

Centrica plc
Regulatory Affairs
Ground Floor, Lakeside West
30 The Causeway
Staines
Middlesex
TW18 3BY
www.centrica.com

Abid Sheikh, Anna Stacey and Amy Freund
Ofgem
9 Millbank
London
SW1P 3GE

29 March 2019

Sent by email to: half-hourlysettlement@ofgem.gov.uk

Dear Abid, Anna and Amy,

Call for Evidence: Potential impacts on consumers following market-wide settlement reform

Centrica welcomes this call for evidence. Communicating with customers is important if the benefits of settlement reform are going to be realised. We believe that until there is material penetration of high consumption appliances, e.g. electric vehicles (EVs), or smart automation then it's unlikely that customers will be willing or able to shift significant load away from peak times. In this light, our key recommendations for Ofgem are:

- Suppliers have an ongoing relationship with customers and are best placed to communicate the relevant benefits of settlement reform to customers:
 - Informing all customers about settlement reform should be avoided as it's likely to cause customer confusion. Instead customer communication should be targeted at those customers who stand to benefit from settlement reform, e.g. letting customers know about a time of use tariff that could lower their bills.
 - Operating a dual consent regime for data opt-in for both settlement reform and smart metering is likely to confuse customers who may not appreciate the differences between the two and why they may not be aligned. In the interests of the consumer, we recommend Ofgem support a review of the smart metering data access framework and ensure both consent regimes are aligned and easy for customers to understand.
 - If multiple organisations are going to communicate with customers then the messages should be co-ordinated. Lessons should be learned from P272, to ensure messages are well co-ordinated and a frequently asked questions document agreed up front to inform customers. Further lessons should be learned from how communication has been managed for the smart metering rollout.
- Principles based regulation (PBR) will provide sufficient protections for domestic customers and we see no evidence for further regulation in the non-domestic market:
 - However, any non-suppliers offering new propositions to customers should have to adhere to a similar level of regulation as suppliers, to ensure a level playing field.

- The increased visibility of consumption data in settlement will highlight which suppliers have customers that are costlier to serve, with commensurate costs passed on to these suppliers. Given suppliers are now under a price cap, the impacts of half-hourly settlement could be factored into the cap by either:
 - Allowing each supplier to recover their full electricity costs according to each customer's settlement profile (i.e. cost reflective pricing under the cap); or
 - A levelisation mechanism that ensures that no supplier is any more adversely impacted than another by settlement reform.

Our answers to the specific questions within the call for evidence are appended to this letter.

If you have any questions on our response please contact Tabish Khan in the first instance on Tabish.khan@centrica.com.

Yours sincerely

Tim Dewhurst
Centrica Regulatory Affairs, UK & Ireland

Appendix: Responses to the questions in the call for evidence

Impacts on domestic customers

Question 2.1: Individual domestic consumers will differ in their ability and/or willingness to engage with how they use electricity.

- a) What are your views on the forms of communication most likely to facilitate/encourage consumers to engage with their energy use to help them make informed choices?**
- b) What specific information about their energy use could encourage consumers to engage? Please consider how this information is presented and how regularly it is communicated.**

We are seriously concerned about consumer detriment resulting from unnecessary and hard to understand communications being sent to domestic consumers regarding settlement. Especially any communications sent to vulnerable consumers.

Electricity settlement is a complex industry process that nearly all consumers do not have visibility of, nor understand. We consider that consumers do not need to understand settlement to benefit from any future settlement reform, i.e. by opting for a time of use (ToU) tariff. However, not all customers may want a ToU tariff and may not necessarily benefit from a ToU tariff. Therefore, providing information on settlement to all end consumers is likely to confuse customers who may become concerned unnecessarily.

We have already seen many examples of how lack of understanding around smart meters has contributed to concerns around spying, selling of data and 'surge pricing'¹. We have concerns that widespread messaging around half-hourly settlement could lead to concerns in a similar vein.

