

## **Minutes of a Meeting of the Gas and Electricity Markets Authority**

**Thursday, 13 April 2017 at 8.15 am**

**9 Millbank, London**

### **Apologies for absence**

1. No apologies were received.

### **Minutes of the Authority meeting held in March 2017**

2. The minutes of the meeting held on 16 March 2017 were agreed.

### **Introductory remarks by the Chairman**

3. The Chairman noted that declarations of interest were recorded from a Member who was a non-executive director of the Low Carbon Contracts Company; and another Member whose institution was in receipt of some funding from the energy industry.
4. The Chairman reported on meetings since the last meeting including chairing Ofgem's sustainable development advisory group and attending Ofgem's new academic panel meeting. He updated the Authority on progress in the process for appointment by the Secretary of State of new Non-Executive Directors.

### **Report by the Chief Executive**

5. The Chief Executive reported on discussions and correspondence with Ministers, senior civil servants and other senior stakeholders and gave an update on developments across the organisation including the introduction of mandatory half hourly settlement for larger business consumers and the Pre-payment meter price cap.
6. He reported on discussions taking place with the Government on the implementation of the Network Information Security Directive for the downstream gas and electricity sector and it was agreed that this should be discussed at GEMA at a future meeting.
7. The CEO also provided an update on the Regulatory Sandbox to which 29 applications had been made and were being evaluated and reported that the first meeting of the new Academic Panel had taken place.
8. The CEO provided an update on the developments from the public inquiry in Northern Ireland on the Renewable Heat incentive scheme including the receipt of a formal request for information from the inquiry team.

### **Report by the Chief Operating Officer**

9. The Chief Operating Officer reported that work was progressing on workforce planning and flexible resourcing and that a key element was the introduction of heads of profession to ensure better career planning and development and sensible deployment of resources based on skills and requirements.
10. The COO updated the Authority on a recent staff pulse survey which indicated that staff engagement was at a similar level to that in the full survey carried out in October 2016 at 61%. She also reported that grievance processes were being strengthened as was the monitoring of sick leave.
11. The COO updated the financial situation noting that the spend for the financial year 2016/17 was marginally under budget. She noted that the fixed costs will be reduced when the London office moves to Canary Wharf and that corporate services budget has been reduced for the 2017/18 financial year.
12. The COO updated the Authority on the General Data Protection Regulation which will be introduced in May 2018. She explained the 12 steps that must be undertaken to prepare for it and said they were being dealt with in a proportionate manner. The Authority agreed that there would be a report on data to GEMA twice a year and that the COO should discuss this with the Audit and Risk Assurance Committee at the next meeting.

### **Strategic Risk Review**

13. The Authority considered a report on strategic risk outlining the key risks and emerging issues.
14. The Authority members discussed their views on what were the biggest risks to the delivery of their statutory duties and also reflected on the risk appetite in the context of a fast changing sector. There was a clear sense that this discussion was intrinsically linked to the future strategy for Ofgem.
15. It was agreed that although the risk register did implicitly capture all the risks identified by Authority members, it should be amended to reflect their views more explicitly and this topic should be discussed further alongside future strategy work at the GEMA away day in July.
16. The Authority also requested the risk team to strengthen the new staff induction programme so that new starters would have a clear sense of the Authority's risk appetite.

### **Delegated Authority for final decision on PPM Warrant Costs**

17. The Authority considered a paper providing an update on the pre-payment Meter warrant costs project as outlined in an information paper at the March GEMA meeting and requesting delegated authority for further decisions.
18. The Authority agreed to delegate the final decision following the close of the statutory consultation to Rachel Fletcher, the Senior Partner of the Consumers and Competition Division.

### **Flexibility Programme Spring Plan**

19. The Authority considered a paper proposing a package of measures to facilitate more flexibility in the electricity system which are being developed in a joint project with the Department for Business, Energy and Industrial Strategy (BEIS), "a Smart, Flexible Energy System". The Authority noted the wide external interest in this work.
20. There was general support from the Authority for all the proposed measures. There was a discussion on strengthening the clarity of purpose to make it more easily understood by stakeholders and to ensure that the project stays on track and doesn't lose focus.
21. There was a discussion on how the flexibility project linked with other key Ofgem energy systems projects, particularly in the context of a fast moving market. The Authority requested clear updates on how such projects interlink to enable them to maintain a holistic view of progress.
22. After discussion the Authority:
  - approved the package of measures put forward;
  - approved the publication of these in a joint publication with BEIS; and
  - delegated responsibility to Andrew Wright, the Senior Partner for Energy Systems to agree final wording.

### **Department for Transport electric vehicle scheme**

23. The Authority considered a request from E-serve to assist with a scheme being considered by the Department for Transport (DfT) in relation to electric vehicles.
24. The Authority discussed the importance of having a strong relationship and continued engagement between E-serve and DfT and a very clear agreement on roles, responsibilities and accountabilities from the outset.

25. Following discussion the Authority agreed that e serve could continue working with DFT but any future administrative arrangements would be subject to a clear list of responsibilities and accountabilities.
26. The Authority delegated the final decision to the CEO.

### **Strategic Questions on our Retail work**

27. The Authority considered ways in which the retail market might change in the future and discussed the outcomes for consumers that Ofgem should be working to support. The Authority recognised that as the market develops, the consumer would be likely to become a vital component of providing a flexible, affordable, low carbon energy system. In addition to making the current market work better for consumers a priority for Ofgem should be to lay the foundations for this shift.
28. The Authority agreed that further work should be done to articulate the impact of the transitioning energy market from the point of view of the consumers.
29. The Authority considered the challenges ahead for the regulatory framework, including the emergence of new business models. Ofgem must work to ensure that consumers, and in particular those who are vulnerable, receive fair treatment throughout the transition and ensure that appropriate protections are maintained.
30. After discussion, the Authority endorsed the direction of travel of the team, including playing a full role in supporting Smart Meter roll out which is a fundamental building block for the future energy market.

