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Ofgem draft Forward Work Programme 2019-21

We welcome the opportunity to provide our views on Ofgem's draft Forward Work Programme (FWP) 2019-21.

We recognise the positive aims of the proposed activities covered by the FWP's four key priority areas and acknowledge the intention that these activities will offer consumers greater protections and benefits, whilst also reducing burdens through simplifying regulatory approach.

We note the draft FWP covers the extended period of 2019-21 and welcome this approach to providing a longer-term forward vision, with the understanding that the work programme will be refreshed next year to consider possible changes in priorities and market conditions that may arise.

We ask Ofgem to consider that the number, large scale, complexity, ambitious timescales and interdependent nature of many of the proposed activities will require careful planning, risk assessment and efficient programme management to achieve high quality outcomes for consumers and market participants.

We note that there is no direct reference made in the draft FWP to the principles-based approach to regulation that has been previously advocated by Ofgem. We look forward to further indication of such an approach being used to inform the proposed activities when they are outlined in further detail.

We acknowledge from Martin Cave's speech delivered at the recent Ofgem Energy of the Future conferences that, although not specifically mentioned in the draft FWP consultation document, Ofgem is once again considering the growing role of intermediaries (such as price comparison websites, autoswitching services and home automation providers) and whether it is appropriate that these businesses should remain unregulated. We would encourage Ofgem in giving further credence to this area and recommend further industry engagement to support this.

We also note that the next steps for the Green Deal arrangements, which are due for consultation this year, are not featured in the draft FWP. We look forward to receiving more detail about this activity in due course.

We acknowledge from Dermot Nolan's speech delivered at the Energy of the Future conferences that Ofgem is challenging itself and the wider energy sector to become more

diverse at all levels. SSE recognises the benefits of diversity to both our organisation and wider society. We are committed to inclusion and diversity as part of our long-term business strategy. In this regard we have recently helped form The Energy & Utilities Skills Partnership, led by SSE and 27 other companies from across the UK, in a pledge to reduce the skills gap in the sector by 2027 and improve inclusion and diversity throughout the industry.

We are supportive of Ofgem ensuring that the UK has a clear and robust regulatory framework in place for the energy sector as we proceed towards what we trust will become an orderly withdrawal from the EU. At the time of writing we appreciate that the situation may be overtaken by events in terms of ratification of the Withdrawal Agreement, the date of withdrawal and the status of the Article 50 notification due to deliberations by the UK Government and UK Parliament over the coming days and weeks.

We are very supportive of Ofgem's commitments to protect consumers, particularly the most vulnerable, and to become a more agile regulator as the sector approaches great change, uncertainty and technological transformation. We look forward to working with Ofgem and other stakeholders to achieve the best outcomes for all customers and restore trust in the energy industry.

A more detailed response to some specific activity areas covered in the consultation is included in Annexes A and B attached.

We would be happy to meet Ofgem to further discuss our response in more detail.

Yours faithfully

Megan Coventry
Regulation

Annex A

We wish to highlight the following key areas that we consider will have importance in the next two years:

Making retail markets work for all

Supplier Licensing Review

SSE supports Ofgem's plans for an improved assessment around financial robustness, which we would recommend happens at the point of market entry and on an ongoing basis. We advocate a similar approach to assessing new entrant business plans and subsequent periodic checks as carried out on FCA regulated businesses. Adding more rigour to the checks on suppliers is important to minimise the industry wide disruption caused by failed suppliers and the subsequent recovery of costs, for example through Supplier of Last Resort (SOLR) claims, DUoS uplifts and scheme mutualisations. The current rate of failure of suppliers is damaging to the perception of the market and is ultimately of material detriment to customers.

Strategic review of the micro-business retail market

We support Ofgem's plan to conduct a strategic review of the micro-business retail market and are fully prepared to engage in the consultation process and support Ofgem in defining short and medium-term actions to address any market challenges identified through the review.

