

Good morning.

We're here today to talk about the future.

About "transitioning and transforming our energy industry".

To embrace change.

For too long, many suppliers have resisted change.

A few of you did step up.

But it was not enough.

Last week the Government published a draft bill to cap energy prices for all those who remain on poor value standard variable or other default tariffs.

So change is coming - whether you like it or not.

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Legislation will enable Ofgem to implement this cap quickly and effectively.

We aim to design the cap so that it both protects consumers and allows for "effective competition", as the draft bill specified.

The draft bill also said that the cap will be removed no later than 2023 - or sooner if Ofgem judges that conditions for "effective competition" exist.

Ofgem announced last week that we will extend our existing prepayment safeguard tariff to 1 million more vulnerable households this winter.

We will consult on extending this price protection to more vulnerable people before the end of this year.

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Some of you in the audience have spoken out against the Government's proposed price cap.

A fortnight ago some suppliers were apparently even briefing the media asking why they should co-operate with Ofgem on extending the safeguard tariff this winter.

Such action would be spectacularly ill-advised. We will extend price protection to those who need it most, with or without the help of industry.

More generally, I believe it is in suppliers' interests to work within the framework set by the draft bill.

The Government's price cap is designed as a temporary measure to protect consumers while these conditions for effective competition are put in place.

Now is not the time to down tools and give up on competition.

Instead, if you want the cap lifted sooner rather than later, we must all redouble our efforts.

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So what might effective competition look like? What kind of future should we be working towards?

I want a future where all consumers, whether they engage in the energy market or not, get a better deal.

Where the most vulnerable in society are protected.

Where the large suppliers cannot profiteer from their disengaged customers on expensive default tariffs.

Where they have to adapt their business model to survive in the face of competition from new entrants.

I want a future where consumers are free to benefit from all the savings and new services that the energy transition can bring.

That's our vision. So how do we get there?

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Suppliers must continue to work with us on our reforms, such as the prompts and database trials, to help people engage in the market.

The draft bill includes smart metering as a condition for a better functioning market.

Smart meters, combined with half hourly settlement, will enable households to get services, time of use tariffs and other extras they want.

So suppliers must remain on track with the smart meter roll out.

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Suppliers must also continue to co-operate on putting in place faster more reliable switching for consumers.

In too many cases, customers' switches are delayed or cancelled altogether because suppliers fail to properly manage their data and ensure that it is accurate.

And many new entrants have trouble accessing this data, even with the customer's consent.

This is unacceptable.

Ownership of customer data is key to a more competitive market. Consumers must know - and trust - that they own it, not suppliers.

Today we are putting suppliers on notice that they need to have the right systems in place to make sure switches go smoothly.

We intend to make suppliers automatically pay compensation to customers if their switch goes wrong and to make sure they have the right incentives to improve data quality.

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Some progress has been made.

The Competition and Markets Authority reported that 17 million households were on poor value standard variable deals in 2015.

Since then, the number has fallen to 12 million households thanks to near record switching rates and the introduction of Ofgem's prepayment safeguard tariff in April.

We expect the reforms I've already mentioned, as well as smart meters, to help more people engage in the market and accelerate this progress.

But Ofgem believes that radical action is required to deliver a truly competitive and smarter market which works for everyone.

In the last few months we have begun considering whether the market arrangements which put suppliers at the heart of the energy system are still fit for purpose.

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This "supplier hub model" has been in place since privatisation in the 1990s.

The supplier acts as the primary interface, or middleman, between the customer and the energy system.

Suppliers recoup the cost of supplying energy, including network charges and government levies from their customers, matching demand with supply.

The supplier also owns the “downstream” relationship with the customer, providing customer service functions such as billing and metering.

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Yet we are now moving towards a world of potentially multiple suppliers of energy and associated services.

New technologies and business models could smooth the transition to a smarter energy system.

They could provide consumers with an array of new products and services to choose from – helping them make big savings on energy bills in the process.

One of the most exciting new business models involves peer to peer trading of energy.

In a similar way that paypal offers peer-to-peer payment platforms without going through a bank, this could allow consumers the convenience of buying their power directly from local, renewable small-scale generation and bypassing suppliers.

In the future, car manufacturers could buy and sell energy to households via their electric vehicle batteries and help balance the system.

Technology companies selling “smart” household products like fridges and televisions may want to supply energy and related services as part of a good value package.

Will these changes make suppliers’ role as middleman less relevant - or even redundant?

Or does the current regulatory framework even threaten to block these exciting innovations and their benefits to consumers?

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Evidence suggests this is already happening.

Take the Balancing and Settlement Code. These are the arrangements which match up suppliers and generators' requests to buy and sell electricity.

Only a licensed supplier can perform this settlement function on behalf of their customers, restricting new players like car manufacturers from entering the market.

The code also does not permit consumers to have more than one supplier. This has forced new entrants wanting to trial peer to peer energy trading in our Innovation Link's regulatory sandbox programme to scale back their plans.

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I've already mentioned the importance of customers owning their data.

Despite our - and Government's efforts – it's still too hard for consumers to access their own data or allow others to do so on their behalf.

This makes it more of a hassle for them to get a good deal

And it holds back new entrants who want to offer customers innovative products and services.

In part this is down to the supplier hub model which allows suppliers to control their customers' data.

Smart meters will break this stranglehold, enabling consumers to give their data directly to third parties, but the roll-out will take years to complete.

More can be done now. We are pushing suppliers to help consumers to pass on their data to price comparison websites and app-based switching services offering better deals.

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However easy it becomes to engage in the market, there will always be some households, particularly the vulnerable, who struggle to do so.

We may decide to leave in place price protection for the most vulnerable after the wider price cap is withdrawn.

We are also considering whether one way to protect these customers would be to automatically switch them onto a better deal through a collective switch.

It would be run in much the same way as other collective switches. Suppliers compete to offer the best deal, requiring them to be as efficient as possible and reducing their own costs.

But rather than customers having to make an active choice as with conventional collective switches, the switch would be made on their behalf without them having to do anything.

It's a bit like allowing better deals to find customers, rather than customers having to find the better deals themselves.

At the same time, the competitive mechanism of a collective switch would promote efficiency and drive down supplier costs.

Customers would still be able to opt out and stay with their current supplier if they actively chose to.

We are in the early stages of exploring this option. A "opt out collective switch" would be a significant change to the market and require societal and consumer acceptance.

It would almost certainly require legislation.

But it could be a genuine solution in the medium to long term for vulnerable and disengaged customers.

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We will shortly invite views from industry, academics and other stakeholders on how we might design the retail market differently.

I hope you will engage in this debate in the months ahead.

We will work with Government on the future framework.

Primary legislation may be required if it's decided to replace the current model.

Whatever model is adopted, Ofgem will ensure that consumer protection and security of supply remain robust.

Whichever new players enter the energy market in the future will have to treat their customers fairly.

And I'm sure I don't need to remind anyone that keeping the lights on remains non-negotiable as ever.

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I hope you share Ofgem's vision for the retail market.

Competition isn't just about people switching – although this is important.

It is also about suppliers and other new entrants actively competing to give customers a better deal.

Those who are opposed to the Government's price cap should see it is an opportunity.

An opportunity to put in place the building blocks which allow effective competition to deliver for all consumers.

I don't underestimate the scale of the challenge or the amount of work that is required from all of us.

To those who may think that they cannot afford to do it in a world of more price regulation, I would say "think again".

These reforms are overdue.

Neither we nor Parliament will take no for an answer.

So you might as well embrace it.

Because change is coming.