

# CMA Remedies Implementation Plan

**Publication date:** 9 November 2016

**Contact:** James Soundraraju, Programme Director

**Email:** [remedies@ofgem.gov.uk](mailto:remedies@ofgem.gov.uk)

## Overview:

The final report from the Competition and Markets Authority (CMA)'s Energy Market Investigation sets out a significant package of remedies to address the problems it found in the market. Many of them take the form of recommendations to Ofgem, in addition to the matters the CMA is taking forward itself either pursuant to orders or undertakings.

We published our strategy for implementing these remedies on 3 August 2016, which outlined our approach and indicative timelines for delivering them. Here, we publish detailed implementation plans for each remedy as the next step in our implementation strategy.

This document is intended for stakeholders involved in or interested in remedy implementation, including suppliers, consumer groups, code bodies and others. We are always keen to receive feedback on all aspects of our engagement. You can get in touch at: [remedies@ofgem.gov.uk](mailto:remedies@ofgem.gov.uk).



# Contents

---

<b>1. Introduction .....</b>	<b>3</b>
<b>2. Regulation for effective competition.....</b>	<b>5</b>
<b>3. Prompting greater consumer engagement .....</b>	<b>20</b>
<b>4. Protecting and empowering those on non-standard meters .....</b>	<b>27</b>
<b>5. Building industry systems and governance for the future.....</b>	<b>35</b>
<b>6. A robust and independent regulator .....</b>	<b>46</b>
<b>7. Stakeholder engagement.....</b>	<b>53</b>
<b>Appendix 1 – Summary implementation timeline .....</b>	<b>54</b>
<b>Appendix 2 – Organisation chart .....</b>	<b>55</b>

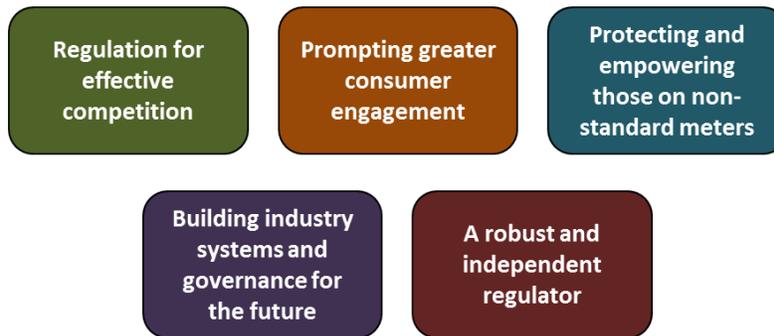
# 1. Introduction

---

In the final report of its Energy Market Investigation, the Competition and Markets Authority (CMA) set out a significant package of remedies to address the problems it found in the market. Many of these were recommendations to Ofgem, in addition to the matters the CMA is taking forward itself either pursuant to orders or undertakings. We published our strategy for implementing these recommendations on 3 August 2016, which outlined our approach and indicative timelines for delivering them.<sup>1</sup>

This document contains detailed implementation plans for each remedy. It should be read in conjunction with our implementation strategy. Together, the two documents explain how we are progressing recommendations to us and acting on other remedies.

We have structured the CMA recommendations to Ofgem around five high-level objectives,<sup>2</sup> each of which is also a chapter heading in this document.



For each remedy (both recommendations to us and other remedies), we have included:

- a summary, objective and outputs
- key milestones, stages and activities (eg consultations)
- where relevant, an overview of links between each remedy and other areas of work in Ofgem.

Chapter seven sets out our approach to stakeholder engagement. We want to keep stakeholders informed while minimising the burden of engagement.

The appendices provide a timeline and a chart showing who in Ofgem is responsible for each remedy.

---

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/08/ofgem\\_implementation\\_strategy.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/ofgem_implementation_strategy.pdf)

<sup>2</sup> We see these objectives as being substantially in line with the CMA's own grouping of its proposed remedies under specific overarching aims.

For all our activities, we must work within our statutory framework, taking account of our principal objective and general duties. This is likely to include the requirement to consult, which will lead to decision points where we will evaluate the best solution against the objectives. We will consider the consumer benefit from suggestions<sup>3</sup> included in the CMA's final report in deciding how to take these forward. If there are changes to plans in this document, we will notify stakeholders in an appropriate way, including providing updates to our wider forward work programme.

As we proceed with remedy implementation, it will be important to monitor and evaluate their effects. We will decide which remedies to evaluate by using prioritisation criteria, which will take account of proportionality. The new Office of the Chief Economist will lead evaluations of policy impacts, working with, but independent of, the policy teams. Reviews of other remedies may include monitoring of outcomes and qualitative feedback from affected parties. A significant part of our reporting of the effects will be delivered through the annual State of the Market report, which was one of the CMA's recommendations. This report will build on our existing wholesale and retail market reports, and will focus on monitoring outcomes in the energy market for consumers.

Some of the milestones and stages in the following chapters will depend significantly on what other parties do. For example, the CMA will be developing the orders and undertakings necessary to implement its remedies over the remainder of 2016. We will continue to work with the CMA to help it implement these remedies. Some of the remedies also interact with government, especially where these involve primary legislation (for example, licensing of code bodies). The Government is considering its response. We will work with government in light of its response where appropriate.

### **Associated documents**

Ofgem's formal response to the CMA's remedies:

[https://www.ofgem.gov.uk/system/files/docs/2016/08/response\\_to\\_the\\_cmas\\_final\\_report.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/response_to_the_cmas_final_report.pdf)

Ofgem's implementation strategy for the CMA remedies:

[https://www.ofgem.gov.uk/system/files/docs/2016/08/ofgem\\_implementation\\_strategy.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/ofgem_implementation_strategy.pdf)

The CMA's final report can be found on its case page:

<https://www.gov.uk/cma-cases/energy-market-investigation>

---

<sup>3</sup> The CMA made formal recommendations to Ofgem and others – these are contained in chapter 20 of its final report. Separately, the CMA also made some comments in the course of its final report, suggesting that Ofgem takes certain actions.

## 2. Regulation for effective competition

---

This cluster of CMA remedies is aimed at creating a regulatory framework which facilitates a more competitive, dynamic energy market for domestic and small business consumers. The remedies work together to promote competition: enabling suppliers and Price Comparison Websites (PCWs) to offer more competitive and innovative tariffs; enabling PCWs to access data in order to better engage consumers through more tailored information; enabling price transparency for smaller microbusiness consumers to support competition in this segment and help them compare across providers more easily; enabling microbusinesses to switch more easily from rollover contracts and removing a distortion in competition between generators.

If these are successful, we would expect that:

- there would be more competition on tariffs, while at the same time consumers would be better able to make effective choices between the tariffs available.
- consumers would receive helpful personalised information from PCWs to enable them to make informed decisions more easily.
- smaller microbusinesses would be able to compare prices across suppliers
- microbusinesses would not feel that their ability to switch is hampered by auto-rollover contracts.
- transmission losses would be charged on a more cost-reflective basis which would remove a distortion in competition between generators and lower overall system costs.

We have taken a staged approach to deliver the remedies which we are implementing in this cluster, to bring in changes as quickly as possible. First, we deprioritised enforcement of certain Retail Market Review (RMR) policies which the CMA brought to our attention and have worked quickly to remove the relevant licence conditions. They will be removed from the licence by 28 November 2016. In the coming months, we plan to introduce new principles to help consumers to make informed tariff choices. On the recommended changes to how Confidence Code-accredited PCWs present tariffs to consumers, we are consulting on an intermediate stage of the remedy to deliver benefits more quickly to consumers.

The contents of this cluster are:

Section	Paragraph reference in CMA final report <sup>4</sup>
RMR and replacement principle remedy	20.26 (a)(i)
Whole of Market remedy	20.26 (a)(ii)
ECOES/SCOGES access for TPIs remedy	20.24 (e),(f)
Midata revisions remedy	20.24 (g)
Price transparency remedy	20.29 (a)(iii),(a)(iv),(a)(v),(b)
Auto-rollovers remedy	20.29 (a)(i),(a)(ii),(b)
Locational losses remedy	20.22
Contracts for Difference remedy	20.23

## RMR and replacement principle remedy

### Remedy summary

The CMA recommended that we modify suppliers' standard licence conditions (SLCs) to remove a range of conditions introduced as part of the RMR reforms on tariff design and on making all tariffs available to new and existing customers. The CMA also recommended that we make any consequential licence amendments.

The CMA also recommended that we introduce an additional requirement on suppliers to have regard in the design of tariffs to the ease with which customers can compare value-for-money with other tariffs they offer.

### Remedy objectives/key outputs

- To remove the relevant RMR Simpler Tariff Choices rules by the end of 2016. These rules include: restrictions on the number of tariffs offered by each supplier; the requirement to make tariffs available to all customers (new and existing); the methodologies by which these tariffs are calculated and the kinds of discounts, bundles and rewards points that suppliers could offer to attract consumers. In recommending this remedy, the CMA's aim is to improve suppliers' ability and incentives to compete on the range of tariffs and discounts they offer to domestic customers.
- To make consequential changes to the RMR Clearer Information rules on information provision by spring 2017.
- To introduce new principles into the supply licence, to help consumers make informed tariff choices. We intend to achieve this by spring 2017.
- These key outputs are designed to meet our aims of promoting effective competition and supporting innovation in the domestic retail market.

---

<sup>4</sup> These contents tables at the start of each chapter include references to the relevant paragraphs in chapter 20 of the CMA's final report, which set out its decision.

- We will continue to monitor developments in the market and act where we see poor consumer outcomes.

**Key milestones/stages**

Removal of RMR Simpler rules	End date	November 2016
	Summary	We published our decision in September 2016. <sup>5</sup> The rules will be removed from the licence following the 56 day standstill period.
	Outputs	1. Simpler Tariff Choices rules removed from the licence by November 2016.
	Interactions	Key stakeholders to be engaged through the formal consultation process, workshops and, where necessary, bilateral meetings.
Amendment of RMR Clearer rules	End date	June 2017
	Summary	Develop and publish policy consultation and subsequent statutory consultation. Engage with relevant stakeholders throughout. Review and analyse consultation responses, and amend proposals as necessary.
	Outputs	<ol style="list-style-type: none"> <li>1. Publish policy consultation in August 2016.</li> <li>2. Subject to review of responses, publish statutory consultation in February 2017.</li> <li>3. Subject to review of response, publish decision on whether to make licence modifications by April 2017.</li> <li>4. RMR Clearer changes could come into effect in June 2017.</li> </ol>
	Interactions	Key stakeholders to be engaged through the formal consultation process, workshops and, where necessary, bilateral meetings. Ensure consistency with Future Retail Regulation and Confidence Code workstreams.