Developing a vulnerability and consumer policy

We look forward to the publication of the consumer vulnerability report by Summer 2019. We intend to work closely with Ofgem and other stakeholders to understand where improvements can be made for consumers in vulnerable situations.

Midata in the energy sector

We support the initiative and the early interactive engagement with Ofgem and BEIS during the development process. We view that the development of the Midata Standard and Accreditation Framework needs to be baselined as soon as possible, given the challenging timescales for implementation in Autumn 2019. Parties will need this confirmation and assurance for their development and implementation activities, alongside appropriate testing to ensure this does not inadvertently disrupt existing services.

We welcome the confirmation from Ofgem that there will be a policy consultation forthcoming in Spring 2019, ahead of the Statutory Consultation.

Data services for disengaged consumers

SSE has fed back valid concerns to Ofgem for what is a complex project to implement. We feel this has informed Ofgem's change of approach several times and whilst this flexibility is welcome, it also means there is a lack of clarity around how and when the objective can be

achieved within Data Protection guidelines. Added to this, multiple trials in this area under SLC 32A to test and develop services for the database are also increasing the cost to suppliers to implement the project. We urge Ofgem to ensure any plans are well laid out in good time and only after all concerns are resolved and risks mitigated should suppliers be required to comply with SLC 50/56.

Enabling Future Markets and System Arrangements

Electricity settlement reform

We are looking forward to receiving the statement to industry which is to be provided at the end of the year. We advocate that a key focus should be ensuring that lessons have been learned from previous large change programmes and best practice is applied in the progression of settlements reform activity.

DCC compliance, including price control/ DCC price control review

We welcome the assurance that Ofgem is continuing to focus on ensuring that costs are being monitored and scrutinised. Given that we are only able to view part of the evidence submission by DCC, we are reliant upon this thorough assessment by Ofgem.

We are fully supportive of establishing an appropriate governance process to be able to make meaningful input to DCC decision-making. We recognise this needs to be balanced between DCC being able to provide innovative and agile service improvements whilst providing an engagement process to enable suppliers to understand the impacts, costs and benefits, and to input into the final decision.

Joint review of codes and code governance

We support the proposed joint review with BEIS for improving industry codes and code governance. However, we note that timescales may be very short between consultation and proposed implementation of a revised regulatory framework in Summer 2019. We ask that Ofgem consider that during this time there will be pressure on resources dealing with interdependent changes and cross programme impacts.

Electricity network access reform

We welcome Ofgem's launch of the Access and Forward Looking Charges Significant Code Review and agree with Ofgem's assessment of the key challenges which should be addressed, the priority areas for reform and principles Ofgem proposes to apply. We particularly support the introduction of better price signals to reduce market distortions and incentivise users connected to the distribution network, or behind the meter to make more efficient investment and dispatch decisions. We also welcome consideration of the TNUoS reference node which could better facilitate effective competition including with interconnected generators. We will be actively involved in Ofgem's Charging Futures Forum and the workstreams taking forward this work.

Targeted charging review (TCR)

We agree with the TCR principles and are broadly supportive of the work Ofgem is doing on the residual element of network charges. We agree with the intent to reduce distortions that currently exist because of the ability for some users to take action to avoid revenue collection charges and in so doing increase the cost for others. From a network perspective, we must be mindful of the distributional impacts of these changes on our customers' charges and the practicalities of having systems and processes in place to deal with these changes.

However, we are strongly opposed to the proposals on **TNUoS Generation Residual (TGR)** to zero and suggest that in this regard, Ofgem is addressing the issue of distorted competition from the wrong direction. The purpose of EU Regulation 838/2010 is to facilitate effective competition across the EU and Ofgem's concern should be to ensure all GB generation is not inappropriately disadvantaged compared with other EU member states. We would suggest a better alternative solution to implement Ofgem's TCR principles may be to cap the TGR at £0 per kW at this time, subject to compliance with the Euro 2.50 cap, and not prejudge the outcome of potential later CUSC modifications relating to the EU Regulation.

