

ofgem

Making a positive difference
for energy consumers



Forward Work Programme
2017-18



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Contact: Julie Black
Team: Business Insight and Change
Tel: 0203 263 9865
Email: BI&C@ofgem.gov.uk

Overview

This Forward Work Programme outlines the work we think will make the greatest difference for consumers in the coming financial year.

The deliverables in the document are referenced against the four quarters within the financial year, ie Q1 refers to the period between the start of April to the end of June 2017.

We consulted on a draft version of this document between December 2016 and February 2017. We have considered responses and updated the Forward Work Programme where appropriate.

Better quality of service + Better social outcomes

Ensuring the energy market works for consumers

We've set tough standards and enhanced transparency to help make sure consumers receive fairer treatment. We've also won new powers to make suppliers compensate customers directly when standards aren't met.

Our latest numbers show:

3.5
MILLION

Customer
complaints
fell to
3.5 million
in 2016

...that's **32%** fewer than 2015

Joint data between Ofgem and Energy Ombudsman, published 2 March 2017

Over
£210
MILLION



Amount paid by energy companies in
compensation and penalties since 2010.

Data correct as of March 2017

Lower bills + Better quality of service

Smart meters

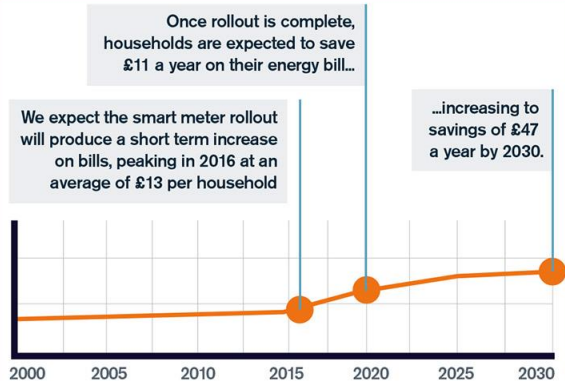
Energy suppliers must aim to roll out smart meters to all of their domestic and small business customers by the end of 2020. This is set to revolutionise how consumers see their energy and how industry supplies and manages it.

53 MILLION
meters to move to
'smart' technology



1435 **1435** **1435**
1435 **1435** **1435**

4.05 MILLION
domestic smart meters
installed at Sept 2016



Smart meter data from Department for Business, Energy and Industrial Strategy Quarterly Smart Meter Statistics and Smart Meter Rollout Cost Benefit Analysis, August 2016.

Lower bills

When it comes to energy shopping...

Between January 2016 and December 2016



3.3 MILLION
Gas customers
switched



4.4 MILLION
Electricity customers
switched

During this time, around

47%

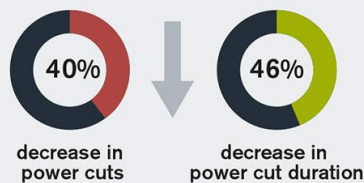
of those who switched across both fuels
moved to small and medium suppliers

Improved reliability and safety

Lower network costs since privatisation

by 2020, this will enable around
£80 BILLION
 investment in transmission and
 distribution infrastructure
 (in 2013/14 prices)

Since 2002, these improvements have produced:



There are also record levels of customer satisfaction with local electricity and gas distribution networks.

Better social outcomes

So far in the gas distribution price control (RIIO-GD1) companies have connected

 **39,521** fuel poor households

- just over **43%** of their 8 year target of **91,203** (1 April 2013 - 31 March 2021)

Data correct as of February 2017

Lower environmental impacts

Promoting energy efficiency and renewable electricity

 **2,062,782**

The number of efficiency measures installed under the Energy Company Obligation across over **1.6 million households** to January 2017

90,283,516

Certificates (ROCs) issued for eligible renewable electricity generated under the Renewables Obligation in 2015/16

 **784,022**

The number of solar panel installations registered for the Feed-in Tariff to January 2017

Generating heat through more renewable resources

 **54,590**

Domestic Renewable Heat Incentive
 Number of renewable heat installations accredited to March 2017

 **3,115 MW**

Non-Domestic Renewable Heat Incentive
 The total installed capacity to February 2016

Better social outcomes

£1.45 BILLION

amount of support to fuel poor households through the Warm Home Discount since its launch in 2011



£320 MILLION

How much suppliers paid in support to people who needed it in 2015/16.



The UK government has announced the WHD scheme will continue to support fuel poor customers until 2020/21 at current levels of £320 million a year, rising with inflation.

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Chairman's Foreword

The last year continued to demonstrate the scale of change in the energy sector. Innovation in technologies and business models has been driven in part by change in the wider markets, and rapid evolution in the energy market is now the norm. In this environment, regulatory stability and consistency are valuable. But we must be clear that these are not the same as unquestioningly retaining the status quo.

In 2017 we will sharpen our focus on enabling change: positioning ourselves as agents of innovation and not as an obstacle in its path. We will react more quickly to events, speed up our decision-making, be more receptive, approach new ideas thinking more about their opportunities rather than their difficulties, and be more flexible in how we think and behave.

We believe this will benefit consumers first and foremost. It will also help create stability in the market, and confidence among our stakeholders that we will do the right thing. This forms the centrepiece of much of our work over the next year and beyond: our move to principles-based regulation of the retail energy markets, the move to smarter markets and faster switching, the follow-up work from the Competition and Markets Authority's investigation, and using what we learned from RIIO-1 as we go forwards to RIIO-2.

As always, we are interested in hearing from you about our thinking and plans for the year ahead. I look forward to working with you all as we deliver this exciting programme of work.

David Gray

Chairman

CEO's Introduction

Welcome to our Forward Work Programme, which outlines our plans for the next financial year.

As we set out our programme of work for the year ahead, we recognise the context in which we work continually evolves. So we must be forward-looking and flexible enough to respond to changes. I was encouraged by the level of response to our draft Forward Work Programme and we will continue to work with our stakeholders as the year unfolds. Above all, our work continues to be driven by our priority to protect consumers.

We expect to see some real progress over the next year, as faster switching, half-hourly settlement, and smart metering have the potential to dramatically change the market and give consumers more control. But at the same time, we want to build trust in the market too, and consumers won't trust a market they cannot understand. This is why we want to give them facts and information while encouraging companies to be open, clear and accessible to their customers.

The retail market is the focus of our work on regulating more through principles. We have already removed over 30 pages of prescriptive tariff rules from the gas and electricity supply licences, and 2017-18 will see us slimming down the rulebook even more.

One motive behind our move to principles-based regulation is that we don't want to discourage companies from innovating, nor be in their way. We want to create the right conditions for them to innovate. We have set up an Innovation Link, and innovation is also a common theme throughout our RIIO price controls, which incentivise network companies for fresh thinking.

We have established an Office of the Chief Economist to support and challenge the rest of Ofgem and help our decision-making process. We will improve how we research and evaluate our work, looking at the overall impact on consumers.

In 2017, we will start developing our strategy for RIIO-2. We will look to stakeholders to help us understand the risk to investors, industry, and consumers as we explore options. We will also investigate how best to deliver transmission investment projects to ensure they are competitive.

The energy system as a whole is experiencing a significant amount of change, which presents both opportunities and challenges. We have started important steps to facilitate those changes which will most benefit consumers, and will be progressing this including through our work on the future system operator and network charging.

Following government's recommendation in the Budget 2016 for the separation of E-Serve from the regulatory aspects of Ofgem, we note that there are no immediate plans for separation. E-Serve continues to remain an integral part of Ofgem. We will continue to deliver a range of environmental schemes on behalf of government through Ofgem E-Serve and will engage with government as required on institutional arrangements.

We consulted on the draft version of this Forward Work Programme and held Forward Look events with stakeholders in February. Although the responses did not result in major changes to our work programme, we have amended this document to clarify certain parts. All responses will continue to contribute to our ongoing planning and delivery of our work in 2017-18.

Personally, I want Ofgem to be a source of trust and creator of confidence in the energy market. We can only do this by clearly explaining how the market works, our role in it, and what changes are on the horizon.

Dermot Nolan

Chief executive

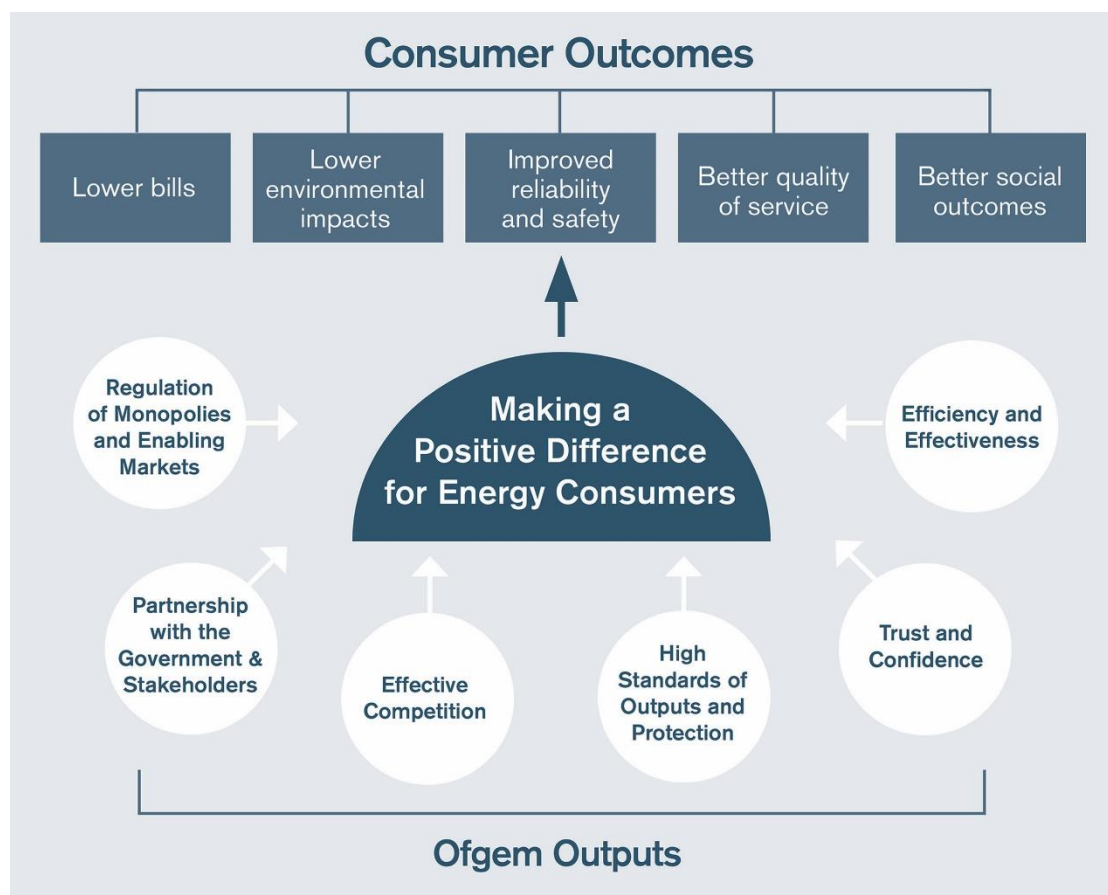
Ofgem's strategy

Who we are

We are an independent National Regulatory Authority and non-ministerial government department, recognised by EU Directives. Our principal aim is to protect the interests of current and future energy consumers. This underpins all our activities and how we engage with partners in government, industry, consumer bodies and other regulators.

