

Minutes of a Meeting of the Gas and Electricity Markets Authority

Thursday, 16 March 2017 at 8.15 am

9 Millbank, London

Apologies for absence

1. No apologies were received.

Minutes of the Authority meeting held in February 2016

2. The minutes of the meeting held on 16 February 2016 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 with Ministers, senior civil servants, and senior stakeholder representatives. He also reported visiting staff in Ofgem's Glasgow offices who were very engaged.

Report by the Chief Operating Officer

5. The Chief Operating Officer reported that she was working with the senior team to ensure that the headcount across the offices was managed well to deliver capability and to deploy resources where needed, while reducing flux in numbers and ensuring that budgets were adhered to.
6. The COO updated the Authority on the portfolio of key projects and new processes for sharing lessons between senior responsible owners were being implemented as were assurance systems from a range of sources to quality check progress and delivery. This was proving helpful to staff.

Report by the Chief Executive

7. 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.
8. The CEO provided an update on the developments from the public inquiry in Northern Ireland on the Renewable Heat incentive scheme.
9. He updated the Authority on developments in the retail market including recent trends that showed that consumer complaints to energy companies had reduced over the last year and the numbers of consumers switching

had increased. He also mentioned the publication of the Supplier Cost Index which had demonstrated rises in wholesale costs since December.

Communication of network companies' complaints handling procedures – change to a Statutory Instrument

10. The Authority considered a paper proposing the removal of an obligation on Distribution Network Operators and Gas Transporters to notify their customers of the existence of their complaints handling procedures in writing, as it does not represent good value for money to the consumer and because there are other measures in place to ensure this information can be accessed by consumers.
11. After discussion the Authority agreed to
 - Approve the recommendation to amend the Statutory Instrument as drafted to remove the obligation on Distribution Network Operators and Gas Transporters to notify their customers of the existence of their complaints handling procedures; and
 - delegate a member of GEMA to sign the SI and authenticate the legal seal.

E-Serve Management Committee Terms of Reference

12. The Authority considered a paper setting out a change to the terms of reference to update the membership of the group and introduce a new Operations Board to handle operational matters.
13. The Managing Director of E-serve confirmed that the cross e-serve internal audit would continue to report freely and openly to any request from the Audit and Risk Assurance Committee without prior consent from the E-serve management committee.
14. After discussion, the Authority agreed to the change to the Terms of Reference put forward.

Forward Work Programme 2017-18

15. The Authority considered a paper outlining the key responses to the consultation on Ofgem's Forward Work Programme and some suggested amendments to the text. It also covered some lessons learned to improve the process next year.
16. The Authority discussed strengthening the narrative on the strategic projects such as Smart Meters, the Switching Programme and Half Hourly settlement that would make a real difference for consumers.
17. After discussion the Authority:

- approved the final version of the Forward Work Programme, subject to some small amendments;
- delegated responsibility to the Chief Executive Officer to sign off the final published version; and
- agreed to bring forward the drafting and consultation process for next year's FWP.

Smarter Consultations

18. The Authority considered a paper setting out an approach to improving the quality and nature of engagement with stakeholders on policy development and a reduction in the overall number and complexity of consultations.
19. There was a discussion on the number of consultations and while this was not the most significant driver, Ofgem could be more ambitious in reducing the number of times it consults overall and within individual policy strands.
20. The Authority welcomed the objective to enhance the quality of engagement and to do more to make it easier for smaller organisations and consumer groups to feed in their views. The importance of finding better ways to engage with stakeholders was discussed as a consultation document is not always the best way to get the information required.
21. After further discussion, the Authority supported the recommended approach for Ofgem to:
 - Aim for no more than 90 consultations in 2017;
 - set new internal guidance and work with policy teams to ensure they consider alternatives to consultation, and to support them to tailor and promote a shortlist of high priority consultations;
 - explore further ways to remove requirements to take forward unnecessary consultations; and
 - publish revised consultation principles and provide a robust forward look of planned consultations externally.

