

ofgem

Making a positive difference
for energy consumers



**Consumer
Impact Report**

Financial year 2017 - 2018

Consumer Impact Report Financial Year 2017-18

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Ofgem aims to protect the interests of Britain’s gas and electricity consumers, thereby making a positive difference for current and future energy consumers, including those in vulnerable situations. We do this by delivering the following five outcomes for consumers:

1. **Lower bills** than would otherwise have been the case.
2. **Reduced environmental damage** both now and in the future.
3. **Improved reliability and safety.**
4. **Better quality of service**, appropriate for an essential service.
5. **Benefits for society as a whole** including support for those struggling to pay their bills.

This is our first Consumer Impact Report, assessing quantifiable and non-quantifiable consumer benefits that we expect to result from some of the regulatory decisions we made in the financial year April 2017 to March 2018. We intend to publish a similar report every year.

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Key findings

Ofgem's budget for the financial year 2017-18 is £90m. Our regulatory activities are expected to deliver quantifiable direct consumer benefits of £7.8bn over 17 years.

This equals a direct benefit to cost ratio of 87.

In addition, our regulatory activities are also expected to deliver quantifiable indirect consumer benefit of £8,776m and additional monetised benefits of £542m, as well as other benefits that are difficult to quantify into monetised terms.

Here are some of the decisions we have made over the past year and their expected benefits to consumers:



1 Retail price control and competition measures enable a better functioning of the retail market, and will deliver consumer benefits of £186m over 17 years.

- **New Switching Arrangements** make the switching more reliable and quicker. They will build consumers' confidence and engagement in the energy market. Net benefits are estimated at **£40m** over 2018-2035.
- We imposed a short-term **safeguard tariff** for an additional one million consumers who receive Warm Home Discount. Consumers will benefit from lower bills, estimated to be **£128 million** in 2018-2019.
- We introduced **new licence condition for installation of prepayment meters** to protect vulnerable consumers and make warrant charging fairer. The direct savings for consumers from the prohibition and cap measures are estimated at **£18m** in 2018-2020. There are also benefits of less harm and more efficiencies.
- The **price comparison website confidence code** will help build consumer confidence to receive an independent, transparent, accurate and reliable service. This supports consumer engagement and drive greater supply-side competition.
- The **Supplier of Last Resort** procedure can find a new supplier for customers of a supplier going out of business. This will ensure that customers' energy supplies are protected, consumer confidence in the market is maintained, and unpaid industry bill are minimised.
- We amended the rules for suppliers and some price comparison sites to **estimate annual costs** of domestic consumers. This will protect consumers while being flexible and future-proofed to reflect the tariffs on the market now and in future.



2 Networks measures and price controls ensure that the network operators operate efficiently and do not abuse their monopoly position. They also ensure that there are more efficient ways to deliver security of supply and support decarbonisation of energy supplies. Consumer benefits are estimated to be £9,318m.

- We removed the funding allowance for **entry capacity at Fleetwood** from National Grid Gas Transmission's price control to ensure consumers do not pay for work which is not carried out. Consumers are expected to receive the benefit from reduced network charges of **£345m**.
- We granted an **electricity interconnector cap and floor** regime in principle to three interconnector projects. Consumers are expected to receive a benefit of **£8,776m** over 2022-2046 based on the impact on wholesale prices, ancillary services, and the payments made under the cap and floor regime. Consumers will benefit from security of supply and decarbonisation from the interconnectors.
- During **Mid-Period Review for transmission and gas distribution price control**, we clarified two of the outputs network companies must deliver and adjusted the price controls. Consumers will benefit from the delivery of outputs at a lower cost than expected, and companies will identify more efficient solutions. Consumers will benefit from the funding reduction of **£197m**.
- We removed the Index of Multiple Deprivation criterion for the **Fuel Poor Network Extension Scheme**. This ensures that the schemes is better targeted at fuel poverty, resulting in a better value for money and protection of energy consumers' interests.



3 We continued improving the functioning of the energy system, which include the supply of electricity and gas from its generation to the meter point. The expected consumer benefits are estimated to be £7,582 million over 13 years.

- We modified the **charging arrangement for smaller embedded generators** so that a new cost-reflective payment is now available to them. The expected consumer benefits are estimated to be **£7,582** million in 2021-2034.
- We replaced **System Operator incentives** with a more principles-based reporting arrangements, incentivising electricity SO to deliver value for consumers. Consumers will benefit from lower bills, improved reliability and a better quality of service.
- We extended the expiring **Transmission Constraint Licence Condition** indefinitely to deter excessive pricing behaviour in periods of transmission constraint, ensuring that bills for consumers are not higher than necessary.
- We introduced a new regulatory framework for determining the allowed revenue for **Black Start**, the process used to recover from an event resulting in the unlikely event of full or partial shutdown of the transmission system. This will ensure that the costs are reasonable.



4 Our enforcement and compliance arm identifies and responds to market conduct which may be unlawful, anti-competitive, or otherwise harm consumer interests and activities that may be in breach of licence conditions and other regulatory requirements. The consumer benefits are estimated to be £19 million in 2017-18, including compensation payments to consumers, fines, redress payments to charities, and avoided costs to consumers.

Executive Summary

About this report

Our Consumer Impact Report assesses the benefits that some of Ofgem’s regulatory decisions, taken in the financial year April 2017 to March 2018, are expected to provide or, in the case of compliance and enforcement actions, have provided to consumers.

Based on our calculations, Ofgem’s decisions in this financial year will result in:

- Net present value of direct benefits: £7,800m
- Net present value of indirect benefits: £8,800m
- Additionally, £540m of reduced funding for network companies.

These are largely forecasted consumer benefits and may, in the future, differ from the actual amount realised. However, they give a good sense of the magnitude of the benefits that flow to consumers from the actions we take. In terms of the costs incurred in delivering these benefits, Ofgem’s costs for the financial year April 2017 to March 2018 were £90 million. This gives a ratio of *direct* benefits to costs of 87, which means that, for the decisions we took in the last financial year, we expect every £1 we spent to deliver direct benefits of £87 to consumers.

Many of Ofgem’s decisions benefit consumers in ways that are difficult to monetise. One example is our enforcement and compliance actions, for which only a fraction of the benefits can be expressed in monetised terms. While compensation for past detriment suffered by consumers can be quantified, it is much harder to quantify the avoided detriment that would have occurred in the absence of Ofgem’s intervention, as well as the future harm avoided by discouraging other parties from acting in the same way.

Our broad approach

Ofgem typically has over 100 specific regulatory decisions in progress at any one time, so it is not practical for this report to cover all of our activities. This is why we assess only the most significant decisions, determined largely by the legal complexity and / or monetised impact. As such, the expected consumer benefits shown in this report are only a subset of the benefits that Ofgem’s regulatory activities bring to consumers.

Where practical, we quantify the benefits to consumers, and where it is difficult to do so, we describe the expected consumer benefits in a qualitative way. The benefits of a lot of the work we do cannot be easily expressed in monetised terms but are nonetheless very important in protecting the interests of consumers. That is why we have adopted a mixed approach that includes:

- Quantitative assessment: aggregating the monetised benefits that are set out in formal impact assessments and those resulting from enforcement and compliance actions. Our approach to quantifying benefits is similar to that used by the Competition and Markets Authority (CMA) to assess the direct monetised benefits to consumers of its decisions.
- Qualitative assessment: for decisions without formal impact assessments, using case studies to evaluate the likely impact of regulatory decisions.

Quantified consumer impacts

For some of our decisions, we use impact assessments to analyse and forecast direct and indirect effects on consumers. These are ex-ante assessments of expected impacts as opposed to ex-post evaluations of actual impacts.

Impact assessments provide a transparent framework for understanding the estimated impacts of policies and comparing projects with one another. They are a good way to assess our policies' likely impacts on consumers. Each impact assessment is prepared according to our guidance¹ and provides the net present value (NPV) of consumer benefits that we expect to materialise as a consequence of a decision. To compare NPVs across the decisions, we chose 2018 as the base year.

Table 1 summarises the expected monetised benefits from some of the decisions made this year.² The benefits are expected to be realised over different time horizons, ranging from 2018 to 2063. In some years, there will be decisions that are expected to deliver large benefits, which dwarf the benefits from other equally important decisions, creating lumpiness in total benefits. Given that not all benefits are quantifiable, the relative size of monetised benefits are not indications of relative importance.

We define *direct impacts* here as those where we compel companies in the industry to act in a particular way (e.g. capping the amount they can charge for a service). *Indirect impacts* are those where we enable companies in the industry to act (e.g. creating the right regulatory regime for companies that want to build an interconnector). The *additional monetised benefits* are mainly produced from changes to network companies' funding allowances, which are shown as a cash amount rather than a net present value.

Table 1 - Summary of expected monetised consumer benefits (2018 price year, £millions)

Benefits and breakdown by decision	Central case
a. Total direct impacts	7,787
New switching arrangements	40
Safeguard tariff for consumers in vulnerable circumstances	128
New licence conditions for installation of prepayment meters under warrant	18
Charging arrangements for Smaller Embedded Generators	7,582
Enforcement cases	11
Compliance cases	8
b. Total indirect Impacts	8,776
Interconnector cap and floor decisions	8,776
c. Total additional monetised benefits	542
Transmission and gas distribution price controls – Mid-Period Review parallel work	197
Fleetwood entry point in gas transmission	345
d. Aggregate expected benefits (a+b+c)	17,105

¹ https://www.ofgem.gov.uk/system/files/docs/2016/10/impact_assessment_guidance_0.pdf

² Those supported by a formal impact assessment showing monetised net benefits for consumers.

Note: all figures result from our impact assessments (adjusted to 2018 prices and NPV year where necessary). See Section 7 for further details on the methodology. The figure for the interconnector cap and floor decisions represents the expected benefits delivered by those interconnector projects if constructed, and not directly by our intervention to grant the cap and floor regime.