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/modification-electricity-and-gas-supply-licences-remove-certain-rmr-simpler-tariff-choices-rules>

Introduction of tariff comparability principles into the licence	End date	May 2017
	Summary	Develop tariff comparability principles (alongside principles on sales and marketing), publish policy consultation, and engage with stakeholders throughout. Review and analyse consultation responses, and amend proposals as necessary.
	Outputs	<ol style="list-style-type: none"> <li>1. Publish policy consultation in August 2016</li> <li>2. Subject to review of responses, publish statutory consultation in January 2017.</li> <li>3. Subject to review of responses, publish decision on whether to make licence modifications in March 2017.</li> <li>4. Principles could be introduced into licence in May 2017.</li> </ol>
	Interactions	Relevant stakeholders to be engaged through the formal consultation process, workshops and, where necessary, bilateral meetings.

**Related work outside this cluster**

- The work above links to our Future Retail Regulation (FRR) project, which underpins our move towards greater use of principles. At the same time as consulting on applying principles to tariff comparability, we are also consulting on reforms to the rules on sales and marketing (SLC 25) to make greater use of principles. We are also considering potential amendments to the Standards of Conduct (SLC 25C), including formulation of the standards themselves and the threshold tests within the licence condition. We will consult on these later in the year.
- One of the rules where the CMA recommended changes was SLC 22B.7(b). This requires suppliers to set any difference in charges between payment methods in the same way for all domestic customers on a given payment method, including those in different regions. The CMA recommended amending this rule in order to facilitate an increase in the tariff offerings to customers on so-called ‘dumb’ prepayment meters. We propose to go further than the CMA’s recommendation and remove 22B.7 in its entirety, as we consider that this will increase competition for non-smart prepayment tariffs. This is discussed in more detail in Section 4, under the heading: ‘Regional variations for PPM remedy’.

## Whole of Market remedy

### Remedy summary

The CMA recommended that Ofgem make amendments to the Confidence Code, a voluntary code of practice for domestic energy PCWs. The Code sets out the minimum requirements that a PCW must meet to be accredited by Ofgem and display the Confidence Code logo. Its purpose is to help consumers feel confident they are receiving an independent, transparent, accurate and reliable service.

Currently, accredited PCWs must use all reasonable endeavours to include price comparisons for all available tariffs, where applicable for all available payment methods for licensed suppliers (subject to certain exceptions), i.e. provide tariffs across the Whole of Market.

When displaying results, suppliers must display the Whole of Market view as a default unless they comply with certain criteria on filtering results (including testing alternative messaging) in which case they may provide a shorter list of tariffs from suppliers that the PCW has a commercial relationship with.<sup>6</sup>

The CMA remedy proposes that PCWs can be more flexible about the tariffs they present to their customers. Specifically, the CMA recommended that Ofgem remove the Whole of the Market requirement in the Code and introduce a requirement for accredited PCWs to be transparent over the market coverage they provide to energy customers.

### Remedy objectives/key outputs

- PCWs help consumers to engage in the domestic retail energy market. The CMA believes they are important for developing effective competition. With the current rule on Whole of Market, suppliers who do not have commercial deals are able to free-ride on the advertising provided by the PCW. This reduces the PCWs return on investment and the CMA believes that the rule stifles incentives to invest and innovate. This remedy is aimed at enhancing the incentives and ability of PCWs to participate in the market and enabling them to offer consumers a better service, for example by investing in innovative services or advertising their sites.
- This is a complex remedy and has a number of implications for the operation of the Code. For example, Ofgem's current audit and accreditation process to check compliance with the Code relies on being able to compare results across accredited PCWs. Without all accredited sites displaying the whole market, this audit approach is no longer viable, as there is no guarantee that all sites will list all tariffs at any point. Redesigning the audit and accreditation processes, the supporting approach to compliance, and the related contractual arrangements is a major undertaking. We will do more analysis in this area and consult on key changes. In order to address these issues and

---

<sup>6</sup> The choice for the shorter list of tariffs must not be pre-ticked/ pre-selected. Messaging around this choice must also be prominent, clear and intelligible, so that consumers are aware what view of the market they will see on the results page.

mitigate any potential risks, we decided to consult first on an intermediate step of removing only the rule about displaying the Whole of Market view as a default.<sup>7</sup>

- Several stakeholders have also approached us highlighting potential unintended consequences of implementing this remedy. Examples include: a potential negative impact on competition and prices if small suppliers' commission costs increase or they do not appear on the PCWs at all; and concerns that consumers would be misled if they were only presented with tariffs from suppliers that paid commission to the PCWs. We need to consider whether such concerns are valid and, if so, identify the best way of meeting the aims of this remedy while mitigating unintended consequences.

In our consultation, we proposed removing the rule regarding displaying Whole of Market view as a default (which was introduced to strengthen the Whole of Market requirement in the 2015 Code Review). If we proceed with this approach, we could then consult on whether to remove the requirement to include tariffs across the Whole of Market completely<sup>8</sup>, with consequential amendments, at a later date.

**Key milestones/stages**

Stakeholder engagement and analysis of evidence/responses	Start/end date	August 2016 to January 2017
	Summary	Ofgem is consulting on an intermediate step in relation to implementation of this remedy. We will listen to stakeholders, and look for mitigations to address concerns where possible.
	Outputs	1. We will analyse stakeholders' views on our intermediate proposals and their overarching views on the remedy. 2. We will seek to obtain evidence in support of the views we receive.
	Interactions	Consumer groups workshop – September 2016 Stakeholder bilaterals – October to December 2016

<sup>7</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/08/whole\\_of\\_market\\_consultation.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/whole_of_market_consultation.pdf)

<sup>88</sup> Therefore suppliers would not need to include tariffs across the Whole of Market in their database at all.

Decision document on next steps	End date	May 2017
	Summary	Ofgem will publish a decision document
	Outputs	<ol style="list-style-type: none"> <li>1. We will publish our decision on the intermediate proposals and, if appropriate, make the Code amendments outlined in our consultation.</li> <li>2. We will outline our proposed next steps in relation to this remedy.</li> </ol>
	Interactions	<p>Requests for additional evidence, if necessary, following previous stakeholder engagement.</p> <p>We will stay close to the CMA’s market study on Digital Comparison Tools<sup>9</sup> to understand any impacts on the Confidence Code and energy price comparison websites.</p>

## ECOES/SCOGES access for TPIs remedy

### Remedy summary

PCWs (and other Third Party Intermediaries (TPIs) providing similar services) will be given reasonable access upon request to the Electricity Central Online Enquiry Service (ECOES) and the Single Centralised Online Gas Enquiry Service (SCOGES).<sup>10</sup> The CMA will place an order on the relevant code and administrative bodies.

### Remedy objectives/key outputs

- This remedy aims to make more effective use of consumer data and better support the consumer’s switching experience. It aims to reduce actual and perceived barriers to switching resulting from erroneous transfers and failed switches.
- MRASCo and Xoserve<sup>11</sup> to deliver access to ECOES and SCOGES to intermediaries who meet the access requirements by early 2017. Date to be confirmed by CMA orders on the Master Registration Agreement Executive Committee (MEC)<sup>12</sup> and Xoserve.

<sup>9</sup> <https://www.gov.uk/cma-cases/digital-comparison-tools-market-study>

<sup>10</sup> ECOES and SCOGES are central systems supporting the electricity and gas market registration processes. Registration services are required whenever a customer changes supplier. SCOGES is now known as DES.

<sup>11</sup> MRASCo and Xoserve are the code bodies responsible for ECOES and SCOGES respectively.

<sup>12</sup> The MEC governs the Master Registration Agreement – MRASCo is responsible for administering it.

- An industry working group has been established to respond to the CMA’s requirements. Ofgem is an active member and is supporting delivery to ensure that implementation will operate in consumers’ best interests. The group is reviewing data protection, cost and timeliness of delivery.

**Key milestones/stages**

Monitoring industry development of remedy implementation	Start date	Ongoing from June 2016
	Summary	Ofgem will attend Third Party Access Working Group meetings, which were established by the MEC and are chaired by Gemserv. These working group meetings cover both ECOES and SCOGES.
	Outputs	1. Review and comment on relevant issues raised.
	Interactions	We will join up with our colleagues working on the Whole of Market remedy and keep them informed of progress and any potential impact on the Code.
Access to ECOES granted to PCWs for Electricity	End date	28 February 2017 <sup>13</sup> (to be confirmed)
	Summary	The working group to: <ul style="list-style-type: none"> <li>• Identify data sets for access</li> <li>• Carry out relevant privacy and security impact assessments</li> <li>• Make changes to the systems and or identify method of access</li> <li>• Carry out necessary testing</li> <li>• Amend relevant codes and procedures.</li> </ul>
	Outputs	1. Provide PCWs access to a data set of ECOES.
	Interactions	The working group will consult with relevant parties on the changes to the system and relevant codes and procedures.

<sup>13</sup> Draft Order – First Consultation : The Energy Market Investigation (ECOES/DES) Order 2016

CMA Remedies Implementation Plan		
Access to SCOGES granted to PCWs for Gas	End date	28 February 2017 <sup>14</sup> (to be confirmed)
	Summary	The Working Group to <ul style="list-style-type: none"> <li>• Identify data sets for access</li> <li>• Carry out relevant privacy and security impact assessments</li> <li>• Make changes to the systems and or identify method of access</li> <li>• Carry out necessary testing</li> <li>• Uniform Network Code (UNC) amendment to be raised by gas transporters to allow access to data items</li> <li>• Amend any other relevant codes and procedures.</li> <li>• Provide Ofgem with its final proposals for UNC code amendments by end of December 2016.</li> </ul>
	Outputs	1. Provide PCWs access to a data set of SCOGES.
	Interactions	The working group will consult with relevant parties on the changes to the system and relevant codes and procedures.

**Related work outside this cluster**

- This work supports our Switching Programme, which is looking at how industry can provide a faster and more reliable switching process. Giving PCWs greater access to data that can help a customer switch energy supply is a positive step. It should help to improve the customer journey by making switching more reliable and timely, and encourage consumers to engage.

**Midata revisions remedy**

**Remedy summary**

The CMA recommended that the Department for Business, Energy and Industrial Strategy (BEIS) deliver this remedy, which would allow TPIs to access 'Midata' information about a consumer's energy supply, if the consumer has consented. The remedy would also expand the information covered in Midata, and makes participation mandatory for all suppliers.

---

<sup>14</sup> Draft Order – First Consultation : The Energy Market Investigation (ECOES/DES) Order 2016

**Remedy objectives/key outputs**

- Allowing TPIs to play a greater role in facilitating switching (by giving them access to data from consumers who have provided consent) would likely increase consumers’ engagement in the domestic market.
- The outputs from this remedy would be a number of changes to the Midata programme by BEIS.

**Key milestones/stages (indicative and dependent on whether government accepts the CMA recommendation)**

Ongoing engagement with BEIS	Start date	Ongoing
	Summary	Ofgem will continue regular engagement with BEIS.
	Outputs	1. Keep up to date to inform ourselves for future monitoring, policy development and compliance activities.
	Interactions	We would support BEIS by taking part in any planned engagements with stakeholders.

