



By Email Only

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Forward Work Programme 2019-21

Dear Ofgem Forward Work Programme Team,

We welcome the opportunity to respond to the 2019/21 Ofgem forward work plan. This is a joint submission by npower and innogy renewables UK limited- both UK arms of Innogy SE. In appendix A we provide views on the specific activities.

Within our response to the Ofgem 2018/19 forward work plan, we noted concerns regarding the financial adequacy / operating model sustainability of some participants in the supply market and are therefore supportive of the *ongoing* supplier licensing, monitoring and failure review activities. We are particularly concerned about the market incentives for irresponsible suppliers and related mutualisation of both final credit and costs relating to government schemes when a supplier ceases trading. Enforcing default subsidies by consumers at large is regressive and unfair, Ofgem must increase protection for all consumers, not just those of the failed supplier. Interlinked with this is supplier conduct, Ofgem should attend more quickly to misconduct by suppliers and reduce consumer impacts. This is through the more active use of existing powers.

On retail markets working for all, we support the objective but believe that Ofgem has not yet achieved the right balance between consumer empowerment and consumer protection. The default for market actors is to avoid the disadvantaged members of society because there is less profit opportunity and more risk. This is a problem that is currently increasing, with an outcome which if unchecked will cause consumers to get left behind and then pay more for their energy. In supporting the development of democratised and decentralised markets Ofgem needs to move its focus from choice prevention to resolution of those choices which even when properly presented and decided, have adverse outcomes.

This response is not confidential. If you require any clarification on any of the points we have made please do not hesitate to contact me.

Yours sincerely,

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Appendix A – Ofgem Activities

Making retail markets work for all

Supplier licensing review – *Continue to introduce changes to raise standards around financial resilience and customer service, by mid-2020.*

We support the Ofgem Supplier licensing review. Ofgem should increase the level of scrutiny when assessing a prospective applicant's financial and operational fitness, before granting a supply licence. Given the high volume of supplier withdrawals and related cost mutualisation during the 2018/19 period steps must be taken to better protect the market. We do not believe in increasing entry barriers and hence the degree of burden of scrutiny should increase with supplier size. Above 50,000 customers we see no excuse for less than full scrutiny.

In addition to the principles proposed by Ofgem, a further principle should be included that broadly requires suppliers to pay for the risk that they pose to the system and therefore protect the wider market and all customers. Customers that are supplied by a party that exits the market may have benefited from unsustainably low tariffs and will have credit balances protected, these costs will be smeared across the wider bill paying customer base of other market participants. This is socially and economically unjust and needs to change.

We would urge Ofgem to review the administration of all other forms of mutualisation within the market (Renewables Obligation / Feed in Tariff / Warm Home Discount / Capacity Market) and consider options to significantly reduce costs paid for by the market when a supplier defaults on payment or ceases trading. Ofgem should also consider how all of these costs should be accounted for within the next default tariff energy price cap review.

We welcome further consultation on this matter.

Strategic review of the micro-business retail market – *Understand market challenges and consumer experience, and identify the case for short and medium-term actions, by March 2021.*

We welcome a strategic review of the microbusiness retail market and would be supportive of further engagement with Ofgem on this matter. We would expect such a review to cover all potential customer journeys, in particular the role of third-party intermediaries.

Development of vulnerability and consumer policy – *Publish the consumer vulnerability report by July 2019 and bring forward a new best-in-class strategy to address the needs of all consumers, particularly the vulnerable, by August 2019.*

Ofgem's letter of intent of 13 December 2018 set out its early thoughts regarding the updating of the Consumer Vulnerability Strategy (CVS). To a degree, this reflected what we had said in our response to the 2018 Forward Work Plan, viz: we would expect Ofgem to consult on the CVS and in so doing it should: (a) take account of the existing different definitions of vulnerability already in use in Ofgem's licence; (b) where applicable, provide guidance on (aspects of) them; (c) seek to formulate and adopt best practice across the piece; and (d) formulate what and how better (social) outcomes can be measured.

While Ofgem does not propose to revisit the definition of vulnerability in the CVS, it does intend to undertake work that sits within the Strategy's purview.

1. Improving identification of vulnerability and smart use of data.
2. Driving a step change in customer service.
3. Supporting those struggling with their bills.
4. Encouraging positive innovation.
5. Ofgem working across boundaries (eg with Government departments and other regulators).