Qualitative consumer impacts

Many of Ofgem's decisions benefit consumers in ways that are difficult to monetise either in part or in whole. Some of the decisions delivering non-monetised benefits are³:

- *Increased protection for consumers in vulnerable circumstances*
 - Capping charges that suppliers can charge for installing a prepayment meter under warrant.
 - A safeguard tariff, capping the price consumers in vulnerable circumstances pay for energy.
 - Changing the criteria used to prioritise gas network connections for those in fuel poverty, so that they better reflect actual drivers of fuel poverty.
- *Increased protection for consumers against excessive network investment costs*
 - Reducing the entry capacity obligation for National Grid Gas Transmission (NGGT).
 - Setting a cap and floor mechanism to regulate the returns private developers earn from operating interconnectors, thus lowering network charges by allowing access to cheaper generation.
- *Increased security of supply and decarbonisation of the energy system*
 - Connecting new providers of balancing services (interconnectors) to the GB System Operator (SO), and helping to enhance balancing arrangements between the GB SO and the SO of the connecting country.
 - Introducing a regulatory framework and a procurement methodology which the System Operator has to comply with, in order to ensure adequate energy provision after a Black Start event.
- *Better aligning the incentives and rules faced by companies in the industry with consumers' interests*
 - Prohibiting electricity generators from paying, seeking to pay or to be paid excessively high or low amounts by the System Operator during transmission constraints.
 - Limiting the distortions created by the ability of a supplier to use sub-100MW (smaller) embedded generators to reduce transmission use of system charges, and for smaller embedded generators to be paid to help others avoid them.
- *Increased transparency and competition in energy markets*
 - Changing the rules that Price Comparison Websites must follow to be accredited by Ofgem, making them easier to use and encouraging them to grow their energy offer.

³ However, some decisions from this list also deliver consumer benefits that we were able to quantify: *New switching arrangements; Safeguard tariff for consumers in vulnerable circumstances; New licence conditions for installation of prepayment meters under warrant; Charging arrangements for Smaller Embedded Generators; Interconnector cap and floor decisions; Transmission and gas distribution price controls – Mid Period Review parallel work; Fleetwood entry point in gas transmission.*

- Introducing more reliable and faster switching, to unlock innovation, and to create more competitive pressure among energy suppliers.

This is the first time we have published a Consumer Impact Report alongside our Annual Report. We intend to publish a similar report every year, building on experience and feedback. We expect our methodology to evolve over time. For instance, to reduce the impact of any single decision on our assessment, we plan to report a three-year moving average of the benefits in future.

We welcome your feedback and comments, including on our methodology which we set out in Section 6. Please get in touch at chief.economist@ofgem.gov.uk.

1. Background and Introduction

- 1.1. Our Forward Work Programme for 2017-18, which sets out our priorities for the year, includes a commitment to assess how well we achieve our objective to make sure the energy markets deliver positive outcomes for consumers. This report fulfils our commitment by assessing the impacts that some of our most important decisions have on consumers.
- 1.2. At any one time, Ofgem typically has over 100 regulatory decisions in progress, as well as numerous smaller decisions such as industry code modifications, directions and licence applications. Although we are able to quantify some of the impacts of several decisions, many of the wider benefits of our work are inherently difficult to monetise.
- 1.3. Therefore, this report presents qualitative and quantitative assessments of some of our decisions. Specifically, we look at:

(1) The qualitative and quantitative benefits of 11 decisions, which used **formal impact assessments** as part of the decision-making process. Of these, seven are supported by impact assessments that can be used to calculate the NPV of consumer benefits or a measure of per annum net benefits. These decisions are:

- New switching arrangements
- Safeguard tariff for consumers in vulnerable circumstances
- New licence conditions for installation of prepayment meters under warrant
- Network price controls: Mid-Period Review parallel work
- Fleetwood entry point in gas transmission
- Interconnector cap and floor decisions
- Charging arrangements for Smaller Embedded Generators.

The other four decisions (supported by impact assessments but without a monetised consumer benefit) are:

- Criteria for the Fuel Poor Network Extension Scheme
- Transmission Constraint Licence Condition
- Price Comparison Website Confidence Code
- System Operator Incentives.

(2) The qualitative and quantitative benefits from **Enforcement and Compliance activities** and three **case studies**, for which there are no impact assessments:

- a. Supplier of Last Resort
- b. Rules relating to Estimated Annual Costs
- c. Black Start Strategy and Procurement Methodology.

- 1.4. To demonstrate and compare the contribution of each area of Ofgem's regulatory activities, decisions and case studies are grouped by market area.

Criteria for selecting Ofgem's decisions

- 1.5. This report covers decisions made during Ofgem's financial year, April 2017 to March 2018. We use the following non-cumulative criteria to choose which decisions to include in this report:

- **The decision was made using a formal impact assessment.** We have a statutory duty to do an impact assessment for our most important decisions, or to publish a statement saying why we are not doing one.⁴ Therefore, using an impact assessment indicates the significance of the decision;
- **The decision is categorised as ‘red’** in Ofgem’s internal decision tracking process. This uses a red / amber / green system to categorise decisions by legal complexity and monetised impact or significance. The ‘red’ decisions are normally significant ones;
- **The decision was significant enough to be considered by the Gas and Electricity Markets Authority (GEMA) and in the case of enforcement actions, significant enough to be considered by the Enforcement Oversight Board.**⁵

Our approach

1.6. The report is based on a combination of two approaches:

(1) Aggregating the results of formal impact assessments that informed some of the decisions taken in the financial year 2017-18 (**Table 2**):

Table 2 - Expected monetised consumer benefits by market area (2018 price year, £billions)

Market Area	Central case absolute values (2018 price year, £billion)
Retail price controls and competition measures	0.2
Networks measures and price controls	9.3
Improving the functioning of the energy system	7.6
Enforcement and compliance	0.019
Aggregate expected consumer benefits	17.1

Note: all figures are based on central case estimates.

Where different scenarios are included in the impact assessment, they are also included in this report. The reported lower case, central case and higher case scenarios for particular decisions are driven by different assumptions, with the lower case scenario taken as the more pessimistic scenario and the higher case scenario as the more optimistic one.

(2) Using case studies to assess the likely impact of regulatory decisions taken during the financial year 2017-18 that are not accompanied by a formal impact assessment. These case studies include

⁴ For detail on when Ofgem carries out impact assessments, see our Impact Assessment Guidance:

https://www.ofgem.gov.uk/system/files/docs/2016/10/impact_assessment_guidance_0.pdf

⁵ Enforcement investigations are decided in line with our Enforcement Guidelines

<https://www.ofgem.gov.uk/publications-and-updates/enforcement-guidelines>. Compliance decisions sit within Ofgem’s usual decision-making process.

measures to protect and maintain energy supplies, and to ensure the costs to consumers are minimised.

- 1.7. Ofgem’s costs for the financial year 2017-18 are £90 million, and this gives a direct benefits to cost ratio of 87. It is important to note that, although the impacts of some policy areas are difficult to quantify or the quantifiable part of their impact does not feature prominently in numbers (such as enforcement and compliance), they play a very important role in protecting consumers’ interests.

Structure of the document

- 1.8. The rest of this document is structured as follows:

Sections 3 to 6: summarise the decisions and describe the benefits for consumers. The sections are organised by market area: *Retail Price control and competition measures* (Section 3), *Networks measures and Price controls* (Section 4), *Improving the functioning of the Energy System* (Section 5), and *Enforcement and Compliance activity* (Section 6).

Section 7 - Methodology: contains details of how we calculate the overall net present value and the issues encountered in the calculation process.

Appendix - Links to source documents: lists the relevant documents that the summaries of each decision and the expected consumer benefits are based on.

2. Retail price control and competition measures

We want the retail energy market to deliver positive outcomes for consumers, including meeting the specific needs of people in vulnerable circumstances. In 2017-18, Ofgem undertook several pieces of work with the following principles in mind:

- **Supplier conduct** – driving the high standards and services expected of an essential service.
- **Supply-side competition** – vigorous competition between suppliers and price comparison websites.
- **Consumer engagement** – encouraging engagement and making it as easy as possible.

2.1. Below are the quantified net present values (NPV) of expected benefits, after adjustment for inflation and NPV year, from our decisions to protect consumers and enhance competition in the retail energy markets. Depending on the case scenario considered, the total benefits produced are between £24m and £321m. Sub-heading

Table 3 - Expected monetised consumer benefits from retail price control and competition measures (£millions, 2018 price year)

Benefits and breakdown by decision	Low scenario	Central case	High scenario
New Switching Arrangements	-118	40	170
Safeguard tariff for consumers in vulnerable circumstances	128	128	128
New licence condition for prepayment meters	13	18	23
Total (direct) benefits	24	186	321

Note: figures are calculated based on the monetised benefits from the impact assessment, adjusted for inflation and NPV year. See Section 7 for further details on the methodology. The figure for the central case for the decision *Safeguard tariff for consumers in vulnerable circumstances* is obtained as the average between the numbers in the low case and high case scenarios.

Decisions supported by impact assessments

New Switching Arrangements

- Lower bills**
- Quality of service**
- Reduced environmental damage*
- Benefit for society as a whole*
- Reliability and safety*

2.2. Ofgem wants to make the switching process more reliable and quicker to build consumers’ confidence and engagement in the energy market. Increased switching will exert additional competitive pressure on suppliers, causing them to reduce the prices charged and offer more choice of services. This should ultimately translate into additional savings for consumers.

- 2.3. The aim of the Switching Programme is to encourage consumers to engage with the energy market, and to improve their experiences in doing so. The current switching process from one energy provider to another can be unreliable and slow, and our consumer research confirms this is one reason why consumers do not actively engage in the energy market.
- 2.4. For the consumer impact report, we look at the reform package (RP2a) in which the switching functionality that currently exists in separate gas and electricity switching services will be replaced with a single Central Switching Service (CSS) by end of 2020. Ofgem is harmonising and speeding up the processes in gas and electricity so that consumers can submit a request to a supplier to switch by 5pm and be a customer of that supplier by midnight the following working day. The process for a non-domestic consumer will take an additional working day.

What is the impact on consumers?