**Related work outside this cluster**

- One of the new pieces of information recommended for inclusion in Midata is consumption data for customers on time of use products. Other work to help customers with restricted meters is described in the cluster ‘Protecting and empowering those on non-standard meters’.

**Price transparency remedy**

**Remedy summary**

Suppliers will need to disclose prices of all available acquisition and retention contracts to certain microbusiness consumers<sup>15</sup> on their website or via a third party platform. Also all Out Of Contract and deemed contract rates must be displayed prominently on suppliers’ websites.

---

<sup>15</sup> The CMA applies its price transparency remedy to a ‘Relevant Segment’ of the market. In the final report, this is defined as non-domestic electricity consumers with single meter points meeting all of the following criteria: falling under profile classes 1 to 4; consumption threshold equal to or below 50,000kWh per year; and on simple meters. For non-domestic gas consumers, this remedy applies to consumers with small supply points only, which will include microbusiness consumers with consumption levels of less than 73,200kWh per year.

### Remedy objectives/key outputs

- This remedy aims to create a more competitive retail energy market that works for more microbusiness consumers. Price transparency will simplify the steps required to obtain price information and therefore reduce the high search costs currently faced by smaller microbusiness consumers. It will also encourage consumers to have more confidence and trust in the market. The CMA foresees the remedy facilitating the development of PCWs in the microbusiness segment, which would allow consumers to compare prices across suppliers by visiting a website, reducing their search costs further. Lower search costs will provide immediate benefits in lower energy costs for consumers who switch. It will also put more competitive pressure on energy suppliers in the microbusiness market.
- Licence condition to be in place by 23 December 2016 (through a CMA order).
- The licence condition will take effect by 23 June 2017.

### Key milestones/stages

Engaging with CMA on drafting of order	Start/end date	June to December 2016
	Summary	CMA to draft, consult on, update and finalise drafting of licence conditions that will give effect to the remedy. Ofgem will engage with the CMA during this process.
	Outputs	1. CMA order and associated licence condition that will take full effect from 23 June 2017.
	Interactions	CMA
Baselining monitoring data	Start/end date	September 2016 to June 2017
	Summary	Ofgem to identify and collect data that will act as a baseline for assessing the effectiveness of the remedy once it comes into force.
	Outputs	1. Relevant data will have been identified and collected. Data will have been analysed to establish a baseline in advance of the remedy coming into effect.
	Interactions	Data collection from suppliers and consumer groups, and potential follow-up meetings. Also potential meetings with PCWs.

Assessing effectiveness of remedy	Start/end date	August 2018 to April 2019
	Summary	Ofgem to re-run data collection exercise. Analyse and establish the effect of the remedy on the market.
	Outputs	1. Report on effectiveness of the remedy.
	Interactions	Data collection from suppliers and consumer groups.

## Auto-rollovers remedy

### Remedy summary

Microbusinesses will be allowed to send a termination notice at any point until the last day of an initial fixed term period of a contract. Suppliers will be prohibited from including exit or termination fees and no exit clauses for auto-rollover, evergreen and Out Of Contract contracts for microbusinesses.

### Remedy objectives/key outputs

- This remedy aims to create a more competitive retail energy market that works for more microbusiness consumers. Giving consumers more flexibility to switch from existing contracts will immediately benefit consumers who switch by reducing energy costs. It will also put more competitive pressure on energy suppliers in the microbusiness market.
- Licence condition to be in place by 23 December 2016, through a CMA order (with transitional provisions in place for contracts formed before the order date).
- All existing auto-rollover, evergreen and Out Of Contract contracts (at the time the order is made) to be amended to comply with the licence condition by 23 June 2017. New contracts will need to be compliant from the date of the order.

### Key milestones/stages

Engaging with CMA on drafting of order	Start/end date	June to December 2016
	Summary	CMA to draft, consult on, update and finalise drafting of licence conditions that will give effect to the remedy. Ofgem will engage with the CMA during this process.
	Outputs	1. CMA order and associated licence condition that will take full effect from 23 June 2017.
	Interactions	CMA

Baselining monitoring data	Start/end date	September 2016 to June 2017
	Summary	Ofgem to identify and collect data that will act as a baseline for assessing how effective the remedy is once it comes into force.
	Outputs from the action	1. Relevant data identified and collected. 2. Data analysed to establish a baseline before the remedy comes into effect.
	Interactions	Data collection from suppliers and consumer groups, and potential follow-up meetings.
Assessing effectiveness of remedy	Start/end date	August 2018 to April 2019
	Summary	Ofgem to re-run data collection exercise. Establish the effect of the remedy on the market.
	Outputs	1. Follow-up report on effectiveness of the remedy.
	Interactions	CMA, suppliers, consumer groups.

## Locational losses remedy

### Remedy summary

The CMA has found that the absence of locational pricing for transmission losses is a feature of the wholesale electricity market in Great Britain that gives rise to an adverse effect on competition (AEC). It is likely to distort competition between generators and have both short- and long-run effects on generation and demand. The remedy therefore introduces locational pricing for transmission losses, through an order on National Grid, and recommendations to Ofgem and industry.

### Remedy objectives/key outputs

- To improve the accuracy with which the avoidable costs of variable transmission losses are borne by those who cause them, ultimately reducing total bills to end customers.
- Under a CMA order, National Grid will ensure that imbalance charges<sup>16</sup> are calculated locationally as of 1 April 2018 and will lead on the necessary industry code modification. (National Grid has already raised this modification as Balancing and Settlement Code (BSC) modification P350). The design of

---

<sup>16</sup> Imbalance charges refer to the settlement of differences between the actual production or consumption of electricity by market participants and the volume they were contracted to provide to or take from the electricity network. Transmission losses are a component of the volumes that market participants produce or consume.

the remedy will be identical in its technical aspects to the code modification previously assessed in 2011.<sup>17</sup> The order will include amendments to National Grid’s licence. The CMA has recommended that Ofgem supports National Grid in the implementation of the order.

- In the longer term, the CMA has made a further recommendation to Ofgem and industry to assess a fully marginal loss factor method against the proposed semi-marginal one, and to implement the most effective option.

**Key milestones/stages**

Engaging with CMA on drafting of locational pricing order	Start/end date	July to December 2016
	Summary	CMA to draft, consult on, update and finalise drafting of order and licence conditions. Ofgem will engage with the CMA during this process.
	Interactions	We are supporting the CMA.
Issue decision on code modification	Date	March 2017
	Summary	We expect to receive the BSC Panel’s Final Modification Report on code modification P350 by mid-February 2017. We currently aim to issue our decision on P350 in March 2017.
	Interactions	We are working closely with the CMA, National Grid (the proposer) and ELEXON on the industry-led BSC code modification process.
Monitoring and evaluation phase	Start/end date	Monitoring from March 2017 onwards, Evaluating from Q3 2019 onwards
	Summary	In the event we accept the modification, we propose to monitor progress towards an implementation date of April 2018. We propose to start evaluating the arrangements against an appropriate counterfactual – which will depend on our modification decision – in 2019. We will set out our monitoring and evaluation proposals in our final decision letter.
	Interactions	We will work closely with the CMA, National Grid, ELEXON and its agents on the evaluation design.

---

<sup>17</sup> Subject to possible minor adjustments to reflect HVDC and interconnectors changes.

Loss factors: fully marginal or semi-marginal	Start date	Q3 2019 onwards
	Summary	From 2019, we plan to evaluate arrangements in place against a counterfactual of using fully marginal loss factors. This will let us consider whether a move to fully marginal loss factors would be in consumers' interest, and could prompt further reform.
	Interactions	We will work closely with the CMA, National Grid, ELEXON and industry.

## Contracts for Difference remedy

### Remedy summary

The CMA made two recommendations to government on the Contracts for Difference (CfD) scheme to support low carbon generation. The first is to assess impacts before awarding CfDs outside the auction mechanism, and the second is to assess allocation of technologies and budgets between pots within the auction mechanism.

### Remedy objectives/key outputs

- The objective of this remedy would be to ensure that CfDs are allocated efficiently, and that the government's decisions on CfD allocation are transparent. It is intended to address the CfDs AEC identified by the CMA.

### Key milestones/stages (indicative and dependent on whether government accepts the CMA recommendation)

Advice and assistance to Secretary of State	Start date	Ongoing
	Summary	Ofgem will continue to attend the monthly CfD Operational Board.
	Outputs	1. Provision of expertise.
	Interactions	BEIS

### 3. Prompting greater consumer engagement

---

The CMA remedies in this cluster are aimed at increasing engagement among domestic and microbusiness consumers so that there is more competitive pressure on suppliers. This will benefit consumers by making suppliers less able to exploit their inactive customer base through their pricing policies or otherwise.

The CMA recommended we achieve this by:

- a) Allowing suppliers to market innovative and personalised deals to rival suppliers' customers using a customer database service.
- b) Developing, testing and implementing more effective prompts for consumers to engage with their own supplier or with other suppliers' deals.

By implementing these remedies, we want to develop a suitable package of market interventions (including the database service and various prompts to engage). We will take an iterative approach to developing these remedies. In particular, we will run tests of the database service, rather than going straight to specifying its design. This will maximise its effectiveness for consumers. We will undertake consumer research to help better understand the drivers of (dis)engagement, which will form a single evidence base for informing development of both the database service and prompts remedies.

Our overall approach for this cluster is to look at the domestic retail market first and then move on to the microbusiness sector. This will allow us to implement key enabling licence conditions, to better manage our resources and to draw on lessons from the domestic research programme. In the meantime, two other microbusiness-specific remedies that aim to improve the effectiveness of competition in the non-domestic retail market will come into effect in June 2017 (see chapter 2).

The contents of this cluster are:

Section	Paragraph reference in CMA final report
Prompts to Engage remedy	20.24 (a),(b); 20.29 (c)
Disengaged customer database remedy	20.24 (c),(d); 20.29 (d),(e)

#### Prompts to Engage remedy

##### Remedy summary

The CMA recommended that Ofgem establish an ongoing programme to identify, test (through randomised controlled trials (RCTs), where appropriate) and implement measures to give domestic customers information to help them engage in the retail energy markets. To support this, the CMA has provided a draft licence condition for Ofgem to implement (following consultation) that will enable Ofgem to require domestic suppliers to participate in RCTs.