Any customer communication must be targeted at customers who stand to benefit from settlement reform and in language that's plain and intelligible, i.e. referencing a product that is now available to them due to settlement reform. For example, a time of use tariff where the customer clearly understands how they could save money by moving their usage to a different time of day.

We further consider that engagement on ToU tariffs is likely to be light at first. As most new products in all sectors tend to have slow up take. Smart meters will facilitate time of use tariffs but ultimately consumers are unlikely to adopt ToU propositions unless they can financially benefit from them.

We are aware that Ofgem is planning to allow customers to opt out of having their half-hourly data entered into settlement. We disagree with Ofgem's conclusion as we consider settlement to be a regulatory requirement and use of this data for settlement purposes is an appropriate and proportionate use of data.

Creating a consent regime for an industry process that most consumers are not aware of, and one that does not impact them directly, will be confusing for the customer and very challenging for suppliers to manage and explain. Placing this second consent regime alongside the smart metering data access arrangements will add greater operational difficulty, especially as these two arrangements will not necessarily be aligned. In the interests of the consumer, we

¹ Guardian article and comments, 2017: <https://www.theguardian.com/money/2017/jun/24/smart-meters-spying-collecting-private-data-french-british> and This Is Money article: <https://www.thisismoney.co.uk/money/bills/article-4967794/March-smart-meter-refuseniks.html>

recommend Ofgem support a review of the smart metering data access framework and ensure both consent regimes are aligned and easy for customers to understand.

We agree with Ofgem's view that there are multiple ways a customer may want to engage with their energy. The regulatory framework should be flexible enough to accommodate all forms of communication that customers may want and energy companies wish to offer.

Question 2.2: Aside from communication, what other measures or initiatives would encourage consumers to become more confident about engaging with their energy use? This engagement may be direct, or through an intermediary/third party.

Trials are a productive way to engage customers on new and potentially complex products. Centrica is supportive of the Ofgem sandbox and is currently participating in a sandbox project in partnership with Verv and Repowering London². Centrica is also working on a pioneering trial in Cornwall that will test the use of flexible demand, generation and storage across both the domestic and business sectors³.

It is important that Ofgem and BEIS continue to support facilitation of trials on how best to engage customers with innovative propositions.

We have concerns around how projections of energy usage can remain effective for engaging customers around time of use tariffs. The current personal projection methodology is standardised across energy but doesn't factor in a customer's ability to move load to off-peak periods.

Changes will need to be made to the personal projection methodology to accurately reflect the levels of savings customers can make by switching to a time of use tariff, and how these savings are dependent upon the degree that customers can shift their energy usage.

It is important that suppliers, switching sites and Ofgem work together to agree a consistent methodology so customers can estimate the potential savings from a time of use tariff, and to avoid the confusion that would result from all parties using different methodologies for time of use tariffs.

Question 2.3: Based on any relevant evidence you have collected,
a) what proportion of consumers would be price responsive?
b) what enablers would be important and what barriers might exist?
c) what volume of load shifting from peak to off-peak periods (%) will a consumer be able to offer?

Centrica was one of the partners in the Customer Led Network Revolution (CLNR) trial in the North of England, working with Northern Power Grids. One of the key findings from that trial was that even after a customer understands how a time of use tariff works they are not particularly price responsive. No customers could lose out financially in the trial but if there had been no safety net then 40% of customers would have been financially worse off.

The trial savings averaged at £10 per year per domestic customer. Given that the time of use elements had exaggerated prices with a 99% uplift in prices for peak periods, i.e more than the price differential we would expect to see if the tariff was fully cost-reflective of wholesale

² Ofgem: Window 2 Sandbox trials: https://www.ofgem.gov.uk/system/files/docs/2019/02/enabling_trials_through_the_regulatory_sandbox.pdf

³ Cornwall Local Energy Market: <https://www.centrica.com/innovation/cornwall-local-energy-market>
Page 4 of 13

and balancing costs, it's not a significant enough saving to incentivise most customers to change their consumption behaviour.

The CLNR trial showed an average reduction in peak consumption from 18.5% to 16.6%. This reduction was for those customers on time of use tariffs designed to avoid peak usage.

