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Ofgem Forward Work Programme 2020-2022

We are grateful for the opportunity to respond to the consultation on Ofgem's Forward Work Programme for the regulatory years 2020/21 and 2021/22. We broadly welcome the proposals and set out below our detailed considerations and comments.

This letter represents the views of Smart DCC Ltd (DCC) and I can confirm that we are content for this to be published on the Ofgem website.

Summary

The forward work programme appears very comprehensive and challenging. Overall, DCC agree with the programme as it is presented. The prominence of work to support a net zero carbon economy is entirely correct. We see Ofgem's role in providing strategic direction to achieving the net zero carbon economy as an important step in delivering this ambition.

We appreciate Ofgem's continued support for the delivery of the roll out of smart meters and the central registration service for the switching programme – DCC's core deliverables - and we agree with the key milestones that are forecast for the coming years.

In addition, we are pleased that Ofgem's work to review the Operational Performance Regime is underway. It is clear that, as currently structured, it does not reflect the aspects of DCC's performance which are most valued by our customers, and hence it is wholly proper that Ofgem seek to address this. We look forward to working with both Ofgem and our customers in designing a better and more responsible performance measurement system. However, we recognise that there are a number of challenges that need to be addressed in delivering these changes, including when and how the new regime is implemented and crucially how the new measures are introduced to existing contracts. Careful consideration must be given to these in order to ensure the success of any new performance measurement regime.

We are delighted to have started work with Ofgem to look at the future of DCC's regulatory framework. Again, there is regular questioning from customers about the effectiveness of the current arrangements, and this concern is shared by DCC, given that the framework was only

intended to be transitional for use during the early years of DCC. This is an opportunity to develop thinking of the role of DCC beyond the current deliverables so that they inform the development of a robust future framework. Providing certainty will ensure that the new framework is fit for purpose and provides longevity rather than a further transitional arrangement.

We note there is a reoccurring theme to improve data usage and sharing within several the ambitions in the forward work programme. We believe there is also great opportunity for the DCC network to be reused in delivering aspects of the forward work programme which could be articulated within the document and highlight these below. We are also pleased to note that Ofgem will be developing a Data, Digital and Technology and Cyber Security Strategy, and given that DCC has procured a highly secure network, built to national and international security standards, we believe we would be in a unique position to contribute to this strategy.

Finally, we would ask Ofgem to consider resource implications for the delivery such a vast forward work programme, particularly where new initiative have been identified in addition to already challenging programme commitments. We note that Ofgem are making changes so that more agile working is introduced. Nonetheless, the lead in time for such changes will no doubt impact resourcing in the meanwhile which should be factored into the forward work programme.

Proposals related to Smart DCC

Smart Metering

DCC are committed to the successful rollout of smart meters and the benefits they will bring not only to consumers, but the contribution they will make towards delivering a net zero carbon economy. The DCC system will enable users to innovate and bring new products and services to market that will further contribute to the government's strategy for clean, smart and flexible power.

We are pleased to continue to work with Ofgem to ensure the successful delivery of this programme. Overall, we see that good progress is being made with the rollout of smart meters, though there is more to do.

We note the current price control process has progressed well and we welcome Ofgem's decision on the price control for the period 2018/19. We are also pleased to be working with Ofgem to review the regulatory framework. This will largely, but not limited to, focus on the economic/price control aspects, seeking to implement a longer-term solution and address the deficiencies resulting from the transitional nature of current provisions. The findings of the Code review which may impact on the licence will also need to be factored into the development of the framework. Consideration must also be given to the fitness for purpose of the licence to support switching and other non smart metering activities. This is an opportunity to develop a robust future framework and that requires consideration of DCC role now and in future.

The regulatory framework review will also ensure that going forward, the price control process achieves transparency, simplicity and a reduction in burdens for both DCC and Ofgem. In turn,

this should address some frustrations felt by our customers and stakeholders by providing them with better insight and involvement. Additionally, Ofgem's review of the DCC Operational Performance Regime should provide DCC and its users with more meaningful and impactful measures that can be used to better assess performance levels. Together, these initiatives will greatly improve accountability, which we welcome.

Ofgem's market-wide electricity settlement reform review will no doubt further enhance the potential for economic benefits. We support Ofgem's ambition to introduce market wide half-hourly settlement and believe this will have a positive impact on competition in the energy market and responded to Ofgem's recent consultation and request for information expressing our support. We believe smart meters will support half-hourly settlement, in turn enabling suppliers to offer greater tariff ranges that can lead to incentivising consumers to optimise their power consumption. Currently DCC, via its experimentation facilities, offers a wide range of support to all market participants who wish to trial, test and deploy new business models such as time of use tariffs. In future, with the growth of half-hourly settlement data, the DCC system will be best placed to facilitate data driven innovation at both aggregated and more granular levels. DCC remain supportive of this review and look forward to Ofgem's decision.

