



**London Office**  
4<sup>th</sup> Floor,  
1 Tudor Street,  
London EC4Y 0AH  
Tel: +44 (0)141 614 7501

Forward Work Programme Team  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

14 February 2019

Dear Team,

### **Forward Work Programme (FWP) 2019-21 Consultation**

Thank you for the opportunity to comment on Ofgem's work and priorities as set out in this consultation. This response is submitted on behalf of ScottishPower. Our networks business, SP Energy Networks is responding separately from its perspective as a transmission and distribution network licensee.

We welcome the move to provide a two-year forward look in this FWP given the complexity, pace of change and uncertainty facing the energy sector. On the whole, we believe the four key priorities<sup>1</sup> outlined in the FWP work programme reflect appropriate areas of focus for Ofgem over the next 2 years.

We would highlight the following points of particular note in respect of this FWP.

#### 1. Vulnerability and consumer policy

We remain committed to addressing the needs of all our customers and support the implementation of a strategy to protect consumers in vulnerable situations as a priority for the energy sector. A key message emerging from Ofgem's Future of Energy conference in January is the importance of data and "keeping things simple" in order to make a positive impact on consumers in vulnerable situations and to promote consumer engagement.

We support these views as they target the systemic issues affecting consumer engagement. Therefore, we welcome the prioritisation of plans to improve the availability and use of data as well as the implementation of new systems and rules for a smarter, more flexible energy system.

---

<sup>1</sup> (1) Making retail markets work for all, (2) Enabling future markets and system arrangements, (3) Network preparedness and performance and (4) Excellence in statutory and core functions.

## 2. Default Tariff Cap reviews

Ofgem has committed<sup>2</sup> to reviewing the smart meter allowance in time for the third default tariff cap period commencing in October 2019. We anticipate a fairly involved process will be required to deliver this commitment (eg data gathering, consultation, disclosure room) in potentially compressed timescales and would welcome more detail in the final FWP on Ofgem's plans.

Under the Domestic Gas and Electricity (Tariff Cap) Act 2018, Ofgem is obliged to review in 2020 whether the conditions are in place for effective competition, and publish a report, including a recommendation on whether the cap should be extended or not. We would welcome further details on how Ofgem plans to approach this review considering the time available to consult and gather data is limited.

## 3. Supplier licensing review

We welcome Ofgem's review of new supplier entry requirements and ongoing monitoring arrangements, and think it timely in light of the large number of insolvencies over the last two years. We also support Ofgem's intention to tighten up its arrangements for managing supplier failure and exit. These insolvencies cause detriment not only to the customers of the failed suppliers but also the customers of other suppliers who bear the costs of refunding credit balances and mutualisation.

Ofgem's policy consultation in November 2018 stated that arrangements for managing supplier exit and failure would be subject to a separate consultation but did not commit to any timescales. The draft FWP proposes mid-2020 as the point by which Ofgem aims to raise standards around financial resilience and customer service. We think changes from all three aspects of the supplier licensing review (entry criteria, ongoing requirements and managing exit) should be delivered as soon as possible and certainly no later than mid-2020. We would, in the first instance, welcome more clarity in the final FWP on implementation timescales for new options in relation to ongoing requirements.

## 4. Electricity System Operator (ESO)

We consider the ESO's procurement arrangements for balancing services to be an important element of facilitating greater competition in the electricity wholesale market.

However, we remain concerned about the lack of ambition and pace in the ESO's roadmap to increase the participation of Distributed Energy Resources<sup>3</sup> (DER) in the provision of balancing services. The ESO's Draft Forward Plan 2019-21 consultation<sup>4</sup> tends to place DER participation in its 'long-term vision'. We firmly believe there is potential for DER participation to increase competition in balancing services and reduce whole system costs in shorter timescales than the ESO envisages. Customers who invest in DER technology will not maintain an interest or trust in potential revenue streams from balancing services if there are long delays in the ESO's plans (as has been the case with Frequency Response).

---

<sup>2</sup> Default Tariff Cap Decision Document (Overview), pg8, "However, we recognise that the cost and pace of providing smart meters is uncertain. Therefore, we will review the smart meter allowance in time to inform the third cap period (October 2019 to March 2020)".

<sup>3</sup> We consider DER to include electricity-producing resources such as generating stations and controllable loads (Demand Side Response) regardless of where they are connected (T or D)

<sup>4</sup> [ESO Draft Forward Plan for Consultation \(April 2019 – March 2021\)](#)

We think that one of Ofgem's priorities in the coming year should be to ensure that its oversight of ESO performance results in more transparency in the procurement of balancing services and timely participation of DER in order to increase competition in the market for balancing services.

We welcome the introduction of metrics to assess the performance of the ESO and the publication of plans and roadmaps. These have the potential to increase confidence that a level playing field exists in balancing services if the metrics are well targeted and Ofgem holds the ESO more accountable for meeting timescales in its plans and roadmaps.

#### 5. Review of future retail market design

Ofgem intends to review the current retail market arrangements and recommend reforms by March 2020. We are supportive of Ofgem's objective to achieve a retail market that is 'fit for the future and puts the needs of consumers at the heart of the energy system'. Such reforms are important to the case for removing price restrictions but also to the future operating models of suppliers. In this context we believe Ofgem's plans to recommend reforms by March 2020 will necessitate early, robust consultation and evidence-based conclusions. We call on Ofgem to elaborate on its plans for this review in the final FWP.

#### 6. Updates to information in FWP

We recognise that aspects of the programme may change, particularly as we enter a period of transition, and would encourage Ofgem to consider publishing periodic updates to this FWP or converting it into a summary that could be published on Ofgem's website and updated as necessary.

We would also welcome a greater level of granularity on timescales and milestones for each of the work streams captured in the FWP. Detailed plans are often available in each work stream's page on Ofgem's website but it would be helpful to have plans in one place and the FWP could be an ideal vehicle for this.

Please do not hesitate to contact me or James Soundraraju (Tel 0141 614 2421, [jsoundraraju@scottishpower.com](mailto:jsoundraraju@scottishpower.com)) if you have any questions arising from this response.

Yours sincerely,



**Richard Sweet**  
Head of Regulatory Policy