

To: Ofgem Forward Workplan team

Via: [fwp@ofgem.gov.uk](mailto:fwp@ofgem.gov.uk)

16<sup>th</sup> February 2018

## **Response to the Draft Forward Workplan for 2018-19**

### Background to Octopus Energy

Octopus Energy is a growing challenger energy supplier that supplies gas and electricity to domestic homes and businesses in Great Britain. Our largest investor is the Octopus Investments Group, who over the last decade has become the third largest investor into UK renewable generation in the UK and the largest in solar generation.

It is the only energy supplier recommended by 'Which?' in 2017/18, based on their analysis of industry metrics, including complaints, pricing and customer surveys.

We believe:

- That the consumer should be given clearer communication about pricing over a longer period: so that they can choose a tariff that is good for them over the long term, not just the fixed term.
- That long-term good pricing and service can be enabled by some of the same approaches as the eCommerce sector – in the same way that Amazon and budget airlines have done in other sectors.
- That the barriers to switching due to the slow and complex nature of the switch process should be systematically eliminated to make switching quicker and easier (as online shopping and services have provided in other sectors)
- That customer service should be measured by how happy customers are with the service they receive, not a set of defined metrics which often fail to recognise what really matters to consumers

### Overall Response

Overall, we recognise the dynamism of both the technological, economic, societal and political factors impacting the energy industry, as Dermot Nolan remarked on in his comments at the Look Forward Event on 23<sup>rd</sup> January.

We are in support of the key priorities on page 4:

- Enabling a better functioning retail market
- Facilitating change in the energy system
- Ensuring network companies deliver for consumers in a changing system
- Identifying opportunities and managing long-term risk on behalf of customers.

Our response captures that we are in support of the workplan's directions and activities, In the sections below, we have picked out a few specific aspects in the details of the 4 priorities.

### Specific Comments on 'Enabling a better functioning retail market'

We are fully supportive of the ambition laid out on page 5, and like the approach of focusing on consumer outcomes as well as activities in each of the areas. We agree with the four aspects chosen and support the key activities detailed.

Our build would be to develop some measures of success in each area (and since they are complex it will probably require 2 or 3 measures for each to capture the different facets) – for example:

- Within the temporary price protections the consumer outcome is that 'a larger proportion of domestic customers will receive lower bills'. Is that lower than previous, lower than the rate of historical growth, lower than the rate of wholesale price change (ie forcing better efficiency)?
- Within the supply-side competition, the measure of success often defaults to the number of switches, but we think that this is a crude measure that would not be used in markets such as supermarkets – where market share changes, number of options and ease of access would be more common.
- Within the area of consumer engagement, we are fully supportive of the key activities in terms of faster and more reliable switching, enabled by better data as well as wider work on the prompts to engage. Measures on the reduction of the consumer barriers to switching would seem to be useful metrics in this area.

#### Specific Comments on 'Facilitating Change in the Energy System'

We are in support of the focus areas and the general direction of the workstreams.

We believe that there needs to be more urgent focus on the areas of (1) smart meter systems – SMETS1 and SMETS2, and the DCC aspects and (2) enabling infrastructure for Electric Vehicles, especially in our cities where the infrastructure challenges may be greater.

#### Specific Comments on 'Ensuring network companies deliver for consumers in a changing system – RIIO and the wider competitive regime'

We do not have detailed comments in this area, but strongly support the need to drive cost reductions in this area in order to help with the consumer bill – given the proportion of the bill driven by these charges. We would also ask the question of whether the classification of storage as within the generation part of the industry could create perverse incentives and behaviour, as we look to make the system as efficient and reliable as possible.

#### Specific Comments on 'Identifying opportunities and managing long-term risk on behalf of consumers'

We are in support of the focus areas and workstreams in this area.

The only part that is not in the overall workplan and could fit in this area is the codes management of the industry. This was called out by the CMA as an issue for those other than the largest suppliers, and creates a slow-moving and often deadlocked approach to change. We are amongst those in the industry that believe that this needs to be reviewed and addressed – especially as the complexity is increasing with the addition of new Codes and Bodies related to smart metering and other technological changes.

We are happy for this response to be published in full, and also to respond to any follow-up questions or comments that this response may generate.

Yours Faithfully,

Jenny Ashmore  
Octopus Energy