The CLNR trial demonstrated that most customers have very little load they can shift to off-peak times apart from wet appliances, i.e. dishwashers and washing machines. Some customers may consider wet appliances as load that cannot be shifted, e.g. if they have needs that require wet appliances to run as soon as possible.

Until there is large penetration of appliances that have large levels of consumption and / or can significantly load shift then it's unlikely that customers will be able to shift significant load to off peak times. Two examples of these types of appliances are electric vehicles or a domestic battery that may be linked to a solar panel. Both these technologies currently have low penetration in GB households but likely to increase over time.

It's important that settlement implementation is scheduled to align with the increasing penetration of the availability of movable load within households.

Based on analysis of the results of the CLNR the residential elements of our Cornwall trial will have flexible load that may be remotely controlled, for two reasons:

- To maximise the flexible load available for local markets, as flexible load won't need to be activated by customers; and
- Customer convenience as automated load can save customers money without customers having to actively and regularly engage.

Centrica is working to integrate solar, battery and heat pump technology into its customer offer and has estimated that the co-location of domestic battery storage alongside today's solar installations alone could enable over 4.5GW of flexible power capacity. It is innovative propositions like this that have the potential to deliver the benefits that settlement reform can facilitate.

Question 2.4: A number of different approaches to load shifting exist.

- c) Which approaches to load shifting (direct, or indirect, with or without automation) would domestic consumers be more likely to prefer and respond to?**
- d) What are the risks and benefits of these approaches?**
- e) How could those risks be mitigated?**
- f) Would certain types/groups of consumers favour certain approaches?**
- g) Would certain types/groups of consumers be at greater risk of detriment from certain approaches?**

It is important that Ofgem enables all types of load shifting propositions to come to market whether it's with or without automation, direct or indirect.

Ofgem's primary concern should be on whether customers understand the terms of the propositions they have signed up to and have the option to exit the proposition under reasonable terms. We consider the principles around customer communication within supplier licence condition 25 to be sufficient in affording customers protection if load shifting tariffs are offered by suppliers, and allowing customers to make informed choices.

If load shifting technology and / or propositions are being offered by non-suppliers then it's important that Ofgem has proportionate levels of protection in place for consumers.

We are supportive of Ofgem enabling non-suppliers to offer products and propositions, which are enabled by settlement reform, to customers. However, it's important that the level of customer service is proportionate and equivalent irrespective of which organisation a customer has a contract with. Equivalence between suppliers and non-suppliers will both protect customers and ensure a level playing field between suppliers and non-suppliers, enabling competition to deliver the best outcomes for consumers.

Question 2.5: Which parties (eg suppliers, other third parties, network companies, community schemes etc) do you consider could be best placed and/or trusted to facilitate these above approaches?

Suppliers have an ongoing commercial relationship with customers and are therefore best placed to hold the relationship with customers. Suppliers also have a licence obligation to ensure customers can understand their products and that customers are treated fairly.

There could be a role for trusted third parties such as Citizens Advice and Which? in providing advice and guidance to customers.

It's important that messaging from suppliers, trusted third parties and any messages from the regulator are co-ordinated so customers see the same messages. If different organisations are providing different messages to customers then it will lead to confusion and customer disengagement.

When half-hourly settlement was brought to medium sized businesses (P272) the messages from suppliers and network operators often conflicted resulting in customer disengagement. It is important that lessons are learned from P272 and the same mistakes are not made again. A more co-ordinated approach to customer communication for future settlement reform would help prevent customer confusion. This may include an agreed upon list of frequently asked questions (FAQs) – as was produced for P272.

Question 2.6: Certain consumers may face barriers that prevent them from load shifting.

- a) **What barriers exist that may prevent consumers from load shifting?**
- b) **Which particular groups of domestic consumers may face greater or more significant barriers than others?**
- c) **For particular consumers are there certain types or levels of consumption that there will be less scope to flex (ie are there any forms of consumption that consumers would consider as “essential” and be unable to shift, such that suppliers, network companies or third parties should not be able to offer to reduce consumers' usage below this limit)?**

The main barrier to load shifting for customers is not having the discretionary load that can be shifted to different time periods. If a customer doesn't have appliances with the means to conveniently move load to off-peak periods then they won't shift load.