## Remedy objectives/key outputs

- The aim of this remedy is to drive a more competitive retail energy market for domestic consumers and microbusinesses. An outcome of this would be that suppliers give equal weight to retaining existing customers, and providing them with good quality and competitively-priced products, as they do to attracting new customers.
- The driver for change in the energy market will be the introduction of more effective measures to prompt and support consumer engagement. Suppliers should provide consumers with the right information, at the right time and through the most effective routes. Consumers will then be better prompted, informed and more able to engage with the energy market. As a result, we would expect to see more consumers repeatedly engaging – moving from one competitively-priced tariff to another, fewer consumers rolling onto more expensive default tariffs for prolonged periods of time – and better value default tariffs.
- With a view to delivering this remedy, we have issued a statutory consultation on a proposal to put in place a new domestic licence condition.<sup>18</sup> We are also consulting on criteria for selecting suppliers for trialling. If implemented, this licence condition will enable us to require domestic suppliers to participate in tests and RCTs. While we are taking steps to introduce the new licence condition, we will also encourage suppliers to volunteer to participate in trials. Once we have made a decision on a domestic licence condition, we will consider whether to consult on implementing a similar condition to facilitate trials by non-domestic suppliers.
- We will develop and implement a programme of research to identify measures that will more effectively prompt consumers to engage in the retail market. This will include Ofgem-led trials, as well as encouraging and supporting suppliers to develop and trial their own proposals. The research programme will include:
  - Discovery and development research exploring prompts and interventions (both existing and new). Through this we will develop and refine interventions that reflect the needs of different consumer segments. To inform this, we will engage with behavioural economics experts, industry and consumer groups.
  - Identifying candidate interventions to trial and the right supplier(s) to conduct the trial(s).
  - Encouraging and supporting suppliers to do their own voluntary trials.
  - Ofgem-led trials of interventions, which we intend to have live and underway by the end of 2017.

---

<sup>18</sup> <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultations-introduction-slc-32a-power-direct-suppliers-test-consumer-engagement-measures>

- Evidence will be at the heart of this programme. We will draw on research from a range of markets and sources to develop ideas for changes to existing measures and the introduction of new ones. We will test hypotheses through a range of methodologies. In doing so, we will gather evidence to support the introduction of new interventions and to amend or remove existing requirements on suppliers in the SLCs.

**Key milestones/stages**

Statutory consultation on new supply licence condition that enables Ofgem to require domestic supplier participation in trials	End date	March 2017
	Summary	We recently published a statutory consultation on the draft licence condition and an open letter seeking views on the selection criteria. Subject to consultation, we envisage introducing the new licence obligation in spring 2017.
	Outputs from the action	<ol style="list-style-type: none"> <li>1. Statutory consultation and open letter on selection criteria in October 2016.</li> <li>2. Subject to review of responses, decision on whether to introduce new licence condition and selection criteria by January 2017.</li> <li>3. New licence condition could come into effect by March 2017.</li> </ol>
	Interactions	Consultation and engagement with stakeholders, in particular suppliers and consumer groups.

Develop trial design and start trial	End date	End of 2017 (date under consideration)
	Summary	<p>We will conduct research and analysis to identify the first intervention or interventions to be trialled.</p> <p>We will engage with suppliers to identify the right partner to conduct the first Ofgem-led trial.</p> <p>Working with supplier(s), we will develop an appropriate trial design.</p> <p>We will support supplier(s) in the implementation and rollout of the trial</p> <p>We will make use of our enhanced behavioural insights capabilities as they develop, both for this remedy and wider activities.</p>
	Outputs	<p>Dates for this stage are currently under consideration and may change.</p> <ol style="list-style-type: none"> <li>1. We will hold a workshop with behavioural economists, consumer groups and suppliers to explore the potential of, and refine interventions – early 2017.</li> <li>2. Decision document – detailing the intervention, supplier(s) and trial design.</li> <li>3. Start of trial(s) – end of 2017.</li> </ol>
	Interactions	<p>We will work closely with suppliers to identify the right supplier(s) to participate in the trial(s), to develop the trial design and then roll-out the trial(s).</p>
Complete first trial(s), learn lessons and establish forward plan	End date	September 2018 (subject to previous stage)
	Summary	<p>We will analyse the trial results and produce an assessment of the evidence. We will seek to learn from the exercise to understand how to approach future trials and what, if any, changes to make to the current regulatory framework.</p>
	Outputs	<p>Date is subject to previous stage.</p> <ol style="list-style-type: none"> <li>1. Publication of trial results.</li> <li>2. Publication of forward plan of trials and policy development – by September 2018.</li> </ol>
	Interactions	<p>We will also support suppliers during the trials and provide input during the analysis stages. This work will feed into the FRR project.</p>

### **Related work outside this cluster**

- Removing some of the RMR Simpler rules, the consequential changes to RMR Clearer tools, and introducing a new comparability principle enabling informed choices (see the cluster on 'Regulation for effective competition') will also affect the requirements on suppliers in relation to enabling consumers to make informed choices.
- We are committed to relying increasingly on principles in the way we regulate the retail market. This approach will inform the development of measures to prompt and support greater consumer engagement, as well as our ambition to reframe the regulatory requirements regarding bills and other communications suppliers provide to their customers.

### **Disengaged customer database remedy**

#### **Remedy summary**

The CMA recommended that Ofgem create and maintain a secure database of disengaged domestic and microbusiness customers who have remained on standard variable or default tariffs for three or more years. The CMA will require suppliers to make this data available to Ofgem who will in turn share the data with approved suppliers for the purpose of marketing personalised energy deals directly to these disengaged consumers.

#### **Remedy objectives/key outputs**

- To design, test and deliver a secure database service by April 2018.
- This remedy aims to create a more competitive retail energy market where consumers will receive information on better energy deals from rival suppliers and will be empowered to take advantage of those deals for their household or microbusiness.
- Ofgem will conduct user-centred research with energy consumers to establish the most effective and secure way of implementing the database service, so that consumer data is protected at all times and consumers do not receive an excessive amount of marketing material. We will also ensure those consumers who do not wish to take part in the service can exercise a right to opt out at any time.
- If this remedy is successful, we expect to see a positive difference in customer switching behaviour (including consumers switching between suppliers or moving onto a new tariff with their existing supplier) – based on suppliers offering more innovative and better priced deals for consumers. However, the success of the remedy should not be judged on the basis of switching volumes alone – a more important measure will be the level of savings consumers can achieve by participating in the database service.

**Key milestones/stages**

'Discovery' phase	Start/end date	September 2016 - complete
	Summary	Conduct in-depth end-user research to understand energy consumer and supplier needs. Use the insight to help shape the service we will design, test and build in subsequent phases.
	Outputs	<ol style="list-style-type: none"> <li>1. In-depth understanding of user and supplier needs.</li> <li>2. High level outline of a proposed solution.</li> <li>3. Work plan for next development phase known as 'Alpha'.</li> </ol>
	Interactions	<p>Needed from industry:</p> <ul style="list-style-type: none"> <li>• Information on any research already completed.</li> <li>• Visits to call centres/customer contact points to help us understand how suppliers interact with their customers.</li> </ul>
'Alpha' phase	Start/end date	October 2016 to February 2017
	Summary	Ofgem will develop an 'Alpha' test of the service design and aim to test various features of the end to end database service. Complete Privacy Impact Assessment.
	Outputs	<ol style="list-style-type: none"> <li>1. Detailed solution design including Minimum Viable Product (MVP) of the service and a working prototype.</li> <li>2. Publish Privacy Impact Assessment.</li> <li>3. Work plan for next development phase known as 'Beta' (which is subdivided into 'Private Beta' and 'Public Beta' phases).</li> </ol>
	Interactions	<p>Working with a small number of suppliers and energy consumers to test robustly how people use the new service, while assessing its effectiveness.</p> <p>Establishing key parameters and metrics with suppliers on how the information flows will work securely.</p>

Private Beta' phase	Start/end date	March to August 2017
	Summary	Build the new service, potentially making it available to suppliers in phases as we populate the new database. Further iterative trialling as the service is refined. Develop terms of access to the database.
	Outputs	1. Initial build of the solution in live environment. 2. Terms of access to the database. 3. Work plan for next phase.
	Interactions	Close working between supplier IT teams to connect suppliers to the database, and carry out appropriate testing.
Public Beta' phase	Start/end date	September 2017 to April 2018
	Summary	All disengaged customer information to be populated on the database with limited operational activity involving all suppliers to test it is working successfully before we go live.
	Outputs	1. Fully tested working service solution ready for national go-live. 2. Work plan for national release.
	Interactions	Close collaborative working with suppliers' IT systems to test limited operational activity and readiness for national go-live in April 2018.

## 4. Protecting and empowering those on non-standard meters

The CMA concluded that customers on non-standard meters – for example, prepayment meters, Economy 7, Economy 10 and dynamic teleswitching meters – experience poor outcomes in terms of high costs, switching difficulties for indebted prepayment customers under the Debt Assignment Protocol, and fewer tariff choices. Consumer research shows that customers on these types of meters are quite often vulnerable (for example low income, not having English as their first language or fuel poor).

These outcomes are caused by factors such as low incentives on suppliers to reduce costs, inefficient industry debt protocols, technical issues and/or low incentives to offer competitive tariff choices to these consumers. This set of remedies is aimed at targeting these underlying factors.

These remedies aim to protect customers on non-standard meters and put competitive pressure on suppliers to give these customers a better deal. The implementation of these remedies will result in increased engagement and ensure that customers who are inactive or unable to switch their meter type are not worse off. This cluster of remedies focuses on removing barriers to effective engagement and ensuring customers experience positive outcomes, such as smoother switching for indebted prepayment customers, protection from high costs and more tariff choices.

Our overall approach for this cluster is to ensure that we work closely with CMA on designing the licence conditions (which will be introduced through CMA orders) that enable implementation of many of these remedies. We have identified areas where industry can take action to enable speedier implementation. For example, we have encouraged industry to raise a code modification on gas tariff pages.

The contents of this cluster are:

Section	Paragraph reference in CMA final report
Gas tariff pages remedy	20.25 (a)(iii),(b)
Regional variations for PPM remedy	20.25 (a)(i),(a)(ii)
Debt Assignment Protocol remedy	20.25 (a)(iv)
PPM price cap remedy	20.24 (k)
Restricted meters remedy	20.24 (h),(i),(j)

### Gas tariff pages remedy

#### Remedy summary

The CMA has recommended that Ofgem take responsibility for the efficient allocation of gas tariff pages, which are used by suppliers to offer tariffs to customers on traditional ('dumb') gas prepayment meters (PPMs). We are supporting the CMA to secure undertakings from suppliers so they commit to a cap of 12 gas tariff pages per supplier. We are also developing a reporting and compliance approach for the

reallocation of gas tariff pages to reduce any further barriers to accessing gas tariff pages in the future.

**Remedy objectives/key outputs**

- We want an efficient gas tariff page allocation process that is not a barrier to market entry for suppliers, so that all suppliers get the opportunity to offer gas PPM tariffs to new and existing customers.
- We encouraged industry to take early action to remove problems, and we welcome the industry modification raised to the Supply Point Administration Agreement.<sup>19</sup>
- We will ensure the remedy is delivered by early 2017 to prevent any further issues with gas tariff page allocation.

**Key milestones/stages**

Push for voluntary industry action to reduce gas tariff pages held by certain suppliers	Start/end date	June to September 2016 - complete
	Summary	Liaise with the CMA, suppliers, and industry bodies that administer gas tariff pages to ensure the remedy is delivered.
	Outputs	<ol style="list-style-type: none"> <li>1. Large suppliers have acted to reduce their gas tariff page allocation giving independent suppliers better opportunities to offer new and existing PPM customers competitive gas tariff offers.</li> <li>2. Initial agreement to take forward remedy with further details to be confirmed.</li> </ol>
	Interactions	Collaboration with the CMA to ensure early action to make gas tariff pages available to independent suppliers.