These are, understandably, broad headings; as such we welcome more detail against each. One thing that Ofgem should be aware of is that with the advent of the SVT price cap (the effect of which, it has said will leave five out of six of the large energy suppliers in a loss-making or sub-normal profit position), in this revenue-constrained market, suppliers cannot be expected to fund further non-statutory vulnerable customer programmes. In addition, it should not be left to the established supplier cohort to bear the brunt of providing such support moving forwards; new entrants must do so too.

Midata in the energy sector – *Work with BEIS and industry to help consumers to better engage with the market through data-driven solutions, through the design and implementation of a new midata standard, by October 2019.*

We are supportive of the Midata project, and are one of the most active participants from the supplier community. However, in giving that support we want to make sure that it is delivered: (a) efficiently; and (b) in a realistic timeframe (which is currently ambitious). As well, that all parties are fully conversant with what is being required of them, particularly smaller suppliers, so that Midata's benefits can be fully realised across the industry. With, as we understand it, two consultations due to take place up to June 2019, Ofgem needs to ensure that all suppliers are engaged. System development for this kind of initiative can take months for both planning and delivery, even with a settled design. Given this, we would urge BEIS and Ofgem to take full account of delivering parties' responses and to set realistic expectations. We would also recommend the concept of a phased delivery, as this is more likely to result in a successful implementation of an operational minimum viable product.

Data services for disengaged consumers – *Target consumers through data to reduce barriers to effective engagement by October 2019, to ensure obligations are met on an ongoing basis.*

We continue to support and have actively supported proportionate and clearly laid out initiatives and prompts that seek to encourage greater customer engagement, and were an active participant in the earlier CMA database remedy alpha trial, the recent Autumn Collective Switch exercise and the Disengaged Customer Database. This is in addition to consumer engagement trials we have conducted ourselves.

However, we suggest that prior to implementation of a fuller programme of activity that Ofgem must ensure any new information and service requirements are both appropriate for customers and represent a proportionate and reasonable measure in seeking to encourage engagement. This must also take account of the prevailing environment and context in which such initiatives / services are introduced e.g. the introduction of the Default Tariff Cap, the level of switching taking place, and the integrity and robustness of the licensed suppliers who are providing offers and/or services.

It is also imperative that customer wishes are taken into account in terms of their ability to opt in or out of any exercise, depending on the nature of any services, and also their rights and protection under the General Data Protection Regulations, with consultation with the ICO as appropriate. As we have indicated to you before, robustness of the data being used is paramount and a coherent approach is required, taking stock of other initiatives in this area, to ensure customers' unique circumstances are reflected in terms of what is being presented to them.

Energy market challenge – *Work with BEIS and industry to test up to eight innovative products and / or services to improve consumer engagement, by August 2020.*

We support innovation and new ideas, we would encourage Ofgem to have a clear framework / procedure to fully test any innovative products or services that seek to improve consumer engagement.

Switching Programme – *Improve consumers' experience of switching, leading to greater engagement in the retail energy market, by designing and implementing a new switching process that is reliable, fast and cost-effective, by Summer 2021.*

We support Ofgem in the development of the Switching Programme and believe introduction of the Retail Energy Code and alignment of processes across fuels should bring efficiencies and help suppliers, both new and existing. Clearly a consumer should not have to deal with two suppliers where there are switching issues and as far as possible they should only have to deal with their current supplier. Suppliers do not control the electrical system address, gas system address or postal/geographical address of their customers. Ofgem therefore has the substantial role of improving the triangulation (which current proposals appear to worsen) between these, by liaising with electricity and gas networks and Ofcom / the Post Office.

Enabling future markets and system arrangements

Supplier oversight and policy: smart meter compliance – *Hold suppliers to account for the roll out of smart metering and for delivery of a positive consumer experience (ongoing).*

We require regulators and government departments to take a more visible, active and public role in endorsing and promoting the smart installation programme, providing clear public messages that Suppliers can use or reference when interacting with their customers, and if not provided to actively endorse the key messages Suppliers are conveying in order to overcome customer resistance to smart acceptance. We need as an industry to promote and actively work with three key themes being (1) **Honesty** – be clear and realistic on what is achievable by when and by whom, (2) **Drive value for money** to ensure customer experience, safety are not compromised and that the industry has a secure investment platform to achieve the outcomes sought, but on a sustainable basis and ; (3) **Collaboration** across the various industry stakeholders and interest groups, BEIS and Ofgem to facilitate greater collaboration between suppliers to improve the customer experience and efficiency of the rollout and so reduce or minimise costs, and BEIS and Ofgem to seek to bring consumer groups back on side with the Smart rollout, e.g. Which? Citizens Advice etc..