- 2.5. The direct benefits from the proposed reform package, which we expect to be realised over the period 2018 to 2035 are⁶:
- 1) Improved reliability: we expect fewer erroneous, delayed, and unsuccessful switches. This will save consumers time and inconvenience that can arise from mistakes or delays in the switching process.
 - 2) Faster switching: we monetise the time saving to those consumers who are switching and the amount they save (in terms of lower bills) from faster access to better terms.
- 2.6. The reform package would also impose both transitional costs (i.e. those arising from implementing it) and ongoing costs to participants in the industry and Ofgem. To analyse the net impact to consumers, we assumed that suppliers will pass through 75% to 95% of direct industry costs and cost savings to consumers via energy bills, with a central assumption of 85% pass-through.

Table 4 - Switching arrangements NPV values (£millions, 2017 prices)

	Total direct costs	Total direct benefits	Total direct costs to consumers (after pass-through)	Total direct benefits to consumers (including some pass through of benefits to suppliers)	Direct NPV for consumers*
Lower case scenario (most pessimistic)	409	252	347	236	-111
Central	332	336	282	320	38
Higher case scenario (most optimistic)	295	427	250	411	161

⁶ The impact assessment also presented illustrative indirect benefits of the reform programme.

Note: figures shown are from the impact assessment document supporting the decision.

*Direct NPV calculated as total direct benefits to consumers minus total direct costs to consumers.

- 2.7. We expect the proposed reform package RP2a introducing the single Central Switching Service (CSS) to provide net present benefits to consumers ranging from -£111 to £161 million (see **Table 4**).
- 2.8. The net benefits to consumer could be greater than these figures suggest, as they do not capture the wider benefits that we would expect to result from encouraging greater competition and innovation.

Safeguard tariff for consumers in vulnerable circumstances

Lower bills
 Reduced environmental damage
 Reliability and safety
 Quality of service
 Benefit for society as a whole

- 2.9. There are many consumers whose circumstances make it difficult for them to engage effectively in the market. These consumers often have vulnerable characteristics (e.g., on low income, social housing renters, aged 65 or over, or living with a disability) and are:
- More likely to lack confidence in engaging in the market
 - More likely to be on high-priced standard variable tariffs (SVTs)
 - Spend a higher proportion of their income on energy, and therefore more likely to be negatively affected by high energy prices.
- 2.10. One of Ofgem’s objectives is to protect vulnerable consumers and to reduce the harm they experience by being on expensive, default tariffs. We imposed a short-term safeguard tariff, effective as of February 2018, for consumers who meet a set of vulnerability criteria. This involved modifying the standard conditions of the electricity and gas supply licences to regulate charges for domestic customers who receive the Warm Home Discount (WHD). The main effect of this change is to extend the scope of the existing prepayment meter (PPM) safeguard tariff to protect around an additional 1 million consumers who receive the WHD.

What is the impact on consumers?

- 2.11. By comparing the PPM safeguard tariff to existing tariff levels available in the market, we originally estimated the total expected reduction in eligible consumer bills to be around £100m per year at an annualised rate. This results in an average saving of £110 per eligible customer per year (based on average household typical consumption).
- 2.12. This figure is based on the market price as of 28 August 2017 and the second period for the prepayment safeguard tariff (October 2017 – March 2018). The prepayment safeguard tariff came into force on 1 April 2017.

- 2.13. From 1 April 2018, we expect the average annual saving to fall from £110 to around £70 per eligible customer per year, at an annualised rate. This is because of the increase in the prepayment safeguard tariff level that occurred in the April 2018 – October 2018 period. According to our estimates, this change will reduce the total expected reduction in eligible consumer bills from £100m to £63.64m per year at an annualized rate.
- 2.14. The estimate for the number of customers in scope is based on figures from the 2015/16 WHD scheme year.

New licence conditions for installation of prepayment meters under warrant

✓ Lower bills **✓ Reduced environmental damage** **✓ Reliability and safety**
✓ Quality of service **✓ Benefit for society as a whole**

- 2.15. Ofgem’s consumer research shows that many consumers who have a prepayment meter (PPM) installed under warrant are in vulnerable situations. PPMs are sometimes used by suppliers to manage customer debt. When a customer falls into debt on their gas and / or electricity accounts and no payment is received or other payment arrangement agreed, suppliers can apply for and execute a warrant to install a PPM to end the accrual of debt, establish a debt repayment schedule and ensure payment for ongoing energy use. Furthermore, they can seek to recover any expenses incurred in the warrant process. These costs are typically added to the debt owed by the consumer and repaid through the PPM.
- 2.16. Ofgem raised concerns that consumers who have a PPM installed under warrant are doubly penalised. First, these customers incur costs for installing the PPM under warrant, which is then added to their original debt. Second, these customers are then unable to access the most competitive deals on the market. This is because those deals are fixed-term tariffs available to users of credit meters; they are not available to consumers repaying debt via a PPM, or debt-free PPM users who are unable to switch to a credit meter because of conditions imposed by suppliers. This can exacerbate customers’ financial difficulties and vulnerable circumstances.
- 2.17. To protect vulnerable consumers and to make warrant charging fairer, Ofgem introduced licence conditions which:
- prohibit installation of PPMs and warrant charges for the most vulnerable customers. This includes prohibiting charges for people in severe financial difficulty and banning installations entirely for people for whom the experience would be severely traumatic, for example due to mental health issues;
 - place a cap on warrant charges set at £150. The cap covers both fuels and limits the costs that suppliers can charge for activities relating to the application and execution of a warrant at a property; and

- introduce a proportionality principle to require suppliers to act proportionately throughout the debt path and to make charges more transparent.

What is the impact on consumers?

2.18. Given limited availability of data, the impact of the proportionality principle is unknown. However, we expect direct savings for consumers deriving from the prohibition and cap measures to be between £4.5m and £7.7m per year over the period 2018 to 2020. The quantitative analysis used a number of simplifying assumptions, including the number of consumers receiving WHD on prepayment meters, the proportion of vulnerable customers on SVTs by supplier, and the proportion of prepayment customers on SVTs.

2.19. In addition, these measures are likely to result in hard-to-monetise benefits including:

- reduction in harm suffered by a subset of consumers in vulnerable situations from the prohibition of the installation of a PPM or the charges associated with the installation of a PPM;
- possible efficiencies (e.g. combined warrant execution for both fuels, better identification of customer circumstances before warrant execution) in the warrant process reducing the total cost redistributed across the wider consumer base; and
- reduction in harm to all consumers having a PPM installed under warrant due to a cap on charges.

Price Comparison Website Confidence Code



2.20. Ofgem’s Price Comparison Website (PCW) Confidence Code sets out a number of requirements that PCWs must follow to be accredited members, and to display the Ofgem Confidence Code logo. The Code’s aim is to help consumers feel confident that they are receiving an independent, transparent, accurate and reliable service when using an accredited site to switch energy suppliers.

2.21. In July 2017, we took steps towards changing the Code, specifically:

- Allowing accredited PCWs to have their default results page only show tariffs that can be entered into directly through their site, rather than the previous requirement to show a wide range of tariffs that are not available directly through the site.
- Requiring PCWs to ensure consumers can easily access a results page that includes tariffs which can only be switched to outside of their site.

- Amending the Code to ensure accredited PCWs provide clear messaging on market coverage, and to list tariffs in price order unless the consumer specifically asks for them to be ordered in some other way.

2.22. We consulted on these Code changes in July and confirmed them in September 2017.

What is the impact on consumers?

2.23. The main expected consumer benefit from these changes is that PCWs are encouraged to play a more active role in the retail market, supporting consumer engagement and driving greater supply-side competition. The changes:

1. Remove the requirement for PCWs to show as the default results page, tariffs from suppliers who do not pay them commission, which restricted PCWs' incentives to invest and innovate.
2. Provide greater incentives for suppliers to support PCWs, which could lead to an increase in the tariffs available via PCWs.
3. Help more consumers proceed to complete a switch, since by default they only see tariffs they could switch to via the PCW.
4. Increase incentives for PCWs to negotiate deals with suppliers, encouraging competition between suppliers and leading to lower prices.
5. Ensure that the Code continues providing consumers with accredited PCWs they can trust.

Case studies

2.24. We present two case studies below, which are significant decisions affecting retail energy markets but for which there were no formal impact assessments.

Case Study 1: Supplier of Last Resort

☑ Lower bills *☑ Reduced environmental damage* *☑ Reliability and safety*
☑ Quality of service *☑ Benefit for society as a whole*

2.25. In the event of a supplier going out of business and a trade sale being unfeasible, Ofgem may run its Supplier of Last Resort (SOLR) procedure to find a new supplier for their customers. By running this process, we ensure that customers' energy supplies are protected, consumer confidence in the market is maintained, and unpaid industry bills are minimised.

Appointment of Green Star Energy as SOLR

- 2.26. Future Energy (Supply) Limited and Future Energy Utilities Limited (“Future Energy”) ceased trading in January 2018. Following an SOLR process, Green Star Energy was chosen to take on Future Energy’s customers. Green Star Energy is honouring all outstanding credit balances, including money owed to both current customers and to past customers of Future Energy and has agreed to meet a proportion of these costs itself. Green Star Energy is also offering Future Energy customers the same tariff they were paying before the SOLR process until 30 September 2018.
- 2.27. Having agreed to honour outstanding credit balances and existing tariffs, the SOLR process has ensured that all of the approximately 11,000 customers of Future Energy have continuity of service, and have not faced financial detriment.

