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Dear Forward Work Programme Team

Draft Forward Work Programme 2019-21

Thank you for the opportunity to input into your draft Forward Work Programme. It is important for stakeholders to fully understand Ofgem's focus, direction and work activities for the coming years and we welcome the engagement this consultation brings.

We suggested in our response to the 2018/19 Work Programme that whilst a one year view is very helpful to stakeholders to understand workstreams, activities, resource utilisation and focus, given the industry is generally working to a much longer time horizon than a year, one area of further development would be to consider a high level longer term view across three to five years. It is therefore pleasing to see Ofgem develop this to show a two year period rather than the traditional one year and provides stakeholders with a deeper understanding of how the coming years priorities fit into Ofgem's strategic longer term activities, vision and goals. There are a number of interactive developments ahead such as targeted charging, charging and access plus moving to half hourly settlement so an integrated view assists all parties.

We note that it is Ofgem's intention to ensure alignment of priorities with others, and we strongly support this stance, particularly with the relevant Government departments, given the scale of activity and review within the energy sector.

Having reviewed the draft plan we are supportive of the key priorities and contributing activities proposed. There seems to us to be a higher priority on making retail markets work for all than other areas so Ofgem should be focused in this area. Retail related costs make up 75%¹ of a domestic customer dual fuel bill so are the main source of energy affordability pressures on households. Ensuring all, including vulnerable customers benefit from developments in the energy market is vital. We attended the stakeholder event in Glasgow associated with this consultation and took away that the issues for a substantial group of customers were significant but needed further work to understand them as customers struggling to heat a single room, self disconnecting through a prepayment meter potentially locked in by a historic debt issue may not see immediate benefits from policy reforms identified.

Martin Cave, GEMA Chair included in his summing up of the Glasgow stakeholder session that some feedback from the table discussions held as part of the event was that Ofgem should reflect on how the delivery of the proposed forward work plan brings practical benefits to those customers really struggling to afford the energy they need over the next year. This is a useful exercise to undertake.

In order to keep our response as concise and useful as possible our response follows the format of the forward work programme consultation document and comments are made by exception.

¹ <https://www.ofgem.gov.uk/data-portal/breakdown-dual-fuel-bill>

Chapter 1 – Making retail markets work for all

Improving current licensing arrangements to protect consumers and ensure that regulatory burdens are proportionate

We welcomed the review on supplier licensing arrangements and supported the proposed changes to the criteria used to assess an application and the application process itself. The review is addressing issues at the start of the process to ensure new supply businesses are viable to reduce the number of failures. There are concerns in respect of customer service, particularly to vulnerable customers when a supplier starts to struggle and ultimately fails. The monitoring of operational performance will highlight poor customer service to Ofgem which may lead to Ofgem stepping in earlier to potentially suspend any new customer registrations and require performance improvements to be made.

The proposed changes to distribution licenses made by Ofgem in 2018/19 are welcome and will improve the processes for DNOs for Supplier of Last Resort and Bad Debt cost recovery. As 2018 and 2019 have seen more supplier failures, we believe the next step for DNOs would be to work together with Ofgem to improve the process when suppliers fail and information is required from DNOs to better facilitate the early part of the SOLR process and therefore help minimise the period of uncertainty for affected customers.

We currently play an important role in facilitating the operation of a competitive electricity market through the provision of a Metering Point Registration Service (MPRS). We support delivering next day switching for Great Britain (GB) customers to enable more competition in the energy market – noting our role diminishes going forward, as other parties pick up our existing responsibilities. Delivering next day switching should be positive for making retail markets work.

Understanding where consumers' needs are not being met and developing effective policy solutions to address them

We welcome Ofgem's intent to publish a new vulnerability strategy and look forward to working with you and other stakeholders to ensure that this delivers a strategy that makes the most of what network companies can do in terms of supporting those consumers with a vulnerability.

Chapter 2 – Enabling future markets and system arrangements

Working with innovators and stakeholders to develop sustainable energy solutions and systems for future consumers

We welcome the opportunity to take part in the Energy Codes Review and attended the first stakeholder workshop on the 4th February 2019. We do not underestimate the enormity of the task to review eleven codes. As such it seems appropriate the first stage for Ofgem is to consider options for delivering a revised regulatory framework with BEIS by summer 2019.

We note the link to the Energy Data Taskforce and plans to conclude reviews by the first half of 2019. The work undertaken by the Taskforce needs to closely tie in to the Open Networks project and be able to have clear lines of communication with companies. We understand this communication is being facilitated by the Energy Networks Association and look forward to seeing this develop and where networks can participate.

Developing improved network access, charging, system operation and wholesale market arrangements to enable efficient future energy markets

ENWL is developing towards becoming a distribution system operator with real changes taking place right now. To enhance transparency of how our network may need to develop and where there are opportunities to provide services and connect we launched the first DFES² in November 2018.