Electricity settlement reform – *Scope out, consult on and decide upon market-wide new arrangements for half-hourly electricity settlement, in the second half of 2019.*

We are supportive of wider Half Hourly Settlement and look forward to responding to the 2019 consultations. It is important that when making the final decision on how and when to implement market wide HH settlements Ofgem take notice of stakeholder views and do not place unrealistic implementation deadlines upon the industry. Running significant but related implementation programs in parallel may result in unnecessary costs, which are passed to the end customer.

DCC compliance, including price control – *Support the efficient and effective roll out of smart metering, by improving DCC performance and efficiency (ongoing).*

The DCC needs to establish and communicate what its base-level (minimum) performance is, so suppliers are clear and the service vs. cost assessment of request improvement can be assessed from this baseline point. Our views are broadly similar to the previous year:

- Transparency of costs, it is essential to ensure that suppliers are able to effectively scrutinise costs against the assurance that we have been provided. Within the current framework we are not able to determine if costs are justified, necessary, effective or efficient and are reliant on Ofgem solely providing assurance. We would therefore welcome greater transparency to support independent assurance, challenge and review.
- Effective risk and reward frameworks and controls are paramount to incentivise the DCC to deliver to plan both effectively and efficiently to minimise any risk/exposure to

Suppliers, our Customers (present and future) and delivery of the overall smart roll out programme to UKPLC.

- Improved accuracy and control of estimated / forecasted costs to ensure that there are not significant variances between the predicted costs and actuals for the regulatory year in focus. This will support less volatility in the price of the DCC service and reduce market exposure to increasing costs, allowing suppliers to plan and deliver their programmes with confidence. Costs are ultimately borne by the end consumer.
- Suppliers are wholly dependent on the DCC to successfully deliver their regulatory commitments, plans and milestones to a consistent, sustainable, and secure level of performance to enable mass-deployment. Failure to do so has an impact on ALL suppliers, the smart rollout and ultimately the end consumer. Therefore, it is essential that this is coupled with a more effective risk and reward incentivisation to effectively drive performance outcomes and control costs.
- The DCC is not unique within the industry in operating as a monopoly regulated service provider, Ofgem should seek to apply best practice approaches from other areas in order to ensure DCC performance, cost and delivery outcomes meet the industry objectives set

DCC price control review – Design improvements to the price control, to better match DCC operations post-mass rollout, and to deliver improved performance and lower costs from the DCC, by Spring 2021.

We support this activity and have explained our views within our response to: ‘DCC compliance, including price control’.

Joint review of codes and code governance – Consider options with BEIS for improving existing arrangements to deliver a revised regulatory framework, capable of delivering the changes that will be required to move to a clean, smart, and consumer led energy system, by Summer 2019.

Npower and Innogy welcome the joint review of codes and code governance which has recently been announced. We recognise that there is a need for the current codes framework to adapt and change to meet the future needs of the energy market, including the ability to innovate. Indeed, the development of the Retail Energy Code is a first step towards a more user-friendly and accessible governance arrangement. We note that the CMA’s proposed code governance remedies are to be re-visited as part of this review and will not therefore be taken forward as originally expected. This is a concern, when the need for co-ordination and direction is becoming increasingly important and urgent, and we hope that something can be done as an interim measure to manage the congested change horizon. Having said that, we are keen to be involved in helping to shape an overarching framework that enables a smooth transition to a smart, flexible and low carbon energy system which is fair and equitable for all taking part.

Review of future retail market design – Review the current retail market arrangements and recommend reforms to ensure that the market design is fit for the future and puts the needs of consumers at the heart of the energy system, by March 2020.

We support the reform of future retail market design. The supplier hub arrangements in electricity have worked well for 20 years, but are now in need of change to accommodate today’s decentralising market. We support a democratised market, that works for all consumers but we should not force customer to engage more than they want to. We must respect customer choice. The principal regulatory change should focus on electric vehicles and we believe the changes for this will deliver beneficial changes in most other areas. The approach to data design, privacy and cyber security will be crucial.