System operation reforms

We are fully engaged with Ofgem, BEIS and industry on the DNOs' transition to DSOs and are actively involved in the ENA's collaborative Open Networks Project. We are also active in the trialling of solutions and innovations to address the challenges that are identified and in the testing of different ways of working to understand possible frameworks and markets that will deliver a sustainable way forward. Reform to transmission and distribution system operations should adhere to key principles of using appropriate and non-distortive market mechanisms that follow clear energy policy objectives, competition based on clear and well evidenced price signals, and avoiding distortions between competing providers.

Excellence in Statutory and Core Functions

Core licensing/ code role and Core electricity and gas connection and network charging

We note that over the past few years the Authority, in the form of Ofgem staff, has been noticeable by its absence at various industry code Workgroup meetings. Prior to this - indeed since NETA (and subsequently BETTA) 'go-live' - Ofgem staff had attended the majority of code modification workgroups. This allowed for a very helpful exchange of understanding and appreciation of the issues at hand, by all concerned, with each modification as it progressed from inception to Authority decision. A return by Ofgem to this exemplar of 'excellence' in terms of (i) managing code modification policy and (ii) overseeing electricity and gas network charging in relation to code modifications, by attending many more industry code modification workgroups, would be most welcomed.

REMIT and the EU and Enforcement and REMIT casework

We welcome clarity provided in Ofgem's Open Letter¹ of 4 December 2018 on no-deal EU exit REMIT contingency arrangements, including on the REMIT carve-out for wholesale energy products within MiFID II. Continuity and smooth transition of REMIT arrangements post-Brexit would result in minimal administrative burden on market participants. Separately, we are also supportive of Ofgem's intention to continue to monitor and enforce GB wholesale energy market integrity and transparency as it does currently.

Renewables obligation (including Northern Ireland) and Social programmes

SSE welcomes Ofgem's ongoing recognition of distortions arising from historic and existing charging regimes and looks forward to Ofgem progressing with an economically rational approach to change including how energy policy costs are levied and how system operation costs are allocated. In this regard, we support Ofgem's application of the TCR principles regarding residual revenue collection for TNUoS and DUoS charges, agree these principles should be applied to BSUoS charges and suggest that these same principles should also be applied to revenue collection for social programmes.

As regards the Renewables Obligation, the FWP makes no mention of the recent supplier failures to meet their obligations. These failures have seen the industry experiencing its first mutualisation process of the costs associated with the various failed suppliers. Given the substantial sums involved, we are concerned that this could exacerbate the problem regarding supplier failures. We note from conversations with the RO team that Ofgem is currently engaged with BEIS regarding how to avoid such large sums being defaulted on in the future and we would encourage continued work in this area, albeit we recognise that any policy change would need to originate from BEIS rather than from Ofgem.

Feed in Tariffs (FiTs)

Where a smart meter is installed at a FiT generation site, we have identified several operational challenges associated with moving to metered export payments where we are the FiTs Licensee but not the import supplier and in circumstances where we are both the FiTs Licensee and the import supplier. While numerous solutions have been discussed at an industry level via Energy UK fora, we have determined there are significant costs and resource associated with developing and implementing an acceptable solution. Therefore, careful consideration must be given by FiT Licensees and import suppliers and a consensus must be reached to develop a long term sustainable and efficient solution. To this end, we request that Ofgem help facilitate such discussions and help inform a viable solution.

It is also our view that FiTs suppliers do not have a forum to openly discuss changes. Our preference would be for a forum to exist where changes can be discussed, and suppliers have an opportunity to respond.

¹ https://www.ofgem.gov.uk/system/files/docs/2018/12/no-deal_eu_exit_remit_contingency_arrangements.pdf

Energy Company Obligation (ECO)

We welcome Ofgem's intention as written in the FWP, to enable industry, business and consumers to access and participate in effectively-managed, renewable energy and social schemes, which includes the Energy Company Obligation.