Faster more reliable switching

DCC are pleased to be the key delivery partner in Ofgem's Switching Programme, which aims to enable automated same day switching of energy supplier. DCC is confident that both the milestones of successful testing and go live, will be achieved bringing to fruition a longstanding ambition of the industry. The programme is an excellent example of collaboration across the industry to deliver both consumer and economic benefits.

DCC also contribute to the drafting of the new Retail Energy Code. This will lead to some code consolidation and rationalisation. It is important that in this process, tensions or other unintended consequences are not created between the Retail Energy Code and other remaining Codes and considerations should be given to these issues accordingly.

Other proposals

Changes to the energy systems and delivering a net zero economy will require both innovation in the sector as well as addressing the impact of the shift from carbon fuels to greener electricity generation. The scale and speed of changes is uncertain and Ofgem's development of a Decarbonisation Strategy is a welcome step in addressing these. Signals to industry on approach and priorities will drive behaviours and outcomes.

There are several other sections of the forward work programme that do not directly impact DCC, smart meters or the switching programme. However, the role of smart meters, especially in the space of innovation and re-use of the DCC network, we see as vital to parts of the work programme and we highlight where this should be given further consideration or clarity. We also provide our views more generally on the work programme.

Enabling competition and innovation

Retail market change

We note that Ofgem recognises the importance of innovation. Ofgem states that some of this can be achieved through its Innovation Link service and that Ofgem wishes to ensure that regulation does not hinder innovation and growth. Combined with its commitment to helping customers access and share data, this initiative should go some way to enabling competition and innovation.

However, we believe that Ofgem needs to go further. In future, Smart meters will play a significant role in this space and we believe that great benefit for the public good can be achieved by using the DCC network to help new products and services come to market that will not only reduce costs for consumers but also cut carbon emissions. The Energy Data Task Force initial recommendations on 'open' data have been made, but to help innovation flourish in the sector this requires more focus.

DCC has procured a highly secure network which holds significant data sets that could be 'open' in future. We see interested parties seeking to utilise this and believe that planning for change in how data is used is crucial. The speed of development in this area needs to keep pace with demand. We hope to work with Ofgem to contribute to competition and innovation by looking at the next steps for opening up and capitalising the data which is inherent within the DCC network.

Protecting consumers

Protecting domestic and microbusiness consumers

Greater use of the DCC network will also be a key contributor to its strategic ambition to protect consumers. Ofgem's Consumer Vulnerability Strategy published October 2019 states that the use of smart meter data could allow suppliers to better support their customers. This could address issues such as self-rationing or self-disconnection. Energy suppliers could seek to proactively identify and support vulnerable consumers or those who do not self-identify. However, more systematic requirements rather than supplier driven options could ensure that the DCC system is enabled to meet this ambition. We believe that there is scope for DCC to play a central role in delivering a consistent nationwide, supplier-independent service to vulnerable customers.

Energy Systems

Energy Network Reform

The range of initiatives under this heading have the potential to require significant resource implications for Ofgem. They involve development of new and important policies and strategies as well as potentially taking on new areas of regulation, with heat networks and a regulated asset base for new nuclear power. We fully appreciate the importance of these initiatives and their contribution to reform the energy network. As indicated above, we agree that it is important for Ofgem to develop a Decarbonisation Strategy to signal its approach to industry. Nevertheless, we also recognise that these initiatives are both time and resource

intensive. The timetable for delivery of these is also ambitious and therefore, we would ask Ofgem to ensure that they have sufficient resource to be able to deliver the breadth of the proposals without impacting other key programmes.

Ofgem's foundations

Data, Digital and Technology and Cyber Security Strategy Development

We welcome Ofgem's consultation on this proposed strategy. Data sharing and integration should only occur where security of data can be assured. The DCC have procured a highly secure network which holds significant data sets. As indicated above, the re-use of the network and its data will greatly enable innovation and growth and can help modernise data in the sector. We welcome the opportunity to discuss this aspect of the programme further with Ofgem.

Please contact Julian Rudd (Julian.Rudd@smartdcc.co.uk) should you wish to discuss any points raised in this letter.

Yours faithfully



Siobhan Stanger

Chief Regulatory Officer

