

BEIS-Ofgem Independent Suppliers Forum

13 July 2020

*If you experience any issues during the course of event,
please contact:-*

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| Time | Topic | Speaker |
|---------------|--|--|
| 09.15 – 09.20 | Virtual registration: time to connect via MS Teams | All |
| 09.20 - 09.30 | Introduction from the chair and housekeeping | Rachel Clark |
| 09.30 - 09.40 | Opening remarks and welcome speech | Rt Hon Kwasi Kwarteng MP |
| 09.40 – 09.50 | Key note speech | Jonathan Brearley, CEO Ofgem |
| 09.50 – 10.15 | Q&A | All |
| 10.15 - 11.15 | COVID-19 Update on how Ofgem and BEIS have responded to the crisis. <ul style="list-style-type: none"> • <i>OFGEM: Regulatory flexibility during the COVID-19 crisis</i> • <i>BEIS: Our Response to Covid-19, and What Next?</i> | Richard Bellingham, Ofgem Ben Meggitt, BEIS |
| 11.15 - 11.30 | Coffee break | |
| 11.30 – 12.00 | Supplier License Review – update on consultation | James Proudfoot, Ofgem |
| 12.00 - 12.45 | Settlement reform project update: <ul style="list-style-type: none"> • <i>Intro to the Draft IA and consultation doc</i> • <i>Summary of access to data rules</i> • <i>Interactive brainstorming on implementation timelines & programme governance</i> | Anna Stacey, Ofgem Jasmine Killen, Ofgem |
| 12.45 – 13:00 | Closing remarks & wrap up | Jane Walker, BEIS |

Regulatory flexibility during the COVID-19 crisis



Richard Bellingham
13 July 2020

- Team of account managers covering domestic suppliers
- In normal times scheduled quarterly conversations together with ad hoc contact to discuss news or issues
- During COVID we stepped this up
 - Needed to understand BCP
 - Conversations became more scripted as we gathered information on areas of concern
 - Alongside Account Managers we monitored social media and other media to understand where suppliers were struggling to serve customers
 - Internally we collated and analysed this information
 - Fed into JB letter to CEOs on 8 April