Our strategy: What we aim to achieve and how we will achieve it

Consumers are central to everything we do. There are five **consumer outcomes** our work aims to deliver. We ensure that all our work supports one or more of these consumer outcomes. Ofgem's **strategic outputs** represent in broad terms what we do as a regulator and how we approach our work. Our consumer outcomes and strategic outputs are outlined below. More detail is in our published strategy document.¹



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

Our regulatory stances

In December 2016 we published our regulatory stances for the first time. Our regulatory stances are a set of principles designed to guide all staff at Ofgem as we develop policy and make decisions. They are primarily an internal tool to ensure our work supports the approach and outcomes in our strategy and should also help our external stakeholders to better understand our approach. They do not override our statutory powers and duties.

Our work programme

This Forward Work Programme document outlines Ofgem's key initiatives over the coming years, with a particular focus on 2017-18. These initiatives have been carefully selected as the areas we feel represent the greatest opportunity for and risk to current and future energy consumers. Within each area we have commissioned a number of pieces of work which we feel represent the optimum use of our effort and resources relative to the outcomes we seek. Our key initiatives are:

- 1. Enabling a better functioning retail market**
- 2. Facilitating change in the energy system**
- 3. Learning from the first RIIO framework and setting RIIO-2 up for success**
- 4. Introducing competition into monopoly areas**
- 5. An authoritative source of quality analysis**

Alongside these initiatives, this document also sets out our ongoing core business activities, explains the upcoming work for Ofgem E-Serve and incorporates our Simplification Plan into the Forward Work Programme (please see chapter 9).

We recognise that government priorities may change throughout the year. We will continue to assess our priorities in light of any changes and will adjust our own priorities to reflect shifts in the external environment. Our Forward Work Programme may need adjusting in these instances.

1. Enabling a better functioning retail market

What we aim to achieve

Our ambition is a retail market that works for all consumers. This is a market where competition constrains prices, drives efficiency and delivers the quality of service and products that customers need. Success also involves delivering a quality service befitting an essential service. It involves suppliers meeting the specific needs of people in vulnerable circumstances.

The market is working well for customers willing and able to change supplier or tariff to get a good deal. But around 70 per cent of people are not benefitting from this competition. The market is also not working for many small businesses who face similar issues to householders in engaging in the market. Similarly, while there are signs of improvement in service standards and in the treatment of vulnerable consumers, this still falls short of requirements.

How we will achieve it

There are three aspects to our work in achieving a better functioning retail market:

- Supplier conduct – we need to ensure that the licence and our interactions with suppliers drive the conduct and service standards that are expected of energy suppliers.
- Supply-side competition – our regulations need to facilitate vigorous and disruptive competition between suppliers. Price comparison websites (PCWs) should be competing with each other, and with suppliers, while maintaining consumer trust.
- Consumer engagement – we need to do all we can to encourage householders and small businesses to engage in the market and also to take the hassle out of switching. This is fundamental to making the market work better.

1.1 Supplier conduct

Through the **Future of Retail Regulation** project, we are looking to remove unnecessary prescriptive rules and introduce new principles into the licence. This will put responsibility on suppliers to deliver good consumer outcomes, provide future-proof effective protection for consumers in a rapidly changing market, and allow room for suppliers to compete and innovate. We expect to include a new broad requirement on suppliers to have special regard to the needs of their vulnerable consumers. We are also expecting to include a principle that suppliers should help consumers make informed choices and remove the prescriptive rules around sales and marketing. In 2017-18 we will address another part of the rules in the licence and consider the appropriate balance between rules and principles. We expect this to focus primarily on supplier written communications with consumers.

As well as improving the regulations, we will continue our work to ensure we address **compliance** issues affecting all types of domestic consumers and non-domestic consumers in a way that is quick, focused and ensures that lessons learned are shared across suppliers. We will develop our approach to compliance to take account of the increased importance of principles in the supply licences and seek to provide transparency over the actions we are taking to address compliance issues.

We are working with Citizens Advice and Ombudsman Services:Energy to help us spot where things might be going wrong for consumers. We will work with Ombudsman Services:Energy to preserve the “golden thread” between its rulings on fair treatment, and our own compliance and enforcement action. We will build our links with other relevant consumer bodies and charities over the course of the year so we can identify and address issues as soon as possible after they arise.

In particular, our work will include looking at how suppliers are meeting their obligations towards consumers in vulnerable circumstances, and holding the mirror up to suppliers on how they are treating domestic and non-domestic consumers. This may include conducting a deep dive into an area to understand good practice and unintended consequences of actions, and producing and sharing lessons from the information in our annual Report on Social Obligations.

Deliverables 2017-18

- Make amendments to the broad principles in the gas and electricity supply licenses, including a new vulnerability principle – Q2
- Publish Report on Social Obligations, including reporting on how suppliers supported customers in vulnerable situations and managed debt and disconnection in 2016 – Q2

1.2 Supply-side competition

Third party intermediaries, including PCWs, are an important source of supply-side competition and also provide services which help consumers engage in the market. In 2017-18 we will conclude our **review of the Confidence Code** in light of the Competition and Markets Authority’s (CMA) recommendation that changes should be made to allow PCWs in the domestic market to innovate and compete. We will also engage with and consider the consequences of the **CMA’s market study on Digital Comparison Tools** for energy markets and consider whether further work is needed.

We will assess the effectiveness of the CMA remedies relating to the access intermediaries have to the Electricity Central Online Enquiry Service and the Single Centralised Online Gas Enquiry Service and will support government as it considers how best to use Midata to support the use of intermediaries. We will be carefully monitoring the impact that the CMA price cap for prepay customers has on competition for this group of customers.

We will be keeping under review the **arrangements we have for licensing suppliers**, and will learn lessons from any supplier insolvencies over the period.

Deliverables 2017-18

- Publish our decision on the intermediate proposals for amendments to the Confidence Code and, if appropriate, make the Code amendments outlined in our consultation – Q1
- Outline our proposed next steps for our review of the Confidence Code – Q1

1.3 Consumer engagement

We have several pieces of work planned to encourage consumers to engage in the retail market.

We will continue to test various potential designs of the **database** for loyal customers to establish how best to use this vehicle to put competitive pressure on the prices these customers pay. In parallel, our new Behavioural Insights team will work with suppliers to carry out **randomised controlled trials** to learn which prompts work best to engage consumers. We will ensure that the CMA orders aimed at helping those on **non-standard meters** to engage are properly implemented and will monitor their effectiveness.

In the **non-domestic retail market**, we will be looking closely at the impact of the CMA remedies, including that which introduces pricing transparency for microbusiness customers. We will consider what we might need to do in light of how market participants respond. This may include looking at trials for prompts to encourage microbusinesses to engage in the market in light of the information available and understanding whether there are issues affecting non-domestic consumers which we should take action to address.

We will continue via the **Switching programme**, to put in place a new switching process for domestic and business customers that is, first and foremost reliable, and also fast and cost-effective. We are currently defining the new switching arrangements and the systems to support them. Ofgem is leading the work, with industry expertise and consumer representatives playing an important role. We have developed options for the new switching arrangements and are looking at their costs and benefits. We will consult on our preferred market design in mid-2017. We are fully committed to delivering our Switching programme and, although full delivery is some years away, we will continue to explore ways to bring forward consumer benefits from the programme earlier.

Deliverables 2017-18

- Publish Blueprint decision document (Design Baseline 3) on the Switching programme – Q3
- Complete Detailed Level Specification Phase and publish Design Baseline 4 on the Switching programme – Q4

Consultations 2017-18

- Publish Blueprint Consultation (Design Baseline 2) on the Switching programme, including impact assessment and draft outline business case – Q2

2. Facilitating change in the energy system

The way energy is produced, generated, transported, stored and supplied to consumers is changing. The drive to reduce carbon emissions and the deployment of new technologies means the energy system is in transition to one that is lower carbon, more decentralised, and more dynamic and responsive. We are also likely to see consumers using energy in new ways to reduce carbon emissions in heat and transport. In particular, changes in the way we heat our homes and the growth and deployment of electric vehicles could have significant implications for both the gas and electricity system.

At the same time, we are seeing new and potentially disruptive business models entering the market and new applications being deployed in homes and businesses. Some of these are based on new energy technologies, some are focused on local communities, and others are building on innovative use of information technology.

These changes are presenting both challenges and opportunities for the energy system and, if these changes are harnessed to develop a more flexible and efficient system, consumers will benefit from an affordable, secure and responsive market now and in the future.

These changes are challenging the regulations and market rules that govern industry. Arrangements that were designed for a system with passive demand and large-scale, centrally-dispatched power stations will need to evolve. It is Ofgem's role to make sure these arrangements remain fit for purpose under a range of future outcomes.

We are proposing to work in this area under these three themes:

- Considering how the future network regulation, charging, access and wholesale markets may need to evolve to support a wide range of future outcomes, recognising significant uncertainty about future policy, technology and consumer preferences.
 - This includes our work on the future System Operator (SO), flexibility, future-focused strategy and regulation of heat networks
- Addressing how some network charges are recovered from users, in particular how residual charges (which comprise c50-80% of allowed network revenues) are recovered from network users, so that distortions are reduced and all users are treated fairly.
 - This includes our work on embedded benefits, launching the Targeted Charging Review in electricity and supporting the Gas Charging Review
- Facilitating the key enablers of this transition to ensure the critical infrastructure is in place. This will support the move to a smarter and responsive energy system by ensuring timely, accurate and relevant

information is available to consumers and other market participants, based on efficient and responsive processes.