Customers are, understandably, more likely to prioritise their lifestyle over their energy usage so are only likely to shift load when it doesn't impact on their lifestyle – e.g. a young family with large amounts of washing to do is unlikely to be able to delay their use of wet appliances until an off-peak period.

Once the smart metering rollout is complete there will be some customers without smart meter access as they refused an installation or the meter has stopped communicating. In these instances, the customer will not be able to demonstrate that he or she has moved load to off-peak times, and therefore may not be able to take advantage new propositions.

It is important that lower income households can also take advantage of propositions that settlement reform will enable. We are concerned that the cost of flexible assets such as EVs and battery storage may restrict the ability of lower income households benefitting from flexible tariffs. Including solar panels plus battery storage within the next iteration of the energy company obligation (ECO) scheme is one option for engaging lower income households.

For some customers, such as those on the priority services register (PSR), access to electricity may be vital at all times – e.g. for customers with a dialysis machine. These customers must be protected from any risk of their power being interrupted and therefore may be less able to engage in flexibility services.

Private renters may not be fully in control of their energy engagement if it is the responsibility of the landlord. Nor might they be able to make investments into new technology for their homes due to the inherent uncertainty of their tenure.

Question 2.7: Do you have any views about the scale of any distributional impacts? How may these be mitigated?

We do not have any evidence to provide beyond what Ofgem commissioned in its own distributional analysis of time of use tariffs⁴, cited in the call for evidence.

However, we are concerned on how the distributional impacts will affect suppliers. The increased visibility of consumption data in settlement will highlight which suppliers have customers that are costlier to serve. As Ofgem states in the call for evidence, market wide settlement reform will 'help expose suppliers to the true cost of supplying electricity to their customers'. This will mean that suppliers with customers who on average use electricity when it is more expensive will be charged more than suppliers with customers who on average use electricity when it is cheaper.

Currently, all default tariffs fall under the Ofgem-set price cap under the Tariff Cap Act. There is currently no provision in the cap for the variation in costs that would be imposed on suppliers under mandatory half-hourly electricity settlement.

If mandatory HHS is introduced while the price cap is still in place, then the different costs imposed on suppliers by their customers' consumption would need to be factored into the cap methodology. As the costs imposed upon suppliers will be outside of their control. It would not be fair to force suppliers to absorb the extra costs, since these extra costs are dependent on customer behaviour, and under the cap suppliers could not incentivise customers to shift load using price signals unless they opt-in to a tariff that enables load shifting.

Mandatory HHS could be factored into the cap by either:

- Allowing each supplier to recover their full electricity costs from each customer according to each customer's settlement profile (i.e. cost reflective pricing under the cap); or
- A levelisation mechanism to ensure no supplier is more adversely impacted than other suppliers.

⁴ Distributional impact time of use tariffs report:

https://www.ofgem.gov.uk/system/files/docs/2017/07/distributional_impact_of_time_of_use_tariffs_1.pdf

Ideally, the cap would not be in place by the time mandatory HHS is introduced. The lack of a price cap would better allow suppliers to compete on price for all customers, tailored to different customer needs and ability to load shift, absent the risk of suppliers being unable to recover their costs because of the cap. Under the cap currently the risk to suppliers from offering incentives related to mandatory HHS would be asymmetric: customers would be rewarded for shifting load to when electricity is cheaper, but suppliers could not recover their full costs of supplying electricity if they did not.

Question 2.8: How could innovative technologies or solutions enable more consumers to provide flexibility, either individually or collectively (eg through a community approach)?

Any technology with flexible load should enable customers to provide flexibility if it's easy to use and doesn't adversely impact a customer's lifestyle.

Aggregated flexibility should be made easier under 'Project TERRE'⁵, which will enable aggregators to participate in flexibility markets. At a more local level peer to peer trading platforms may enable greater customer benefit from having flexible load. We are aware that Ofgem is progressing this under a separate future energy retail market review work package and we are supportive of Ofgem's exploratory work on the future of retail markets.