Supporting innovators – *Provide support on energy regulation to businesses looking to launch new products, services or business models through Ofgem’s ‘one stop shop’ – the Innovation Link (ongoing).*

We support innovation and new ideas. For example the Elexon white paper / BSC modification P379 proposing that a customer can be supplied by multiple suppliers could lead to new and better arrangements if driven by innovation rather than being a requirement for all suppliers.

Decarbonising energy – *Ensure appropriate regulatory responses to the future challenges of decarbonising transport (including electric vehicles) and decarbonising heat (including the regulation of heat networks - if requested) (ongoing).*

We are supportive and welcome further clarity on the regulators proposed actions.

Decentralising energy – *Ensure appropriate regulatory responses to the future challenges of decentralising energy systems, including through engagement with local and community energy schemes (ongoing).*

We are supportive and welcome further clarity on the regulators proposed actions.

Energy data – *Consider and act on the findings of the Energy Taskforce.*

The priority for Ofgem must remain the triangulation of gas systems and electricity systems alongside geographic/postal address data. Data errors cause much consumer inconvenience and only Ofgem has the power to resolve this.

Electricity network access reform – *Develop, consult on and publish direction on reforms to network access and forward-looking charging arrangements by September 2020, with implementation of changes from April 2022.*

No comment.

Targeted charging review – *Consult on proposals for reform of residual electricity network charges and other embedded benefits and reach a final decision on these proposals in 2019.*

Both the Targeted Charging Review (TCR) and the Electricity Network Access Project (ENAP) have commendable aims – in particular to ensure that consumers do not pay too much for their electricity and also to level the playing field across users connecting to the transmission and distribution networks.

However, we are concerned that these aims are undermined by a narrowly focused impact assessment (in the case of TCR) and a lack of joined up approach between TCR, ENAP, the Open Networks Project and SNaPS. These programmes will undoubtedly interact and negative unintended consequences are therefore a significant risk which should be identified and mitigated as far as possible. Innogy see this lack of a holistic assessment as a major flaw in the Significant Code Review process. We ask Ofgem to consider a shift in approach to the overall process which, we believe, will be in the interests of the consumer:

- When making a final decision on the TCR, focus not just on what network costs are/should be for the current network – rather look at how consumer costs will be reduced by a highly flexible system with a high penetration of renewables as part of the overall energy mix (which is a key focus of the Smart System and Flexibility Plan). The TCR minded-to position focuses on reducing only network costs whilst driving an unwanted side effect of increasing the overall cost of the energy system of the future (please see innogy’s response to the TCR for details).
- The scope of ENAP is unlikely to result in a level playing field if the December 2018 proposals are implemented. For example, defining “firmness” is currently deemed to be too

complex, and therefore has been de-scoped. This is a crucial element for achieving a truly level playing field. Only by having a definition, and commercial terms, for firmness can it be that a distribution-connected network user can participate in services markets on a truly level playing field with a transmission-connected network user. This also requires day-ahead procurement of services so that all network users can participate. A similar example is proposing to charge distribution-connected generators G-TNUoS and reformed DUoS but only charging transmission-connected generators G-TNUoS. This would not be a level playing field.

- The current focus of the Significant Code Reviews appears to be the costs that Ofgem believe network users create for consumers. There is little focus on the opportunities that network users could provide to create an overall more efficient energy system which results in optimum service, decarbonisation in line with legally binding targets and lowest costs to the consumer overall. In order to comply with Ofgem's statutory obligations - particularly to the future consumer - this change in focus will be crucial to the long-term success of the Significant Code Reviews and other reforms which are ongoing. Not to do so could result in far less consumer benefit than Ofgem believe, and in an extreme case even leave consumers worse off.

We also encourage Ofgem to consider efficiency of implementation with regards to TCR and ENAP. These will likely both require system changes for Suppliers and the ESO. Following Ofgem setting out a clear overall policy direction (which we hope would account for our important feedback above) it would be cost efficient to consider setting implementation dates which are complementary – if not aligned – for these charging reviews. This would result in a clear policy landscape for investors and avoid piecemeal system changes which would cost the consumer more than necessary.

We would urge Ofgem to ensure that the TCR solution is practical for suppliers to implement (we have already highlighted in our consultation response that the proposed deemed capacity approach would not work for domestic customers). In addition, we would ask Ofgem to ensure that any reforms are introduced through a phased implementation approach, with a substantial notice period after the decision date. This will provide consumers with more opportunity to budget for these changes.