We appreciate that administration of ECO is complex and requires a highly skilled and knowledgeable team to manage it effectively. We are concerned that the level of staff turnover within the Ofgem ECO team is at times quite high, resulting in experienced staff leaving, which can impair the effectiveness of Ofgem's administration. We would therefore urge Ofgem consider in the FWP what can be done to reduce staff turnover and improve succession planning.

We are concerned the ECO Technical Monitoring process is not working as well as it could. Our primary concern is the time taken by Ofgem to process and resolve responses from suppliers, which has a detrimental impact to the supply chain and householders. We believe everyone would benefit from a more timely response which we think could be achieved by the introduction of service level agreements between Ofgem and suppliers.

We note Ofgem's intention to drive down non-compliance issues and tackle suspected fraud, which we support. We strongly urge that all compliance exercises and audits should happen closer to the point of install, otherwise detection of fraud or other compliance issues after the event becomes increasingly difficult to resolve for householders as time passes, and eventually results in unrecoverable costs affecting the public purse. Issues should be identified in a timely way and not as a result of long overdue retrospective audits. The FWP could additionally consider how this activity can be implemented whilst, or soon after, a measure is installed - we would suggest as a minimum within 12 months of a measure being installed.

Warm Home Discount (WHD)

It would be useful to have more information shared about the UK fuel poor. Regarding next year's scheme, we are keen to ensure we are targeting those who are truly in fuel poverty through adaptable and robust eligibility criteria but also via innovative measures in industry initiatives.

UK Planned withdrawal from EU

Ongoing political uncertainty means that there is insufficient time to adequately prepare for the possibility that the UK leaves the EU without a deal. SSE supports the intention behind the concurrent statutory consultation in preparation for the consequential licence changes that such an exit would require. SSE considers that it would be regrettable to have an inter-regnum period in the regulatory framework following 'exit day' but agrees with Ofgem's view (expressed in the statutory consultation) that a 'no deal' exit would make this unavoidable. SSE agrees that publication of a decision on consequential changes in advance of 'exit day' will provide licensees with as much clarity as is possible under the circumstances.

Annex B

We continue to challenge in the following areas, noting that these remain of interest to us going forward:

Enabling Future Markets and System Arrangements

Supplier oversight and policy: Smart meter compliance

As well as our wider obligations to ensure a positive smart customer experience, SSE remains committed to meeting our rollout obligation by 2020. While it is important for Ofgem to hold suppliers to account, we feel it is also important to stress that industry has been subjected to numerous and substantial technical set-backs, which increases costs and causes delays e.g. technical issues associated with SMETS2 meters, external system failures, and the implications of SMETS1 becoming part of mass rollout. As such we would welcome ongoing support from Ofgem to help ensure suppliers are best able to overcome the barriers we face in rolling out smart meters successfully and as quickly as possible. We would also welcome Ofgem's acknowledgment that low customer interest in smart metering is a significant barrier to suppliers being able to meet the Government's ambitious installation targets by 2020.

Review of future retail market design

Whilst we are supportive of the review in principle, as part of continual market monitoring, we continue to advocate that the supplier hub model still has merit as a predictable and stable platform where suppliers carry out several important functions. There are also significant changes to be delivered as part of the faster switching programme and through smart rollout. These changes need to be delivered and time allowed post-implementation to allow for assessment to be made to judge their efficacy. We continue to challenge proposals around alternative default arrangements. It is our view that the measures considered by Ofgem to reform market design must have clearly identifiable consumer benefits.

Decarbonising energy/ Decentralising energy

We support Ofgem in ensuring appropriate regulatory responses to the future challenges of decarbonising both heat and transport (including electric vehicles).