Our trial with Verv and Repowering London is an example of how innovative technologies may be used to benefit customers, including vulnerable customers.

Question 2.9: We want to understand what specific concerns or risks of detriment may exist with the use of technology and innovation to enable flexibility.

- a) What barriers exist for consumers to access these enabling technologies/innovative products?
- b) How could these barriers be overcome?
- c) Are there any particular concerns which may apply for certain consumer groups, eg vulnerable consumers (affordability and practicality)?
- d) What further protection measures should be considered alongside these technologies?

New flexible technology is likely to generate new concerns that aren't applicable to today's propositions. E.g. long-term tariffs that may apply to technology that has a long payback period, such as heat pumps or domestic batteries.

It's impossible to predict all potential future concerns that may arise. Therefore, principles based regulation is best suited to ensure customers are treated fairly and understand the terms of a proposition so that they may make informed choices.

If load shifting technology and / or propositions are being offered by non-suppliers then it's important that Ofgem has similar levels of protection in place for consumers.

Question 2.10: Do you have any views about whether consumers may prefer particular tariff types over others (for reference, some examples of ToU tariffs are listed in Appendix 2, and potential access options are described in Appendix 4)?

Half-hourly settlement should be designed so that in principle customers could choose any of the tariffs set out in the appendices of the call for evidence. Customer demand should drive

⁵ P344 'Project TERRE': <https://www.elexon.co.uk/mod-proposal/p344/>
Page 8 of 13

the take up of tariffs, and the regulatory framework should allow all relevant tariffs to come to market.

Question 2.11: Which types of flexible tariffs and offers are likely to be available following settlement reform, considering the potential network charging and access options described? Please identify specifically the types of tariff options which

- a) suppliers are already offering or are developing
- b) you expect may emerge following settlement reform
- c) you expect suppliers may develop in response to more granular, locationally differing network charging signals and the availability of different access options for their consumers. Would you expect to see such tariffs, automation deals or offers targeted to consumers by location if underlying network charges varied locationally?

We have no views beyond those examples listed in appendix 2 of Ofgem's call for evidence.

Question 2.12: Considering any tariff options or packages you have developed or may develop, please provide any evidence of consumers' attitudes or response to them.

We have no further evidence to provide.

Question 2.13: How far could principles-based obligations help ensure tariffs/choices are appropriate, including in relation to potential new access options?

Principles based obligations are the right tool to ensure tariffs are marketed and offered to customers that are transparent and allow customers to make informed choices. Any obligations should be equally applicable to suppliers and any non-suppliers offering energy services.

Given it's unclear what new propositions settlement reform may facilitate, a principles based framework will be sufficiently adaptable to allow any new proposition to come to market.

Impacts on small non-domestic consumers

Question 3.1: Individual small non-domestic consumers will differ in their ability and/or willingness to engage with how they use electricity.

- a) What are your views on the forms of communication most likely to facilitate/encourage these consumers to engage with their energy usage to help them make an informed choice?
- b) What specific information about their energy use could encourage these consumers to engage? Please consider how this information is presented and how regularly it is communicated.

Any customer communication must be targeted at customers who stand to benefit from settlement reform and in language that's plain and intelligible, i.e. referencing a product that is now available to them due to settlement reform. For example, a time of use tariff where the customer clearly understands how they could save money by moving their usage to a different time of day.

All communication must be coordinated to ensure consistent messaging to customers. Lessons should be learned from P272 when messages were not well co-ordinated, often with contradictory messages being sent to customers from suppliers and network operators.

In the small business market there is a great variety in type and size of customer. Therefore, suppliers should be able to tailor their messaging to each customer and not be bound by any prescriptive requirements.

Question 3.2: Aside from communication, what other measures or initiatives would encourage small non-domestic consumers to become more confident about engaging with their energy use? This engagement may be direct, or through an intermediary/third party.