Gas charging review – *Work with National Grid and the gas industry to deliver an efficient, compliant regime (ongoing).*

No comment.

System operation reforms – *Evaluate developments in transmission and distribution system operators and consider whether further reforms are necessary to effectively support system developments and current and developing markets, including flexibility markets (ongoing).*

We think “development” rather than “reform” is a better term, as the market arrangements to date have served us well. It can be no surprise that market arrangements designed with inflexible variable demand and flexible planned generation need changing for variable generation and flexible demand. In particular we believe that the market should decentralise, with Distribution System Operator the staging post in this generation before a future that may look very different. Ofgem is naturally dependent on the key once-in-a- generation energy policy question, being what gas infrastructure to build and maintain. It should seek a decision on this.

We fully support implementation of full market-based access and opportunities for balancing services from non-traditional participants. There is considerable risk that the proposed removal of embedded benefits (through the Targeted Charging Review) and introduction of additional costs for distribution connected sites, without access to commercially available and viable sources of revenue could leave existing assets stripped of revenues, but without access to

markets on a level playing field. This would be detrimental to the cost to the consumer and undermine the objectives set out in the Smart Systems and Flexibility Plan.

Secure and promote review – *Assess the effectiveness of the market making obligation in the light of anticipated market restructuring, continue to monitor liquidity and consider potential action to support liquidity if evidence suggests this would be in the interest of consumers (ongoing).*

Secure and promote was only ever a stopgap, it is not a suitable mechanism for the future, and has the potential to foreclose wholesale market developments from new actors. It is correct to note that the lack of market focal points does cause liquidity issues but these should develop naturally as the most effective platforms prevail – particularly power exchanges and brokerage.

EU exit implementation – *Work with Government and industry to ensure the regulatory structure (legislation, licences and codes) continues to function appropriately after the UK's withdrawal from the EU and that impacts on consumers are identified and mitigated (ongoing).*

The European transmission and trading markets have elements (especially smart grid) that have moved ahead of the UK and it is somewhat disappointing that the UK has lost its lead. Regardless of Brexit, in order to make most effectively use of technological development, it will be important for the UK and Europe to maintain a degree of alignment on market design.

Capacity Mechanism – *Complete the five-year review of Capacity Market Rules by July 2019, making appropriate changes to the Rules, handling disputes which have been escalated following the Delivery Body disputes process and monitoring the operation of the Capacity Market. Work with Government to manage the impact of the recent suspension of the Capacity Market and ensure appropriate frameworks are in place to support security of supply.*

We welcome Ofgem's commitment to work with Government to manage the impact of the recent suspension of the Capacity Market and ensure appropriate frameworks are in place to support security of supply. While the decision by Ofgem to include an allowance for the capacity mechanism in the default tariff cap second period is welcome, it has created uncertainty in how we apply the cost of the capacity mechanism to our larger Industrial and Commercial customers who are contractually charged on a pass through basis. We seek a commitment from the regulator to work with Government, the Electricity Settlements Company and Elexon to align objectives and provide clarity on the future of the capacity mechanism supplier charge as soon as possible. We would also request that Ofgem support and implement the policy proposals required to enable all unsubsidised renewables to participate within the Capacity Mechanism in a timely manner.

Throughout the price cap consultations, npower consistently stated that Ofgem should have a Recovery mechanism, in which adjustments to forecasts are trued up in subsequent periods. The mechanism is completely standard in price controls, including network charging in Great Britain. While we recognise that Recovery mechanisms do have a distorting effect, we believe that the balance weighs in favour of a Recovery mechanism, since the overall reduction in the deadweight costs of risk outweighs the issues of "distortion". The Capacity Mechanism suspension has demonstrated the negative effects of not having a Recovery mechanism and (notwithstanding the outcome of the recent consultation on the Capacity Market allowance in the default tariff cap) Ofgem now has the opportunity to review and redress this by introducing one.

Gas Flexibility/Security of Supply – *Work with Government to understand potential risks to gas security of supply and consider the role played by gas flexibility and the interaction between power and gas markets.*

Ofgem is naturally dependent on the key once-in-a-generation energy policy question, being what gas infrastructure to build and maintain. This is the province of government and Ofgem

should seek a decision and align to it. Ofgem in its Targeted Charging Review recognises the issue of consumers paying for stranded assets but we believe that Ofgem underestimates the long term risks of this.