Approach to dealing with Offshore Transmission Income Adjusting Events

22. The Authority considered a paper outlining the principles being followed by Ofgem in assessing income adjusting events claims from Offshore Transmission Owners.
23. They discussed the approach which included an assessment of foreseeability of events and the ability for the OFTO to mitigate the impact

of the event and considered the importance of applying these principles consistently and fairly.

24. After discussion, the Authority confirmed the approach taken by the team in applying the principles and agreed that the responsibility for individual decisions should remain with the Partner for Commercial Networks.

Ofgem's Approach to Policy Evaluation

25. The Authority considered a paper on evaluation and noted the importance of utilising the Chief Economist to support the organisation.
26. After discussion, the Authority agreed for the Office of the Chief Economist to conduct a pilot evaluation.

Heat Networks

27. The Authority considered a paper on developments in heat networks and a consultation published by the Scottish Government on this issue.
28. The impacts on consumers of heat networks were discussed as well as their contribution to decarbonising heat. Many of the themes built on the recent Future Insights paper on heat that Ofgem had published.
29. After discussion the Authority agreed for Ofgem to respond to the consultation from the perspective of consumer protection and the role of regulation. The Authority agreed to take a cautious approach should there be any proposals to extend Ofgem's role to cover heat networks.

Annual Report and Accounts

30. The Authority considered a paper setting out the structure of the next Annual Report and Accounts.
31. After discussion the structure was approved subject to some small changes and the draft document will be reviewed by the Authority in May.

European Matters

32. The Authority considered a paper which provided an update on how the office is approaching Brexit related issues and gave an overview of the key elements of the European Union's Clean Energy Package
33. The Authority asked the team to continue with their approach of supporting Government by providing information and for them to continue engaging with Government and other stakeholders as necessary. The team were also requested to keep the Authority updated on progress.

E-serve Divisional Report

34. The Authority considered a presentation from the Managing Director of E-serve about progress and key issues facing E-serve.
35. He gave an update on some of the key schemes and noted good progress on the ROOFIT scheme and the successful completion of the GER scheme. In addition the customer satisfaction scores had increased from 44 per cent to 73 per cent since May 2016.
36. He updated the Board on some key geo mapping and E-serve supplier performance data that E-serve will publish to support the sector.
37. They discussed the importance of good governance across the E-serve schemes as well as internal staff engagement.
38. After discussion the Authority endorsed the progress and priorities for future work.

Communications Divisional Report

39. The Authority received a presentation from the Communications team which provided an overview of recent energy coverage and the key debates taking place in public.
40. They also discussed the need for an ongoing and strategic approach to communications in the coming months.

Prepayment Meters Installed under Warrant, final proposals update

41. The Authority noted the paper.

Information paper - Report of the February Audit and Risk Assurance Committee

42. The Authority noted the paper.

Information paper – Rough 2017/18 capacity update

43. The Authority noted the paper.

Information paper – Decision Log update

44. The Authority noted the paper.

Date of next meeting

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

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)
Anna Saksonov	(Senior Legal Adviser – for paragraphs 10 - 45)
Eleanor Warburton	(Associate Director, Communications)
Mark Wiltsher	(Associate Director, Communications)
Ben Woodham	(Executive Adviser to Chief Executive)
Chris Lock	(Communications team – for paragraphs 18-29)

For specific agenda items

(* via Video Conference)

Name	Subject	Paragraphs
Lisa Symes	Forward Work Programme	15-17
Akshay Kaul	Approach to dealing with offshore transmission income adjusting events	22-24
Kate Kendall	“ “	“ “
Yvonne Naughton*	“ “	“ “
Joe Perkins	Ofgem’s approach to policy evaluation	25-26
Maureen Paul	“ “	“ “
Jonathan Lines	“ “	“ “
Kersti Berge	Heat Networks	27-29
Tommy Moody	“ “	“ “

Laura Johnston*	"	"	"	"
Paul Heseltine	Annual Report and Accounts		30-31	
Mark Copley	European Matters		32-33	
Ryan McLaughlin	"	"	"	"
Emma Kelso	"	"	"	"