Centrica is working on a pioneering trial in Cornwall that will test the use of flexible demand, generation and storage across both the domestic and business sectors⁶.

It is projects such as our Cornwall project that will provide vital learnings on how best to engage customers with innovative propositions.

For our industrial and commercial customers, we use a tool called Energy 360⁷ to help these customers manage their energy usage. A similar tool to E360 to help visualise a customer's consumption profile could help customers become more confident with engaging with their energy use.

Question 3.3: Who would be best placed to help small non-domestic consumers to be more engaged with their energy usage? How would this vary with sector and company size?

Energy suppliers have an existing relationship with their customers and are best placed to communicate with SME customers. During the implementation of P272 we provided the following tailored communications:

- Letters to our impacted customer base
- General communication and frequently asked questions (FAQs) to energy consultants and brokers.
- A section on our website with FAQ's
- Specific communications for our larger customers with bespoke contracts.

Based on past experiences with P272, suppliers are best placed to communicate any new changes to business customers.

Question 3.4: Based on any relevant evidence you have collected,
a) what proportion of small non-domestic consumers would be price responsive?
b) what enablers would be important and what barriers might exist?
c) what volume of load shifting from peak to off-peak periods (%) will a small nondomestic consumer be able to offer? How would this vary with sector and company size?

We do not have any evidence on the price responsiveness of small non-domestic customers to time of use tariffs. However, we can confirm that for larger customers that are half-hourly settled, post P272, most customers are on a two-rate tariff and have actively expressed no interest in being on a more complex tariff.

⁶ Cornwall Local Energy Market: <https://www.centrica.com/innovation/cornwall-local-energy-market>

⁷ Energy 360: <https://www.britishgas.co.uk/business/gas-and-electricity/large-business/energy360>

Given customers in profile classes 3 and 4 are less likely to be able to dedicate time to energy management than our larger non-domestic customers, this would suggest SME customers prefer simpler tariffs.

Question 3.5: A number of different approaches to load shifting exist.

- a) Which approaches to load shifting (direct, or indirect, with or without automation) would small non-domestic consumers be more likely to prefer and respond to?**
- b) What are the risks and benefits of these approaches?**
- c) How could those risks be mitigated?**
- d) Would certain types/groups of small non-domestic consumers favour certain approaches?**
- e) Would certain types/groups of small non-domestic consumers be at greater risk of detriment from certain approaches?**

It is important that Ofgem enables all types of load shifting propositions to come to market whether it's with or without automation, direct or indirect.

Competitive markets should be allowed to deliver tariffs in line with anticipated customer demand.

Question 3.6: Which parties (eg suppliers, other third parties, network companies, community schemes etc) do you consider could be best placed and/or trusted to facilitate these above approaches for small non-domestic consumers?

Suppliers have an ongoing commercial relationship with customers and are therefore best placed to hold the relationship with customers.

There could be a role for trusted third parties such as the federation of small businesses in providing advice and guidance to customers.

It's important that messaging from suppliers, trusted third parties and any messages from the regulator are co-ordinated so customers see the same messages. If different organisations are providing different messages to customers then it will lead to confusion and customer disengagement.

When half-hourly settlement was brought to medium sized businesses (P272) the messages from suppliers and network operators often conflicted thus causing customer disengagement. It is important that lessons are learned from P272 and the same mistakes are not made again. A more co-ordinated approach to customer communication for future settlement reform would help prevent customer confusion.

Question 3.7: What barriers exist that may prevent small non-domestic consumers from load shifting? Can you identify:

- a) Which particular groups of small non-domestic consumers may face greater barriers than others?**
- b) Are there certain types or levels of consumption that there will be less scope to flex for particular small non-domestic consumers (such as the very smallest)? Are there any which these consumers would consider as "essential" and be unable to shift, such that suppliers, network companies or third parties should not be able to offer to reduce consumers' usage below this limit?**
- c) Are any other protections beyond the current regulatory framework needed to ensure arrangements are appropriate and meet small non-domestic**

consumers' needs? Please identify any measures you consider would be beneficial and how these may vary with sector and company size.