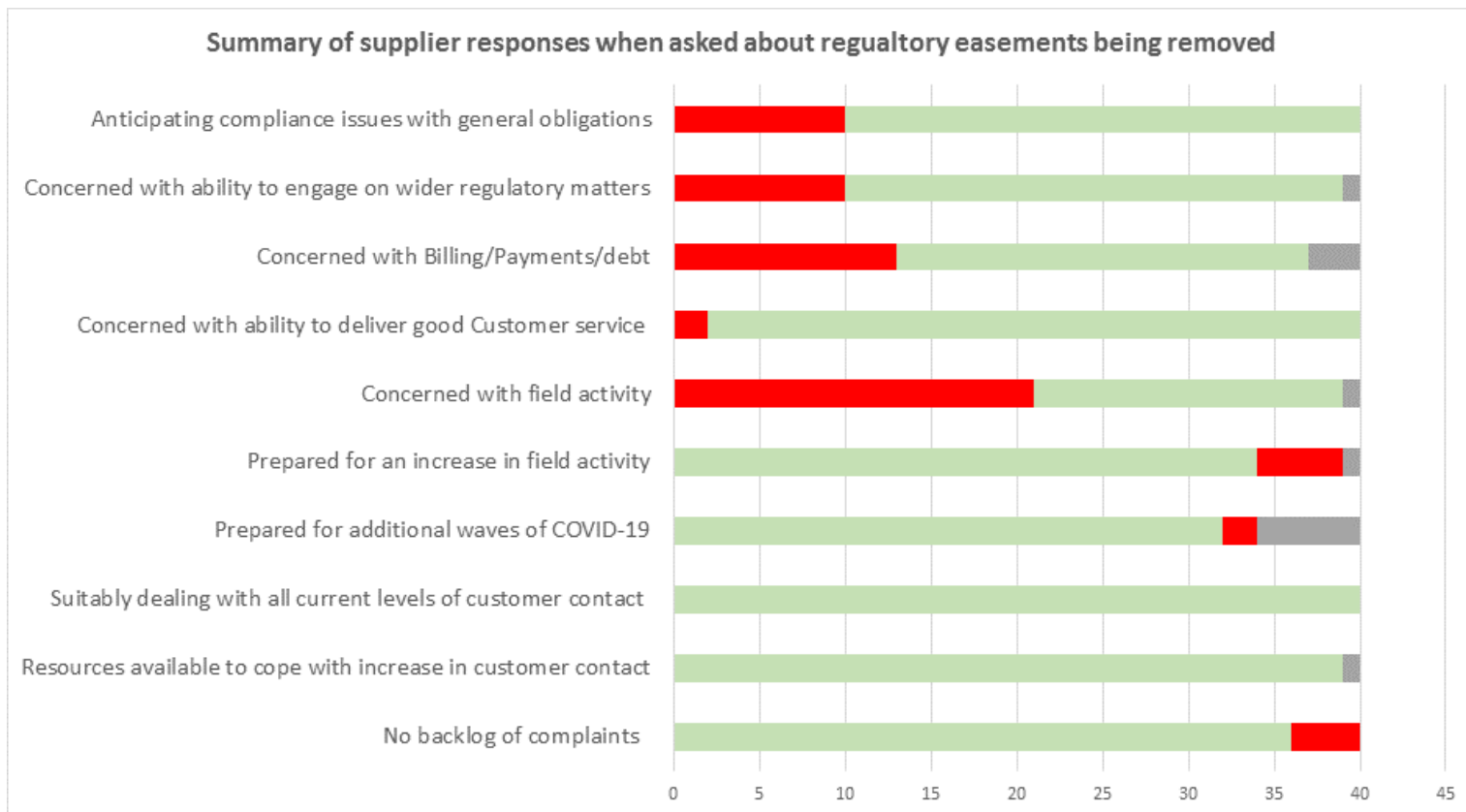
- Our message until 30 June
 - Don't be afraid to do the right thing – we will be pragmatic in the compliance space
 - Protect your most vulnerable customers and keep them on supply
 - Keep your workforce and customers safe - F2F with customers only in emergencies
 - We understand that you may struggle to handle normal volume of customer contact - signposting to alternative assistance is important
 - Recognise that there is no 'one size fits all' and that different companies will be impacted to a different extent
 - Adhere to the agreement with BEIS when dealing with customers that are struggling financially – do not cut off supply
 - Flexibility is important – regular review of the decisions you make will be important

- Suppliers did the right thing
- They responded quickly when they were alerted to customers in distress or in danger of going off supply
- Emergency contacts with customers were prioritised – other customer self served more than they had before
- Suppliers quickly adapted to wfh and provided a service in very difficult circumstances
- Suppliers with offshore facilities experienced closure of facilities at very short notice and had to flex resource from elsewhere in the company to maintain delivery of services

- But gradually customer contact performance stats returned close to BAU although volume was down
- Suppliers started to talk to us about repopulating offices and restarting non-emergency f2f activity in line with government advice

- We didn't start a single compliance engagement due to poor performance during the COVID crisis

- To understand the extent to which supply companies were performing - Series of questions asked by account managers in conversations
- Collated responses – informed our 16 June letter



- We expect that suppliers are dealing with customer contacts and not seeking to divert messages
- We expect suppliers to continue to adhere to the agreement with BEIS when dealing with customers that are struggling to pay their bills
- We expect suppliers to undertake non-emergency f2f visits with customers (meter reading, smart meter deployment etc) in accordance with prevailing government advice
- We acknowledge there will be bumps in the roads and that the operational activity may be on a fragile footing – talk to us where you see problems

Monitor the transition to BAU (or new BAU)

- There will be a big focus on debt
- The RFI will be used to pick up some of this information
- We will also be monitoring SOR, complaints, Guaranteed standards, CA data, OSE data, social media alongside continued account manager conversations

- We will engage where we see issues
- We will continue to be pragmatic
- We understand that circumstances can change quickly

Questions?