With regard to Heat Networks, SSE Enterprise Utilities (SSEEU) currently owns and operates 13 heat networks, serving in the region of 8,000 end users. When these existing networks are fully built out, we expect to have between 15,000 and 20,000 heat network customers. Our portfolio includes a network on the Wyndford Estate in Glasgow, which is the UK's largest retrofitted heat network.

The cost of decarbonisation should fall on all energy consumers, not just the consumers of the energy supplies that are providing the decarbonisation as has largely been the case to date. The bulk of decarbonisation has come via changes to electricity generation through the Renewables Obligation (RO), Feed in Tariffs (FiTs), and Contracts for Difference (CFD) and the cost of these schemes have been levied exclusively on electricity consumers. This has

resulted in customers who use electricity over other fuels (primarily for heating and hot water) contributing significantly more to the costs of decarbonising society than is equitable. This also has the consequence of reducing the relative competitiveness of electricity compared to other fuels as a heating medium which in turn has the potential to reduce the level of decarbonisation possible via utilising electricity as a primary energy source.

Gas charging review

We would like to emphasise the importance of a careful consideration and proportionate approach to the TAR NC implementation in the GB market. In our view, an unnecessarily tight implementation timeline of October 2019 will result in distortions to the wholesale gas market as industry will not have had sufficient time to prepare. An implementation of October 2020 will provide the necessary time to allow contract re-negotiations and amendment, storage auctions and bidding into the revised capacity mechanism. This is important now that a transition period has been ruled out by Ofgem. When considering an optimal approach to gas charging in the GB market, Ofgem should give due consideration to the competition and security of supply objectives which, if not achieved, would lead to increased costs to consumers and could lead to significant societal cost from reduced energy security. A discount to storage charges in excess of the minimum 50% is required to mitigate the effect of charging cost increases which could result in storage closure. This will be raised as part of the Uniform Network Code 0678 modification process.

Secure and promote review

In SSE's response to Ofgem's Open Letter of August 2018, SSE stated that remaining obligated parties will face disproportionate costs as a result of a reduced number of obligated parties under the Market Making Obligation (MMO). This has become increasingly the case with the latest derogation granted by Ofgem in January 2019.

SSE continues to be concerned about unfair allocation of costs associated with the MMO. Following a number of derogations granted by Ofgem, and a likely further detriment to obligated parties if market volatility were set to rise, we urge Ofgem to focus its attention on the fundamental review of the MMO and to set out a clear timeline for the key deliverables of this review.

EU exit implementation

We are supportive of Ofgem seeking to ensure that the regulatory structure can function appropriately following the UK Withdrawal from the EU. However, it appears to us that whilst the Authority has engaged closely with central Government and National Grid (together with some Code Administrators) to achieve this task, we have seen little evidence of the Authority engaging closely with industry more generally on this matter. We would wish to encourage and support the Authority in its engagement with industry generally on this important topic; whilst appreciating that at the time of writing that the situation may be overtaken by events in terms of ratification of the Withdrawal Agreement, the date of

withdrawal / 'Exit Day' and the status of the Article 50 notification due to deliberations by the UK Government and UK Parliament over the coming days and weeks.

Capacity Mechanism

We are supportive of Ofgem's ongoing 5-year review of Capacity Market Rules. However, there have been no consultations or updates on the progress and the scope of this review since Ofgem's Open Letter of October 2018. Given the Capacity Market suspension announcement on 15th November and BEIS's subsequent consultations on the changes to the Capacity Market framework, we would welcome clarity from Ofgem on the interim milestones and deliverables of its 5-year review.