The main barrier to load shifting is having the discretionary load that may be shifted. If a customer doesn't have the means to conveniently move load to off-peak periods without affecting the operations of their business, then they won't shift load.

Customers are, understandably, more likely to prioritise their business needs over their energy usage so are only likely to shift load when it doesn't impact on how the business is operated – e.g. pubs and restaurants need to consume during peak times as this is often their busiest time.

We do not see a need for protections beyond the existing regulatory framework. We note that Ofgem plans to conduct a wider strategic review of the microbusiness retail market, that review would be a more appropriate work package to assess the efficacy of the current regulatory framework for microbusinesses.

Question 3.8: Which technologies could be useful for small non-domestic consumers to help them offer flexibility and gain better control of their own energy usage, if they chose to do so? How does this vary with sector and company size?

Any technology with flexible load should enable customers to provide flexibility if it's easy to use and doesn't adversely impact a customer's lifestyle.

Aggregated flexibility should be made easier under 'Project TERRE', which will enable aggregators to participate in flexibility markets. At a more local level peer to peer trading platforms may enable greater customer benefit from having flexible load. We are aware that Ofgem is progressing this under a separate future energy retail market review work package and we are supportive of Ofgem's exploratory work on the future of retail markets.

Question 3.9: Who would small non-domestic consumers trust to provide an automation or load management service (eg direct control over their demand) to them, eg if using an innovative solution like battery storage? What specific protections may these consumers need? Would they be more likely to offer flexibility if it were automated?

Our answer to 3.6 is equally applicable for this question.

Question 3.10: What are the circumstances in which a communal solution could bring more benefit to small non-domestic consumers (sharing risks/benefits of offering flexibility) and are there any specific protections needed?

We are supportive of any communal solutions coming to market and are unaware of any specific protections that would be needed. If communal solutions are offered by non-suppliers, then these non-suppliers should be held to the same standards and conditions that apply to licenced suppliers.

Question 3.11: Which different sectors where small non-domestic consumers are active could benefit from innovative technologies that unlock flexibility and how could other sectors also benefit?

Flexibility can potentially benefit small non-domestic consumers in any sector. Flexibility often depends on whether businesses have the space and capital to install flexible equipment, e.g. batteries, and whether businesses can shift load away from peak times.

For example, pubs and restaurants often experience their busiest hours during the evening peak and so may find it difficult to move load away from peak hours without some form of electrical storage.

Question 3.12: Do you have any views about whether small non-domestic consumers may prefer particular tariff types over others (for reference, some examples of ToU tariffs are listed in Appendix 2, and potential access options are described above and in Appendix 4)? Please consider how this may differ by different types of small non-domestic consumers, eg by sector/company size.

We can confirm that for larger non-domestic customers that are half-hourly settled, post P272, that most customers are on a two-rate tariff and have actively expressed no interest in being on a more complex tariff. This would suggest simpler tariffs are likely to have a greater take up.

Question 3.13: Which types of flexible tariffs and offers are likely to be available to small non-domestic consumers following settlement reform, considering the potential network charging and access options described? Please identify specifically the types of tariff options which

- a) suppliers are already offering or are developing
- b) you expect may emerge following settlement reform
- c) you expect suppliers may develop in response to more granular, locationally differing network charging signals and the availability of different access options for their consumers. Would you expect to see such tariffs, automation deals or offers targeted to small nondomestic consumers by location, if underlying network charges varied locationally?

We have no views on this beyond those examples in Ofgem's call for evidence.

Question 3.14: Considering any tariff options or packages you have developed, please provide any evidence of consumers' attitudes or response to them.

We have no further evidence we can provide.

Question 3.15: How could protections ensure tariffs/choices are appropriate, including in relation to potential new access options?

We consider today's protections for non-domestic customers to be appropriate, and do not favour any further regulation. With new propositions facilitated by half-hourly settlement we see no evidence that extra customer protections are needed.

If propositions are going to be offered by non-suppliers then it's important to ensure a level playing field so that customers receive the same level of protection irrespective of who is providing the service.