- This includes our work on the smart meter rollout, half hourly settlement, Project Nexus, code governance reform and Innovation Link

Our specific areas of work are below:

2.1 Future System Operator

We believe that the SO role, as undertaken by National Grid, needs to evolve to ensure it is well placed to respond to and facilitate the transformation of the electricity system over the coming decades. This includes taking into account our expectations on how the Distribution System Operator-Transmission System Operator relationship needs to evolve, covered in our flexibility work in 2.2. This involves enhancing the SO's role and making changes to effectively mitigate conflicts of interest.

We think further separation between National Grid's electricity SO and electricity Transmission Owner (TO) functions would be in the interest of consumers. We have been working with government and National Grid to consider the options for greater separation and are proposing that the SO become a legally separate, independent company within the National Grid group. We have recently consulted on the future role and structure of the SO, and on a more fundamental review of the regulatory and incentives framework to support greater SO independence.

We have also published our final proposals for a one-year interim incentive scheme for the SO over 2017-18.

Deliverables 2017-18

- Publish a decision on the System Operator's future roles – Q3
- Publish proposals (Q3) and a decision on changes to the System Operator regulatory and incentive framework (Q4), to apply from April 2018 onwards, designed to align with the SO's future role and drive high SO performance

Consultations 2017-18

- Issue a statutory consultation on these changes – Q4

2.2 Flexibility work

The flexibility programme is an important part of this forward-facing work for Ofgem. It was launched in response to the recognised need for the electricity system to make use of new sources of flexibility, such as storage and Demand Side Response, and to deliver the future low carbon system efficiently. We are taking forward a set of short to medium-term work priorities to help increase system flexibility, as well as considering the need for any further changes to market arrangements, roles and responsibilities in the longer-term.

Following policy development, analysis and engagement with industry parties, we issued a call for evidence with the Department for Business, Energy and Industrial Strategy (BEIS) on 10 November 2016. In January, we received 240 responses

and will consider these before publishing our next steps. Many of the responses raise system-wide issues and there is a close relationship between this work and the strategic thinking on the future energy system and role of networks we describe in 2.3 (Future-focused strategy).

Deliverables:

- Publish our plan for enabling a smart, flexible energy system jointly with the Department for Business, Energy and Industrial Strategy. This will set out the actions we intend to take in 2017-18 and beyond, and will be an important input to our future-focused strategy work – Q1
- This will include:
 - Action to remove undue barriers to storage
 - Action to ensure flexibility services can participate in relevant markets
 - System value pricing
 - Price signals, including time of use tariffs and how we propose to take forward network charging issues
 - Consumer protection
 - Our expectations and any action in the short to medium-term on the move from Distribution Network Operators to Distribution System Operators and the Distribution System Operator-Transmission System Operator relationship and our next steps on the longer-term issues.

2.3 Future-focused strategy

The longer-term aspects of our work on the Flexibility project on electricity will be taken forward through our new work on the future-focused strategy, which will also encompass the gas market and network arrangements.

The scale and pace of the energy system transition means that an incremental and reactive approach to change may not be in the best interests of consumers. There is a risk that the market rules and regulations might not best facilitate how industry change develops and might stand in the way of innovation. This would not be in the interests of consumers.

As well as considering urgent responses to immediate issues, we need to take a strategic approach to industry change. We need to anticipate possible future developments and consider whether the current arrangements would still be fit for purpose. But we also need to recognise that changes to market and regulatory arrangements can result in cost and uncertainty.

For these reasons, we will develop a strategy to guide our work on the energy system and network regulation over the coming years. This will be aimed at facilitating the transition to an energy system where the way in which energy is produced, generated, transported, stored and supplied to consumers is changing. The process of developing it will ensure our work is guided by the best possible understanding of the changes taking place across the energy system, and will link strongly with the future insights work we are doing.

The strategy will be used to identify links and dependencies across all parts of Ofgem. In particular, the strategy will provide a basis from which we will develop our approach to network regulation, the future role of the system operators,

future charging arrangements, the design and operation of wholesale markets, and our approach to increasing competition in networks. It will also be helpful in ensuring that our short and medium-term actions in response to more immediate issues are consistent with this wider strategic vision.

Deliverables 2017-18

- Publish our proposed high-level strategic approach to market and regulatory reform in response to the energy systems transition. This will guide our work in relation to the energy system and network regulation over the coming years, and provide context for key decisions Ofgem needs to make, such as flexibility and the review of network charging.² – Q2

At this stage we will take a view on whether we need to consult on strategic options coming out of this work.

2.4 Regulation of heat networks

Decarbonisation of heat is arguably the biggest policy challenge facing the energy sector. We will consider the implications for electricity and gas networks and markets as part of our future-focused strategy work. But the solutions for decarbonising heat may also see significant growth in district heating networks, which can be a cost-effective solution.

Regulation of heat networks is not within our scope, but we consider that there is value to be drawn from our experience in electricity and gas networks and supply, including regulating new entrant network companies. We will therefore contribute to work to assess whether and how regulation can provide appropriate protection to customers on heat networks (for example, regarding the prices they are charged) and potentially help to facilitate investment. This does not imply that we will have any direct role in regulation of heat networks in the future.

2.5 Embedded benefits, Targeted Charging Review and Gas Charging Review

It is important that charges for access to and use of the energy networks provide the right incentives to market participants, and are also fair and minimise distortions. So we are planning to work on both electricity and gas network charging.

We launched a project in 2016 to review the so-called embedded benefits. These are the benefits received by small generators (sub-100 MW) connected to the distribution network when compared to larger embedded generators and transmission connected generation. We are concerned that the system as it is could be preventing a level playing field between these smaller embedded generators and other generators.

² Some workstreams will publish work earlier than others, however the thinking and analysis underlying the decision making will be common and consistent across projects.

On 1 March we published a minded-to decision for consultation on code modifications related to aspects of these embedded benefits. We are planning to make a final decision on these modifications in Q1.

In addition, we have indicated (through open letters in July and December last year) that we think there are a range of other network charging issues that should be reviewed, which include other embedded benefits and how residual charges should be levied across electricity transmission and distribution networks, including for storage and 'behind the meter' generation. This will consider important issues such as how local energy schemes contribute to the costs of the wider energy system.

On 13 March, we opened a consultation on launching a Targeted Charging Review (TCR) to consider these issues, which we think requires a Significant Code Review (SCR). We are planning to make a decision on how to take this work forward in Q1 or early Q2.

In addition, we are supporting industry on the Gas Charging Review (GCR), which is taking forward the conclusion of the Gas Transmission Charging Review (GTCR) and the implementation of the Gas Tariff European Network Code.

Other aspects of network charging are being considered as part of the flexibility and future-focused strategy work, which will include considering how best to provide the right forward-looking incentives for market participants, as well as through other changes being considered by industry.

All of these strands of network charging work – across electricity and gas – are being closely coordinated to ensure there is a joined-up, holistic approach to network charging, which will facilitate consistency, predictability and a level playing field for those who use the energy networks. We think there is an immediate priority to review the residual/cost recovery charges in electricity, which we will take forward alongside our work to consider how forward-looking locational signals can best be provided through our future strategy work.

Deliverables 2017-18

- Publish final decision on current industry code modifications that relate to aspects of embedded benefits – Q1
- Publish our approach to the proposed Targeted Charging Review – by early Q2
- Modification of National Grid Gas gas transporter licence to ensure compliance with Tariff Network Code – Q3

2.6 Smart meter rollout and Data Communications Company regulation

An important enabler of this transition is the mandated deployment of smart meters in every household and business, connected through a communications network to a central data clearing house.

Although BEIS owns the overall smart metering policy and regulatory framework, Ofgem is responsible for ensuring a timely and efficient rollout of smart

infrastructure that delivers benefits for consumers. This includes making sure that the industry arrangements enable industry to make full use of the functionality.

The rollout of smart gas and electricity meters to all homes and small businesses in Great Britain is a core enabler for both the transformation of the competitive energy markets and a smarter energy system fit for the future. Energy suppliers must take all reasonable steps to install smart meters to all domestic and small business customers by the end of 2020.

Suppliers gave us their first formal plans with annual milestones in 2016. They reported on progress, and had the opportunity to update their plans in early 2017, and will do the same in early 2018. We will continue to assess suppliers' plans and progress, seeking to provide feedback on best practice and barriers, and considering where compliance or enforcement action may be needed to ensure progress is made.

In parallel, we will focus on the consumer experience of the smart metering rollout, critical for enabling benefits to be realised. There are a number of important regulatory obligations on suppliers, where we monitor compliance on an ongoing basis. The success of the smart metering programme, and delivery of benefits, is dependent on the right engagement and protection of consumers.

The Data and Communications Company (DCC) is the licensed monopoly responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and energy service companies. We will continue to ensure that the DCC complies with the requirements of its licence, and scrutinise its costs through the annual price control process to ensure it provides value for money. The DCC service went live in November 2016 and we will be introducing new incentives into the price control to reward good performance.

Deliverables 2017-18

- Implement Data and Communications Company operational performance regime – Q1
- Publish Data and Communications Company price control decision for 2016-17 – Q4

2.7 Half-hourly settlement

In 2017-18 we will continue to lead a project to introduce settlement for domestic and smaller non-domestic consumers based on their actual half-hourly meter readings, rather than through the current system of estimation using profiles.

The half-hourly settlement (HHS) work is led by Ofgem, with involvement from BEIS on key policy issues and through our joint project on making electricity production and consumption more flexible to benefit consumers. We will take account of recommendations on HHS made by the Competition and Markets Authority (CMA) in its investigation into the GB energy market.

During 2017-18 we will monitor the uptake and effects of elective HHS and resulting tariff offerings, and consider any further steps needed to protect consumers.

In the longer-term, we expect we will need to mandate all suppliers to settle their customers on a half-hourly basis to realise the full benefits. We will be taking forward work on mandatory HHS in 2017-18 through a Significant Code Review. This work will be supported by the development of a full Impact Assessment of the move to mandatory HHS, outlining the costs and benefits of reform. We consulted on our plan for mandatory HHS in November 2016, and held a workshop for stakeholders in January 2017. We are reviewing the responses to our consultation, as well as views collected at the workshop and from responses to the consultation on this Forward Work Programme. We will be reviewing our plan in the light of this stakeholder input, and will publish a revised plan alongside a launch of the Significant Code Review in Q1 2017-18.

During 2017-18, we will also be working with ELEXON to monitor suppliers' compliance with their obligation in the Balancing and Settlement Code regarding the settlement of medium and larger non-domestic consumers (profile classes 5-8) on a half-hourly basis.

