

## Minutes of Sustainable Development Advisory Group meeting

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This is a record of Ofgem's Sustainable Development Advisory Group meeting, held 3 March 2016.	From Date and time of Meeting Location	Thomas Jones 3 March 2016 10.00-12.00 9 Millbank
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### 1. Attendance and apologies

- 1.1. See annex for attendance and apologies for the meeting.

### 2. Updates and agreement of minutes

- 2.1. No comments were raised about the minutes of the previous meeting.

### 3. Chair's introduction and update on SDAG within Ofgem restructure

- 3.1. The Chair apologised that he would have to excuse himself after the first 30 minutes of the meeting due to an unavoidable diary clash, and explained that Martin Crouch (Senior Partner – Improving Regulation) had agreed to chair the meeting after that point. The Chair noted that since the last meeting there had been some updates to the membership of the Gas and Electricity Markets Authority (GEMA), with Rachel Fletcher (Senior Partner – Consumers and Competition) and Christine Farnish (Non-executive director) joining.
- 3.2. He informed the group that Ofgem had recently gone through an internal restructure, and assured the group that continued to be of fundamental importance to GEMA.
- 3.3. The Chair suggested that the restructure provided an ideal opportunity to take stock of the state of the SDAG, whether there are any issues or changes to be made to its structure. He explained to the group that GEMA and the Ofgem policy teams value the group and found its input very useful. He wants to know whether the group also find it useful, and the **secretary for the group plans to send out a questionnaire to the group.**
- 3.4. Martin Crouch presented on the new structure of Ofgem.
  - The Consumers and Competition (C&C) division was formed to integrate the consumer protection issues and the policy in retail markets, along with the forthcoming retail market change programmes Ofgem are running (including half hourly settlement and faster switching).
  - The Improving Regulation (IR) division is intended to hold the majority of central cross-cutting functions, and provide a clearer future focus for the organisation.
  - The Energy Systems (ES) division brings together the blurring areas of wholesale markets & networks, including work on flexibility, charging and system operation.

- The Networks division is intended to retain the traditional network asset regulation areas of Ofgem, including the RIIO price control, offshore transmission and interconnectors.
  - The E-serve division were not included in restructure, although some changes to their structure to increase their autonomy are ongoing.
- 3.5. Martin told the group that there were also changes to the governance structure, following a review including as part of our Strategic Transformation Programme, including an aim to embed more responsibility for decisions throughout the organisation.
- 3.6. The Chair added the view of the restructure from GEMA, that they fully support the changes that the CEO has made in this restructure. The changes make sense for the forthcoming priorities of Ofgem. He commented on the importance of the IR division, both in terms of analytical leadership and responsibility for the future-facing horizon scanning function. The Chair reflected on the fact that the GEMA agendas had been very busy in the past 18 months, and hoped the new governance structure will address this.
- 3.7. Martin invited any comments or questions on the new structure. SDAG members welcomed the explanation of the new structure, and raised a number of points during the discussion, including:
- Ofgem’s engagement with the large industrial users is still working well in the new structure.
  - A member commented on that the workload looked to be spread relatively evenly across the new divisions, and asked whether we had considered releasing guidance for the new entry points for stakeholders to deal with. Martin explained that Ofgem was currently going through a review of our process for stakeholder management, and in the meantime would encourage stakeholders to deal with their existing contacts, as they are likely unchanged.
  - The point was also made that the view of SDAG was tertiary to what Ofgem and its directly regulated stakeholders think works best, and that the new structure is a stronger one for an independent regulator.
  - The new structure has now split out the two areas of sustainability that SDAG deals with (consumer protection and environmental), and wanted to ensure that SDAG didn’t suffer as a consequence. The Chair confirmed that it was still Ofgem’s intention for SDAG to continue to cover both.
- 3.8. The Chair then excused himself for the meeting, and invited Martin Crouch to Chair the remainder of the meeting.

#### **4. Horizon Scanning project**

- 4.1. The Chair (MC) introduced the item, explaining that Ofgem’s intention is to say more publically on Horizon Scanning in the next few weeks. Jeff Hardy (Head of Sustainable Energy Futures) introduced himself and the project to the group. He explained that the project intends to use stakeholders both internal and external as knowledge sources. He explained that previous input from SDAG has influenced the start of this project.
- 4.2. Jeff presented on what horizon scanning is, why Ofgem are doing it, the proposed approach and the planned stakeholder engagement for the project. This included the plan to hold internal and external workshops, and Ofgem’s draft focal

question for the project: "What are the main drivers of change for the energy system and markets, the most material impacts on consumers, and the implications for regulation?"