---

<sup>19</sup> Modification SPAA 16/347.

Implementation of remedy for larger suppliers and development of enduring solution for gas tariff page constraints	Start/end date	September 2016 to April 2017
	Summary	Work with the CMA to ensure that undertakings prevent barriers to entry and better enable consumer access to competitive tariffs. Work with industry bodies administrating gas tariff pages to ensure a whole-industry solution to gas tariff page constraints. Develop and implement monitoring and reporting requirements on industry to ensure efficient gas tariff page allocation.
	Outputs	1. Undertakings from larger suppliers and an efficient gas tariff page allocation system (through a code modification) are established and fit for purpose.
	Interactions	The CMA, suppliers, and industry bodies that administer gas tariff pages to ensure remedy is delivered via voluntary industry action to prevent barriers to entry and better enable the offer of competitive tariffs.
Implement monitoring and compliance processes	Start/end date	April 2017 to 2020
	Summary	We will develop monitoring, compliance and enforcement processes for the remedy.
	Outputs	1. Consistent delivery of remedy ensured.
	Interactions	Suppliers

**Related work outside this cluster**

- Customers on non-standard meters including PPMs are one of the priority areas of our wider consumer vulnerability strategy.<sup>20</sup> Our recently published consultation on PPMs installed under warrant complements this cluster of remedies.<sup>21</sup>

<sup>20</sup> <https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

<sup>21</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/09/final\\_proposals\\_consultation\\_document.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/09/final_proposals_consultation_document.pdf)

## Regional variations for PPM remedy

### Remedy summary

The CMA recommended modifying SLC 22B.7(b), which requires suppliers to set any difference in charges between payment methods in the same way for all domestic customers on a given payment method, including those in different regions. Currently, this rule means that if a supplier charges different prices by region for its direct debit standard variable tariff (as most suppliers do), the supplier would also need to charge different regional prices for its prepayment standard variable tariff (with the same payment method cost adjustment for each region).

### Remedy objectives / key outputs

- The CMA recommended amending this rule in order to facilitate an increase in the tariff offerings to customers on so-called 'dumb' prepayment meters. The existing rule requires suppliers to have sufficient 'tariff codes', which are limited in number due to the technical limitations of the 'dumb' prepayment infrastructure. The proposed change would allow suppliers to set prices for customers on 'dumb' prepayment meters without having to apply the regional cost variations which are applied to other payment methods within the same core tariff. This would increase the potential number of core tariffs offered to PPM customers, thereby sharpening suppliers' ability and incentives to compete to acquire prepayment customers.
- The CMA recommended amending this rule. However, we propose to go further than the CMA's recommendation and remove SLC 22B.7 in its entirety. This is because we want to do everything we can to increase flexibility and competition in this area.
- The key output is a change to the supply licence, which will happen in November 2016 as part of the changes to the RMR rules. This remedy is also covered under 'RMR and replacement principle' above, as it is being progressed through the same consultation.<sup>22</sup>

## Debt Assignment Protocol remedy

### Remedy summary

The CMA recommended that Ofgem ensure that changes to the Debt Assignment Protocol (DAP) are implemented by the end of 2016. The DAP is the industry process used to transfer debts between suppliers when indebted PPM customers<sup>23</sup> try to switch. The recommendation included highlighting several specific areas where the CMA believes that changes are needed.

---

<sup>22</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/08/rmr\\_simpler\\_removal\\_stat\\_con\\_-\\_open\\_letter\\_august\\_2016.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/rmr_simpler_removal_stat_con_-_open_letter_august_2016.pdf)

<sup>23</sup> Up to the limit of £500 per fuel.

### Remedy objectives/key outputs

- The objective for changing the DAP is so that more attempted switches are completed. The remedy should help improve the switching experience for indebted PPM customers.
- A key output will be changes to the relevant industry codes setting out the DAP process. These will include amending the definition of complex debt, updating templates for debt objection letters, and amending the process flow design.
- Industry will also produce guidance or deliver a workshop in Q4 2016 for consumer group/charity frontline advisors supporting consumers switching using the DAP.
- By the end of 2016, we will have analysed a request for information (RFI) to suppliers and will identify any further actions industry can take to improve the DAP process beyond the changes that will be implemented in 2016.

### Key milestones/stages

Implementation phase	Start/end date	June to December 2016
	Summary	Ofgem will oversee delivery of supplier-led industry code changes. We will support industry's production of the guidance/workshop for frontline advisors. We will publish a closedown letter describing the key actions taken to deliver the remedy and next steps.
	Outputs	1. Industry codes amended. 2. Frontline advisor guidance/workshop delivered.
	Interactions	Suppliers and code administrators to deliver industry code changes. Suppliers and consumer groups to produce frontline advisor guidance/workshop.
Ancillary actions phase	Start/end date	August to December 2016
	Summary	Analyse supplier RFI. Subsequent recommendations to industry for further process changes as appropriate
	Outputs	1. Recommendations to industry for further process changes as appropriate
	Interactions	Suppliers and code administrators to develop the practical arrangements implement any ancillary actions.

Evaluation phase	Start/end date	Q1 2018
	Summary	One-off supplier RFI to evaluate the impact of process changes implemented in 2016. If feasible, run a consumer focus group to evaluate the impact of process changes implemented in 2016.
	Outputs	1. Quantitative data evaluating developments with switch rate 2. Qualitative data evaluating developments in customer experience
	Interactions	Suppliers to respond to RFI. Consumer groups to identify consumers for focus group.

### Related work outside this cluster

- Customers in debt and PPM customers are a key priority for the consumer vulnerability strategy. As the DAP forms part of the supplier switching process for indebted PPM customers, it links with the Switching Programme.

## PPM price cap remedy

### Remedy summary

The CMA will introduce a transitional cap on the amount that suppliers can charge customers with prepayment meters from 1 April 2017. The cap will be introduced through an order on suppliers, and amendments to suppliers' standard licence conditions. The level of the cap will be set using a reference price and cost index approach, with the initial level based on the CMA's competitive benchmark analysis. The level of the cap will be revised every six months by Ofgem.

### Remedy objectives/key outputs

- The objective of the remedy is to reduce the detriment to domestic customers with PPMs, who have not been able to benefit from competitive prices in the same way as other customers. The cap will run from 1 April 2017 to 31 December 2020.
- Our key roles delivering this objective are to:
  - a) Effectively administer updates to the level of the cap every six months, ensuring that these are calculated according to the methodology in the suppliers' licence condition. This will reflect changes in wholesale costs, network charges and other costs.
  - b) Monitor suppliers' compliance with the cap, and take enforcement action where necessary.

**Key milestones/stages**

CMA finalising the order	Start/end date	June to December 2016
	Summary	CMA to develop the licence conditions and final order putting the price cap in place.
	Outputs	1. Licence conditions and final order published by December 2016.
	Interactions	Stakeholder feedback sought by the CMA through informal and formal consultation processes.
Initial level of the price cap set	Start/end date	January to April 2017
	Summary	Ofgem to publish the initial level of the price cap to come into force from 1 April 2017, according to the methodology in the licence conditions.
	Outputs	1. A list of price caps for different regions and meter types to be published in February 2017 (as well as updated values of the cost indices used to calculate these caps).
	Interactions	Suppliers to give Ofgem information on the assumed consumption profile used to set any time of use tariffs. Ofgem to give any directions required to enable suppliers to offer compliant single-rate tariffs specifically aimed at low-consuming customers.

**Related work outside this cluster**

- PPM customers are more likely to be vulnerable (eg in low income groups, in debt, or not having English as their first language). The price cap is an important protection for these customers ahead of the rollout of smart meters to them. This remedy links with the government's smart metering programme. It also complements the policy development we are doing on PPMs installed under warrant, which also seeks to protect customers with these meters.<sup>24</sup>

<sup>24</sup> <https://www.ofgem.gov.uk/publications-and-updates/prepayment-meters-installed-under-warrant-final-proposals>

## Restricted meters remedy

### Remedy summary

Restricted meters are arrangements where a domestic customer’s consumption is separately recorded at certain times and, in some cases, for certain purposes (for example, heating).<sup>25</sup>

To give customers on restricted meters the option of switching their tariff or supplier the CMA has recommended that large suppliers make all of their single-rate electricity tariffs available to restricted meter customers, and that these suppliers communicate to their restricted meter customers that they can switch supplier or tariff if they want. This would give consumers on restricted meters access to better deals.

### Remedy objectives/key outputs

- Suppliers appear to have little incentive to target customers on restricted meters because of the cost and resource required to take on these customers. Consumers on these meters generally get a worse deal on their energy costs compared to other consumers, due to lack of options to switch suppliers or tariffs.
- Ofgem will work with the CMA on the details of the order that suppliers will comply with as part of this remedy.

### Key milestones/stages

Engaging with CMA on drafting of order	Start/end date	July to October 2016
	Summary	Ofgem will engage with the CMA as it drafts its order before it is put to consultation
	Outputs	1. Support the work of the CMA on the remedy and its impact on consumers
	Interactions	CMA and larger suppliers

---

<sup>25</sup> The CMA’s definition of restricted meters excludes Economy 7 tariffs, which are the most common form of time of use tariff.

## 5. Building industry systems and governance for the future

Operating the energy market relies on a large and complex suite of industry codes and central IT systems and processes. These codes and systems have a major impact on the competitiveness of the retail energy market. Consumers rely indirectly on these systems for the outcomes they experience, for example the reliability of the switching processes or the accuracy of the energy costs allocated through the settlement processes.

These systems were largely put in place when competition was introduced in the 1990s, and they have evolved over time. However, with the rollout of smart meters and other technological advances, and more new suppliers with increasingly diverse business models, it is increasingly clear these codes and systems are restricting the competition and innovation that will help create a smarter market that delivers better outcomes for consumers.

The CMA remedies in this cluster are designed to support a coherent vision for strategic industry change led by Ofgem, but with greater accountability for those in industry delivering this change. Consumers will benefit from more competition through reduced bills and better quality of customer service. Competition will be supported once the new industry rules and systems are in place which will increase efficiency in the operation of the market, for example by improving the accuracy of cost allocation to give suppliers stronger price signals and create a platform for innovation. Making central system providers and code managers more accountable will ensure they deliver and maintain systems that work for consumers.

This cluster involves significant change and IT development across the entire market. It builds on, and is a logical extension of, our existing work to maximise the benefits of smart meters and create a smarter energy market,<sup>26</sup> and our programme of reforms to code governance. This cluster is heavily dependent on the roll-out of smart meters, because many of the remedies rely on using accurate data which traditional metering does not provide. Therefore, as a priority we will continue to support the government with the rollout and to hold suppliers to account for delivery.