Deliverables in 2017-18

- Publish revised mandatory HHS plan – Q1
- Launch Significant Code Review – Q1

2.8 Project Nexus

We will continue to sponsor the go-live of Project Nexus, the industry programme to update the gas settlement and registration systems for which we took an oversight role last year, reflecting the risks to consumers and opportunities of a successful implementation and the challenges industry has experienced in successfully running the project. Project Nexus will replace out-of-date IT systems in the gas market with new systems and business processes capable of managing the large amount of data that will be available from smart meters. It will also promote competition by improving the cost allocation of the gas settlement arrangements. We will also oversee a managed transition for responsibility for the end-to-end management of the system back to Xoserve, to ensure that risks to consumers are managed as industry adapts to operating the new systems and arrangements.

2.9 Code governance reform

Operating the energy market relies on a large and complex suite of industry codes and central IT systems and processes. The CMA found that the current system of code governance risks adversely affecting competition by distorting incentives, raising barriers to entry, or stifling innovation. It has recommended a package of remedies that will enable strategic change to be delivered smoothly, efficiently and in the interests of consumers. This is a new project that builds on reforms that we have already introduced through our Code Governance Review

(Phase 3) changes.³ We expect to make good progress in 2017-18 with setting the strategic direction for code development and establishing the consultative board. This Forward Work Programme will be our starting point for setting the strategic direction. The new licence regime for code management will take longer to put in place and depends on legislation.

Deliverables 2017-18

- Update letter on the timelines for implementation of the CMA code governance remedies – Q1

2.10 Innovation Link

Much of the transformation in energy is being driven by innovators and new entrants, who bring new technology, products, services and business models into the sector. Many of these actors are new to the energy sector and are developing propositions which may not fit with the current regulatory framework. This is why we recently launched an Innovation Link to support innovators in navigating the regulatory framework. The Innovation Link will also help us to understand trends in the sector and identify areas to consider in adapting our regulatory framework.

Going into 2017, we will continue to offer the fast, free, non-binding feedback on the regulatory implications of new business propositions. We intend to review our experience of delivering this service in spring 2017 and adapt it as appropriate. We will also consider whether additional support might be required to allow innovators to trial their products or services in a controlled regulatory environment, which continues to offer appropriate consumer protection – a so-called ‘regulatory sandbox’. We will also consider whether there is general support we can offer innovators through workshops on the regulatory framework.

Deliverables in 2017-18

- Decide whether and how to provide a potential ‘regulatory sandbox’ in energy – Q1
- Review the Innovation Link based on our experience in delivering the services – Q2

³ Code Governance Review (Phase 3) Final Proposals:
<https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals>

3. Learning from the first RIIO framework and setting RIIO-2 up for success

The networks that transport electricity and gas around the UK form the backbone of our overall energy system. They are natural monopolies, meaning they are not subject to the kinds of competitive pressure observable in other markets. However, the costs of developing and operating these networks also form a material part of the bills consumers pay, and the scope for investment in new network capacity still has the potential to cost billions of pounds. As the regulator, we must ensure these monopoly services deliver best value to consumers. This is increasingly important in a world where the future for the energy system, and therefore the networks that support it, becomes ever more uncertain.

Our core approach to regulating monopoly energy networks is the RIIO framework (Revenues = Incentives + Innovation + Outputs). The RIIO price controls set the maximum allowed revenues for the companies that own and run the electricity and gas networks.

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

As we receive more evidence of how companies are performing under the first set of RIIO price controls and how effective the main changes brought in by RIIO have been, our focus will turn to using this information to start developing the RIIO-2 price controls. This will include assessing the performance of companies against the outputs and incentives we set. It will also include assessing the changing external environment to consider what objectives these next set of price controls should seek to deliver and how they can be designed to effectively adapt to changing circumstances where it is cost effective to do so. A core part of our approach will be to determine how best to engage with different stakeholders and use their experiences and viewpoints to help us understand the existing arrangements and the development of new ones.

Our specific areas of work are below:

3.1 RIIO-2

We will be entering stakeholder engagement phases of our work preparing for the next round of energy network price controls, RIIO-2. Our thinking will draw extensively from the future-focused strategy work in 2.3 to best understand the changes taking place across the energy system and the uncertainties that follow. Our aim is a framework that best positions networks to respond to those changes and manage those uncertainties for the benefit of consumers.

We look to undertake a programme of activities to inform our strategy, with an emphasis placed on ensuring timely engagement with the full spectrum of stakeholders. For example, in 2017-18, we expect to engage with stakeholders on experience to date with the RIIO framework as we explore options for RIIO-2 and future price controls beyond this. We also expect to engage with stakeholders in a number of ways to help us analyse and understand the drivers of risk for network investors, managers and consumers.

Consultations 2017-18

- Publish an open letter on the broad regulatory framework that will be used for the next price controls and our high level consultation timetable – Q2

3.2 RIIO accounts

RIIO accounts is a continuing project designed to provide participants in corporate governance of RIIO-regulated network companies (including a wide spectrum of interests in the investor community) with more transparent and more assured information about economic performance. This involves us establishing a new standard for regulatory 'generally accepted accounting practice' (GAAP) derived from UK and International GAAP. It also involves companies reporting under regulatory corporate governance principles which stress that creating benefits for consumers underpins sustainable shareholder value. The objective is to heighten the effectiveness of our incentive regimes by providing a regulatory financial reporting framework consistent with and audited to a 'fairly presents' standard. This is broadly equivalent in quality to the 'true and fair' standard for statutory accounts and should help ensure companies can be more rigorously held to account for their performance under RIIO. During 2017-18 we will continue to work with stakeholders to deliver a reporting framework that meets this objective.

Deliverables 2017-18

- Implement a requirement for companies to prepare accounts in accordance with the regulatory financial reporting standard for 2017-18 – Q4

Consultations 2017-18

- Consult on the regulatory financial reporting standard – Q1

4. Introducing competition into monopoly areas

Energy networks are natural monopolies and wherever possible we identify opportunities to deliver competition or competitive-like forces. This enables us to more easily deliver and demonstrate value for money. Principally this can be through using competition in identifying an owner or developer of a particular network, or through using competition between networks where there is a case for them to operate as part of a market. Over a number of years, we have pioneered the use of competition in the ownership of new networks through the offshore transmission owner (OFTO) regime.

Aside from ensuring the OFTO regime continues to deliver effectively, we will also continue to progress our plans for introducing similar arrangements for the delivery of major onshore transmission investments. In order to do this effectively, we will join this up with our existing RIIO (Revenue = Incentives + Innovation + Outputs) approach for major new investments (Strategic Wider Works) to ensure a consistent and efficient approach to delivery of major new investments, irrespective of the regulatory route adopted.

As well as moving energy around the country, networks also enable us to connect to wider and deeper pools of energy in other markets, such as through electricity interconnectors that connect us to neighbouring countries. Such interconnectors are self-financing as they enable wider gains from trading energy and can offer ancillary services which have significant value for our own energy system. In this area we have promoted competition between the owners of interconnectors, to ensure we deliver the optimal levels of new investment on the most efficient basis. Combined with our cap and floor regulatory model, this is bringing forward significant quantities of new investment and will help transform the future of UK and European energy.

Our specific areas of work are below:

4.1 Major onshore transmission investments

An important part of our role in regulating electricity transmission is to assess the need for, and efficiency of, major new investment projects. Such projects can either be delivered by an existing Transmission Owner (TO) under our Strategic Wider Works (SWW) mechanism in RIIO, or could in future be delivered by a Competitively Appointed Transmission Owner (CATO). Where we decide to compete the delivery of these projects, we will appoint a CATO to construct, own and operate the asset. This will create value for consumers by putting competitive pressure on costs of individual transmission projects, as well as providing valuable benchmarks to inform our monopoly regulation of other transmission assets.

In 2017-18, we will continue to develop the detailed design of the technical, commercial, and regulatory arrangements underpinning the CATO regime, as well as considering whether specific transmission projects should be tendered. In parallel we will also consider whether and how those projects should be delivered

by an existing TO under our SWW regime. This includes assessing (particularly for near-term projects) whether the benefits of competition for supply chain work and finance can be maximised even under the existing regulatory framework.

Deliverables 2017-18

- Make an initial decision on the need for the North West Coast Connections transmission project connecting proposed new nuclear generation in Cumbria, as well as deciding whether to tender that project – Q2 (subject to current transmission project timings not changing)
- Make a final decision on the need for the Hinkley-Seabank transmission project connecting proposed new nuclear generation in Somerset, as well as deciding whether to tender that project – Q3 (subject to current transmission project timings not changing), and whether and how the benefits of competition for supply chain work and finance can be maximised under the existing regulatory framework

Consultations 2017-18

- Publish further details, for consultation, on the detailed tender models, processes, and commercial and regulatory arrangements for competitively appointed transmission owner tenders – Q2

4.2 Offshore transmission owners

Offshore wind generation continues to form an important part of the GB generation mix and our aim through the OFTO competitive tender process is to ensure that transmission connections are delivered and operated in the most economic and efficient way. We will continue to deliver the OFTO tender process following successful completion of the tendering for 4.3GW of connections at a value of £3bn to date. In 2017, we expect to complete the fourth tender round of OFTO projects, announcing the preferred bidder and granting the licence for the Burbo Bank Extension project, and throughout 2017-18 continue to run the tenders for the five tender round 5 projects. These tender rounds combined represent over £2bn of transmission investment, connecting over 2.5GW of offshore wind generating capacity.

To ensure continued confidence in the offshore transmission regime, we will continue to incentivise OFTOs to successfully operate and maintain the transmission assets and effectively manage risks associated with the assets. This includes monitoring their performance against the 98% availability target and considering any licence claims associated with unforeseen and exceptional events. We will also review each tender round and the estimated savings that are brought about by competition to show evidence of the continued value that competition brings to the offshore market.

Deliverables 2017-18

- Select a Preferred Bidder for the Burbo Bank project in offshore transmission owner Tender Round 4 – Q1

- Select Preferred Bidders for the Dudgeon, Rampion and Race Bank projects in offshore transmission owner Tender Round 5 – Q4

4.3 Electricity interconnectors

Electricity interconnectors – the physical links which allow the transfer of electricity across borders – provide significant benefits to GB energy consumers and are an important component of our future energy system. New investment in electricity interconnection is a competitive market, with new projects having the option of seeking support from our cap and floor regime, or pursuing the merchant exempt route, by which projects receive exemptions from certain European legislation.

Successful closure of our first cap and floor application window has meant that six projects have been approved for support under the cap and floor regime to date, potentially further increasing GB's interconnection capacity with Belgium, Denmark, France, Ireland and Norway. The projects are at varying stages of development and construction. Two projects, Nemo Link to Belgium and North Sea Link to Norway, have had Final Project Assessments (FPA) and construction is now underway. At least two further projects are expected to move forward to FPA stage in 2017, where we will assess the detailed costs and set the preliminary cap and floor levels to support subsequent delivery.

