

Minutes of a Meeting of the Gas and Electricity Markets Authority

Thursday, 12 October 2017 at 8.15 am

9 Millbank, London

Apologies for absence

1. Jim Keohane sent his apologies for absence.

Minutes of the Authority meeting held in September 2017

2. The minutes of the meeting held on 14 September 2017 were agreed.

Introductory remarks by the Chairman

3. The Chairman reported on meetings since the last meeting, including meetings with senior Government and industry representatives.
4. He also noted the continued concern about the small number of Non-Executives of GEMA.

Report by the Chief Operating Officer

5. The Chief Operating Officer gave an update on some key themes from across corporate services.
6. She reported on the outcome of the review into the IT problems in the summer and outlined a range of actions that were being implemented to address these issues. She also reported on emerging proposals to increase investment into IT.
7. The COO reported on the office move in Glasgow which had been very successful. The move had highlighted some lessons that can be learned ahead of the London office move in 2018.
8. The Authority discussed the upcoming people survey and agreed that the whole senior management team including the wider senior civil servants in Ofgem had a role to play in demonstrating leadership and in communicating the Ofgem vision and engaging with staff at all levels.

Report from the Audit and Risk Assurance Committee (ARAC)

9. The Chair of ARAC reported on the previous ARAC meeting including a presentation by the Chief Economist which had been well received and had given confidence to ARAC members that analysis throughout Ofgem was receiving proper scrutiny. ARAC had also welcomed the new simpler and clearer Governance arrangements in Ofgem and had confidence that the change represented an improvement.

Report by the Chief Executive

10. The Chief Executive reported on discussions and correspondence with Ministers, senior civil servants and other senior stakeholders.
11. The Authority discussed the Ofgem announcement on retail measures and reiterated its support for the approach taken which reflected discussions at the previous meeting of the Authority. A strong steer was given that Ofgem must continue to ensure the best possible outcome for consumers and will work with Government to make this happen.
12. He reported updated the Authority on progress in the OFTO regime and on energy provision in Shetland.
13. The Authority was updated on the progress of the Northern Ireland RHI Inquiry and the expectation was that Ofgem's opening statement would take place in mid November and that further witness statements were unlikely to happen until early 2018.

External environment

14. The Authority was updated on the key factors driving the energy landscape, including political factors and metrics covering each consumer outcome from the Ofgem strategy.
15. The Authority discussed the available metrics and agreed that more should be done to expose the data to the public in an accessible way so that it can be easily understood. Companies should be held to account for their performance and lessons can be learned from other regulators who are attempting to achieve the same outcome.
16. The Authority discussed how to put in place measures to ease the transition to a future energy system which works for people and businesses and is affordable. More should be done to present a compelling vision and the energy companies must be challenged more to take ownership of this challenge and recognise the needs of consumers.
17. The Authority also discussed a proposed proxy for changes in consumer detriment in the retail market in order to understand what impact policy changes in the market were having. The Authority agreed that Ofgem should update its quarterly indicators in the light of this work.

Forward Work Programme 2018/19

18. The Authority discussed the outline plans for the forward work programme, including the indicative content of the document and its format.
19. The Authority discussed the change to a more strategic and high level document for consultation and supported the approach which would make it

more accessible. It was felt that the document should focus on a few main themes and that the core regulatory work should be included as the foundation on which everything else is delivered. The Authority agreed to include a longer time horizon to reflect the nature of the work being undertaken and the need to articulate a vision for the shape of the future energy market and systems.

20. After discussion, the Authority endorsed the approach being taken by the team.

Communications Strategy

21. The Authority discussed a presentation from the Communications team on priorities for both external and internal communications in support of the goals of Ofgem.
22. Following discussion, the Authority endorsed the approach put forward by the team and called for a bolder approach which should include ensuring that performance of regulated companies and their value for money are clearly scrutinised.

Cyber Security

23. The Authority considered a paper outlining the implementation of the EU Network and Information Systems (NIS) Directive which will place regulations on Operators of Essential Infrastructure to ensure their computer systems are resilient in terms of physical and cyber security. The Directive also requires the government to nominate a 'Competent Authority'.
24. The Authority discussed the significance of cyber security in protecting consumers, the specific and technical nature of the skillset required to manage this effectively and the potential role of Ofgem, while acknowledging that the industry has the primary role to play in protecting the energy system from cyber threats.
25. Following discussion, the Authority provided a clear steer to the team that Ofgem should work closely with Government on this issue, acknowledged the important role that Ofgem should play in protecting consumers and agreed that it was essential to have a very clear audit trail setting out the lines of responsibility and accountability before taking any new functions on.

RIIO 1 Electricity Distribution (ED) – Mid Period Review – strategy

26. The Authority considered a paper setting out a proposed approach to the scope of the electricity distribution (ED) mid period review and the kind of issues to be considered.
27. The Authority discussed a range of issues including the initial assessment of company performance against the assumptions set out in the price control.
28. There was a discussion about ensuring that the review process was robust enough to ensure that the interests of consumers were looked after. The scope of the MPR was discussed and consideration was given to whether this should include discrete projects not defined as outputs. Consideration was also given to broaden the scope further to consider overall company performance.
29. Following discussion the Authority agreed to consult on a range of options in November.

Smarter Consultations

30. The Authority noted the paper.

Decision Log update

31. The Authority noted the paper.

Date of next meeting

32. The next meeting of the Authority would be on **Thursday, 16 November 2017** at 9 Millbank. It would be preceded by an informal briefing session on 15 November.

Those present

David Gray
Dermot Nolan
Rachel Fletcher
Paul Grout
Christine Farnish
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)
Leanne Pallott (Executive Adviser to Chief Executive)
Anna Saksanov (Assistant Legal Adviser to the Authority) for paragraphs
14-32

For specific agenda items

<i>Name</i>	<i>Subject</i>	<i>Paragraphs</i>
Sukhinder Lalli Mark Mills	CEO report	13
James Luger Mark Wiltsher James Kilmartin Ben Haden Tim Higginson	External Environment, Outline FWP and Communications strategy " " " " "	14-22
Peter Bingham	Cyber Security	23-25
Kersti Berge Steve McMahon Clothilde Cantegreil Declan Tomany	RIIO 1 ED - MPR " " "	26-29