4.3. SDAG members raised a number of points/question on the horizon scanning work, including:

- A member asked if it was worth including government policy within the focal question. Ofgem explained that they saw government policy more suitable as a driver for change that will have implications for the market.
- The group acknowledged that there was always uncertainty in the market, for example a few years ago everyone expected electricity demand to increase, but it has been decreasing. There is a broad width of possibilities in the world; therefore any attempt to study the future is welcome.
- The suggestion to use case studies of extreme events that have happened in the past; an example was the recent constraint issues in the South West distribution network with solar generation connecting. Ofgem could go through the process of considering the events, and what actions could have improved the outcome.
- A member raised the suggestion that it might be worth Ofgem setting out what it doesn't expect to change in the future, as it could be useful to add constraints to the range of possibilities it is considering.
- The main areas of change in the future highlighted by the group included: storage; institutional structures and local issues; metering; global markets; cyber technology; and geo-political trends.
- The example of not predicting the speed of increase in solar was because it was considered from a UK perspective, whereas technology is a global perspective.
- The central role of consumers in the question was well received by the group. It was suggested that Ofgem should consider the distributional effects of changes on different segments of consumers.
- The a member advised that the real value in Ofgem carrying out this work could be to provide guidance to the market on what it believes the future fundamental issues are. Ofgem could position itself as a "lighthouse" to the market.
- The stakeholders consulted in this process can't be the 'usual suspects', and Ofgem should try and deal with as broad a group of individuals as is feasible.
- The project should ultimately aim to answer what is plausible, and has a material impact in the market/for consumers.

## 5. Project updates

5.1. Stew Horne discussed the slides on the **Simpler, Clearer, prepayment protections guide**.

5.2. The project deliverable will be to produce and publish clear and comprehensive advice for frontline advisors which outlines the protections that are in place for PPM consumers through licence conditions and voluntary agreements. The content of the guide will be written by Citizens Advice with support from Ofgem. Together the two organisations have engaged with and gathered input from

frontline advisers and different consumer groups on the development of this guide. The consultation phase of the project will finalise by end of March.

5.3. Members had a brief discussion based on the slides, points raised include:

- A member mentioned it would be helpful to have printed versions available for front line workers to use in communities. Acknowledging that it will likely be a live document online and printed version may well become out of date. A simple notice dating the document and suggesting they check online could overcome this.
- It was mentioned that it would also be helpful to have the advice guide available in different languages.
- It was highlighted that it is an opportunity to raise the awareness of smart meters and the opportunity that they present to consumers.
- The first approach which focuses on consumer journeys seems more appropriate rather than second one which goes through each protection in the supply licence. There is also potential to include advice for prepayment consumers that regularly self-disconnect.

5.4. **Stew Horne offered to pick up any additional points members had outside of the meeting.**

5.5. James Norman (Head of Transmission Competition Policy) presented the slides on the **Competition in onshore electricity transmission**. He outlined the policy proposals for competitive tendering in onshore electricity transmission, and invited members to ask questions/make comments on their approach.

5.6. The group had a brief discussion on the slides, points raised included:

- Members of the group were aware of the scheme, and were strong supporters of the idea.
- A question was raised whether the intention behind it was only to drive down cost. James explained that key drivers behind this work were the efficiency gains and potential innovations, like those seen through the offshore regime. It also has the potential to help with benchmarking of costs in the monopoly regulation Ofgem.
- The Chair also added that there are currently plans for a significant amount of investment in new onshore transmission infrastructure over the coming years and it's therefore important for us to have the option of putting those projects out for competitive tender to help give us confidence on costs.

5.7. **James Norman offered to pick up any additional points members had outside of the meeting.**

## 6. Conclusion and any other business

6.1. The Chair thanked the group for their contribution and that contact details will be circulated for any follow ups.

6.2. One member asked how Ofgem will be reacting to the CMAs provisional decision on remedies, which was due out soon. The Chair explained that we support the CMAs investigation, and we will be reviewing the potential role Ofgem has to undertake in implementing any remedies. **It was suggested that our progression on the remedies could be a future item for the group.**

## **7. Date of next meeting**

7.1. The next meeting will be on the 9<sup>th</sup> of June.

## **8. Annex – Attendance and apologies**

### **8.1. Those in attendance were:**

#### Chair

David Gray (Gas and Electricity Markets Authority)

#### SD Advisory Group members / deputies

Jenny Saunders (National Energy Action)

Stuart Pocock (Renewable Energy Association)

Phil Jones (Northern PowerGrid)

Nick Eyre (Oxford University)

Jeremy Nicholson (Energy Intensive Users Group)

David Rutland (DECC)

William Baker (Citizens Advice)

Derek Lickorish – by phone (Fuel Poverty Advisory Group)

#### Ofgem Staff

Martin Crouch

Jeffrey Hardy

Thomas Jones

Natasha Smith

Michael Grubb

Stew Horne

Arina Cosac

James Norman

### **8.2. Apologies:**

David Sigsworth (SEPA)

Chris Stark (Scottish Government)

Paul Ekins (UCL)

Tony Grayling (Environment Agency)

Juliet Davenport (Good Energy)

Doug Parr (Greenpeace)

Christine McKay (Scottish Government)

Jennifer Pride (Welsh Government)

Giles Bristow (Forum for the Future)