Last Resort Supply Payment Claim from Co-operative Energy

- 2.28. On 28 November 2016, following the collapse of GB Energy Supply Limited (“GB Energy”), Co-operative Energy Limited (CEL) was appointed as supplier of last resort, taking on GB Energy’s customers. Once appointed, an SOLR may make a claim for a Last Resort Supply Payment from relevant distribution networks where Ofgem has given consent to the amount claimed.
- 2.29. In November 2017, CEL notified us of its intention to claim for payment consisting of four elements:
- Recovery of 70% of GBES customers’ net credit balances (£10,979,815)
 - Emergency wholesale procurement (£1,269,801)
 - Cost of capital to fund credit balances (£1,790,167)
 - IT migration costs (£859,300)
- 2.30. The cost of protecting customers’ credit balances has been partly (30%) funded by CEL. We consented to CEL claiming a payment of up to £14.04m (for items 1-3 only), subject to any amounts CEL is awarded through the liquidation of GBES.
- 2.31. The impact on consumers of this decision means that these specific costs associated with CEL taking on GB Energy’s customers will be spread across other consumers. CEL excluded a number of costs from its claim. Most notably, CEL agreed not to claim for 30% of the costs of honouring GBES customers’ credit balances.

What is the impact on consumers?

- 2.32. When a supplier fails, it is important that continuity of supply is maintained for its customers to avoid wider negative effects on the market. For example:
- (1) Until a failed supplier’s contracts have been transferred, or deemed contracts are established with a SoLR, there is no practical way to prevent an existing customer from taking electricity or gas from the network. This will cause the network system operator to step in to perform a residual role of

balancing the gas and electricity in the network. As the failed supplier will not be able to pay for the energy required to balance the networks in this way, these costs will be mutualised across other industry participants.

(2) If a supplier fails without urgent intervention, consumer trust and confidence in the energy market would be materially damaged.

- 2.33. Ofgem can ensure continuity of supply to the failed supplier’s customers and prevent these wider negative effects by appointing an SOLR to supply the failed supplier’s customers at very short notice. The exact circumstances of each SOLR case will differ and decisions around these appointments will depend on the circumstances. We consider each instance individually.

Case Study 2: Rules relating to Estimated Annual Costs

<i>✓ Lower bills</i>	<i>✓ Reduced environmental damage</i>	<i>✓ Reliability and safety</i>
<i>✓ Quality of service</i>	<i>✓ Benefit for society as a whole</i>	

- 2.34. For domestic consumers to engage effectively in the retail energy market they need to have the tools to be able to understand their current circumstances and to compare their current tariffs with others. One such tool that suppliers should provide to consumers is an estimate of their annual costs – a projection of the costs they are likely to pay on a given tariff. We have decided to amend the methodology that suppliers and some price comparison sites are required to follow when estimating these annual costs.

- 2.35. This licence modification replaces the prescriptive methodology that suppliers and Confidence Code-accredited sites are required to follow with a principles-based rule about what the estimate must do. The personal projections should:

- be personalised to the consumer, based on information that is reasonably available to the supplier or comparison site, and on reasonable assumptions where actual data is not available;
- be based on actual historic consumption wherever this is available (and a best estimate of consumption where it is not);
- include non-contingent discounts and non-optional bundled charges, and exclude contingent discounts and optional bundled charges;
- be applied consistently when used to provide the consumer with a comparison of different tariffs, such that the same assumptions, where relevant, are made for all tariffs that are being compared;
- be transparent, and accompanied by a description of the estimate that makes clear to the consumer what it is, what it can be used for, and any assumptions that have been made in its calculation.

What is the impact on consumers?

- 2.36. This change should ensure that the Estimated Annual Cost rules continue to provide strong protections for consumers, while being sufficiently flexible to reflect the tariffs that are on the market now and in future.

3. Networks measures and price controls

This section include summaries of the major decisions affecting the transmission and distribution networks. Principally, these decisions aim to ensure that the network operators operate efficiently and do not abuse their monopoly position. Our work in this area also aims to promote efficient ways to deliver security of supply and support decarbonisation of energy supplies. Ofgem’s key decisions include removing funding allowances to the National Grid Gas Transmission owner, granting a cap and floor regime for electricity interconnectors, and enabling consumers in fuel poverty to connect to the gas network.

3.1. We expect network measures and price controls to produce benefits of around £9,300 million (**Table 5**).

Table 5 – Expected consumer benefits from network regulation activity (£million, 2018 prices)

Breakdown by decision	Central case
Interconnector cap and floor decisions (indirect benefits only)	8,776
Fleetwood entry point in gas transmission (additional monetised benefits)	345
Transmission and gas distribution price controls – Mid-Period Review	197
Parallel work (additional monetised benefits)	
Total benefits	9,318

Note: figures are calculated based on the monetised benefits from the impact assessment, adjusted for inflation and NPV year.

Decisions supported by impact assessments

Fleetwood entry point in gas transmission

Lower bills
 Reduced environmental damage
 Reliability and safety
 Quality of service
 Benefit for society as a whole

- 3.3. National Grid Gas Transmission (NGGT) is the owner of the high-pressure gas National Transmission System (NTS) in Great Britain. To ensure value for money for consumers, Ofgem regulates NGGT through periodic price control reviews that limit its revenues and specify outputs that NGGT must deliver.
- 3.4. NGGT had an obligation to provide 650 GWh/day of entry capacity at Fleetwood.⁷ However, the project that the capacity was originally created for did not proceed and the capacity remains largely unsold. NGGT has financial allowances associated with providing this capacity, but it does not expect to spend any of these during this price control.

⁷ The allowance is for providing capacity at the Fleetwood entry point to the national high pressure gas pipeline in Lancashire.

- 3.5. Ofgem decided to remove funding allowances from NGGT’s price control to ensure consumers do not pay for work which is not carried out, and to reduce the capacity obligation to 350 GWh/day.

What is the impact on consumers?

- 3.6. Ofgem gave NGGT £277.5 million (in 2009/10 prices) to build a number of pipelines and other network infrastructure upgrades to meet the capacity obligation. Firstly, by removing this allowance, consumers will pay less than had been expected through reduced network charges spread over 45 years, with the savings summing to £345 million in 2018 prices.
- 3.7. Secondly, by reducing the capacity obligation to 350GWh/day at Fleetwood, consumers are expected to benefit from avoided network investment costs over the 2012 to 2021 period. As it is difficult to quantify, we have not been able to express this impact. .

Interconnector cap and floor decisions

<i>✓ Lower bills</i>	<i>✓ Reduced environmental damage</i>	<i>✓ Reliability and safety</i>
<i>✓ Quality of service</i>	<i>✓ Benefit for society as a whole</i>	

- 3.8. Electricity interconnectors are the physical links that allow the transfer of electricity across borders. They have potentially significant benefits for consumers: lowering electricity bills by allowing access to cheaper generation; providing more efficient ways to achieve security of supply; and supporting the decarbonisation of energy supplies.
- 3.9. Under Ofgem’s cap and floor regime, private sector developers identify, propose and build interconnectors. The cap (maximum) and floor (minimum) mechanism regulates the returns they earn from operating the interconnector. The regime invites submissions from interconnector developers within a time-bound application window. The first application window (Window 1) resulted in five projects being awarded a cap and floor regime in principle.
- 3.10. In January 2018, Ofgem granted a cap and floor regime in principle to three interconnector projects applying through its second application window (Window 2).

What is the impact on consumers?

- 3.11. Ofgem’s impact assessment was informed by a number of independent reports, and identified consumer welfare benefits that we expect to be realised over the period 2022 to 2046 if the interconnectors are constructed as planned. These benefits are set out in **Table 6**, and are based on the impact on wholesale prices, provision of ancillary services, and all payments made under the cap and floor regime. It is important to note that the assessment is of expected benefits of those projects and not of our decision directly.

3.12. The impact assessment sets out three scenarios; a lower bound, a base case, and a higher bound. The base case is the best view of the future based on current market and policy trends. The lower and higher bound scenarios are used as sensitivity tests and represent, respectively, less and more favourable assumptions about the overall effect of interconnectors on both consumers and firms. Under these two scenarios, GB consumer welfare is lower than in the base case because of significantly lower wholesale price savings.⁸ Ofgem’s decision to grant the cap and floor regime was made on the basis of the base case.

Table 6 – Expected net GB consumer welfare (£m NPV, 2015 prices)

Interconnector	GridLink	NeuConnect	NorthConnect	Total
Lower bound	-110	-483	1,292	699
Base scenario	2,984	2,197	2,739	7,920
Higher bound	1,352	-297	619	1674

3.13. In addition, there are ‘hard to monetise’ benefits from the three interconnectors:

(1) All three interconnectors are expected to benefit security of supply, allowing Great Britain’s energy system to benefit from a diverse range of generation in other markets. These expected benefits are highest for GridLink and NorthConnect, which connect to the nuclear-based and hydro-based energy systems of France and Norway, respectively.

(2) We expect there to be consumer benefits relating to decarbonisation from the interconnectors. In some circumstances, each interconnector will lead to low-carbon imports displacing thermal generation in Great Britain. The extent of this impact is difficult to model given wider system implications of cross-border trading.

3.14. These expected consumer benefits arise from the interconnectors themselves rather than directly from Ofgem’s decision in principle. However, Ofgem’s cap and floor regime aims to encourage private investors to develop interconnectors, which would probably not have taken place without the regime (because of high investment costs, long payback periods, and uncertain revenue streams).

Criteria for the Fuel Poor Network Extension Scheme

<input checked="" type="checkbox"/> Lower bills	<input checked="" type="checkbox"/> Reduced environmental damage	<input checked="" type="checkbox"/> Reliability and safety
<input checked="" type="checkbox"/> Quality of service	<input checked="" type="checkbox"/> Benefit for society as a whole	

3.15. Fuel poverty remains a significant challenge in Great Britain. As the energy regulator, Ofgem has an obligation to protect the interests of existing and

⁸ In the lower bound scenario this is as a result of much lower price differentials between GB and connecting countries, thereby limiting import of cheaper electricity into GB. In the higher bound scenario this is as a result of increased GB electricity exports and subsequently higher wholesale prices.

future energy consumers as a whole, and in doing so to have regard to the interests of vulnerable consumers. In light of these obligations, the Fuel Poor Network Extension Scheme (FPNES) was included as part of the current RII0-GD1 price control for the Gas Distribution Networks (GDNs). FPNES helps households that are not connected to the gas grid to switch to natural gas by providing funding towards the cost of the connection. Gas is a cost-effective fuel for heating, and so the scheme facilitates access to affordable energy supplies and helps alleviate fuel poverty.