Black Start – *Assist BEIS to develop a Black Start restoration standard, and, if appropriate, implement the standard via licence modifications (in development).*

We had great discomfort with the Fiddlers Ferry black start saga. Ofgem took inadequate attention to its primary duty in relation to current and future consumers. Black start should be properly planned, open to clearer competition, and not be over-engineered. With different infrastructure (e.g. renewable generation, electric storage, increased interconnection) the technology solutions will change.

NIS Regulation – *Monitor, evaluate and report on how energy companies keep networks secure and consumer data safe through our joint Competent Authority role (ongoing).*

No comment.

Network preparedness and performance

OFTO regime – *We will continue to appoint Offshore Transmission Operators through a competitive tender process, delivering significant savings for consumers and supporting renewable offshore wind generation. Tender round 5 is expected to be completed in November 2019, with Tender Round 6 due to be completed and Tender Round 7 due to be launched, by March 2021.*

We look forward to working with Ofgem on the Offshore Wind Sector Deal, anticipated to be in place in early 2019.

Development of competition models for construction, financing and operation of onshore electricity transmission networks – *We will continue to explore and develop ways of bringing the benefits of competition to onshore networks, including further developing the special purpose vehicle model for competing build and operation of transmission networks, and finalising the competition proxy model we announced for Hinkley-Seabank. We expect to finalise the competition proxy model by summer 2019 and expect the special purpose vehicle and competition proxy models to be considered for deployment in relation to all future Strategic Wider Works projects under RIIO-1 submitted for our approval.*

No comment.

Competition for the RIIO-2 market – *As an extension to our work developing models to bring the benefits of competition to onshore electricity transmission networks, we will explore the use of such models in all sectors within RIIO-2. We will also investigate the potential for and benefits of ‘early’ competition models.*

No comment.

Development of RIIO-2 – *Effective approach to ensure that the network companies respond to the challenges of the future and deliver a resilient, cost effective network for consumers, by April 2023.*

No comment.

Electricity System Operator (ESO) price control – *Introduce a new price control for the ESO, to take effect in April 2021, that follows the overarching RIIO-2 design principles, but which is tailored to reflect the unique nature of the ESO, and the expected changes in its activities across the price control period.*

No comment.

Bringing new interconnectors into operation – *We are working with developers to deliver regulatory approval for up to eleven new interconnector pipelines, ensuring a significant increase to electricity capacity and consumer benefit by March 2021. We will be reviewing the regulatory arrangements that could be used to bring forward additional interconnector capacity in the future, where we believe these could provide additional consumer benefit.*

No comment.

Excellence in statutory and core functions

Core licensing / code role – *Excellence in delivery of our core role – Issuing and management of licenses, and oversight of code modification policy (ongoing).*

We would suggest increased guidance and availability of Ofgem time to support applicant understanding of the supplier entry process, particularly in light of proposed changes.

Core electricity and gas connection and network charging – *Excellence in oversight of code modifications and processing of derogations (ongoing), including putting in place revised gas methodologies by July 2019, and new generation operating procedures by 2021.*

No comment.

Core role in stability and effectiveness of wholesale market arrangements – *Supporting the efficient functioning of wholesale and related markets through effective monitoring and compliance action and by developing proposals for reform where necessary (ongoing).*

No comment.

Supplier financial stability framework – *Monitor suppliers to ensure that consumers are protected from potential financial failure (ongoing).*

We are supportive that Ofgem take steps to protect consumers from the impact of supplier failure. Ofgem need to expand on what actions they are likely to take as a result of this additional reporting and what the impact / timescales of those interventions will be. Consumers of all suppliers should be protected from the financial impact of supplier failure and cost mutualisation.

REMIT and the EU – *Implement domestic systems to manage activities currently carried out by the EU (ongoing).*

No comment.

Wholesale and retail market monitoring – *Help to ensure that there is clarity over how wholesale and retail markets are functioning and on security of supply, through gathering, and where appropriate, publishing data (ongoing).*

No comment.

RIIO-1 – *Effective operation of the four RIIO-1 price controls through price control reopeners, incentive mechanisms and monitoring (ongoing).*

No comment.

