK at Daisy.Cross@energy-uk.org.uk for more information about the project's timeline and the sign-up process.

Customers on independent networks

Much of the new build housing is connected to independent networks. There are now in excess of **1.5 million customers** on independent gas networks. However, despite the scale of this market segment, we are aware that some new entrants refuse to initiate, or subsequently abort registrations of customers in this sector.

Whilst we recognise the challenges faced by new entrants, we would remind them that they are obligated under the terms of their licence (SLC22) to offer to enter into a contract where requested by a domestic customer. Some of the current administrative difficulties of dealing with multiple gas transporters (GTs) will be resolved as part of Project Nexus. From 1 October 2016 Xoserve will provide uniform supply point administration service to all of the independent gas transporters (iGTs), bringing them into line with the arrangements for larger GTs.

We would be keen to understand what other issues may be preventing you from offering a supply to domestic customers on iGT networks, as we would expect all customers to enjoy the same choice and standards of service as those on other parts of the network. Please contact Andrew Wallace at Andrew.Wallace@ofgem.gov.uk for more information.

DECC Updates

Smart Meter Roll out

As a result of recent stakeholder feedback, DECC will be trialling a new monthly newsletter for independent suppliers to replace the monthly conference calls. Many thanks to everyone who has participated in the calls to date.

The next conference call due to take place on Thursday 25 February 2016 will therefore be cancelled. We will be aiming to send out the first issue the week commencing 22 February 2016 and we welcome any feedback on this new newsletter.

Please contact Nafeh Syed at Nafeh.syed@decc.gsi.gov.uk or Harriet Caruana at Harriet.caruana@decc.gsi.gov.uk.

CFD supplier obligation

On 25 January DECC published the government response to its consultation on a series of technical amendments to the Contracts for Difference (CFD) supplier obligation, aimed at reducing costs to consumers through improving its efficiency and transparency. Following the consultation, and subject to parliamentary approval, DECC intends to implement the majority of the proposals consulted on, however intends to stagger the implementation of the proposals due the impact on the settlement system.

From 1 April, DECC intends to implement several of the proposed amendments, including:

- a change to the way that the Interim Levy Rate (ILR) is calculated so that it better reflects suppliers' actual liabilities;
- powers for the Low Carbon Contracts Company (LCCC) to reduce the ILR without notice;
- a requirement on the LCCC to publish projections of CFD costs for at least 15 months ahead; and
- a requirement on the LCCC to include generator start dates in the public CFD register.

DECC has the intention to implement several more of the consultations' proposals in the first half of 2017, including amendments that ensure reconciliation payments are made more quickly after the end of the quarter; changes that amend the period over which the Total Reserve Amount (TRA) is calculated; and changes to allow LCCC to reduce the TRA without notice. The government has decided not to implement the proposal to remove the interim data reconciliation process (which takes place within a quarter), as the feedback received made clear that this was unlikely to result in any significant benefit, and intends to consider further the proposal to change the treatment of generation and non-generation payments before making a decision on whether to implement this change.

The associated impact assessment included a preliminary estimate of the cost impacts of changes to the settlement system and quantified the potential net cost saving of the proposals as £38m (NPV, 2015 prices), leading to a reduction in consumer bills of around £0.40-£0.60 over the total period under analysis (2015 prices), assuming that these savings were passed through to consumers in their entirety. These savings result from a net reduction in financing costs associated with reduced reserve payments to the LCCC, and a reduction in the amount of time the LCCC retains excess reserve or interim rate payments before making repayments back to suppliers.

For full details please refer to the government response which can be found at [here](#).