ofgem
Making a positive difference
for energy consumers

External inputs into our work

Summary

We have been engaging extensively with industry stakeholders to help us develop and assess our options and ensure we understand the potential impact from different stakeholders' perspectives. This note provides an overview of the stakeholder engagement we have undertaken.

1.1. We are committed to undertaking this significant code review (SCR) in an open and transparent manner. We need input from a range of stakeholders to develop and assess options for change. To help support the development of the SCR, we have launched a Delivery Group and a Challenge Group, and we have also engaged more widely through Charging Futures. We have previously set out the overarching role of these groups in the external inputs note that we published as part of our first working paper.[1]

1.2. This note focuses specifically on the input from stakeholders to the contents of our second working paper.

Distribution connection boundary

1.3. In June 2019, we launched a subgroup of the Delivery Group focusing on distribution connection boundary issues. This is made up of representatives from of all the distribution network operators (DNOs), the Electricity System Operator (ESO), the transmission owners (TOs) and one independent DNO (IDNO). An interim version of this report was discussed with the Challenge Group in September. The report set out, alongside a high level description of the options, the criteria which we thought were most important in terms of our assessment. The Challenge Group's feedback was discussed by the sub group following the meeting and taken into account when updating the report.

[1] https://www.ofgem.gov.uk/system/files/docs/2019/09/000_-_working_paper_-_summer_2019_-_engagement_with_industry_stakeholders_final.pdf

1.4. We discussed the connection boundary with the Challenge Group again in November 2019 focusing on the evidence that had been gathered by this stage and a high level summary of the sub group's assessment of the options. The Challenge Group was invited to comment on the updated report during and after the meeting, with feedback being discussed by the sub group following the meeting. The final version of this report will be published on the Charging Futures website.[2]

1.5. The Energy Networks Association (supported by members of the subgroup) also supported this working paper by considering a number of different charging scenarios to help demonstrate (or otherwise) the effect of there being different connection charging arrangements at transmission and distribution. The aim of this work was test the hypotheses that having different arrangements do (or do not) lead to potential barriers to entry and/or distortions which subsequently influence investment decisions. The findings from this work are described in the connection boundary note.

1.6. Furthermore, we issued a call to evidence to Challenge Group members, Ofgem's Large User Group (a group of large demand users), representatives on the Office for Low Emission Vehicles' electric vehicle infrastructure stakeholder working groups and other interested stakeholders. The aim of this was to gather more detail on the issues faced by users seeking to connect to the distribution network. We received a number of responses to this which has helped inform our thinking and we will continue to further examine some of the themes emerging from this work. This is discussed in more detail in the connection boundary note.

Focused review of transmission network use of system (TNUoS) charges

1.7. We did not launch a subgroup to progress options to reform TNUoS charges. Instead, we have engaged with the ESO, and where relevant the DNOs and TOs, directly to develop and assess the potential options for change.

1.8. We discussed the issues with the Challenge Group in October and November 2019. Recognising that those discussions were at an earlier stage of analysis than the connection charging and small user discussions, we also held a further call with interested Challenge

[2] http://www.chargingfutures.com/charging-reforms/access-forward-looking-charges/resources-2/scr-working-group-publications/

Group members to talk through our emerging analysis. We intend to seek further input from wider stakeholders as we go forward.

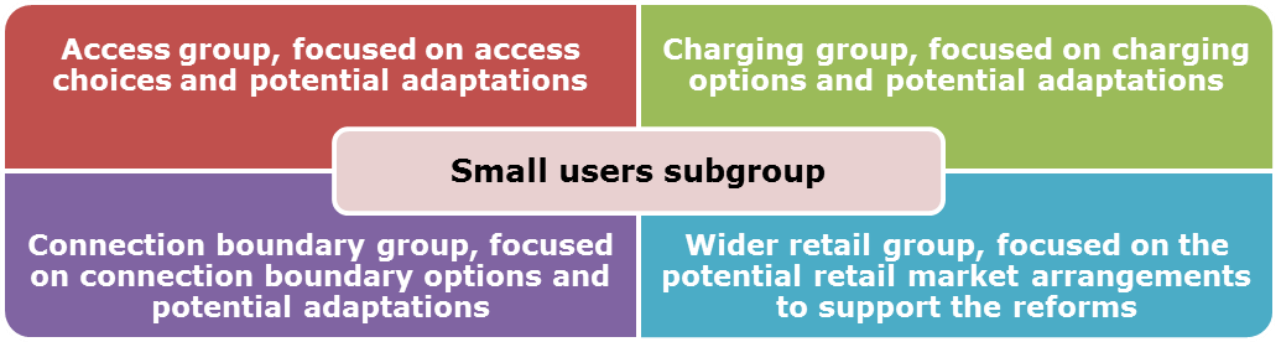
Small users

Small users subgroup

1.9. We established a cross-industry subgroup focused on small users under our SCR Delivery and Challenge Groups, to help ensure our reform proposals draw on industry understanding of customers' needs and how the range of options can work best in practice. This included representatives from DNOs, suppliers and Citizens Advice.