The contents of this cluster are:

Section	Paragraph reference in CMA final report
Half-hourly settlement remedy	20.28
Project Nexus remedy	20.27 (a)
Submission of gas meter reads remedy	20.27 (b),(c)
Gas Performance Assurance Framework remedy	20.27 (d)
Code governance remedy	20.31

<sup>26</sup> <https://www.ofgem.gov.uk/publications-and-updates/promoting-smarter-energy-markets-work-programme>

## Half-hourly settlement remedy

### Remedy summary

The CMA made a number of recommendations about settling customers using their half-hourly electricity consumption data. Among them, it recommended that Ofgem carries out a full cost-benefit analysis on the move to mandatory half-hourly settlement. It made a joint recommendation to Ofgem and government to consult on a plan for settlement reform and separate recommendations to Ofgem and government on whether amendments are needed to the rules governing access to half-hourly consumption data.

### Remedy objectives/key outputs

- The objective is to ensure efficient electricity settlement processes and systems, which facilitate innovation, competition and demand-side response. Consuming electricity when it is less expensive to generate and transport can benefit consumers through lower bills, enhanced security of supply, and less impact on the environment. Half-hourly settlement can also help the electricity system to operate more efficiently.
- Ofgem will assess the case for mandatory half-hourly settlement for domestic consumers and small businesses, and our intention remains to make a decision by the first half of 2018.<sup>27</sup>
- Mandatory half-hourly settlement would require new industry rules and processes, and upgrades to central systems and industry parties' own systems.

### Key milestones/stages

Consult on plan for work on half-hourly settlement	Date	Autumn/Winter 2016
	Summary	Ofgem will develop a plan setting out timescales and responsibilities relating to the introduction of half-hourly settlement, with a list of proposed necessary regulatory interventions and a timetable for completing them.
	Outputs	1. Published plan for consultation
	Interactions	Ofgem will be seeking responses from stakeholders on the plan

<sup>27</sup> Our forthcoming consultation will invite stakeholder views on our plan.

Impact Assessment and design work	Start/end date	As set following consultation on the plan
	Summary	Significant policy development phase to understand the options for delivering mandatory half-hourly settlement, and to investigate the cost-benefit case.
	Outputs	<ol style="list-style-type: none"> <li>1. Impact Assessment</li> <li>2. Target Operating Model, setting out the vision for how mandatory half-hourly settlement will work</li> <li>3. Understanding of distributional impacts and consumer protection</li> </ol>
	Interactions	We will consult and engage with stakeholders during this process, for example through a Request for Information.
Decision on mandatory half-hourly settlement	Date	First half of 2018 <sup>28</sup>
	Summary	Following this work, we will publish a decision on mandatory half-hourly settlement for domestic consumers and small businesses.
	Outputs	<ol style="list-style-type: none"> <li>1. Policy decision on mandatory half-hourly settlement and timescales for implementation</li> </ol>
	Interactions	None

### Related work outside this cluster

- We continue to monitor the implementation of mandatory half-hourly settlement for larger businesses by April 2017, which is being introduced through BSC modifications P272 and P322.
- We are also identifying and removing barriers to elective half-hourly settlement for domestic consumers and small businesses by early 2017.

### Project Nexus remedy

#### Remedy summary

The gas settlement arrangements have long been restricted by the functional constraints and capacity of the central IT systems. The CMA recommended that Ofgem ensure the new central gas IT settlement and registration systems (being delivered through Project Nexus) are implemented by 1 February 2017 or as soon as

<sup>28</sup> Our forthcoming consultation will invite stakeholder views on our plan.

possible after that date, once we are satisfied that the IT systems are ready and do not pose risks to consumers.

Project Nexus was initiated in 2008 as an industry project to identify and implement changes to the settlement arrangements and replace ageing IT systems introduced in the 1990s. However, it has been subject to a number of delays. Ofgem had to intervene to take over effective leadership of the project in spring 2016.

**Remedy objectives/key outputs**

- The objective is to ensure efficient gas settlement processes and systems, which facilitate innovation and competition. The new systems will allow for gas shippers/suppliers to make use of the data that will be available from smart meters to submit more regular data into settlement. This will improve the allocation of costs through the settlement system. Energy suppliers will face more accurate costs, helping to support competition.
- Project Nexus will also bring independent gas transporter registration systems into the central system, which is expected to make switching faster and more reliable for customers on these particular networks.
- Project Nexus will be substantively implemented by summer 2017 with a plan in place to transition leadership and oversight back from Ofgem to the gas industry.

**Key milestones/stages**

Market trials oversight	Start/end date	March to November 2016
	Summary	Ofgem will facilitate programme governance to ensure successful exit from market trials, including completion of testing of critical business processes such as those to enact customer switching.
	Outputs	1. Go/No Go gateway decision taken to exit market trials
	Interactions	Ofgem will continue to monitor and drive market participants' progress through market trials and will undertake assurance of testing activity. Progress will be reported to through programme governance, such as the Project Nexus Steering Group

Market Trials Regression testing	Start/end date	January to March 2017
	Summary	Ofgem will facilitate programme governance to ensure successful exit from market trials regression testing, ensuring that systems remain fully operable and integrated.
	Outputs	1. Go/No Go gateway decision taken to exit market trials regression testing
	Interactions	Ofgem will continue to monitor and drive market participants' progress through regression testing. Progress will be reported through programme governance, such as the Project Nexus Steering Group
Continuing oversight of delivery and transition planning, including industry dress rehearsals	Start/end date	Ongoing through to implementation
	Summary	Programme management and assurance of delivery
	Outputs	1. Progress against milestones to inform programme governance, including each Go/No Go gateway assessment. 2. Clear transition plan, including contingency arrangements.
	Interactions	Communications continue through established programme governance, external meetings such as the UNC Distribution Working Group and ad hoc Ofgem publications.
Nexus go-live	Start/end date	Summer 2017, subject to final go-live decision. The current expected date is 1 June.
	Summary	Ensure that all systems are working as required
	Outputs	1. Nexus go-live
	Interactions	Communicate to stakeholders any residual issues that need to be resolved, and likely timescale

Hypercare period	Start/end date	After go-live
	Summary	Oversight of industry activity to resolve immediate system teething problems and ensure an effective transition of governance from the Ofgem-led programme back to business as usual industry-code arrangements.
	Outputs	<ol style="list-style-type: none"> <li>1. Plan and operating procedures for hypercare period</li> <li>2. Communicate necessary changes to file formats and or system documentation</li> </ol>
	Interactions	Changes communicated to stakeholders

## Submission of gas meter reads remedy

### Remedy summary

An order by the CMA on gas suppliers requiring them to submit gas meter readings as soon as they become available, with a minimum of at least one per year for traditional meters. For meters that can communicate a remote meter read, the CMA proposes<sup>29</sup> that daily meter reads will be required, though these may be submitted in batches.

### Remedy objectives/key outputs

- Submitting meter readings more often would make the gas settlement process more accurate. Project Nexus will deliver new IT systems and processes which allow for more frequent submission of data into the gas settlement processes. The objective of this remedy to mandate suppliers to do this.
- Allocating, and in the case of Smaller Supply Points<sup>30</sup> subsequently reconciling, gas requires the maintenance of an accurate estimate of annual consumption, known as the Annual Quantity (AQ). Xoserve<sup>31</sup> derives the AQ from submitted meter readings. The CMA considered that the largely discretionary frequency of meter reads could distort the accurate allocation of gas, and allow gas shippers to revise AQ values in an imbalanced way, ie pursuing AQ reductions while postponing the full extent of any increases. This would allow the shipper to avoid the true costs of energy and transportation charges for their portfolio. More frequent meter readings would make AQs more accurate.

<sup>29</sup> Initial Consultation on the Energy Market Investigation (Gas Settlement) Order 2016

<sup>30</sup> Sites that consume less than 73,200kWh per year, like domestic sites.

<sup>31</sup> Xoserve is the agent of the gas transporters.

## CMA Remedies Implementation Plan

- The CMA will consult on an order to modify the standard conditions of the gas suppliers' licence, and any other licences to ensure meter readings are submitted promptly into the gas settlement processes.
- Ofgem and the CMA will monitor compliance with these meter read submission obligations. This may be done as part of the proposed performance assurance regime (also part of this remedy cluster) rather than requiring separate reporting.

### Key milestones/stages

Engaging with CMA on drafting of order	Start/end date	June to December 2016
	Summary	CMA to draft, consult on, update and finalise drafting of licence conditions that will give effect to the remedy. Ofgem will engage with the CMA during this process.
	Outputs	1. Standard conditions of the licence(s) are modified – possibly with immediate effect
	Interactions	Stakeholders will have the opportunity to respond to the consultation
Consequential code modifications	Start/end date	December 2016 to March 2017
	Summary	Ensure that work is initiated to reflect new licence conditions and supported by relevant industry code(s)
	Outputs	1. Any consequential code modifications necessary to support the licence will be identified and relevant parties will bring forward appropriate proposals
	Interactions	Engagement with working groups and parties under the relevant industry code(s)

### Related work outside this cluster

- Ofgem and the CMA are aware of complementary initiatives in this area currently being pursued as modification proposals to the UNC. The CMA will consider the extent to which those UNC proposals are complementary to or fulfil the intent of its remedy.

## Gas Performance Assurance Framework remedy

### Remedy summary

The CMA recommended that Ofgem plays a greater leadership role on the development of the gas performance assurance framework so it is fully implemented by the end of June 2017. The gas performance assurance framework will help make the gas settlement arrangements more accurate. As with the other gas settlement remedies, this will support competition by improving cost allocation.

### Remedy objectives/key outputs

- The main objective of the gas performance assurance framework is to reduce the amount of unidentified gas. This is gas which cannot be directly attributed to a gas shipper, and so makes the gas settlement arrangements less accurate. The change will be evident through a year-on-year reduction in unidentified gas.
- Industry has already completed work in this area. For instance, the Performance Assurance Committee (PAC) is now established and is overseeing the procurement of an administrator to help it operate and monitor the framework.
- To achieve further progress, Ofgem will produce a revised project plan, incorporating work already underway to procure the performance assurance framework administrator, and as-yet-unstarted work on incentives and remedies.
- To support this, Ofgem will also deliver a consultation on desired features of a performance assurance framework, including incentives and remedies.

### Key milestones/stages

Holistic project plan	Start/end date	September to December 2016
	Summary	Ofgem will develop an integrated project plan, to include Ofgem and industry-led activities
	Outputs	1. Agreed project plan
	Interactions	Discussion with PAC, appropriate workgroups, gas shippers and gas transporters.

## Code governance remedy

### Remedy summary

The CMA recommended a package of remedies for code governance to support a coherent vision for strategic industry change led by Ofgem, and clearer accountabilities for industry to deliver it.

Central to this is a cross-code Strategic Direction for industry code development. We plan to set this in consultation with industry. To help deliver it, we will oversee the annual development of code-specific work plans in line with the Strategic Direction.

We will also set up and run a consultative board to bring stakeholders together to discuss and address cross-code issues.