### **Ofgem's strategy for implementing the CMA consumer engagement remedies**

31. The Authority considered a paper setting out progress in two projects: the proposed Database of disengaged consumers and the "Prompts to engage consumers" project.
32. The Authority discussed these two projects in the round and stressed the importance of ensuring that consumers are properly supported. Any solution that is implemented should have the consumer experience at its heart and therefore making it easier to switch has to go hand in hand with consumer engagement as bad switching experiences will undo all the hard work to encourage engagement in the first place. There was a strong steer from the Authority that the Energy Switching guarantee could be strengthened. The Authority agreed that the original timetable set out for implementing the database would not allow for sensible consideration and trialling of alternative solutions and that sufficient notice should be given to suppliers of this.

33. There was a discussion about the role of Ofgem in providing these services. When this issue returns to the Authority, the team should propose alternative delivery models.
34. There was a discussion about the practical limitations of the projects and the importance of ensuring that the data protection elements are fully addressed as well as any other legal issues.
35. The Authority discussed micro-businesses and requested that the team keep under review the potential to include these customers within the trials.
36. After discussion the Authority agreed that Ofgem should:
  - Test a digital solution in an area of circa 30,000 domestic consumers in the Autumn, subject to mitigating any legal issues; and
  - Defer the April 2018 deadline for the national roll out of the database for domestic consumers to enable further evaluation of a number approaches to achieving the best outcomes for consumers.
37. This issue will return to GEMA for a decision on the next phase of work in December 2017.

### **Switching Programme update**

38. The Authority considered a paper providing an update on the Switching Programme, including recommendations from an Infrastructure and Projects Authority (IPA) review, the timetable for delivery and an assessment of prioritising between speed, cost and reliability.
39. The Authority discussed the significance of this project, and its importance for the consumer engagement work. They discussed the trade-offs that may be required between speed, cost and reliability. The clear steer was that the reliability of the switching process to consumers was the most important of these, within sensible budget constraints, as this will drive future behaviours. As part of this discussion the Authority noted the likely change in timetable for completion to the end of 2020.
40. The Authority discussed other potential near term improvements in the switching process to bring forward benefits to consumers. This included ways to strengthen the Energy Switch Guarantee. The Authority questioned whether this guarantee should remain voluntary. There was a discussion about the potential to use our existing powers to stop any suppliers from undermining the switching process or blocking switching.
41. The Authority discussed the IPA recommendations and noted the importance of strengthening the working relationship with the DCC.

42. After discussion, the Authority noted progress in the switching programme and endorsed the approach taken by the team, in particular:
- noting that the reliability of switching is paramount;
  - that near term improvements should be made, subject to budget constraints; and
  - that consideration should be given to introducing a new licence condition to make the Energy Switch Guarantee compulsory.

**Confidence code – next steps on CMA remedy related to Whole of Market requirement.**

43. The Authority considered a paper setting out options for changes to the voluntary domestic Price Comparison Website (PCW) Confidence Code following a consultation in August 2016.
44. The CMA's original recommendation was to remove the 'Whole of Market' (WoM) requirement from the code and following discussion at the Authority in July 2016, Ofgem consulted on an intermediate step to introduce a partial remedy which was to allow PCWs to show as a default a view of tariffs that can be entered into directly through the PCW, with a requirement to have a WoM page easily available for customers who wanted it.
45. This paragraph has been redacted as it contains market sensitive information.
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48. This paragraph has been redacted as it contains market sensitive information.
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**Consumers and Competition Divisional Report**

50. The Authority noted the report.

**Information paper – Decision Log update**

51. The Authority noted the paper.

**Date of next meeting**

52. The next meeting of the Authority would be on **Thursday, 13 May 2017** at 9 Millbank. It would be preceded by informal briefing sessions on 12 May.

**Those present**

David Gray  
 Dermot Nolan  
 Nicola Hodson  
 Christine Farnish  
 David Fisk  
 Rachel Fletcher  
 Paul Grout  
 Jim Keohane  
 Keith Lough  
 Andrew Wright

**Those attending**

Jonathan Brearley  
 Sarah Cox  
 Martin Crouch  
 Chris Poulton

**Others present**

David Ashbourne	(Legal Adviser to the Authority)
Wendy Watson	(Secretary to the Authority)
Eleanor Warburton	(Associate Director, Communications)
Mark Wiltsher	(Associate Director, Communications)
Ben Woodham	(Executive Adviser to Chief Executive)

***For specific agenda items***

<b>Name</b>	<b>Subject</b>	<b>Paragraphs</b>
Shaun Scullion	Strategic Risk Review	13-16
Andy Burgess	Flexibility Programme Spring Plan	19-22
James Veaney	" "	" "
Louise van Rensburg	" "	" "
Charles Hargreaves	Department for Transport – EV scheme	23-26
Cameron Rae	" "	" "
Edward Ntephe	" "	" "
Anthony Pygram	Strategic Questions on Retail Work and Strategy for implementing CMA engagement remedies	27-37
Neil Barnes	" "	" "
Paul Fisher	" "	" "
Anthony Pygram	Switching Programme – GEMA update	38-42



Rachel Clarke	"	"	
Anthony Pygram	Confidence code		43-50
Martin Bell	"	"	" "