Our second cap and floor application window closed in October 2016 and we received three proposals for new interconnectors. We are assessing these as part of the Initial Project Assessment (IPA) stage of our cap and floor framework. In spring 2017 we will consult on our IPA and decide whether to approve the projects for a cap and floor regime in principle. We will consider new projects in terms of their ability to deliver in the interests of GB energy consumers.

In 2017-18 we will therefore continue to support a wide portfolio of prospective projects using both the cap and floor and exemption routes to ensure the regulatory framework allows projects to proceed in delivering benefits for consumers. This will include determining the relevant licence conditions and profit-sharing mechanics for each project and assessing the efficient costs of delivery. On completion of the IPA decisions for the second cap and floor application window, we will re-assess whether additional windows are likely to be needed in the future. This is to allow the current projects to progress, and for us to be able to assess the success or otherwise of the first two windows.

For existing projects, we will also continue our existing regulation including ensuring ongoing compliance with relevant requirements on access, ownership and profit-sharing.

5. An authoritative source of quality analysis

Building on initiatives in 2016, we are continuing to make the analysis underlying our regulatory decision-making more robust, and assessing energy sector developments so we can identify market problems quickly. This cuts across all aspects of Ofgem's regulatory work and is driven by teams across the organisation, but is coordinated and overseen by our new Office of the Chief Economist which we launched in October 2016.

The Office of the Chief Economist incorporates work recommended by the Competition and Markets Authority's (CMA) energy market report, such as the State of the Market Report, but goes beyond this to include research and assurance.

Our specific areas of work are below:

5.1 Quality assurance, impact assessments and evaluation

An initial focus of our new central analytical team has been to develop our approach to assuring the quality of policy appraisals and refresh our approach to impact assessments. We expect this will lead to more impact assessments being published alongside consultations and proposals, and strengthen consistency in our approach and standards. We will build on this with a programme of independent quality assurance of our business-critical models. This is in line with the Macpherson review of model quality assurance, and will provide greater confidence in the accuracy of our modelling work. This will be ongoing throughout the year. We also plan to assess the overall consumer impacts of our work, to improve accountability and to help us to demonstrate the value for money of our work.

At present, we undertake post-implementation reviews of some of our projects, generally within the same policy team. This is an area where we recognise we could do more. During 2017-18, we will devote resource to undertaking more formal evaluation of past interventions. This will feed back into future policy development.

5.2 Reports and research

In 2016, we progressed our horizon-scanning work, leading to publication of a future insights discussion paper series.⁴ This will continue into 2017 and develop into an augmented programme of research: assessing developments in the energy sector to feed into our future strategy and policy development.

In autumn 2017, we will publish our State of the Market Report, which will assess how energy markets are operating. This follows a recommendation in the CMA's

⁴ Ofgem Future Insights programme: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-launches-future-insights-programme>

market investigation. The flagship report will include analysis of the evolution of energy prices and bills, the profitability of energy firms, and the interplay between decarbonisation, security of supply and affordability.

Following a separate CMA recommendation, we will set out our views on relevant government legislative and policy proposals that have a material impact on the energy sector, for instance by responding publicly to consultations.

Deliverables 2017-18

- Publish State of the Market Report – Q3

5.3 Capability improvement

Internally, we are developing our network of economists across the organisation. We aim to make our economic analysis more coherent and robust through activities including seminars, training, and a clearer professional structure for economics careers.

We are also seeking to improve our engagement with academics and to use more external advice for peer review rather than just as consultancy support for developing proposals. We expect to launch an Academic Panel in early 2017.

6. Our core business activities

Our core business activities are central to us fulfilling our role as regulator. They form the basis of our day-to-day activities and include the important work we do to monitor compliance, enforce our rules, review our policy and assess security of supply. These are all important areas for us to be involved in and we pride ourselves in taking a robust and professional approach to our core business activities. The detail below outlines what you can expect from us over the coming financial year.

6.1 Security of supply work

Security of supply, in both electricity and gas, is a key priority for both Ofgem and government. We will continue to analyse market conditions, enabling Ofgem to have a public view of the risks and give the Gas and Electricity Markets Authority (the Authority) the information it needs to make informed decisions about security of supply. Our work helps to deliver improved reliability and safety for consumers, lower bills than would otherwise have been the case, and benefits for society as a whole.

In 2017-18, our priorities for this area include:

- Ensure National Grid's Supplemental Balancing Reserve costs for winter 2016-17 are thoroughly scrutinised and only efficient and economic costs incurred in-line with the methodologies are recovered
- Manage change to the Capacity Market (CM) Rules to ensure consumers are protected and the objectives of the CM are delivered
- Deliver our mandatory Electricity Market Reform (EMR) roles:
 - dealing with disputes on Contracts for Difference and the CM; publishing reports on National Grid Electricity Transmission's (NGET) delivery of its EMR delivery body role and the operation of the CM; receiving and logging price maker memorandums
 - overseeing and incentivising NGET's delivery of its EMR delivery body role; overseeing the behaviour of participants in the CM and referring to enforcement; reporting internally on EMR progress; taking part in the Department for Business, Energy and Industrial Strategy's operational and policy boards

6.2 Monitoring the retail market and understanding consumers

We will continue to analyse a range of indicators to understand how well competition is working in the retail market and how far it is delivering outcomes for consumers such as: lower bills, a quality service, reduced environmental damage and improved outcomes for vulnerable consumers. This analysis will feed into the 2017 State of the Market Report (see 5.2). Our monitoring builds our understanding of the market, and helps us to regulate more effectively, for example by evaluating how well existing regulations are working. We regularly publish data to help increase trust and confidence in the market, inform the public

debate and show how evidence has driven our decision-making. For example, in Q2 we will publish an annual report on how suppliers supported customers in vulnerable situations and managed debt and disconnection in 2016 (see 1.1).

We gather insight into consumers' views, experiences and aspirations so we have a complete picture of how the market is working and to make sure the consumer voice is heard when we consider policy options. We also work with Ombudsman Services:Energy and Citizens Advice to share data and intelligence on the health of the market and outcomes delivered for consumers. In the coming year, we will continue to put consumers at the heart of our regulation through an ambitious and innovative programme of consumer research. This programme will have a wide reach, including household consumers (some of whom will be early adopters of smart meters), business consumers, and consumers in vulnerable situations.

6.3 Licence and code changes

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

6.4 Technical codes and standards

Relevant industry participants such as electricity generators, transmission and distribution networks operators are obliged by their licences to comply with technical codes and standards. Where justified, the Authority can issue a direction to relieve a licensee from such obligation in specified circumstances and to a specified extent. Also, these codes and standards are kept under review and modifications may be proposed by the industry, for example to reflect technological developments and/ or legislative changes. These proposals are subject to approval by the Authority.

6.5 Wholesale market conduct

We will continue our work to ensure and protect integrity and transparency in the wholesale energy market. This is vital to ensuring confidence in the market as well as reducing unnecessary costs to consumers. Key ongoing aspects of this work are the engagement of stakeholders, including the Agency for the Cooperation of Energy Regulators (ACER) and other national and European regulators, to ensure that operations are as effective as possible; and monitoring the actions of relevant parties for potential breaches of the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). Over the last year we have also continued to successfully register many market participants under REMIT.

We also investigate potential breaches of the Transmission Constraint Licence Condition (TCLC) placed on electricity generators, and take appropriate action where necessary. We will consult on putting in place a new TCLC, as the current one expires in July 2017 and we consider it is important to maintain it.

Alongside this we continue to promote effective markets through applying the Secure and Promote licence condition. Secure and Promote was introduced as a special licence condition in obligated parties' generation licences. It was designed to help small suppliers access the wholesale electricity market, and to ensure the market provides the products and price signals needed to enable all market participants to compete effectively. Starting in Q2 2017, we intend to conduct a review of the policy. The review will allow stakeholders the chance to give their views on the things that have worked well about the policy so far, and the things, if any, which could be improved.

Alongside these activities we will continue to engage at a GB and EU level on matters relating to EU financial legislation, to ensure ongoing liquidity in wholesale energy markets and clarity with its border with REMIT.

6.6 Compliance and Enforcement

We are committed to fostering a culture where energy companies are putting consumers first and acting in line with their obligations. We want to see energy companies across the sector identifying risks that may arise, managing these effectively and putting things right quickly when things do go wrong, including offering effective redress to consumers who have suffered. As part of our strategy to incentivise this culture, we revised our 2014 Enforcement Guidelines and Penalty Statement, in line with new legislative developments last year. These set out our approach to investigations and to calculating penalties for breaches. Through an effective approach to enforcement action, we work to deter conduct that is detrimental to consumers and ensure visible and meaningful consequences for businesses that fail consumers, incentivising companies to put consumers first.

We will continue to open investigations, issue orders or directions, accept undertakings or commitments and impose penalties in accordance with our priorities and where this is required to deter breaches. We will continue to conduct these investigations and make decisions on breaches in line with our Enforcement Guidelines. We will report our performance of enforcement cases in our annual publication of the Enforcement Overview. We remain committed to improving our practices using lessons from the cases that we have conducted, including input we receive from companies following the closure of an investigation. In 2017 we will host another annual Enforcement Conference to share insights from our investigations.

We consider it important that we use our range of enforcement powers to put things right for consumers, including enforcing licence conditions, competition law, and REMIT. Increasingly, following an investigation, companies volunteer to direct funds back to consumers either directly or indirectly via charities (where it might not be possible to identify the consumers impacted) in lieu of a financial penalty. It is important that these funds deliver good value for consumers. We recently announced our decision to procure a third party, with expertise in energy consumer charities, to ensure that such funds are allocated to maximise benefits to consumers.

The use of our enforcement powers is not the only tool we have. Across Ofgem we monitor companies' compliance with their obligations and engage with them to put things right when issues are spotted or concerns raised. There are also examples of where companies have put things right effectively and efficiently without the need for a formal investigation or enforcement powers being exercised. This can be an efficient means of securing compliance, where the detriment caused is less serious and can be remedied quickly. However, it has raised the question of when such alternative action may be appropriate instead of enforcement action. We intend to revise our Enforcement guidelines to further clarify our approach to opening enforcement investigations.