The CMA also recommended that Ofgem is given the ability to initiate and prioritise code changes necessary for the delivery of the Strategic Direction. In exceptional circumstances, the CMA recommended that Ofgem be able to intervene to take control of an ongoing strategically important code modification proposal.

The CMA has also recommended that government initiate a legislative programme to give Ofgem the power to amend industry codes in certain exceptional circumstances, and to enable Ofgem to license the provision of code administration (and delivery) services. This would enable a clearer set of accountabilities for delivering code change and better orchestration of change across multiple codes.

### **Remedy objectives/key outputs**

- To achieve greater coordination across codes for identifying and delivering strategic change that benefits consumers and competition.
- To provide a coherent vision for strategic change led by Ofgem and clearer lines of accountability for delivering it.
- A system of code governance that allows strategic change to be delivered smoothly, efficiently and in the interests of consumers. This remedy can potentially speed up delivering benefits to consumers and competition through changes to relevant industry codes that implement government and Ofgem policy objectives.
- A clear, ongoing signal for industry players on where to deploy their resources.

**Key milestones/stages (indicative, and dependent on whether government accepts this recommendation)**

Licensing <sup>32</sup>	Start/end date	November 2016 to late 2019
	Summary	Initial policy consultation in November 2016. Publish policy conclusions and final standard licence conditions for code managers in September 2018.
	Outputs	1. Start application process for code manager licences – late 2018 to late 2019 2. Issue first code manager licence – late 2019
	Interactions	We would work closely with BEIS to assist with the development of the legislation needed to make code administration a licensable activity and to grant Ofgem powers to make code modifications in exceptional circumstances. We will engage closely with the existing community of code administrators and delivery bodies to ensure a smooth transition to the new framework.
Development of Strategic Direction	Start/end date	November 2016 to January 2018
	Summary	Publish a draft Strategic Direction by January 2018
	Outputs	1. Consult on a draft strategic direction in September 2017
	Interactions	We will be working closely with industry as it implements the Code Governance Review 3 remedies, in particular the requirements to produce and coordinate work plans. We will be seeking views and input from a wide range of stakeholders on the strategic direction, including code panels, code administrators and code parties.

<sup>32</sup> Timings for this workstream are indicative only. There is a strong dependency on the government bringing forward legislation to enable licensing and associated powers.

Development of a Consultative Board	Start/end date	February to November 2017
	Summary	Appoint consultative board members
	Outputs	1. Hold first board meeting in January 2018
	Interactions	Stakeholder workshop on the composition, terms of reference, voting, funding and appointments process before this step (in July 2017).

**Related work outside this cluster**

- This package of remedies is complementary to, and a logical extension of, the incremental reform we have introduced to code governance arrangements so far through Code Governance Review 3. We will continue to work with industry to ensure these changes are implemented.

## 6. A robust and independent regulator

Our ability to make a positive difference for consumers, through delivery of the five consumer outcomes set out in our Corporate Strategy, is driven by our powers to regulate independently. This means that Ofgem plays a crucial role in the governance of the regulatory framework. However, for independent regulation to be effective, we must work constructively with government, the energy industry and other stakeholders.

The CMA found that certain aspects of the governance of the regulatory framework are an AEC – including the roles and responsibilities of institutions, the design of decision-making processes and the availability of appropriate information.

The CMA designed the remedies within this cluster to enhance the structure and governance of the regulatory framework and improve the quality of energy policy decision making. Central to these remedies would be the resetting of the relationship between Ofgem and BEIS and promoting the use of Ofgem powers to provide independent and trusted assessments of energy market developments.

We will put in place the recommended measures<sup>33</sup> and will work with relevant stakeholders to gather the necessary information for us to provide a more robust and independent assessment of the impact of policies on the functioning of the GB energy markets.

The contents of this cluster are:

Section	Paragraph reference in CMA final report
Financial reporting remedy	20.30 (c)(iii)
Joint BEIS/Ofgem statements remedy	20.30 (b)
Office of the Chief Economist remedy	20.30 (c)(ii)
Opinions on government policy remedy	20.30 (a)(ii)
Price monitoring remedy	20.30 (c)(iv)
Revision of statutory duties remedy	20.30 (a)(i)
State of the Market remedy	20.30 (c)(i)

### Financial reporting remedy

#### Remedy summary

The CMA recommended that we revise the current financial reporting regime by requiring large suppliers to:

- report their generation and retail supply activities along market lines;
- report balance sheets as well as profit and loss accounts for these activities;
- disaggregate wholesale energy costs for retail supply across broad tariff types between a standardised purchase opportunity cost and a residual element;
- report prior year figures prepared on the same basis as current period figures.

<sup>33</sup> Implementation of the recommendations to government will depend on whether the government accepts them.

### Remedy objectives/key outputs

- The objective of this remedy is to enable Ofgem to better assess the state of competition in the energy market. This includes improving comparability between companies, broadening our profitability analysis and making the relationship between wholesale and retail prices more transparent.
- The key output is a revised set of financial reporting obligations on large suppliers – through changes to their Consolidated Segmental Statements (CSS).<sup>34</sup> The aim is for the new obligations to apply from the companies’ 2017 Statements, due to be published in 2018.

### Key milestones/stages

Issue of RFI	Date	February 2017
	Summary	To inform our policy development, we will issue an RFI to collect 2016 CSS information in line with the CMA’s recommendation on financial reporting.
	Outputs	1. Draft RFI issued in November 2016. 2. RFI issued by February 2017.
	Interactions	We will engage closely with suppliers and other stakeholders, including through workshops.
Statutory consultation on changes to financial reporting rules	Date	By November 2017
	Summary	We will launch a statutory consultation on licence changes and consult on an updated version of CSS guidance on the back of the responses to the RFI. This will inform our final decisions.
	Outputs	1. Publish statutory consultation, together with a consultation on revised CSS guidance, by August 2017. 2. Subject to consultation responses, publish decision on whether to make licence modifications and amended guidance. 3. Licence amendments and amended guidance could be published by November 2017.
	Interactions	The outputs from these revised financial reports will be analysed and used in our annual State of the Market reports.

<sup>34</sup> The CSS are annual statements segmenting the financial results of their supply and generation activities

## Joint BEIS/Ofgem statements remedy

### Remedy summary

A recommendation that BEIS and Ofgem publish detailed joint statements concerning proposed BEIS policy objectives that are likely to necessitate parallel, or consequential, Ofgem interventions. If the Government accepts this recommendation, the joint statements would set out (i) a plan for the regulatory interventions needed and responsibility for these, (ii) an estimated timetable, and (iii) where appropriate, a list of relevant considerations in designing the policy.

### Remedy objectives/key outputs

- This formal mechanism would further improve the transparency and coordination of the implementation process for joint initiatives undertaken by Ofgem and BEIS.
- We would publish joint statements when the implementation of a BEIS policy objective requires parallel or consequential intervention by Ofgem.

### Key milestones/stages

The Government is currently considering its response to the CMA investigation.

## Office of the Chief Economist remedy

### Remedy summary

To help drive the implementation of the remedies within this cluster, the CMA recommended the creation of a new unit (Office of the Chief Economist) in Ofgem that is independent of other teams, and which has cross-cutting expertise. This unit will build expertise across the different areas of the energy markets with a view to publishing an annual State of the Market Report.

As part of its core business and to ensure a degree of independence in our scrutiny, the Office of the Chief Economist will be responsible for carrying out evaluations of the impact of Ofgem policies. This will include some of the CMA remedies.

### Remedy objectives/key outputs

- The unit will build on our existing reports covering a wide range of different aspects of the energy market to assess the impact of policy developments in the GB energy markets (the 'State of the Market Report').
- Having a unit separate from the policy teams to deliver the State of the Market Report will ensure there is a team operating at arm's length from those working and making decisions on policies. This will mitigate risk (actual or perceived) of confirmation bias.

- The unit will facilitate other areas of the remedies, for example the publication of opinions on draft legislation and policy proposal developed by government. We expect the team to lead the way for Ofgem to remain a respected independent commentator on energy market issues.

### Key milestones/stages

Review of scope and remit of Ofgem's Analytical Unit. Introduce necessary changes and launch Office of the Chief Economist	Estimated launch date	End October 2016 - complete
	Summary	Review the scope of work and remit of our existing central analytical unit. If appropriate, we will amend the scope of the team to align with the CMA's recommendation. By October 2017, we will review the effectiveness of the Office of the Chief Economist in meeting the objectives of the remedy.
	Outputs	1. An Office of the Chief Economist with new remit and scope of work.
	Interactions	None

## Opinions on government policy remedy

### Remedy summary

The CMA recommended that, to the extent possible, Ofgem use existing powers to publish opinions on all draft legislation and policy proposals which are relevant to Ofgem's statutory objectives and likely to have a material impact on the GB energy markets. The CMA also recommended that government introduce primary legislation to establish this as common practice.

### Remedy objectives/key outputs

- The objective of the remedy is to increase transparency of Ofgem's assessment of the impacts of proposed legislation and of how proposed legislation interacts with the existing regulatory framework. This will help improve the design of policy initiatives and make the decision making process more robust by making the views of different parties more transparent, including when Ofgem and BEIS disagree.
- We will comment publicly on government policies that are relevant to our statutory objectives and which are likely to have a material impact on the GB energy market. We will do so by publishing on our website. The decision on the timing of our opinions will be made on a case-by-case basis but we will, as a rule, publish in a timely manner so that our views are taken into consideration in the final decision.

### Key milestones/stages

We will use our existing powers to publish opinions when appropriate. As a general rule, we will do so in time to allow Parliament and/or government to consider our opinion before reaching a decision.

### Price monitoring remedy

#### Remedy summary

The CMA recommended we change the way that wholesale costs are measured when we publish estimates of trends in suppliers' costs, such as using the CMA's 'purchase opportunity cost' approach.<sup>35</sup>

#### Remedy objectives/key outputs

- This remedy aims to improve transparency around the relationship between suppliers' prices and their wholesale costs. This should provide a more helpful basis against which movements in prices might be explained.
- For a number of years, we have published regular estimates of ongoing trends in suppliers' costs as part of our Supply Market Indicator (SMI). The indicator was temporarily suspended in 2015, to allow us to review our approach.
- The output from this remedy is to include a revised approach to wholesale costs when we publish information in the future on trends in costs.

### Key milestones/stages

Launching a replacement for the SMI	Start/end date	By December 2016
	Summary	In August we published a consultation on how we should replace the SMI. The document set out our proposal to estimate wholesale costs using an approach in line with the CMA's recommendation.
	Outputs	1. Following that consultation, we intend to launch a new indicator tracking ongoing trends in suppliers' costs before the end of this year.
	Interactions	Stakeholders' views sought as part of the consultation process. We will use the feedback received to inform the design of our new indicator.

<sup>35</sup> In broad terms, this involves valuing wholesale energy at the prevailing market price (at the point when the supplier committed to supplying the customer at a given price), rather than at the historical cost of the energy to the supplier.