Security of Supply

The EU TAR charging review will increase costs for storage and increase financial losses. Storage net revenues are already insufficient to finance refurbishment of exiting assets and may result in the closure of assets, and increased network costs will exacerbate this. Financial assistance should be provided to storage in recognition of the services that are provided to the network, market and society that currently go unrewarded. We agree with the recommendation as provided in the FTI Energy report of August 2018.²

Gas Flexibility

As coal power ceases, the electricity market will become almost wholly dependent on gas to generate electricity to balance intermittent renewable production. Given that large gas CCGTs will be curtailed first in a gas emergency this creates two areas of concern. Firstly, that there will be insufficient electricity if gas supplies are limited, and secondly, how should the industry manage the inequality between NTS connected CCGTs (whose interruption provides balancing insurance for the whole gas industry) and DN connected gas-fired generators that are immune from interruption. We request that Ofgem recognise these concerns and consider whether NTS connected CCGTs should be granted lower NTS charges (through a bigger interruptible discount) and protection against capacity mechanism penalties should a CCGT be interrupted in a gas emergency.

Black Start

Whilst we are broadly in agreement with the need to examine the development of a possible Black Start restoration standard, which may potentially be implemented via future licence changes, we have certain reservations which we would encourage Ofgem to consider as part of its FWP. We note the joint BEIS/Ofgem paper on this topic that was presented to the December 2018 Black Start Task Group meeting, which suggests that GB generators of a certain size would have additional obligations placed upon them without any commensurate commercial / contractual ability to recover the associated costs via the TSO. Given that there is already an obligation on the TSO to provide commercial terms and conditions for system

² https://ec.europa.eu/energy/sites/ener/files/documents/mf31_background_fti-cl_energy_gie_study.pdf

restoration services in GB (which National Grid set out in its requisite proposal to Ofgem of 18 December 2018) we believe that there is no need for any additional obligations to be placed upon generators in GB than exist within the EU Network Codes and the associated GB terms and conditions for system restoration services. We therefore would wish to see the forward workplan amended accordingly to ensure that any subsequent GB Black Start restoration standard (if taken forward by Ofgem) continues to apply a markets based solution for all market participants; rather than placing financially onerous obligations on some parties but not other parties (whilst allowing those other parties to offer a commercial offering for that service) which would distort competition between those obligated parties and other market participants as well as affecting cross-border trade (which is a relevant consideration for the Ofgem in the context of the Third Package).

Network Preparedness and Performance

OFTO regime

While we broadly agree that the existing OFTO regime has delivered its benefits, we are supporting the industry call for a fundamental review of the OFTO regime, including a review of the 18-month period within the Generator Commissioning Clause and consideration of the post-25-year licence arrangements in offshore transmission.

Separately, zonal transmission losses, as introduced by Balancing and Settlement Code (BSC) modification P350, has resulted in a different way of allocating costs for non-dispatchable renewables, as opposed to providing an effective economic dispatch signal. With non-dispatchable renewable generation unable to change its running profile in response to an increase in transmission losses within its zone, P350 has introduced uncertainty into the economic case for non-dispatchable generation, in particular for assets located (or connecting onshore) in Scotland. We would urge Ofgem to review this as a matter of priority.

Competition in onshore transmission and for the RIIO-2 market

The introduction of a new form of competition should only proceed where it is actual competition and can be clearly demonstrated that it delivers holistic benefits to energy consumers, the wider economy and supports the efficient, timely delivery of transmission infrastructure.

We are therefore extremely concerned that Ofgem is continuing to progress with the implementation of competition in onshore transmission in the absence of a clear legislative framework. In the absence of primary legislation there is a lack of scrutiny and clarity in the process by which Ofgem can determine whether the extension of competition serves to further the customer interest. The lack of a clear process creates conditions for ongoing challenge and delay as parties rationally seek clarity through available appeals mechanisms. The costs of delays are ultimately felt by customers.