Price cap compliance monitoring – *Effective monitoring to allow timely compliance or enforcement action to be taken where appropriate (ongoing).*

In our response to Ofgem's statutory consultation we explained the potentially dramatic consequences of a cap set too low; the impact on the profitability and sustainability of suppliers and risk to the delivery of important government programmes such as Smart. The price cap was a factor in the collapse of the SSE/npower retail merger, which demonstrates the regulatory risk and challenges associated with supplying energy on a sustainable basis in a price capped market. These risks are compounded by supplier failures and the mutualisation of unpaid obligations, with inadequate recovery mechanisms in the cap, which in practice fall to compliant suppliers and customers at the cap. By supplier pricing taking inadequate account of the cost of obligations and then fulfilling the expectation of many defaulting against these expectations, Ofgem are forcing a regressive redistribution of costs to consumers. Ofgem must urgently address these wider policy issues. The impact of the cap on competition, in particular the non-SVT market and switching levels, must be closely monitored.

We look to Ofgem to conduct a timely and fulsome review of Smart costs ahead of the October 2019 cap update. We also note that Ofgem committed to working with the CMA on its mid-term review of the PPM cap. We believe this is necessary and should be prioritised: in order to align with the default tariff cap methodology (as appropriate); facilitate cost recovery; support the roll out of smart meters; and ultimately pave the way for its removal.

Ofgem has a duty to monitor compliance with the cap across all suppliers, acting swiftly to address customer detriment and avoid further market distortion.

Price cap policy – *Oversee price cap to ensure it is having the desired impacts (ongoing).*

We have explained our views within our response to: 'Price cap compliance monitoring'.

Core System Operators – *Ensure system operators are closely monitored, using a range of tools (engagement, reporting, licence modifications and enforcement) (ongoing).*

No comment.

Enforcement and REMIT casework – *Investigate and penalise, or seek redress for noncompliance, acting as a credible deterrent and ensuring confidence in the retail and wholesale markets (ongoing).*

No comment.

Compliance and enforcement conference – *Increase compliance and improve conduct from energy companies, in October 2019.*

We are supportive of the compliance and enforcement conference and would suggest that how the consumer strategy (and vulnerability) is brought to bear should include greater clarity of Ofgem's expectations including the interventions of Suppliers. We would also suggest that Ofgem explore how compliance monitoring could link to the Supplier financial stability framework to support against the risk of mutualised costs that are picked up by all suppliers and their customers.

Renewables obligation (including Northern Ireland) – *Support mechanism for renewable electricity projects (ongoing).*

No comment.

Feed in Tariffs – *Promote the uptake of renewable and low-carbon electricity generation technologies (ongoing).*

We are supportive of the uptake of renewable and low-carbon electricity generation technologies and would welcome further detail from the regulator on how this can be achieved. We would seek further clarity on what actions Ofgem will take to promote the uptake of

renewable and low-carbon electricity generation technologies now the Feed In Tariff scheme has closed to new entrants.

Domestic renewable heat incentive (RHI) – *Encouraging householders to use renewable energy instead of fossil fuels to heat their homes by offering incentives (ongoing).*

No comment.

Non-domestic RHI – *Increase the proportion of heat generated from renewable sources by offering incentives (ongoing).*

No comment.

Northern Ireland RHI

No comment.

Energy Company Obligation (ECO) – *Reduce carbon dioxide emissions from domestic energy use and tackle fuel poverty (ongoing).*

We support the principles of lowering bills and reducing environmental impacts for better social outcomes. Lower bills is a key issue for ECO – Ofgem state that ‘We aim to drive down non-compliance with scheme regulations, highlight legislative loopholes to our government partners and tackle suspected fraud’. However, Ofgem must also recognise that maintaining the balance between ensuring compliance with scheme regulations and ensuring energy bills remain low is a critical point.

With the introduction of changes to ECO in the near future (the Each Home Counts Review and introduction of Trustmark) it is essential that Ofgem strike the right balance – suppliers are not experts in energy efficiency standards and so accreditation bodies must be accountable for the quality of their members’ work. Ofgem have the opportunity to work with government to pinpoint these loopholes and support suppliers in their efforts to ensure that the cost of poor enforcement of quality of retrofit installations must not be passed onto consumer bills.

Warm home discount (WHD) – *Obligation on larger energy suppliers to provide support to fuel poor customers (ongoing).*

No comment.

We are supportive that Ofgem continue the following core actives, but have no further comment:

- Engineering advice
- Legal advice
- Economic advice
- Regulatory finance advice
- Operational delivery advice
- Network and Information Security Regulation advice
- User centred data services