Deliverables 2017-18

- Publish our Enforcement Overview on our performance in exercising our enforcement powers – Q1
- Host an annual Enforcement Conference to share our experience – Q2
- Procure a third party, with expertise in consumer charities, to effectively allocate funds from voluntary redress – Q2
- Publish revised Enforcement guidelines on our approach to opening investigations – Q3

6.7 RIIO-1 price controls

The RIIO (Revenue = Incentives + Innovation + Outputs) price control is our method for setting the prices charged by the gas and electricity companies that own and run the gas and electricity networks. The price controls run for eight years and set the outputs companies need to deliver and the funding allowances they will receive for delivering them.

The price controls include uncertainty mechanisms where costs and outputs could not be determined at the start of the price controls. One of these is the provision for a Mid-Period Review (MPR) of output requirements to determine whether any outputs are no longer needed or new outputs should be set. After the MPR for the transmission price controls conclude, we will be consulting on whether a MPR is needed in the electricity distribution price control.

The RIIO price controls also include a limited number of uncertainty mechanisms which cover specific identified issues (we refer to these mechanisms as "reopeners"). We expect to receive a number of reopener applications from companies in 2017-18, including in relation to electricity distribution, smart metering in the gas distribution sector, and in relation to the Shetland energy solution (discussed below).

In addition, we will reach a decision in summer 2017 on our review of the capital allowances provided for capacity at the Fleetwood gas transmission system entry point.

We will also be concluding the work identified in, but progressed separately from, the gas and electricity transmission MPR under a workstream titled 'MPR parallel

work'. This will clarify how we will hold companies to account for output delivery and consider possible gaps in the gas distribution and transmission price controls.

Another part of our work relates to Network Output Measures (NOMs). The network licensees receive significant funding allowances to keep their equipment in appropriate condition so that the whole networks can perform their functions efficiently and securely. Under RII0-1, the network licensees are required to develop and implement the NOMs methodology which will allow transparent and objective measurement of how they manage their network assets. The NOMs methodology and any subsequent modifications are subject to approval by the Authority. Next year we will continue to work on this area with all the network companies.

We will also continue to build our understanding of the licensees' performance as part of our annual monitoring work, so that there are robust grounds for implementing relevant RII0-1 incentive mechanisms as well as for developing future regulatory mechanisms.

Deliverables 2017-18

- Decision on review of Fleetwood Regulatory Asset Value addition for National Grid Gas Transmission – Q2

6.8 Distribution price control close out

The fifth electricity distribution price control (DPCR5) ran from 1 April 2010 to 31 March 2015. It had several components which could not be settled ("closed out") until the price control had ended. These include reopeners which enable us to consider any significant under or overspend and mechanisms which enable us to penalise network companies if they have not delivered the outputs they committed to during DPCR5.

Using the detailed methodologies we published in July 2016, we will assess the performance of the Distribution Network Operators (DNOs) on each of the close out components. There are several steps we will take in making this decision.

In February 2017, we provided a preliminary view to each licensee on any adjustments to the licensee's revenue under each of the relevant methodologies. The licensees will then have the opportunity to provide any further information. During May 2017, and in light of responses from the licensees, we will publish a formal two-month consultation on any adjustments to the licensee's revenue. Having considered responses to that consultation, we aim to publish the Authority's decision by the end of September 2017.

Where we decide it is appropriate to make adjustments to the price control allowances of the DNOs, we will do so in November 2017 as part of the wider annual iteration process whereby we update and roll forward the price control financial models for each licensee.

Deliverables 2017-18

- Publish decision on adjustments to licensees' revenue – Q2

Consultations 2017-18

- Open two-month consultation on adjustments to licensees' revenue – Q1

6.9 Network Innovation Competition

The innovation schemes provided for under our RIIO price controls enable network companies to develop and test innovative solutions to help accelerate our move to a low carbon energy sector and benefit consumers. We will continue to monitor projects that have received funding under these schemes, and administer them. In particular, we will run the annual Network Innovation Competition (NIC) and decide which projects to fund by December.

We will be completing our Innovation Review of the governance arrangements covering the NIC and the Network Innovation Allowance by the end of March 2017. The aim of the review was to ensure that our innovation schemes continue to deliver value for money for consumers and drive culture change within the network companies we regulate. By the first quarter of 2017-18 we will look to implement most of the review's decisions through changes to the schemes' governance documents. Some of the changes will impact the network companies in 2017-18, and others won't take effect until 2018-19.

During 2017-18 we expect DNOs to come forward with submissions to make use of the Innovation Rollout Mechanism under RIIO-ED1. This mechanism is for funding the rollout of proven innovations which will contribute to the development of a lower carbon energy sector or provide broader environmental benefits to consumers. Applications should be received by May 2017. We will look to make a decision on which, if any, projects should be funded under this mechanism by the third quarter of 2017-18.

Deliverables 2017-18

- Make a decision on which projects to fund in relation to the Network Innovation Competition – Q3

6.10 Shetland

Shetland is currently an islanded network, not connected to the main electricity transmission system of Great Britain. In April 2014 we directed Scottish Hydro Electric Power Distribution (SHEPD) to undertake an open, fair and transparent competitive process to identify a new, efficient energy solution for Shetland. A new energy solution is required as Lerwick Power Station on Shetland is nearing the end of its operational life and the availability of Sullom Voe Terminal Power Station is uncertain from 2017.

In Q1 2017-18 SHEPD is expected to recommend the winning bidder(s) from the competitive process to us, and we will then assess the costs of the winning solution in Q2 2017-18 to ensure the solution is delivered at an efficient cost. We

will work with the successful bidder and SHEPD to agree an appropriate regulatory framework to protect consumers' interests.

6.11 Our European work

The result of the referendum to leave the European Union will influence our present and future work and working relationships with our European partners. We will continue to provide extensive advice and support to the UK government as it negotiates our future relationship, while continuing to work with industry, government, our neighbouring regulators and the European regulatory bodies to ensure that we deliver the best outcomes for consumers.

Subject to wider developments, we plan to carry out the following activities in 2017-18:

We will continue our successful approach of engaging with the European institutions to influence European policy and regulations in the interests of GB consumers. A particular focus of our work through the Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER) will be on implementing European regulations governing cross-border trade in a proportionate way and, fundamentally, on ensuring that GB consumers can continue to benefit from it.

We will continue to use our senior positions in ACER and CEER, and our participation in various working groups, to influence future legislation, implement new rules (in the form of European Network Codes and Guidelines) and develop infrastructure in a coordinated way.

A particular focus for 2017 will be on the European Network Codes and Guidelines, a suite of binding European laws which promote the integration of energy markets and the harmonisation of rules for the operation of networks. Once approved, these rules will need to be implemented proportionately and promptly into GB's industry codes. Clear planning and close working with GB industry will be vital.

We will be engaged in the development of the Clean Energy for All Europeans package of the proposals recently proposed by the European Commission. This will primarily be through using our role within ACER to share experiences from GB and also working with the Government, European Commission and industry to develop a market framework that will deliver for consumers well into the future. We think it is important that we remain at the forefront of the European debate on areas such as the future of smart grids and will work to ensure decisions taken at European level are consistent with developments in GB. We will therefore continue to hold roles in the relevant working groups and task forces and to work closely with the European Commission on smart grids and flexibility issues.

We recognise that a flexible approach is going to be needed throughout 2017-18. As the nature of our future relationship with the EU becomes clearer, we recognise that there may be a need to refocus our activities and change priorities. These decisions will be made based on the areas in which we can have the greatest impact in securing benefits for GB consumers.

6.12 Better regulation

We have a new statutory requirement to report on the impact of our regulatory measures on costs to businesses. The first report covers the two-year period from May 2015.

We recognise that we collect large volumes of data from industry and we have been working over the past year to make relevant data more accessible to stakeholders through the data portal on our website, our commentary and reports, and by working with partner organisations. We plan to review our internal data architecture to ensure that we fully understand the data we need to gather, where there may be scope for streamlining, and to ensure we make the best use of the data we hold.

We have a statutory duty to keep our activities under review and to publish an annual statement setting out what we have done and what we intend to do to reduce regulatory burdens. This statement is our Simplification Plan, which is published in chapter 9 of this Forward Work Programme.

Deliverables 2017-18

- Submit Business Impact Target report – Q1

6.13 UK regulators network planned activities

We will continue to participate in the projects and working groups of the UK regulators network (UKRN). The UKRN provides a structure for joint working between the UK's economic regulators.

In 2016-17 we have contributed to several UKRN projects. These have included a project on data sharing for vulnerable customers, a report on Price Comparison Websites and leading a review of the Northern Ireland regulator's cost of capital estimate in its gas distribution price control.

7. Ofgem E-Serve

E-Serve is the part of Ofgem that delivers a range of green energy and social schemes on behalf of government. Our expertise lies in designing, setting up and delivering large scale programmes in the sustainable energy sector. These programmes are in fields as diverse as renewable heat, renewable electricity, energy efficiency and fuel poverty.

In 2017-18 we will work closely with the Department for Business, Energy and Industrial Strategy (BEIS) to consider how to simplify delivery of the schemes we administer, and to drive value for money for consumers. At the same time, we will remain focused on providing our customers with the level of service that they expect.

In our effective administration of the schemes, we will also continue to support the government in meeting its commitment to help reduce carbon emissions, improve energy efficiency, and reduce fuel poverty.

These are the schemes we administer:

- The **Domestic Renewable Heat Incentive** (Domestic RHI) is a government incentive that provides successful applicants with money towards renewable heating costs in their homes.
- The **Non-Domestic Renewable Heat Incentive** (Non-Domestic RHI) is a government incentive that helps businesses, public sector and non-profit organisations in England, Scotland and Wales meet the cost of installing renewable heat technologies.
- The **Feed-in Tariff** (FIT) is a government incentive that makes it possible for successful applicants to get payments (a 'feed-in tariff') from their energy supplier if they generate their own electricity.
- The **Renewables Obligation** (RO) is one of the government's main support schemes for large-scale renewable electricity generating stations in the UK.
- The **Renewable Energy Guarantees of Origin** scheme aims to increase the use of renewable energy sources for electricity production across the EU.
- The **Climate Change Levy** (CCL) is a tax on UK business energy use, charged at the time of supply. The government has closed the Climate Change Levy exemption for renewable electricity generated after 1 August 2015.
- The **Energy Company Obligation** (ECO) requires energy suppliers over a certain size to deliver energy efficiency measures such as loft and wall insulation to domestic premises in Great Britain.
- The **Warm Home Discount** (WHD) obligates energy suppliers over a certain size to support vulnerable customers, such as low income pensioners and young families.
- The **Offtaker of Last Resort** (OLR) is a government scheme that helps eligible renewable generators enter into a Backstop Power Purchase Agreement (BPPA) with a licensed supplier when they cannot get a standard Power Purchase Agreement through normal commercial avenues.