1.10. This subgroup set out to develop and assess a range of options from the perspective of the consumer interface, to inform our understanding of the extent to which the options identified for larger users could or should apply directly for small users (or a group of them) or whether any adaptations, protections and any enablers may be needed.[3] It was split into four areas, as outlined in Figure 1.

Figure 1: overview of small users workstreams



1.11. To guide the subgroup's assessment, Citizens Advice identified some key characteristics of domestic consumers and microbusinesses for consideration in developing and assessing options. These include factors which may indicate consumers' potential to be vulnerable, or impacted in different ways by access and charging reforms, such as heating type, income level and different technologies for domestic consumers. In relation to microbusinesses, they

[3] The outputs from the cross-industry subgroup will be available on the Charging Futures website: http://www.chargingfutures.com/charging-reforms/access-forward-looking-charges/resources-2/scr-working-group-publications/

considered premises with multiple sites and the potential for changes of use or user type in a property.

1.12. In identifying the opportunities and any potential risks which may exist for consumers under our options, the subgroup also considered an illustrative customer journey, to identify how these may present at different stages – such as when contracting, ie signing up to a new tariff or moving home, and during ongoing usage and billing under an option. Each stage of the journey may have particular steps involved for suppliers, network companies and the customer. Figure 2 shows the key steps identified in an illustrative customer journey when a small user engages with these choices in the retail market.

Figure 2: Illustrative customer journey

Other inputs

1.13. We and the subgroup drew on a range of other relevant studies and reports through this analysis:

- **Consumer First Panel** Year 10 Wave 2, published alongside this working paper, exploring consumers' attitudes to different charging signals and approaches to defining their access to the network.
- **Ofgem's behavioural literature review** on applying behavioural insights to network charging reform, exploring the potential incentives for consumers to respond under our reform options and how far adaptations could help protect small consumers, particularly the vulnerable and/or disengaged. This review is published alongside this working paper.
- **The Call for Evidence on potential impacts for consumers following market-wide settlement reform**,[4] including for those in vulnerable situations. This work helped build our understanding of consumers' and suppliers' likely response to the

[4] https://www.ofgem.gov.uk/publications-and-updates/call-evidence-potential-impacts-consumers-following-market-wide-settlement-reform

combined signals and tariff options which may emerge following electricity settlement reform and any changes made via our reforms.

- We invited suppliers to take part in a short voluntary **online survey** aimed at understanding the extent to which their approach to retail tariff design for small energy consumers would be affected by reforms proposed. The survey covered medium and small suppliers serving domestic and microbusiness customers. We are in the process of reviewing results.

- **Citizens Advice research on "Core Network Access – Core Capacity"**,[5] which aims to better understand the concept of core or 'basic' access and what it might mean for consumers. It explores whether it is possible to determine a (or a set of) common core electricity network capacity levels for domestic consumers and micro-businesses, and how any such level or levels might be set.

- **SSEN report on core capacity**,[6] further explores the concept of core capacity and capacity charging, including which activities are time sensitive and which customers may be happy to defer. This research was informed by SSEN's five-year SAVE project, which was funded by Ofgem's Low Carbon Networks Fund.

Next steps

1.14. We are committed to conducting this SCR in an open and transparent manner. We intend to host a workshop on the second working paper at the next Charging Futures Forum on 18 December 2019. To attend the Charging Futures Forum or join one of our webinars – please sign up to the Charging Futures distribution list.[7]

1.15. If you have any initial comments or questions on either of our working papers or how to get involved, then please contact us directly at **futurechargingandaccess@ofgem.gov.uk**.

[5] https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/core-network-access-core-capacity/
[6] http://news.ssen.co.uk/news/all-articles/2019/june/ssen-investigates-fairer-ways-of-suppling-core-capacity-to-customers/
[7] http://www.chargingfutures.com/sign-up/sign-up-and-future-events/

1.16. We will continue to engage with stakeholders via the Delivery Group, Challenge Group and Charging Futures Forum in advance of publishing our minded-to consultation in summer 2020.