We have already outlined our strong objections to Ofgem's decision to apply its Competition Proxy Model (CPM) to NGET's Hinkley-Seabank project, and its minded-to decision to apply

CPM to SHE-T's Orkney project. We have also set out our objections and significant concerns with Ofgem's proposed special purpose vehicle (SPV) model, which we believe, if pursued, will be to the detriment of connecting generators and ultimately consumers. Any consumer benefits of the CPM and the SPV remain untested and are far outweighed by the significant detriment to regulatory certainty and investor confidence. These alternative delivery models represent a risk to consumers' interests, particularly given their underdeveloped state, and the absence of any evidence as to why SWW is not working for consumers.

Ofgem is in the process of developing its wider RIIO-2 framework; we will take the opportunity to respond to the proposals that have been presented in Ofgem's RIIO-2 sector specific methodology consultation.

Development of RIIO-2

SSE will participate fully in the RIIO-2 development and will be submitting its final RIIO-ET2 business plan in December 2019. We remain concerned about the direction of travel from Ofgem regarding the proposed RIIO reforms. At present, we do not feel that Ofgem has taken account of the risks the RIIO-2 reforms introduce to companies or that it has set out a package which meets either the interests of consumers or investors. When combined with a tighter financial package, it looks very challenging. SSE wants to do the right thing for consumers and is concerned that Ofgem is putting at risk the sector with short termism against the longer-term stability of the sector to support important changes such as the energy system transition. We will continue to put forward our position and will be submitting a formal response to the RIIO-2 sector specific methodology consultation in March 2019.

Bringing new interconnectors into operation

Following Ofgem's update³ on the Final Project Assessment (FPA) stage for Window 1 interconnectors, it is evident that for various reasons the projects are struggling to deliver on the initially set commitments for the FPA stage. We note that Ofgem is not setting a fixed deadline on submissions and instead allows an FPA submission to follow 'a reasonable period of time'. We urge Ofgem to closely watch ongoing developments with interconnectors and redo the Initial Project Assessment for each project as soon as necessary.

Separately, our view is that any additional interconnector capacity should only be brought forward where unambiguous evidence suggests that additional capacity would be beneficial. Economic analysis of new interconnectors should consider national carbon management issues including the economic impact of loss of carbon tax income to UK treasury and consider the wider socio-economic impacts on infrastructure. It should also consider impacts on international competitiveness of GB based low carbon generation and implications for reliability of delivering UK decarbonisation targets, as well as security of energy supply regarding both capacity adequacy and fuel security.

³ <https://www.ofgem.gov.uk/publications-and-updates/cap-and-floor-regime-update-final-project-assessment-stage-window-1-interconnectors>

We suggest that Ofgem works closely with BEIS to assess the optimal interconnection target for the UK market going forward.

Price cap compliance monitoring/ Price cap policy

We maintain our views as set out previously in our response to Ofgem's Default Tariff Cap (DTC) policy consultation. Ofgem should monitor unintended consequences of the DTC and be ready to intervene early to prevent long term damage to the functioning of competition in the energy supply market if required.

We welcome the progress of the CMA mid-term review of the PPM cap and trust that Ofgem will continue to engage positively in the process. We urge that this receives a very high priority so that a more satisfactory and consistent arrangement on the cap may be achieved in time for the review of tariffs for implementation by 1st October 2019.

We welcome further information and engagement from Ofgem on how the price cap will be monitored, and how impacts will be addressed.

Simplifying Regulatory Approach/ Reducing Burdens

Future Retail Markets review

Whilst we appreciate the desirability to support innovation, we are mindful of recent changes arising from, for example, the EU Electricity Network Codes, that require that harmonised approaches are adopted when applying certain EU based laws in GB. In certain limited cases an 'EU' derogation maybe given to derogate GB parties from complying with EU obligations in accordance with the process for the NRA to grant such a derogation set out in the requisite EU law. However, as we have noted, for example, in our recent BSC Modification (P374) and as confirmed by Ofgem's letter of 11 December 2018 to the BSC Panel (at opening sentence at Q2) certain EU laws do not provide the ability to derogate from the obligations in those laws and it is important that this is taken account of with any regulatory 'sandboxes'.