- 3.16. Under RII0-GD1 each GDN has a target for the number of connections it must make under the scheme by 2021. To date GDNs are broadly on track to meet these targets.
- 3.17. The funding is based on pre-defined eligibility criteria. To help ensure that the scheme more effectively targets fuel poor households and offers good value for money for all consumers, Ofgem decided to remove the Index of Multiple Deprivation (IMD) criterion. Under this criterion, the applicant is eligible if they live within the 25% most deprived areas, as measured by the government's IMD data. However, there is evidence that residing in the 25% most deprived areas is not a good predictor of fuel poverty, and consequently the current criterion gives rise to a strong risk that the funds allocated for FPNES could be used to subsidise connections for non-fuel poor households.
- 3.18. The removal of the IMD criterion, taking effect from 1 July 2018, should ensure that the FPNES:
- continues to be aligned with the criteria used by the government for related schemes;⁹ and
 - is better targeted at fuel poverty, resulting in a better value for money scheme and more protection of existing and future energy consumers' interests.

What is the impact on consumers?

- 3.19. The removal of the IMD criterion will likely lead to a decrease in connections going to those not in fuel poverty and a greater proportion of connections going to those in fuel poverty and satisfying the remaining criteria:
- being eligible for measures under the Home Heating Cost Reduction Obligation (HHCRO) aspect of the Energy Company Obligation (ECO) (all), Nest (in Wales only) or the Home Energy Efficiency Programmes (HEEPs) (in Scotland only); or
 - being in fuel poverty based on the latest definition/indicator for the relevant area.¹⁰

⁹ Such as the Energy Company Obligation (ECO) scheme. In January 2017 the government decided to change the ECO scheme and remove the Carbon Saving Community Obligation (CSCO), which focused on delivering insulation measures to any home within the 25% most deprived areas in Great Britain.

¹⁰ The definition / indicator differs for England, Wales and Scotland.

- 3.20. By removing the IMD criterion, we expect the number of non-fuel poor households receiving a subsidised connection to fall, reducing the costs of the scheme to consumers as a whole. The effect on the number of fuel poor connections is less clear, and is dependent on how GDNs respond to the change.

Transmission and gas distribution price controls – Mid-Period Review parallel work

✓ Lower bills *✓ Reduced environmental damage* *✓ Reliability and safety*
✓ Quality of service *✓ Benefit for society as a whole*

- 3.21. When we developed the RIIO price controls, we recognised that there were potential uncertainties that could affect the outputs companies would need to provide and the expenditure requirements to deliver them. To address this and to ensure the companies continue to provide the outputs consumers will benefit from, the RIIO model included various types of uncertainty mechanism, including a review of outputs half way through the price control, the Mid-Period Review (MPR).
- 3.22. During the MPR for transmission and gas distribution, we identified areas we would like to look at further, which we termed MPR parallel work. This included clarifying two of the outputs network companies are required to deliver, and price control changes where we thought it was in consumers’ interests to make adjustments.

What is the impact on consumers?

- 3.23. The benefits of these decisions were primarily the delivery of outputs for consumers at a lower cost than expected, and encouraging companies to continue identifying alternative and more efficient solutions in the long term. Network companies’ costs are ultimately paid for by consumers.

(1) Ofgem decided to consider unclear outputs delivered if their ‘purpose’ was achieved in a way that provides the greatest value to consumers, rather than if a company had delivered the exact solution originally specified:

- National Grid Gas Transmission’s compressors output – the output specified certain compressors had to be replaced to meet emissions limits. We allowed NGGT to deliver the same emissions limits using alternative solutions (e.g. a catalytic converter instead of compressors), leading to a forecast underspend of £25 million against its allowance of £143 million.
- Scottish Power Transmission voltage control output – SPT’s business plan identified new network assets would be required to manage voltage following the expected closure of Hunterston B power station during the RIIO-T1 period. Hunterston B is now expected to close in the next price control period, but other unforeseen closures (such as Longannet power station) meant that the need for voltage support remained, although in a different manner than originally forecast. We allowed SPT to install

voltage management equipment on its network, despite the trigger for such works being different from that originally envisaged. At the time of the MPR decision, SPT was forecasting to spend £10.8m in the delivery of voltage support equipment across the RIIO-ET1 period, which is less than the £15.4 million allowance as part of the RIIO-ET1 settlement (financial values in 2009-10 prices).

(2) Ofgem also considered several adjustments to the price controls to address specific issues.

- The Western HVDC link is a transmission link between Scotland and Wales, jointly developed by National Grid Electricity Transmission (NGET) and Scottish Power Transmission (SPT). The link increases capacity on the network, and will reduce the number of constraints payments that are ultimately paid for by consumers. However, the link was delayed, reducing the benefits for consumers, while causing a potential benefit to NGET and SPT who could claim their allowed revenue for the link, while delaying paying their suppliers. We decided that the revenue allowances for the two companies should also be delayed in line with the delayed link, meaning consumers do not pay early for a delayed benefit.
- Cadent is funded to remove or abandon medium pressure iron mains in London, in order to make the gas network more safe and reliable. Cadent found that the majority of its medium pressure work could not go ahead during the price control, due to a combination of engineering and stakeholder challenges. Cadent offered to return £53.9 million of its £93 million allowance to consumers, in proportion to the length of mains it could not replace. We decided to accept its proposal, which means consumers will pay for the replacement work in a future price control, once it actually occurs.
- SPT requested a change to its 'volume driver' mechanism for new connections, which adjusts its allowed revenue when it needs to install certain new assets. The eligible assets are specified on a menu. SPT found that due to changes in the location and quantity of connections, it needed to install assets not listed on the menu and asked for those to be added. We decided that this sort of risk should be borne by the company not consumers (albeit partially shared through the totex incentive mechanism), so rejected its proposal. SPT's current estimate of the level of overspend across the RIIO-ET1 period (i.e. spend not remunerated through a funding mechanism) is currently £75m (2009-10 prices).
- We also considered changes to six other aspects of price controls and decided that adjustments were not in consumers' interests.

4. Improving the functioning of the energy system

A large number of our decisions relate to the functioning of the energy system, which includes the supply of electricity and gas from its generation to the meter point and how this evolves in the future. Our work in this area covers a range of issues including:

- Wholesale GB gas and electricity markets – including security of supply concerns.
- Policy in respect of the GB electricity and gas systems operator (SO).
- GB electricity and gas systems and their integration.
- Connections and constraint management policy.
- Smart and flexible systems.

4.1. **Table 7** summarises the expected net benefits for consumers, which account for a large proportion of the aggregate monetised benefits.

Table 7 – Expected consumer benefits from energy systems code measures and regulatory frameworks (£millions, 2018 prices)

Decision	Central case scenario
Charging arrangements for Smaller Embedded Generators (direct benefits only)	7,582

Notes: figures are calculated based on the monetised benefits from the impact assessment, adjusted for inflation and NPV year. The impact assessment document does not provide a range of values for the monetised benefits.

Decisions supported by impact assessments

System Operator incentives

- ✓ Lower bills
- ✓ Quality of service
- ✓ Reduced environmental damage
- ✓ Benefit for society as a whole
- ✓ Reliability and safety

4.2. The electricity system operator (SO) was previously incentivised to drive additional consumer benefits through the use of prescriptive and mechanistic target-based incentives. These predominantly focused on encouraging the electricity SO to unlock shorter-term efficiencies in balancing the electricity system, which involves costs of around £900m a year. However, this scheme contributed to the electricity SO focusing on a narrow set of outcomes, rather than encouraging it to consider actions that could drive whole electricity system cost savings over the longer term.

4.3. From April 2018, we have replaced these incentives with a more principles-based set of reporting and incentive arrangements. The aim of this change is to achieve whole system energy cost savings for consumers, both in the short and long-term, by incentivising the electricity SO to provide value for consumers across the full spectrum of its activities and time horizons. It is also designed to

encourage the electricity SO to work more actively and flexibly with its stakeholders in response to the energy system transition.

- 4.4. The new approach is built around us being clear upfront about the behaviours and outcomes we expect of the electricity SO, but it places the onus on the electricity SO to engage with stakeholders to identify how to best meet these expectations and maximise benefits for consumers. Each year we will evaluate, with input from stakeholders, how the electricity SO has performed against these expectations, which will ultimately inform a decision by the Authority on a financial reward or penalty (up to a maximum incentive cap and floor of $\pm\text{£}30\text{m}$ for 2018/19).

What is the impact on consumers?

- 4.5. We believe our policy will drive transparency and efficiency and will facilitate competition. We expect this to lead to lower bills for consumers by rewarding the electricity SO if it can demonstrate it has delivered additional benefits and value to consumers. By incentivising the electricity SO over a broader set of roles and time horizons, we believe it will more likely pursue actions that maximise overall benefits for consumers. Our new approach will also be more likely to encourage the electricity SO to adapt when things change and seek new opportunities for consumer value throughout the year.
- 4.6. We also expect consumers to benefit from improved reliability and a better quality of service, since the changes should encourage information exchanges between the transmission and distribution levels to allow for optimal use of flexible resources. This should also allow for better preparation for future system operability challenges, ensuring that potential future challenges to the system arising at lower voltage levels are identified and managed effectively.

Transmission constraint licence condition

<i>✓ Lower bills</i>	<i>✓ Reduced environmental damage</i>	<i>✓ Reliability and safety</i>
<i>✓ Quality of service</i>	<i>✓ Benefit for society as a whole</i>	

- 4.7. Transmission constraints occur when there is insufficient network capacity to transmit the electricity into or out of a region on the network. During periods of transmission constraint, the SO often has limited options to purchase reduced generation (or demand) from a specific geographic area.
- 4.8. For a long time, we have been concerned that there is potential for electricity generators to manipulate and exploit market conditions and charge high prices to the SO to balance the GB electricity system, in periods of transmission constraint. These costs will ultimately be borne by consumers. In order to deter excessive pricing behaviour in periods of transmission constraint, and thereby ensure that bills for consumers are not higher than necessary, the Government introduced the Transmission Constraint Licence Condition (TCLC) in 2012 for a five-year period. This prohibited electricity generators from paying or seeking to pay the SO an excessively low amount, or being paid, or seeking to be paid an excessive amount by the SO, when reducing generation during a period of transmission constraint. In July 2017 this licence condition was extended

indefinitely. It was also slightly amended to avoid overlaps with the Regulation on Energy Market Integrity and Transparency.