## Revision of statutory duties remedy

### Remedy summary

This remedy is a recommendation to BEIS to amend primary legislation in order to clarify our statutory objectives and duties. The government is considering its response to the CMA investigation. If government accepts the recommendation we would, as necessary, assist BEIS in the development of the relevant legislation.

### Remedy objectives/ key outputs

- The aim of this remedy is to remove any constraint on our ability to pursue our principal objective to protect the interests of existing and future customers by promoting effective competition where we consider this appropriate.
- If government moves forward with the recommendation, it will initiate a legislative process in order to delete paragraph 1C from both sections 4AA of the Gas Act 1986 and 3A of the Electricity Act 1989.

### Key milestones/stages

None identified for Ofgem. We would work within the timelines set by government.

## State of the Market remedy

### Remedy summary

Ofgem will publish an annual State of the Market Report that uses analysis to provide an effective assessment of the cumulative impacts of policy on the GB energy markets. This holistic assessment will inform public debate and improve future policymaking.

### Remedy objectives/key outputs

- The State of the Market report will centralise existing analysis that is currently published by a diverse set of stakeholders and report new analysis carried out by Ofgem where appropriate. This will increase effective communication of the forecast and actual impact of government and regulatory policies on energy prices and bills.
- We will publish reports annually on our website. This will be part of our work to improve our monitoring and analysis of energy market developments, for instance through further developing and enhancing our annual reporting on a set of indicators.<sup>36</sup>

---

<sup>36</sup> We have previously produced annual reports on wholesale and retail market indicators – see: [https://www.ofgem.gov.uk/system/files/docs/2016/08/wholesale\\_energy\\_markets\\_in\\_2016.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/wholesale_energy_markets_in_2016.pdf) and [https://www.ofgem.gov.uk/system/files/docs/2016/08/retail\\_energy\\_markets\\_in\\_2016.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/08/retail_energy_markets_in_2016.pdf)

- The report will analyse issues such as: the evolution of energy prices and bills over time, the profitability of key players in the markets (eg the Six Large Energy Firms), the social costs and benefits of policies, the impact of initiatives relating to decarbonisation and security of supply, the trilemma trade-offs, and the trends for the forthcoming year.

**Key milestones/stages**

Publish State of the Market 2017 report	Start/end date	First publication in September 2017 and then annually
	Summary	Analyse the relevant areas of the GB energy markets annually and publish a report addressing our findings. We expect the State of the Market Report to replace our current annual market reports and to form the main vehicle for reporting on the impact of the CMA remedies (along with the other actions we are taking to improve outcomes for consumers).
	Outputs	1. An annual publication on our website.
	Interactions	The analysis underpinning the result will require annual inputs from industry, government and other stakeholders.

## 7. Stakeholder engagement

---

The CMA remedies are a significant part of our ongoing programme of work. They affect a wide range of participants, and will have direct impacts on consumers. Engaging stakeholders is key to effective implementation.

We want to keep stakeholders informed, so they know the specific actions they need to take and how to deploy their resources. We also want our stakeholder engagement to communicate that there is scope for innovation. By engaging stakeholders, we hope they will actively participate in developing and implementing remedies, including through co-operation and collaboration. We also want to give stakeholders the opportunity to feedback constructively on how we are working with them.

To support these aims and understand how we can work most effectively, we have held stakeholder bilaterals and carried out surveys. We will reflect this in our engagement linked to the CMA work.

A key element of our approach will be collaboration across all projects within the CMA portfolio and, where possible, across Ofgem. We will work to ensure that key milestones and stages for industry are well coordinated across the work areas within Ofgem. We will try to maximise opportunities to combine topics for workshop discussions, and, as far as possible, minimise the risk of stakeholders facing multiple consultation deadlines within a few days of each other. An example of this is the workshop held on 16 September for charities and consumer groups, which covered five project areas.

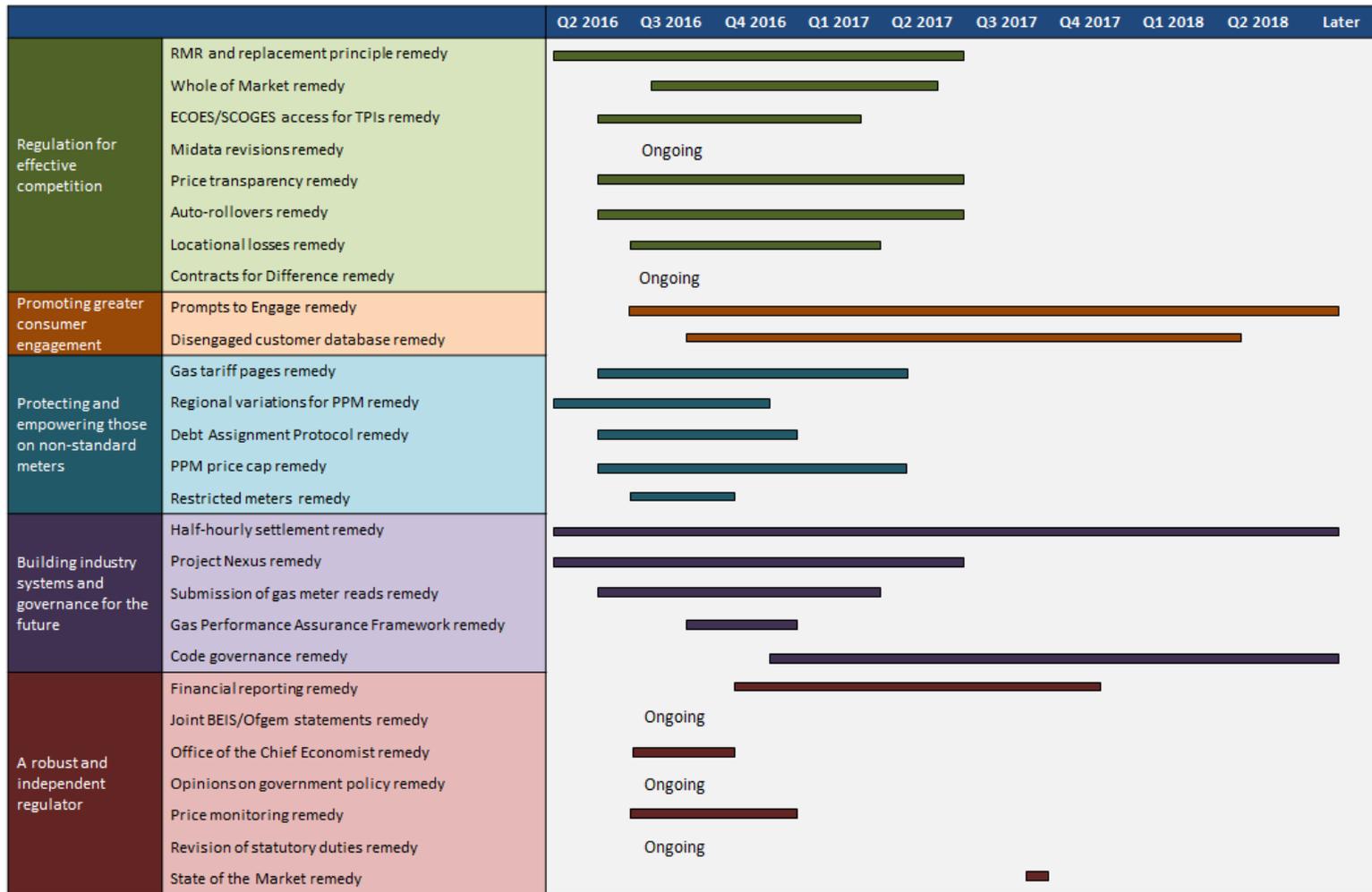
We will be sharing information in a coordinated way. The first market reform newsletter will be issued in November, with a summary of actions, upcoming events and digests of key activities. This is to ensure all stakeholders receive a consistent message, regardless of their size or location. We are also keen to ensure that the burden of engagement is minimised and plan to use alternative techniques for gathering feedback and disseminating information.

We will also use new techniques to ensure our policy development for CMA remedies is aligned to positive consumer outcomes. To do this, we have set up the Consumer Progress Panel of independent experts and we will test our policy thinking with this panel at an early stage. This is in addition to our normal processes of consultation. The panel will meet quarterly and will also support the assessment of benefits from the CMA remedies.

We are always keen to receive feedback on all aspects of our engagement. You can get in touch at: [remedies@ofgem.gov.uk](mailto:remedies@ofgem.gov.uk).

The Consumer Affairs Team at Ofgem is the first point of contact for queries from members of the public. The Consumer Affairs Team can be reached on 020 7901 7295 or at [consumeraffairs@ofgem.gov.uk](mailto:consumeraffairs@ofgem.gov.uk).

## Appendix 1 – Summary implementation timeline



The quarters in the timeline refer to the calendar year (ie Q1 is January to March).

This timeline does not include monitoring and evaluation activities.

## Appendix 2 – Organisation chart

The table below shows the senior Ofgem staff with current responsibility for each remedy.

<b>Regulation for effective competition</b>	
<b>Cluster leads:</b>	<b>Retail: Anthony Pygram Wholesale: Frances Warburton</b>
RMR and replacement principle remedy	Neil Barnes
Whole of Market remedy	Priya Sinha
Locational losses remedy	Frances Warburton
Auto-rollovers remedy	Priya Sinha
Price transparency remedy	Priya Sinha
ECOES/SCOGES access for TPIs remedy	Priya Sinha
Contracts for Difference remedy	Frances Warburton
Midata revisions remedy	Priya Sinha
<b>Prompting greater consumer engagement</b>	
<b>Cluster lead:</b>	<b>Rachel Fletcher</b>
Prompts to Engage remedy	Domestic: Neil Barnes Microbusiness: Priya Sinha
Disengaged customer database remedy	Paul Fisher
<b>Protecting and empowering those on non-standard meters</b>	
<b>Cluster lead:</b>	<b>Anthony Pygram</b>
Gas tariff pages remedy	Anthony Pygram
Regional variations for PPM remedy	Anthony Pygram
Debt Assignment Protocol remedy	Anthony Pygram
PPM price cap remedy	Anthony Pygram
Restricted meters remedy	Anthony Pygram
<b>Building industry systems and governance for the future</b>	
<b>Cluster lead:</b>	<b>Rob Salter-Church</b>
Half-hourly settlement remedy	Cathryn Scott
Project Nexus remedy	Rob Salter-Church
Submission of gas meter reads remedy	Rob Salter-Church
Gas Performance Assurance Framework remedy	Rob Salter-Church
Code governance remedy	Anthony Pygram
<b>A robust and independent regulator</b>	
<b>Cluster lead:</b>	<b>Martin Crouch</b>
Financial reporting remedy	Joe Perkins
Joint BEIS/Ofgem statements remedy	Joe Perkins
New unit remedy	Joe Perkins
Opinions on Government policy remedy	Joe Perkins
Price monitoring remedy	Neil Barnes
Revision of statutory duties remedy	Joe Perkins
State of the Market remedy	Joe Perkins