

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

**Thursday, 14 September 2017 at 8.15 am**

**9 Millbank, London**

### **Apologies for absence**

1. Christine Farnish sent her apologies for absence.

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

2. The minutes of the meeting held on 13 July 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.
4. The Chairman reported on meetings since the last meeting, including meetings with senior Government and industry representatives.
5. The Authority noted the concern raised that, in the absence of new appointments to GEMA, the number of Non-executive Members was now so low that many of them were taking on extra responsibilities on the Committees of the Authority to maintain sufficient oversight.

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

6. The Chief Executive reported on discussions and correspondence with Ministers, senior civil servants and other senior stakeholders.
7. The CEO updated the board on key trends in the sector, including retail market statistics showing the Supplier Cost Index (dual fuel) was broadly flat between May and August following a 6% drop in the previous quarter. The aggregate domestic supplier profit margin for the Large 6 energy suppliers was 4.48% in 2016. The average proportion of customer accounts on SVT continued to fall from 61% to 59%.
8. He reported on progress since the discussion on Vulnerability Compliance work in July and audit work will take place at a number of suppliers to ensure that they are treating consumers falling into debt in line with their obligations.
9. [This paragraph has been redacted as it contains commercially sensitive material]

## **Update on the Northern Ireland RHI Inquiry**

10. The Authority was updated on the progress of the Inquiry and noted the expectation that it will be completed in the summer of 2018.
11. They discussed the timing and the preparations for witness statements as well as the information that Ofgem had received as a core participant.
12. The Authority was content with the work of the Ofgem team in engaging with the Inquiry and maintained the position that it wanted frequent updates on progress.

## **E-serve Board update**

13. The Authority considered a report of the E-serve Board meeting on 26 July and were updated on the progress of work across E-serve.
14. The Managing Director of E-serve highlighted some key risks, including turnover of staff in some areas. He also mentioned some new structures that had been put in place to support increased assurance across E-serve.
15. The Authority noted the report and were content with the progress made and agreed that there should be an update following each E-serve Board meeting.

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

16. The COO reported on the operational incident in August following a physical move of servers to a new site which had resulted in the loss of internet access, remote working and all external email. The teams worked hard to resolve the issue as quickly as possible and E-serve was prioritised because of the public facing nature and to avoid any impact. The change of servers was undertaken to strengthen the longer term resilience of the organisation and address some under investment in IT.
17. An internal inquiry is now underway to understand more about what happened and to learn for future events. One key lesson so far is the need for more up to date business continuity plans across the organisation and work is underway to do this. The report from this inquiry will come to the Authority in October.
18. She also reported on progress with the assurance work across Ofgem since she had raised some issues with the Authority in June. The Authority discussed progress and the depth of the reviews was noted as important to reduce the likelihood of issues recurring. The sharing of lessons from different internal audit reports was discussed and the new Performance and Delivery Board was felt to be the best place for these discussions where necessary.

19. The COO also reported on headcount, turnover and correspondence handling. On the latter the expectation was that the response times would improve over the following few months given recent team restructures to improve efficiency and joined up working.

### **Retail Market Strategy**

20. The Authority discussed the future of the Retail Market and considered a range of possible solutions and ideas to address the short, medium and long term challenges and opportunities for consumers.
21. The Authority discussed the benefits of developing a longer term vision of how the retail market should operate to provide the most benefit to consumers. It also considered the various steps that would be required to deliver it.
22. Following discussion, the Authority agreed to:
  - Ofgem urgently working up and implementing a set of proposals to identify vulnerable energy consumers and give them appropriate protection, further improve customer engagement, take tougher action on suppliers, tackle switching problems and remove barriers to new business models;
  - Ofgem actively monitoring the impact of these proposals carefully and considering further actions if they do not have the desired effect; and
  - Ofgem working up a long term vision for the retail market and then taking steps to achieve it.
23. The Authority gave delegated authority to the Chief Executive Officer, and the Senior Partner for Consumers and Competition to develop the proposals further and to decide on how best to communicate them.
24. The Authority also gave delegated authority to the Senior Partner, Consumers and Competition to modify the supply licence to set a vulnerable safeguard tariff that will apply in January 2018.

### **The future of "Black Start" Arrangements**

25. The Department for Business, Energy and Industrial Strategy (BEIS) have been leading a task group to consider this given the significant changes in the energy market. The Authority was updated on the work of this group, including progress towards developing a Black Start restoration standard.
26. The Authority discussed the importance of Ofgem playing its part in developing the best possible outcome and stressed the need to continue to work in partnership with BEIS and with National Grid on these issues.

27. Following discussion, the Authority agreed that the team should engage constructively with BEIS and National Grid in the development of an appropriate Black Start restoration standard for GB.

### **Extension to delegated authority for the 2016/17 DCC price control**

28. The Authority considered a paper proposing an extension to the delegated authority for the 2016/17 price control. This was required because the cost divergence had exceeded the 25 percent set out as a qualification to the delegation.
29. The Authority was content with the explanation of this divergence in the paper and agreed to maintain delegated authority for the 2016/17 DCC price control decision for Rob Salter Church, disregarding the 25 percent divergence threshold.

### **Changes to Reserved Matters in the Authority's Rules of Procedure**

30. The Authority considered a paper setting out some changes to the list of Reserved Matters.
31. The Authority was content with the rationale set out and agreed the following changes to be made by Ordinary Resolution:
- Increasing the procurement threshold for contracts from £1m to £2m;
  - Increasing the major capital projects threshold from £250k to £500k;
  - Removing the National regulatory Authority functions report and the Security of Supply Report from the list;
  - Allowing the Chair of the Authority to make non-material changes to the Rules of Procedure and to the terms of reference of Committees of the Authority;
  - Rewording part 10 around charging, revenue and incentives to focus on the overall strategy and final decision rather than all significant modifications; and
  - Grouping the enforcement decisions into a separate section for clarity
32. The Authority also endorsed the creation of supplementary guidance to clarify the meaning of the rules of procedure.

### **Vulnerable consumers in the retail energy market: 2017 report findings**

33. The Authority noted the paper.

### **Project Nexus Status update**

34. The Authority noted the paper.

## **Information paper – Decision Log update**

35. The Authority noted the paper.

### **Date of next meeting**

36. The next meeting of the Authority would be on **Thursday, 12 October 2017** at 9 Millbank. It would be preceded by an informal briefing session on 11 October.

### **Those present**

David Gray  
Dermot Nolan  
Rachel Fletcher  
Paul Grout  
Jim Keohane  
Keith Lough  
Andrew Wright

### **Those attending**

Sarah Cox  
Jonathan Brearley  
Martin Crouch  
Chris Poulton

### **Others present**

David Ashbourne (Legal Adviser to the Authority)  
Wendy Watson (Secretary to the Authority)  
Ben Woodham (Executive Adviser to Chief Executive)

### ***For specific agenda items***

<b><i>Name</i></b>	<b><i>Subject</i></b>	<b><i>Paragraphs</i></b>
Sukhinder Lalli Mark Mills	NI RHI Inquiry update	10-12
Rob Salter Church Mark Wiltsher James Kilmartin	Retail Market Update " "	20-24