What is the impact on consumers?

- 4.9. We estimate that between 2012 and 2016 the TCLC reduced the amount the System Operator paid to generators to reduce their power when there was a transmission constraint by £156m. This saving is calculated by comparing the level of prices paid to some power generators before the TCLC and since its introduction. The most notable reductions in prices come from wind generators who previously charged very high prices to reduce their power and then dramatically reduced their prices. Ofgem assumes that this change is because of the TCLC, and there is no evidence to suggest otherwise. Ofgem also assumes that this saving is passed onto consumers, but this is extremely difficult to be certain of as any impacts would be subsumed by market-wide price changes.

Charging arrangements for smaller embedded generators

✔ **Lower bills**
 ✔ *Reduced environmental damage*
 ✔ *Reliability and safety*
✔ *Quality of service*
 ✔ **Benefit for society as a whole**

- 4.10. Transmission Network Use of System (TNUoS) Demand and Generation charges recover the cost of building and maintaining the transmission system. TNUoS Demand charges apply to demand users. TNUoS Generation charges apply to generators directly connected to the transmission network or to generators connected to the distribution network that are above 100MW in capacity. Generation which is below 100MW on the distribution network (smaller embedded generators (EG)) does not pay generator transmission charges but is instead treated as negative demand for the purposes of transmission charges.
- 4.11. The allocation of TNUoS Demand charges for most users is based on the highest demand time periods in the year, and suppliers' liability for their customers' use is measured at the point the transmission network meets the distribution network (the Grid Supply Point, GSP). Because smaller EG is treated as negative demand for these charges, it means that smaller EG can be paid by suppliers to generate at busy times, to reduce the TNUoS Demand charges that suppliers face. These payments from suppliers (or from National Grid) to smaller EG are among the consequences of different charges relating to smaller EG that are referred to as embedded benefits.
- 4.12. We found these arrangements to be a significant cause for concern in respect of one element of TNUoS Demand charges: the TNUoS Demand Residual (TDR) charge. We found that the ability of a supplier to use and pay smaller EG (TDR payments) to reduce their (the supplier's) TDR charge gave rise to significant distortions. Code modifications to address this issue were proposed by industry together with Connection and Use of System Code (CUSC) and Workgroup Alternative CUSC modifications (WACMs). The proposals included a range of values that replaced TDR payments to smaller EG, and included various implementation options.

4.13. Ofgem directed that WACM 4 should be implemented. That modification removed the ability of suppliers to use smaller EG to reduce supplier contribution to the TNUoS demand residual. In place of TDR payments, a new cost-reflective payment is now available to smaller EG and is being introduced through a three-year phased implementation, which commenced on 1 April 2018.

What is the impact on consumers?

4.14. Under the previous arrangements, which were changed on 1 April 2018, the available payment that smaller EGs received from suppliers was £47.30/kW and this was predicted to rise to £69.59/kW in 2021/22. As of 1 April 2018, when the new arrangements came into effect, the payments are expected to decline gradually to the level of the demonstrable benefit smaller EGs bring to the transmission system (currently £3.22/kW).

4.15. Ofgem’s impact assessment incorporated modelling from Lane Clark and Peacock LLP (LCP)/Frontier Economics. This work suggested an expected net benefit to consumers of over £7bn over a 14-year period from 2021 to 2034 (2016 year prices), accounting for consumer costs and savings resulting from the decision. The majority of consumer cost savings arises from a reduction in consumer costs from TDR payments to embedded generators and from reduced wholesale costs associated with investment in more efficient plant. The expected benefit also includes changes to various other industry costs as a result of the decision, such as Capacity Markets (CM) charges, Contracts for Difference (CfD) charges and unserved energy costs.

Case study

Case Study 3: Black Start Strategy and Procurement Methodology

✓ Lower bills	✓ Reduced environmental damage	✓ Reliability and safety
✓ Quality of service	✓ Benefit for society as a whole	

4.16. Black Start is the process used to recover from an event resulting in the full or partial shutdown of the transmission system. Isolated power stations are started individually without an external power supply, and gradually reconnected, to reenergise the system. National Grid Energy Transmission (NGET), as the System Operator (SO) in Great Britain, has an obligation under the Grid Code to ensure Black Start capability is available.

4.17. Ofgem made two decisions in this financial year with regards to Black Start. On 1 April 2017 Ofgem introduced a new regulatory framework for determining the allowed revenue derived from Black Start that NGET may recover each year. On the 26 July 2017 we approved the Black Start Strategy and Procurement Methodology submitted by NGET on 2 June 2017. NGET must submit a revision to the methodologies at least once a year.

- 4.18. The methodologies should include an explanation of how NGET will ensure that the Minimum Service Level, as specified in the Black Start Strategy, will be met and a methodology for determining the value to current and future electricity consumers in GB of the Black Start service. It must also include an explanation of the process by which NGET will procure services and how it will assess offers by providers, a methodology for determining the value of each Black Start contract, and the efficiency of Black Start Feasibility Studies.
- 4.19. This is an ongoing process, and a decision on cost recovery for Black Start costs for 2017/18 is due by July 2018. The methodologies agreed in July will form the basis of Ofgem’s assessment of the end of year ex post total costs. As the assessment for 2017/2018 costs is not due to take place until after this report, the assessment itself is not included here.

What is the impact on consumers?

- 4.20. The expected benefits to customers of these decisions are a balance between:
- The costs incurred by NGET to procure services relating to Black Start capabilities
 - The necessity of having adequate service provision in the unlikely event that there is a need of reenergising the system after a Black Start event.
- 4.21. The new regulatory framework introduced this year and the approval process for the methodologies strikes this balance. The annual approval process for new methodologies will help ensure that the methodologies in place are fit for purpose and that the costs incurred are reasonable.
- 4.22. The methodology also takes account of the need to maintain a reliable energy system. A Black Start event has not yet occurred, but if it did, the detriment could be severe, and our decisions are expected to mitigate this risk and reduce the potential detriment to consumers.

5. Enforcement and Compliance activity

As part of our duty to regulate the way in which *energy businesses behave*, our enforcement arm identifies and responds to conduct in the gas and electricity markets which may be unlawful, anti-competitive, or otherwise harm consumer interests. Therefore, enforcement action is an important tool in promoting a culture of businesses putting energy consumers first and acting in line with their obligations.

Our investigations include the following types:

- Compliance with relevant conditions and requirements
- Alleged anti-competitive agreements and abuse of dominant positions
- Compliance with consumer protection provisions
- Potentially unfair terms in consumer contracts and consumer notices
- Compliance with misleading marketing provisions.

- 5.1. We estimate the expected consumer benefits to be about £10.9 million from the enforcement decisions taken by Ofgem in the period April 2017 – March 2018.
- 5.2. In addition to our enforcement arm, our retail market compliance function helps regulate the behaviour of energy supply companies, both domestic and non-domestic. It identifies and responds to activities that may be in breach of licence conditions and other regulatory requirements, and / or which may cause detriment to consumers. The aim of compliance activity is to prevent or quickly correct harmful activity by taking prompt action against any potential non-compliance. Our investigations cover the same areas as those listed above, apart from alleged anti-competitive agreements.
- 5.3. When a compliance investigation unearths potentially serious wrongdoing on the part of an energy supply company, or the company refuses to change its behaviour in a way that would bring it back to compliance, we can refer a company to our enforcement arm.
- 5.4. We estimate the expected consumer benefits to be about £7.8 million from the compliance decisions taken by Ofgem in the period April 2017 – March 2018.

Enforcement cases

<input checked="" type="checkbox"/> Lower bills	<input checked="" type="checkbox"/> Reduced environmental damage	<input checked="" type="checkbox"/> Reliability and safety
<input checked="" type="checkbox"/> Quality of service	<input checked="" type="checkbox"/> Benefit for society as a whole	

- 5.5. We break down the impact of enforcement activities on consumers into four main areas.
 - Past detriment: Past harm caused to consumers by breaching parties.
 - Additional redress: paid to consumers or charities over and above the identified detriment.

- Avoided detriment: Future harm that would be caused by breaching parties had Ofgem not intervened. Our approach is based on those used in similar reports by other authorities, such as the Competition and Markets Authority (CMA) and the Dutch Authority for Consumers & Markets (ACM). They rely on rules of thumb to assess the likelihood and the duration of the violation in future. We construct our rules of thumb based on the type of case (eg mis-selling, transfer blocking, IT problems, price increase, and competition) and on the nature of companies’ behaviours (e.g. self-reported, accidental, and deliberate). The time period considered to assess the future avoided detriment ranges from zero (self-reported cases) to six years, for the most severe deliberate breaches.
 - Deterrence: Future harm to consumers by other parties avoided as a result of the threat of Ofgem’s intervention
- 5.6. Our methodology treats each area separately. For the purposes of this report, we will use the same methodology to calculate past and avoided detriment but we do not calculate deterrence because it is difficult to do so. By not accounting for deterrence, we are excluding one of the main indirect benefits associated with enforcement activities. The threat of enforcement actions increases the expected costs of a breach to business and individuals, making infringement behaviours less attractive.
- 5.7. In the year to date, Enforcement completed four cases (see **Table 8**). Two of these resulted in financial penalties. In the others, SSE made significant changes to its processes for PPM customers, and the other led to financial redress via alternative action.