7.1 Stakeholder engagement and insight

We will work with energy companies, consumer groups, scheme participants and other stakeholders to ensure that schemes are delivered in the most economical and consumer-conscious ways possible. We will do this through a range of mediums, while keeping stakeholders informed about latest developments and giving them the opportunity to send us feedback.

A core focus in 2017-18 will be to continue to improve the satisfaction ratings that customers give us when they respond to feedback surveys. This is part of our ongoing customer insight work, which helps us to understand how and why our customers interact with us, and what we can do to improve these interactions. We have already expanded our use of online feedback surveys, from surveying applicants' experience of the end-to-end application process, to other areas such as audits, payments and the annual declaration process. We are now looking at other processes which we can survey and how we can make more use of focus groups to gain direct feedback on what customers were pleased with, and where they think we can do better. Based on the feedback we receive, we will implement changes to our processes that will improve the experience for future customers.

During 2016-17, we engaged with the Each Home Counts Review, an independent review of consumer advice and protection associated with home energy efficiency and renewable energy measures. Following the publication of the final report, we'll monitor the implementation of the recommendations and seek opportunities to contribute to their development. We anticipate that the introduction of these recommendations will better protect and support consumers benefitting from the installation of energy efficiency and renewable energy measures under government schemes.

7.2 Operational excellence and continuous improvement

A culture of continuous improvement is fully embedded within E-Serve, through our Operational Excellence programme. In 2017-18 we will continue to lead the way in finding ways to share best practice, reduce transaction costs, cut overall spending and enhance the quality of service received by scheme participants. There are a number of initiatives underway including the continuation of our programme of providing staff with Institute for Continuous Improvement in Public Services Lean qualification training. This will allow us to deliver individual "Lean" projects within schemes.

We also constantly strive to improve the security of our application processes. This ensures a quality customer experience while minimising the risk of fraud and protecting public money, as only applicants that meet the eligibility criteria are accredited. Across all schemes, proactively detecting and preventing fraud remains a key area of focus.

7.3 Publishing scheme performance and customer satisfaction data

We want to be as open and transparent as possible about how the schemes we administer are performing, as this helps our customers clearly understand how long it is likely to take for their application to be processed. We also want to provide regular updates about how well we are performing against our key performance indicators as our performance in these areas really matters to, and has the potential to impact on, our customers. Customer Satisfaction is another key driver for us. In publishing satisfaction ratings that customers give us when they respond to feedback surveys, we are being open and transparent about what our customers think about the service we provide.

This year we will be building on the improvements we made in 2016-17 to the scheme performance and customer satisfaction data that we publish. We will act on stakeholder feedback about our online data mapping tool, so that we can improve its functionality, before relaunching it. This will ensure that we optimise the way we provide the regional and constituency level information that stakeholders have asked us for on a wide range of metrics, making it easier for them to find the data they need. During 2017-18, we remain committed to publishing our online scheme performance and customer satisfaction web charts. We will work with stakeholders to understand their data requirements in greater detail, to determine what other types of data we might be able to share and what improvements we can make to how data is presented.

7.4 Improving our IT systems and processes

We have listened to customer feedback about our IT systems and processes and are looking at what improvements we can make to improve the overall customer experience. As part of this process we recognise the importance of ensuring that our IT systems and processes keep pace with technological developments. We will also look at how we can make more effective use of technology across the schemes we administer. This will help deliver value for money for consumers by, for example, increasing automation and simplifying processes.

8. How we operate

8.1 Our finances: Operating costs

We have agreed a cost control framework with government which will take our total expenditure down to £82m by 2019-20. This represents a reduction in real terms of 15%. As highlighted in the Consumer engagement section (see 1.3), ongoing trials of various database designs and randomised control trials may give rise to expenditure over and above the gross costs shown in 2017-18 and beyond. Any increase will be subject to HM Treasury approval.

Our gross costs for the next five-year period are below.

£m	2016-17 planned	2017-18	2018-19	2019-20	2020-21	2021-22
Total	88.7	87.8	83.9	82.0	82.0	82.0

8.2 Our stakeholders: Smarter consultations

Making life easier for our stakeholders is one of our priorities. That's why we aim to try consulting 'smarter' this year.

Stakeholders have told us we publish too many consultation documents, and that they are too long. This sometimes makes them unmanageable for those who have neither the time nor the resources to devote to responding. And if we are to make the best possible decisions, we need to make sure that all interested parties are represented and their views are heard.

Alongside or sometimes instead of using documents, we will engage stakeholders through workshops and online tools such as surveys, and LinkedIn. It is important not to exclude any stakeholders, and to give them a forum to think about and respond to our consultations in ways that suit them.

As we move towards regulating more through principles in the retail market, and encouraging innovation among suppliers and network companies, it follows that we too are less prescriptive and more innovative in our approach to consultation, as befits a regulator of a changing market.

We will be launching new external consultation policy in spring 2017, to bring it into line with the government's consultation principles. We will aim to provide a clearer view of our upcoming consultations and will continue to promote upcoming consultations on our website.

8.3 Looking to the future of the organisation

We are excited about the enormous changes and challenges ahead in the energy sector. These changes will greatly affect our work as regulator, so we want to be ready for them. This means having the right structure, outlook, capabilities and size to respond to change in an agile way, while maintaining our focus on protecting the interests of consumers.

We acknowledge consultation responses regarding the delivery of Ofgem's Forward Work Programme 2017-18 and seek to continually improve our

processes regarding strategic prioritisation, flexible working, governance, and data architecture, to meet our commitments and priorities. We are continually reviewing and evolving our operating model and ways of working to keep pace with changes in the sector.

In May 2016, we created a new role of Chief Operating Officer. We also launched the Office of the Chief Economist, building on the work to improve our regulation through creating a central analytical team.

9. Simplification Plan 2017-18

Under the Regulatory Enforcement and Sanctions Act 2008, we have a statutory duty to keep our activities under review and to publish an annual statement (the Simplification Plan). This sets out what we have done and what we intend to do to reduce or remove regulatory requirements that have become burdensome. We continue to have regard to best regulatory practice as defined by the principles of good regulation (regulation that is transparent, accountable, proportionate, consistent, and targeted only at cases where action is needed). Additionally, we interpret our duty widely, to include ideas for how we might improve our effectiveness or make our processes more efficient.

This year we asked for views on combining our Simplification Plan with our Forward Work Programme (FWP), to set out what Ofgem is doing to review and reduce burdens on business alongside the description of our projects and their objectives. Responses suggested that combining the documents would lead to greater clarity, and would avoid duplication and overlap. Stakeholders also provided views on what we could do to further simplify, clarify and improve the working of our regulation.

9.1 Summary

Although all areas of our work are underpinned by the principles of good regulation, we are putting in place specific strategic measures that will yield greater benefits as we seek to simplify our regulation. These measures are designed to allow innovation and increase opportunities for business to flourish, supporting the five consumer outcomes in our corporate strategy.⁵ Our move to principles-based regulation is one key deliverable in this area.

There are other ways we seek to reduce regulatory burden. In particular, reviewing and improving the way we request information from licensees and third parties. We also hope to improve our internal processes to ensure less overlap and duplication. We are now required to assess the impact of certain regulatory changes that we make on businesses,⁶ for the purpose of the Business Impact Target. Together with impact assessments, this new impetus will further our commitment to consider more fully and seek to reduce the potential burdens of our regulatory decisions.

9.2 Update on 2016-17 commitments

We summarise what we have done against our commitments in the 2016-17 Simplification Plan below. Much of this work is ongoing and our continued commitments are set out here.

⁵ <https://www.ofgem.gov.uk/publications-and-updates/corporate-strategy>

⁶ Requirements in relation to the Business Impact Target are set out in the Small Business, Enterprise and Employment Act 2015.

Information requests

We are reviewing our internal data architecture to enable us to better use the data we hold and reduce and improve requests for information. We will continue with this work as set out in 6.12.

Supply licence monitoring

We have been exploring formal cooperation arrangements with Citizens Advice and the Ombudsman Services: Energy. We have made good progress.

A key part of this work lies in our Future of Retail Regulation project. We have published an outline of our plans to rely more on broad principles, seeking to remove prescription from the supply licences. In June 2016 we published an update on the way forward.⁷ We will continue this work, as set out in 1.1.

Compliance support

In our move to reduce the number of prescriptive rules, we recognised the need to ensure our methods of engagement and intervention are efficient and targeted, and that lessons are shared across suppliers. 6.6 details how we will continue to foster a culture of compliance, where energy companies are putting consumers first and acting in line with their obligations.

Impact assessment and our performance

In October 2016 we published our guidance on Impact Assessments⁸ which includes our commitment to an approach that is proportionate, consistent and transparent. We will continue to strengthen our capability in assessing and assuring the quality of our work, as detailed in 5.1.

A source of quality analysis

We will develop a programme of research that will feed into our future strategy and policy development. This includes our horizon-scanning work (and we have already published a number of future insights papers),⁹ and our annual State of the Market report which we will publish in the autumn.

Innovation

Our Innovation Link was launched in December 2016.¹⁰ It is a 'one stop shop' offering support on energy regulation to businesses looking to introduce innovative or significantly different propositions to the energy sector.

⁷ <https://www.ofgem.gov.uk/publications-and-updates/future-retail-market-regulation-update-way-forward>

⁸ <https://www.ofgem.gov.uk/publications-and-updates/impact-assessment-guidance>

⁹ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-future-insights-series-local-energy-transforming-energy-system>

¹⁰ <https://www.ofgem.gov.uk/about-us/how-we-engage/innovation-link>

Stakeholder engagement

Consultees advised us that we need to continue to make improvements in communicating more clearly with a diverse range of stakeholders. We have set out our approach to these improvements in 8.2. These changes can help us reach a wider range of stakeholders, but we also recognise that we need to improve how we present information in publications such as consultations, to make it easier for stakeholders to respond.

Social and environmental scheme delivery

Customer feedback via our customer insights tool helped us improve some schemes, which then led to overall improvements in scheme satisfaction scores. We also focused on cross-scheme opportunities, simplifying processes and providing easy to understand guidance, through our Operational Excellence programme.

Code Governance

Our work in this area looks at the package of remedies recommended by the CMA and our previous work under the Code Governance Review. We outline our ongoing work in 2.9.

Work with other regulators

We have set out our work with the UK Regulators Network (UKRN) in 6.13. We will continue to engage with the UKRN and contribute to the wider better regulation agenda through this network.

