

Addendum to the Forward Work Programme 2016-17

Addendum

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Overview:

This is an addendum to the published [Forward Work Programme](#) for 2016-17.



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Introduction

On 31 March 2016 we published our Forward Work Programme for 2016-17. In that document we highlighted that the final report from the Competition and Markets Authority (CMA) following its Energy Market Investigation would likely lead to a change in our planned activity. This addendum to the 2016-17 Forward Work Programme reflects the specific changes that we are making to our planned activity in light of the CMA's final report. It should be read alongside the published Forward Work Programme for 2016-17, with the paragraphs below superseding those of the same name and number reference in the March version of the document.

This document should also be read alongside Ofgem's CMA Remedies Implementation Plan. Our CMA Remedies Implementation Plan includes detailed implementation plans for each remedy.

Later in this financial year we will be publishing and consulting on our entire work programme for 2017-18.

1. Addendum to the Forward Work Programme 2016-17

Half-hourly settlement

(Please see chapter 5 of Ofgem's CMA Remedies Implementation Plan for further details of our planned work in this area)

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 focus on removing barriers to cost-effective elective half-hourly settlement. Our aim is to have largely completed this work on elective half-hourly settlement during 2016-17. Our draft Forward Work Programme consulted on our proposal to launch a Significant Code Review (SCR) on mandatory half-hourly settlement for all consumers early in 2016-17 to examine the issues involved, which may require changes across multiple codes. Our aim is for this to help us make a decision on mandatory half-hourly settlement during 2018. As our work develops we will look to take advantage of any further tools which become available.

2.4 We recognise that mandatory half-hourly settlement would require substantial updates to IT systems and business processes – our decision will take into consideration other industry changes.

2.5 We published a letter in June 2016 to announce our decision to launch an SCR, but only once the work involved has been thoroughly planned, scoped and consulted on with stakeholders. This follows the CMA's recommendation to publish and consult on a plan setting out timescales and responsibilities relating to the introduction of half-hourly settlement.

Licence and code changes

2.14 Certain core gas and electricity activities require a licence from Ofgem. We will continue to progress licence applications 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. This includes decisions on code changes to implement the CMA's remedies, where relevant. 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

(Please see chapter 5 of Ofgem's CMA Remedies Implementation Plan for further details of our planned work in this area)

2.15 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

Reviews¹. 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. Implementing these reforms will make important incremental improvements while reforms resulting from the CMA's remedy on code governance (mentioned in the paragraph below) are developed and implemented. Indeed we believe these incremental changes will help code administrators and the wider industry prepare for the more fundamental changes recommended by the CMA.

2.16 The CMA has identified code governance as having an adverse effect on competition under the Energy Market Investigation, and recommended remedies. We strongly agree with the CMA's findings in relation to code governance. We will continue to work with the CMA and the Department for Business, Energy & Industrial Strategy (BEIS) in 2016-17 on remedies in this area.

Market Investigation Reference

3.8 The CMA produced its final report in June 2016. This included recommendations for Ofgem to carry out work to implement the remedies. Among the significant package of remedies are changes to aspects such as tariff rules introduced under the Retail Market Review, and code governance. Where the CMA has proposed to implement remedies itself (via an Order), it will carry out further work following the final report. We will continue to provide information and advice to the CMA to help it with its work.

A continuing commitment to involve consumers

(Please see chapter 3 of Ofgem's CMA Remedies Implementation Plan for further details of our planned work in this area)

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 light of the CMA's recommendation to identify, test and implement effective prompts to engage consumers in the energy market, we will be expanding our behavioural insight capabilities to deliver an ambitious programme of Ofgem-led trials (including randomised controlled trials). A new unit will be established to take this forward and to embed behavioural insights into our work on an ongoing basis. 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

¹ Code governance review details: <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-governance-review>

interventions too. In markets where we want consumers to engage, this includes considering the best default outcomes for consumers who do not engage.

Microbusiness regulation

(Please see chapter 2 of Ofgem's CMA Remedies Implementation Plan for further details of our planned work in this area)

3.16 Until the end of 2016-17, we will be focusing on compliance monitoring and market monitoring activities for microbusiness consumers. We will also support the delivery of the CMA's microbusiness remedies in relation to price information transparency and auto-rollovers.

Consumer empowerment and protection in a smarter market

(Please see chapter 5 of Ofgem's CMA Remedies Implementation Plan for further details of our planned work on half-hourly settlement)

4.5 The Consumer Empowerment and Protection project² aimed to ensure that consumers can participate effectively in a 'smarter' retail energy market, recognising the opportunities and risks involved. Last year we worked on smart billing and smart prepayment as part of phase 1. In light of the outcome of the CMA's investigation, we are embedding consumer empowerment and protection in our work to implement the remedies, specifically our work to reform settlement, and our joint work with BEIS on flexibility.

Third Party Intermediary regulation

(Please see chapter 2 of Ofgem's CMA Remedies Implementation Plan for further details of our planned work in this area)

4.16 For price comparison websites (PCWs), we will be acting on the CMA's suggestions in relation to the changes to the Whole of Market Requirements. Going forward we will continue to support the industry's response to the proposed CMA order to give PCWs access to the Electricity Central Online Enquiry Service and Single Centralised Online Gas Enquiry Service. We will also continue to improve accreditation and audit processes. In relation to non-domestic TPIs, we will consider what arrangements need to be put in place to support good consumer outcomes.

4.17 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.

² Consumer empowerment and protection project details: <https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets-updated-work-programme>