Table 8 - Enforcement cases closed between April 2017 and March 2018

Company	Breach areas	Case closed	Notes	Total amount of redress payments and fines (2018£, units)
E (Gas and Electricity) Limited	Marketing and telesales activities, Vulnerable customers	Jan-18	Consumers faced no detriment in this case, however E Gas and Electricity benefited from financial gain amounting to £15,000 over the period of the breach	260,000
SSE	Switching, Failure to meet obligations, Vulnerable customers	Nov-17	Case closed following satisfactory implementation of improvement actions agreed between the Authority and SSE	-
British Gas	Guaranteed Standards	Jul-17	British Gas paid redress of £1.1	1,100,000

			million, made up of £700,000 for past detriment and £400,000 additional redress, to some of its domestic and micro business customers after its third party agents missed appointments with customers or did not keep them on time. No formal enforcement action was taken as a result.	
British Gas	Billing, Customer service, Standards of Conduct	Jun-17	British Gas paid redress of £9.5m, made up of £3.8m for past detriment and £5.7m additional redress, both to micro-business customers directly affected by its failings, and to the Money Advice Trust (which provides the Business Debtline service). The redress payments to Business Debtline will be used to provide debt advice services to business customers who are experiencing difficulties in paying their energy bills.	9,500,000

5.8. Overall, we estimate that past detriment caused by breaching parties equalled £4.5 million over the period April 2017 – March 2018.

5.9. In response to this detriment, Ofgem issued fines and agreed redress payments totalling £10.9 million.

What is the impact on consumers?

5.10. We estimate the expected consumer benefits to be about £10.9 million from the enforcement decisions taken by Ofgem in the period April 2017 – March 2018.

Compliance cases

Lower bills
 Reduced environmental damage
 Reliability and safety
 Quality of service
 Benefit for society as a whole

5.11. Compliance cases vary in both their nature and scope, ranging from significant (financial) detriment to consumers to minor omissions on suppliers’ websites. Between April 2017 and March 2018, we closed 57 compliance cases. The majority of compliance cases do not lead to any monetary consequences, but instead result in changes to supplier behaviour. Between April 2017 and March 2018, outcomes of compliance cases included:

- Changes to supplier terms & conditions.
- Changes to information on supplier websites.
- Upgrades to supplier systems.
- Changes to supplier training practices.
- Corrections to tariff information labels.
- Improved provision of supplier contact details.
- Compensation paid to consumers.
- Compensation paid to our redress fund.
- Avoided tariff increases for consumers.

5.12. The combined expected impact of compliance cases with a monetary element is shown in Table 9

Table 9 - Consumer benefits from compliance activity

Type of impact	Value (£million in 2018)
Compensation payments to consumers	3.8
Redress payments to charities	0.85
Avoided costs to consumers	3.15
<i>Total</i>	7.8

Compensation payments to consumers

5.13. This value is the total of all compensation paid directly to consumers across all compliance cases where such payments are made. The amount of compensation payments is determined by the detriment caused to consumers. In cases of direct financial harm, the compensation payment will cover the financial loss to a consumer, and may also include a goodwill payment. In cases of non-financial harm, the compensation payment is set through discussion with the supplier.

Redress payments to charities

5.14. Suppliers are not able in all cases to compensate directly consumers who suffered a detriment, for example because consumers have since left supply or it is not possible to identify which consumers would have acted differently had

the supplier behaved properly. Where a supplier is unable to compensate all affected consumers (or is additionally asked to make a charitable donation over and above the harm its actions caused), we can direct them to pay an equivalent sum to charity. The disbursement of such payments is now the responsibility of the Energy Savings Trust.

Avoided costs to consumers

5.15. We have also taken into account costs avoided by customers where our compliance interventions deter a supplier from taking certain actions it otherwise would have taken. In such cases, we estimate how many customers would have been affected.

What is the impact on consumers?

5.16. We estimate the expected consumer benefits to be at least £7.8 million from the compliance activities of Ofgem in the period April 2017 – March 2018. This amount results from compensation payment to consumers, redress payments to charities, and avoided costs to consumers in the same period.

6. Methodology

- 6.1. Our analysis has been subject to our internal quality assurance (QA) process and reviewed by an external expert, Dr Christopher Decker of the University of Oxford.¹¹
- 6.2. The analysis draws on the results of impact assessments (IA). Impact assessment is a tool to strengthen decision-making. There is a statutory requirement to publish IAs where there are significant impacts from policy changes. Our approach strives to quantify impacts as thoroughly as possible and in monetary terms where we can, and ensures that there is consistency in how they are presented.¹² All IAs are subject to internal QA and peer review. Our processes to strengthen our analysis also include the use of analytical panels and greater input from academics (individual review and panels) to provide third party views. Often an initial IA will accompany a policy consultation and stakeholders will have an opportunity to check analytical assumptions and to help fill evidence gaps. IAs provide a structural and transparent framework for understanding the estimated impacts of policies and enable comparisons between projects. Therefore, ex ante IAs are a good way to assess our policies' impact on consumers.
- 6.3. However, due to differences in the way benefits are calculated, we make some adjustments to enable comparability between results. These are:

Inflation adjustment

- 6.4. Ofgem's impact assessments use a range of years to express the monetised value of benefits and costs to consumers. For example, most impact assessments relating to network companies use 2010 prices, since this allows easier comparison with previous figures published as part of the RIIO price controls. Others use the price levels in the year they were published.
- 6.5. To ensure all figures are comparable, we converted all numbers to 2018 prices, using a 2.3% per year inflation rate, in line with Treasury's Green Book.¹³¹⁴

¹¹ Dr Decker is a Research Fellow in Law and Economics in the University of Oxford and a Director of Regulatory Economics Limited, a private consultancy firm which undertakes advisory work mainly for governments and other public bodies.

¹² For detail on how Ofgem carries out impact assessments, see our published Impact Assessment Guidance:

https://www.ofgem.gov.uk/system/files/docs/2016/10/impact_assessment_guidance_0.pdf

¹³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf and http://cdn.obr.uk/FSR_Jan17.pdf

¹⁴ We checked how much the results would vary if we use actual inflation rates where they apply. We use the GDP deflator from the Office for Budget Responsibility to convert the NPV of past years' consumer impact to 2018 prices and find that the difference for individual decisions range from £0m (for New Switching Arrangements and New Licence Conditions for Prepayment Meters) to £114m (for the Interconnector Cap and Floor decisions). The total direct impact, which excludes indirect and additional consumer benefits, is £7,717m, £70 million less than the amount based on applying a uniform inflation rate of 2.3%. The direct benefit to cost ratio is 86:1.

NPV adjustment

- 6.6. Net present value (NPV) figures are necessarily taken from one point of reference (i.e. the 'present' part of the value is a certain point in time). For example, an NPV calculation based on 2017 and another based on 2018 are not directly comparable – since any benefits are one year closer in 2018.
- 6.7. To ensure all figures are comparable, we have taken 2018 as the point at which we will calculate NPVs from, and discounting or un-discounting using a real discount rate of 3.5%, in line with Treasury's Green Book.

NPV calculations

- 6.8. Some impact assessments contain figures for consumer benefits, which are not expressed as an NPV. Where this is the case, we have calculated an NPV figure using the 2.3% inflation rate and 3.5% discount rate described above.

Scenarios

- 6.9. Some of our impact assessments contain different scenarios, which consider how consumer benefits would change, depending on other variables. We have used the scenarios, corresponding to low, central and high benefits. The central scenario is defined as the most likely, based on the assumptions.
- 6.10. The results of our adjustments to individual decisions are set out in **Table 10**:

Table 10 - Adjustments to benefit figures

Decision	Consumer impact from impact assessment	Adjustments made	Adjusted consumer impact (2018 £m)
New switching arrangements	NPV from impact assessment Lower case scenario -£111m direct Central case scenario £38m direct Higher case scenario £161m direct	<ul style="list-style-type: none"> Inflated from 2017 to 2018 prices NPV reference year moved from 2017 to 2018 Period covered: 2018-2035	NPV: Lower case scenario -£118m direct Central case scenario £40m direct Higher case scenario £170m direct
Safeguard tariff for consumers in vulnerable circumstances	No NPV from impact assessment Estimated total reduction in eligible consumer bills will be around £64m per year.	<ul style="list-style-type: none"> Calculated NPV based on the start date of Feb 18, expected end date of Dec 2019 Period covered: 2018-2019	NPV: All scenarios £128m
New licence conditions for installation of prepayment meters under warrant	No NPV from impact assessment Estimated total consumer benefit of between £4.5m and £7.7m each year the cap is active.	<ul style="list-style-type: none"> Calculated NPV based on the start date of Jan 18, expected end date of Dec 2020 Took central scenario as the midpoint of 4.5m and 7.7m 	NPV: Lower case scenario £13.3m Central case scenario £18.1m Higher case scenario £22.8m

			Period covered: 2018-2020
Price Comparison Website Confidence Code	No monetised benefits identified		No monetised benefits identified
Supplier of Last Resort	No monetised benefits identified		No monetised benefits identified
Rules relating to Estimated Annual Costs	No monetised benefits identified		No monetised benefits identified
Fleetwood entry point in gas transmission	No NPV from impact assessment £277.5m funding reduction for company	<ul style="list-style-type: none"> No NPV calculated due to difficulty comparing to impact on future price controls Inflate from 2010 to 2018 prices 	£345m funding reduction for company
		Period covered: 2018-2063	
Interconnector cap and floor decisions	NPV from impact assessment: £7,920m (base scenario)	<ul style="list-style-type: none"> Inflated from 2015 to 2018 prices NPV reference year moved from 2017 to 2018 	NPV: £8,776m
		Period covered: 2022-2046	
Criteria for the Fuel Poor Network Extension Scheme	No monetised benefits identified		No monetised benefits identified
Transmission and gas distribution price controls – Mid-Period Review parallel work	No NPV from impact assessments £83.5m funding reduction for companies £81m funding increase rejected for company	<ul style="list-style-type: none"> No NPV calculated due to difficulty comparing to impact on future price controls Inflate from 2010 to 2018 prices 	£100m funding reduction for companies £97m funding increase rejected for company
Systems Operator Incentives	No monetised benefits identified		No monetised benefits identified
Transmission Constraint Licence Condition	No monetised benefits identified		No monetised benefits identified
Charging arrangements for Smaller Embedded Generators	NPV from impact assessment £7,000m (no scenarios used)	<ul style="list-style-type: none"> Inflated from 2016 to 2018 prices NPV reference year moved from 2017 to 2018 	NPV: £7,582m
		Period covered: 2021-2034	