Business Impact Target

The Government has committed to a deregulatory target of £10bn savings to business and voluntary or community bodies during this Parliament. This is known as the Business Impact Target. A requirement on regulators to contribute to the target was introduced by the Enterprise Act 2016 by way of amendment to the Small Business, Enterprise and Employment Act 2015 (SBEEA). For the purpose of the target, regulators must identify and assess qualifying regulatory provisions which must be verified by the Regulatory Policy Committee before publishing. We are on course to meet the statutory deadline for this reporting period. This work will also enable policymakers to consider more widely the impact of regulatory decisions on the businesses we regulate.

9.3 Key commitments for 2017-18

We will continue to look across the spectrum of our work programme for opportunities to further reduce burdens on business, but our resources are finite. We will therefore focus on improving and simplifying areas of work already in train so we can deliver them more efficiently.

Our key areas of focus in the coming year are likely to be:

- Future Retail Regulation
- The Switching programme
- Information requests
- Business Impact Target

Under the better regulation banner, we will continue to:

- Improve our approach to information requests
- Assess the impact of our regulatory changes under the new impact assessment and Business Impact Target regimes

This work can help us lighten burdens that our regulation has on those we regulate, though we recognise that lasting change cannot be achieved overnight. Our increased capability in quality assurance and evaluations should ensure that, throughout our policy-making, we will review and assess our duties and have regard to the principles of good regulation.

Appendix 1 – Key performance indicators

Ofgem Regulatory Key Performance Indicators

Metric	What is being measured	Annual target
RMR Derogation requests	Make decisions on RMR derogation requests within 60 working days of receiving a request (unless formal consultation is needed)	90%
Offshore Transmission processing	Licence grant within 70 days of commencement of Section 8a consultation	70 working days
Offshore Transmission processing	Preferred Bidder selection within 120 days of ITT submission (excluding Best and Final Offer)	120 working days
Licence Applications	Make decisions on licence applications within 45 days	100%
Code Modifications	Make code modification decisions within 25 working days of receiving the Final Modification Report (or, where applicable, final responses to a Final Impact Assessment or other Ofgem consultation)	90%
Code Modifications	Where applicable, publish code modification Impact Assessment (or other Ofgem consultation) within 3 months of receiving the Final Modification Report	90%
Customer Contacts	Time taken for first response to customer contacts	93% - 10 working days
Whistle-blowers	Time taken for first response to whistle-blower contacts	90% to receive initial engagement within 1 working day

Ofgem E-Serve Key Performance Indicators

Metric	What is being measured	Annual target
Domestic Renewable Heat Incentive (RHI) processing	Responding to enquiries about applications within 10 working days	90%
Non-Domestic Renewable Heat Incentive (RHI) processing	Responding to queries within 10 working days	90%
Renewables Obligation (RO) processing	Responding to enquiries about applications within 10 working days	90%
Feed-in-Tariff (FIT) processing	Responding to enquiries about applications within 10 working days	90%
Energy Company Obligation (ECO)	Responding to queries within 10 working days	90%
Warm Home Discount (WHD) processing	Responding to obligated party submitted Warm Homes Discount schemes for approval, within 28 days	100%
Domestic Renewable Heat Incentive (RHI) processing	Maintaining system availability during business hours	99% (or above)
Non-Domestic Renewable Heat Incentive (RHI) processing	Maintaining system availability during business hours	99% (or above)
Renewables Obligation (RO) processing	Maintaining system availability during business hours	99% (or above)
Feed-in-Tariff (FIT) processing	Maintaining system availability during business hours	99% (or above)
Energy Company Obligation (ECO)	Maintaining system availability during business hours	99% (or above)
Domestic Renewable Heat Incentive (RHI) processing	Making payments within 5 working days	95%
Non-Domestic Renewable Heat Incentive (RHI) processing	Making payments within 30 working days	95%
Renewables Obligation (RO) processing	Issuing the main batch of Renewables Obligations Certificates following the generators' output data reporting deadline, within 17 working days (Apr-Jun) and 12 working days (Jul-Mar)	95%

Metric	What is being measured	Annual Target
Feed-in-Tariff (FIT) processing	Completing the levelisation process within 22 working days	95%
Energy Company Obligation (ECO)	Processing measures submitted in one calendar month by the end of the following month	95%
E-Serve performance	Publishing updated E-serve performance web charts every month	100%

Appendix 2 – Deliverables included in this document

Quarter 1 Deliverables

	Deliverables
Enabling a better functioning retail market	<ul style="list-style-type: none"> • Publish our decision on the intermediate proposals for amendments to the Confidence Code and, if appropriate, make the Code amendments outlined in our consultation – Q1 • Outline our proposed next steps for our review of the Confidence Code – Q1
Facilitating change in the energy system	<ul style="list-style-type: none"> • Publish our plan for enabling a smart, flexible energy system jointly with the Department for Business, Energy and Industrial Strategy – Q1 • Publish final decision on current industry code modifications that relate to aspects of embedded benefits – Q1 • Implement Data and Communications Company operational performance regime – Q1 • Publish revised mandatory HHS plan – Q1 • Launch Significant Code Review – Q1 • Update letter on the timelines for implementation of the CMA code governance remedies – Q1 • Decide whether and how to provide a potential 'regulatory sandbox' in energy – Q1
Learning from the first RIIO framework and setting RIIO-2 up for success	No deliverables this quarter
Introducing competition into monopoly areas	<ul style="list-style-type: none"> • Select a Preferred Bidder for the Burbo Bank project in offshore transmission owner Tender Round 4 – Q1
An authoritative source of quality analysis	No deliverables this quarter
Our core business activities	<ul style="list-style-type: none"> • Publish our Enforcement Overview on our performance in exercising our enforcement powers – Q1 • Submit Business Impact Target report – Q1
Ofgem E-Serve	See E-Serve recurring deliverables

Quarter 2 Deliverables

	Deliverables
Enabling a better functioning retail market	<ul style="list-style-type: none"> • Make amendments to the broad principles in the gas and electricity supply licenses, including a new vulnerability principle – Q2 • Publish Report on Social Obligations, including reporting on how suppliers supported customers in vulnerable situations and managed debt and disconnection in 2016 – Q2
Facilitating change in the energy system	<ul style="list-style-type: none"> • Publish our proposed high-level strategic approach to market and regulatory reform in response to the energy systems transition – Q2 • Publish our approach to the proposed Targeted Charging Review – by early Q2 • Review the Innovation Link based on our experience in delivering the services – Q2
Learning from the first RIIO framework and setting RIIO-2 up for success	No deliverables this quarter
Introducing competition into monopoly areas	<ul style="list-style-type: none"> • Make an initial decision on the need for the North West Coast Connections transmission project connecting proposed new nuclear generation in Cumbria, as well as deciding whether to tender that project – Q2 (Subject to current transmission project timings not changing)
An authoritative source of quality analysis	No deliverables this quarter
Our core business activities	<ul style="list-style-type: none"> • Host an annual Enforcement Conference to share our experience and learnings in exercising our powers – Q2 • Procure a third party, with expertise in consumer charities, to effectively allocate funds from voluntary redress – Q2 • Decision on review of Fleetwood Regulatory Asset Value addition for National Grid Gas Transmission – Q2 • Publish decision on adjustments to licensees' revenue – Q2

Ofgem E-serve

- Publish annual report on the Domestic Renewable Heat Incentive scheme
 - Publish annual report on the Non-Domestic Renewable Heat Incentive scheme
 - Complete Feed-in Tariff annual levelisation process
 - Complete final determination on ECO2 Carbon Saving Community Obligation
- See E-Serve recurring deliverables

Quarter 3 Deliverables

	Deliverables
Enabling a better functioning retail market	<ul style="list-style-type: none"> • Publish Blueprint decision document (Design Baseline 3) in relation to the Switching programme – Q3
Facilitating change in the energy system	<ul style="list-style-type: none"> • Publish a decision on the System Operator's future roles – Q3 • Modification of National Grid Gas gas transporter licence to ensure compliance with Tariff Network Code – Q3
Learning from the first RIIO framework and setting RIIO-2 up for success	No deliverables this quarter
Introducing competition into monopoly areas	<ul style="list-style-type: none"> • Make a final decision on the need for the Hinkley-Seabank transmission project connecting proposed new nuclear generation in Somerset, as well as deciding whether to tender that project – Q3 (Subject to current transmission project timings not changing), and whether and how the benefits of competition for supply chain work and finance can be maximised under the existing regulatory framework
An authoritative source of quality analysis	<ul style="list-style-type: none"> • Publish State of the Market Report – Q3
Our core business activities	<ul style="list-style-type: none"> • Publish revised Enforcement guidelines on our approach to opening investigations – Q3 • Make a decision on which projects to fund in relation to the Network Innovation Competition – Q3
Ofgem E-Serve	See E-Serve recurring deliverables

Quarter 4 Deliverables

	Deliverables
Enabling a better functioning retail market	<ul style="list-style-type: none"> Complete Detailed Level Specification Phase and publish Design Baseline 4 in relation to the Switching programme – Q4
Facilitating change in the energy system	<ul style="list-style-type: none"> Publish proposals (Q3) and a decision on changes to the System Operator regulatory and incentive framework (Q4), to apply from April 2018 onwards, designed to align with the SO's future role and drive high SO performance Publish Data and Communications Company price control decision for 2016-17 – Q4
Learning from the first RIIO framework and setting RIIO-2 up for success	<ul style="list-style-type: none"> Implement a requirement for companies to prepare accounts in accordance with the regulatory financial reporting standard for 2017-18 – Q4
Introducing competition into monopoly areas	<ul style="list-style-type: none"> Select Preferred Bidders for the Dudgeon, Rampion and Race Bank projects in offshore transmission owner Tender Round 5 – Q4
An authoritative source of quality analysis	No deliverables this quarter
Our core business activities	No deliverables this quarter
Ofgem E-Serve	<ul style="list-style-type: none"> Publish annual report on the Feed-in Tariff scheme Publish annual report on the Renewables Obligation scheme Publish annual report on the Warm Home Discount (WHD) scheme <p>See E-Serve recurring deliverables</p>

E-Serve recurring deliverables

	Occurrence	Deliverables
Ofgem E-Serve	Monthly	<ul style="list-style-type: none"> Publish compliance progress reports against the Energy Company Obligation
	Monthly	<ul style="list-style-type: none"> Publish E-serve performance web charts
	Quarterly	<ul style="list-style-type: none"> Publish quarterly report on Domestic Renewable Heat Incentive scheme
	Quarterly	<ul style="list-style-type: none"> Publish quarterly report on Non-Domestic Renewable Heat Incentive scheme