² <https://www.enwl.co.uk/get-connected/network-information/dfes/>

We have undertaken several calls as a neutral market facilitator for flexibility services from the competitive market which may enable us to meet customer needs for capacity without the need to build new network assets. We have also committed to Government that we will ensure there is scrutiny of our decision making where this leads to new load growth driven investments. This will provide stakeholders a high degree of assurance regarding investment decisions we make to allow us to meet our customers needs.

We are aware of, and are actively engaging in both the Access Reform and Targeted Charging Review and will continue to work closely with Ofgem during 2019 as these reviews continue.

Chapter 3 – Network preparedness and performance

Using competition to deliver value for money

We welcome the introduction of competition in areas where it can be demonstrated to be in the best interests of customers and have successfully opened up the greatest number of connections market segments to competition as recognised by Ofgem. In 2018 we committed to openly test the market with two calls for flexibility service recently completed and further flexible service calls planned prior to the end of the financial year and into next coming year for areas across the North West.

However caution should be given to ensure that careful consideration including assessment through a robust cost benefit analysis is carried out before moving to competition based approaches.

Well run and regulated natural monopolies continue to be an effective way of meeting consumers' needs.

Preparing networks for the future

RIIO-2 is recognised as a significant part of Ofgem's work programme for the coming years. It's important the RIIO-2 framework delivers for customers in a broad way such as value for money whilst also being a facilitator of their and governments desire to decarbonise in order to tackle climate change. Whilst the Electricity Distribution sector is two years later than the other networks due to commence RIIO-2 in April 2021, it is important for Ofgem to be mindful of any potential impact of its price control policy making on Electricity Distribution. We continue to be engaged in the current RIIO-2 policy development as well as provide input and engagement into other networks business plan development.

Chapter 4 – Excellence in statutory and core functions

Proactive market monitoring and consumer protection

We note the reference to RIIO-1 monitoring and would support the desire for clear and transparent reporting for stakeholders. Stakeholder interest in energy continues to be high, focussing in general on retail energy issues such as supplier failure and overall bill levels. We have responded recently to Ofgem's consultation indicating ways consumer protection against supplier failure could be introduced and have raised an issue under DCUSA titled "Effectiveness of the current provision of unsecured cover" which aims to trigger stakeholders working together on an aspect of the retail energy market that might reduce the socialised costs if a supplier fails. We think there is a place for additional proportionate, accessible and accurate reporting to be available as this will assist all stakeholders.

With the Regulatory Financial Performance Reporting now being provided to Ofgem and the first of Ofgem's Finance Annual reports due shortly, we look forward to increased information transparency of Network Company financial returns and anticipate this will provide valuable insight demonstrating that Electricity North West has a fair Return whilst delivering a high quality service for less than 22p per day for a typical domestic customer household (2018/19).

Reducing Regulatory Burden

Our recent experience is that the Regulatory burden is not reducing but is increasing, reflecting the accelerating pace of change in the sector and an increased ambition by all stakeholders to tackle complex issues such as those within the scope of the six ongoing significant code reviews that aim to deliver benefits to consumers.

There have been an unprecedented number of consultations over Christmas for network companies and relevant stakeholders to consider and respond to. We would like Ofgem to include a "month ahead view" of anticipated consultations and decisions being issued with a broad indicator by week of what Ofgem is issuing when and how long stakeholders will have to respond, along with a view of planned events including the date and location. This will help with work planning and prioritisation.

We were pleased to attend the recent Ofgem Energy Conference, and especially welcomed the decision to take these to multiple regions building on the regional Forward Work Programme workshops held in early 2018. Where possible we suggest Ofgem consider these key events when planning other engagement activities and try and avoid clashes, for example two RIIO-2 workshops and the EV Forum were all on the same day as the well attended Manchester Energy Conference.

We note that the 2016-17 Forward Work Programme document included a table of deliverables, timescales and the Ofgem responsible division. This has been missing for the last two years. This was useful to include and would be particularly helpful in light of the forward work programme being extended to a two year plan, in order to allow stakeholders to understand any critical points in timelines.

We believe it would also be helpful to have a section within the document that is backward looking and considers the prior year achievements.

Finances

As Dermot notes in his foreword, the energy system is changing rapidly, and Ofgem expect these changes to accelerate over the next two years. We note that the expenditure is broadly flat at present and that significant resource will be needed to deliver the Forward Work Programme.

It would be helpful to have a more detailed breakdown of the total expenditure (e.g. indicate how Ofgem's total budget maps to work areas), potentially using a layout similar to the tables shown in the recently published Citizens Advice draft work plan.

I hope these comments are helpful. Please do not hesitate to contact me or Alison Scott (07766 512394) if you would like to follow up on any particular aspect of our response.

Yours sincerely

A handwritten signature in blue ink that reads "Paul Auckland". The signature is fluid and cursive, with the first name "Paul" and the last name "Auckland" clearly distinguishable.

Paul Auckland
Head of Economic Regulation