Black Start Strategy and Procurement Methodology	No monetised benefits identified	No monetised benefits identified
Enforcement cases	£11m	£11m
Compliance cases	£8m	£8m

No adjustment made
Period covered: 2017-2018

No adjustment made
Period covered: 2017-2018

6.11. Finally, there are five ‘health warnings’ surrounding the results in this report:

- ‘Lumpiness’ of impacts. Two decisions this year (Interconnector cap and floor decisions and Charging arrangements for Smaller Embedded Generators) account for more than 90% of the aggregate consumer benefits identified. These dwarf the impact of the other decisions we make, even though they all remain significant. We should therefore expect our overall impact to be highly dependent on whether we make high financial-impact decisions in a given year, and on the actual effects of these decisions.
- The decisions were taken during the financial year 2017/18, however they have different starting years and cover different periods of time. The estimated aggregate impact from Ofgem activities, in the form of a net present value, may differ significantly from the aggregate benefits calculated on a yearly basis.
- Uncertainty remains a factor in estimating the impact of our work, particularly for the indirect benefits identified in this report, which rely on the behaviour of other parties. This is a general problem with any kind of forecasting and not specific to our report.
- Establishing the counterfactual. One of the most challenging aspect of assessing impacts is establishing the counterfactual. The counterfactual is what happens in the absence of a policy, project or programme. Most of our impact assessments use the “do nothing” scenario as the counterfactual. In the case of the Mid-Period Review of price controls included in this report, we have limited ourselves to stating the impact as the value of the funding reduction for network companies because the counterfactual here is without the Mid-Period Review, where the network companies’ funding would remain the same as before, and funding reduction is the direct result of the Mid-Period Review.

Appendix – links to source documents

New Switching Arrangements

Delivering Faster and More Reliable Switching: proposed new switching arrangements impact assessment:

https://www.ofgem.gov.uk/system/files/docs/2018/02/delivering_faster_and_more_reliable_switching_final_stage_impact_assessment.pdf

Delivering Faster and More Reliable Switching - decision on new switching arrangements:

https://www.ofgem.gov.uk/system/files/docs/2018/02/switching_programme_outline_business_case_and_blueprint_phase_decision.pdf

Safeguard tariff for consumers in vulnerable circumstances

Financial protections for vulnerable consumers - impact assessment:

https://www.ofgem.gov.uk/system/files/docs/2017/10/financial_protections_for_vulnerable_consumers_-_technical_document.pdf

Decision to extend the PPM safeguard tariff to those consumers in receipt of Warm Home Discount:

https://www.ofgem.gov.uk/system/files/docs/2017/12/providing_financial_protection_to_more_vulnerable_consumers_0.pdf

New licence conditions for installation of prepayment meters under warrant

Prepayment meters installed under warrant for non-payment of debt - impact assessment:

https://www.ofgem.gov.uk/system/files/docs/2017/06/prepayment_meters_installed_under_warrant_-_impact_assessment.pdf

Decision to modify gas and electricity supply licences for installation of prepayment meters under warrant:

https://www.ofgem.gov.uk/system/files/docs/2017/11/decision_to_modify_gas_and_electricity_supply_licences_for_installation_of_prepayment_meters_under_warrant.pdf

Price Comparison Website Confidence code

Decision on the partial implementation of the CMA's Whole of Market remedy & consulting on new Code requirements:

https://www.ofgem.gov.uk/system/files/docs/2017/07/confidence_code_review_2016_wom_-_final_-_4_july.pdf

Confidence Code Review 2016: impact assessment for decision on partial remedy:

https://www.ofgem.gov.uk/system/files/docs/2017/06/ia_-_confidence_code_june_2017_-_final_002.pdf

Supplier of Last Resort

Decision on Last Resort Supply Payment Claim from Co-operative Energy
https://www.ofgem.gov.uk/system/files/docs/2018/01/last_resort_supply_payment_claim_from_co-operative_energy_final_decision.pdf

Appointment of Green Star Energy as Supplier of Last Resort
https://www.ofgem.gov.uk/system/files/docs/2018/03/reasons_for_decision_to_appoint_green_star_as_solr_004.pdf

Rules relating to Estimated Annual Costs

Decision to change the rules relating to Estimated Annual Costs:
https://www.ofgem.gov.uk/system/files/docs/2017/12/decision_-_estimated_annual_cost_for_domestic_consumers.pdf

Fleetwood entry point in gas transmission

Final impact assessment for our decision on the Fleetwood entry point in gas transmission:
<https://www.ofgem.gov.uk/system/files/docs/2017/04/fleetwood20impact20assessment20for20publication1.pdf>

Decision on Fleetwood entry point in gas transmission:
https://www.ofgem.gov.uk/system/files/docs/2017/08/fleetwood_capacity_and_funding_decision.pdf

Interconnector cap and floor decisions

Cap and floor regime: initial assessment of the GridLink, NeuConnect and Northconnect interconnectors (consultation, including impact assessments):
https://www.ofgem.gov.uk/system/files/docs/2017/06/ofgem_window2_ipaconsultation_june_2017.pdf

Decision on the Initial Project Assessment of the GridLink, NeuConnect and NorthConnect interconnectors:
<https://www.ofgem.gov.uk/publications-and-updates/decision-initial-project-assessment-gridlink-neuconnect-and-northconnect-interconnectors>

Criteria for the Fuel Poor Network Extension Scheme

Impact assessment on change to Fuel Poor Network Extension Scheme (FPNES) eligibility criteria:
https://www.ofgem.gov.uk/system/files/docs/2017/09/impact_assessment_-_fpnes_-_final_0.pdf

Decision to change the criteria for the Fuel Poor Network Extension Scheme (FPNES):
https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/fpnes_3009_published_2_0.pdf

Transmission and gas distribution price controls – Mid-Period Review parallel work

MPR Parallel work decision:

https://www.ofgem.gov.uk/system/files/docs/2017/07/mpr_parallel_work_decision-v3.pdf

MPR Parallel work impact assessment for output accountability:

https://www.ofgem.gov.uk/system/files/docs/2017/03/ia_output_accountability_mpr_parallel_work.pdf

MPR Parallel work impact assessment for Late delivery of wider work outputs:

https://www.ofgem.gov.uk/system/files/docs/2017/03/ia_-_mpr_whvdc.pdf

System Operator Incentives

Impact assessment for the 2018/2019 Regulatory Framework for the Electricity System Operator:

<https://www.ofgem.gov.uk/publications-and-updates/policy-decision-electricity-system-operator-regulatory-and-incentives-framework-april-2018>

The Electricity System Operator regulatory and incentives framework from April 2018:

https://www.ofgem.gov.uk/system/files/docs/2018/02/policy_decision_on_electricity_system_operator_regulatory_and_incentives_framework_from_april_2018.pdf

Transmission Constraint Licence Condition

Impact assessment on the licence condition to prohibit potential abuse of transmission constraints by generators in the balancing mechanism:

https://www.ofgem.gov.uk/system/files/docs/2017/05/ofgem_decision_statutory_consultation_on_tclc.pdf

Decision to introduce the Transmission Constraint Licence Condition (TCLC) as a standard licence condition prohibiting potential abuse of transmission constraints:

https://www.ofgem.gov.uk/system/files/docs/2017/05/ofgem_decision_statutory_consultation_on_tclc.pdf

Charging arrangements for Smaller Embedded Generators

[Impact assessment and Decision on industry proposals \(CMP264 and CMP265\) to change electricity transmission charging arrangements for Smaller Embedded Generators:](#)

https://www.ofgem.gov.uk/system/files/docs/2017/06/impact_assessment_and_decision_on_industry_cmp264265.pdf

Black Start Strategy and Procurement Methodology

Black Start Strategy and Procurement Methodology: the Authority's decision

https://www.ofgem.gov.uk/system/files/docs/2017/07/black_start_strategy_and_procurement_methodology_submission.pdf

Decision for electricity System Operator incentives from April 2017 - Modification of Standard and Special licence conditions of the transmission licence

https://www.ofgem.gov.uk/system/files/docs/2017/04/decision_letter_incentive_scheme_2017_18.pdf

Enforcement cases

Investigations and enforcement data

<https://www.ofgem.gov.uk/investigations/investigations-and-enforcement-data>

E Gas and Electricity investigation

<https://www.ofgem.gov.uk/publications-and-updates/investigation-e-gas-and-electricity-limited-s-compliance-under-gas-and-electricity-supply-licences-standard-licence-condition-25-and-13>

British Gas: Guaranteed standards

<https://www.ofgem.gov.uk/publications-and-updates/british-gas-pays-11m-compensate-customers-after-agents-missed-appointments>

British Gas: Notice of decision to impose a financial penalty on British Gas Trading Limited following our investigation into its compliance SLC 7A, 7B, 14, 14A and 21B and with the Consumer Complaints Handling Standards Regulations 2008

<https://www.ofgem.gov.uk/publications-and-updates/notice-decision-impose-financial-penalty-british-gas-trading-limited-following-our-investigation-its-compliance-slc-7a-7b-14-14a-and-21b-and-consumer-complaints-handling-standards-regulations-2008>

SSE: Investigation into SSE and its compliance with its obligations under the gas and electricity supply licences (Standard Licence Conditions 25C, 27.1, 28.1, 27.5, 27.6 and 27.8)

<https://www.ofgem.gov.uk/publications-and-updates/investigation-sse-and-its-compliance-its-obligations-under-gas-and-electricity-supply-licences-standard-licence-conditions-25c-271-281-275-276-and-278>

Compliance cases

Retail enforcement and compliance report

https://www.ofgem.gov.uk/system/files/docs/2017/12/enforcement_and_compliance_6-monthly_report_final.pdf