Our Response to Covid-19, and What Next?

Ben Meggitt, Head of Wholesale Electricity (BEIS)

The Overview: A four-part story

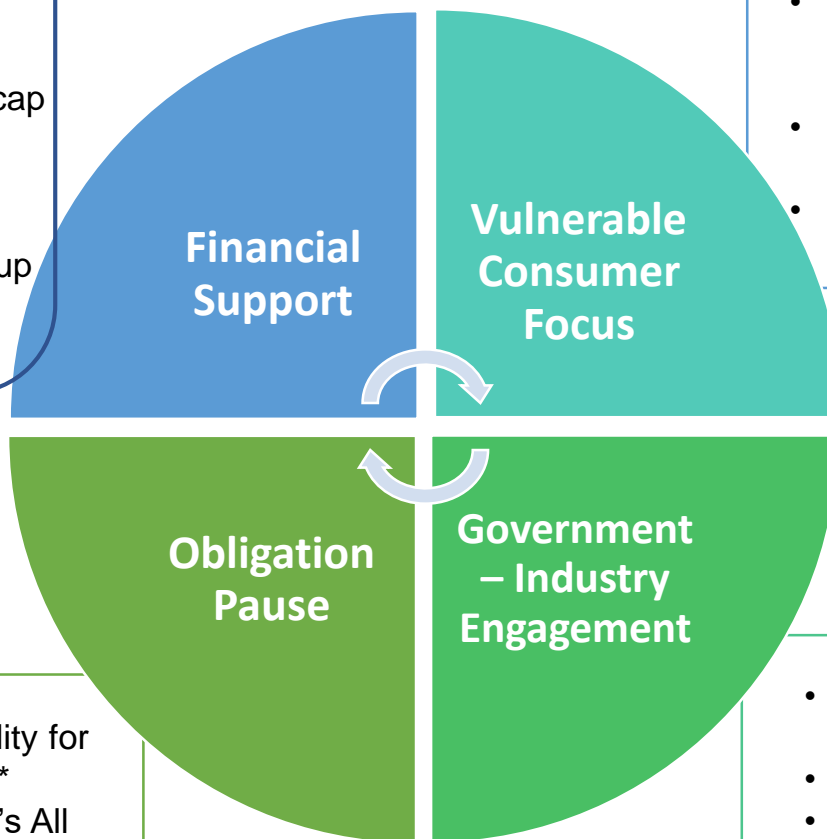
*Applicable to both parts

Unexpected Cost

- Changes to the CfD Supplier Obligation and working capital facility to LCCC (up to £100mn)
- CMP:345 BSUOS charge cap (~£10mn to £30mn)

Liquidity Support

- Network Charge Deferral (up to £350mn)
- HMT Capital Schemes



- BEIS-Industry Agreement & industry actions (e.g. payment holidays)
- Ofgem's regulatory flexibility for suppliers (March to June)*
- HMT Furlough and Self-Employed Schemes

- Ofgem's regulatory flexibility for suppliers (March to June)*
- Extension of Smart Meter's All Reasonable Steps

- Ofgem & Government regular contact with industry
- RFI data (sent & received)
- Minister and senior official engagement

Trends observed (March to June)

- **Energy (electricity and non-domestic in particular) demand down**– an initial reduction in aggregate electricity demand of around 10-15% in April, 5-10% in May/June.
- **Wholesale prices** in short-term markets fell substantially in response, longer-term forward prices largely stable/increasing in more recent weeks.
- **Consumer payments**– initial evidence indicative of a small but sharp and short-lived spike in some non-domestic payment failures immediately after lockdown (likely concentrated in some sectors); no clear changes among domestic customers in aggregate.
- **Vulnerable customer support** – clear response to voluntary agreement from many suppliers in provision of discretionary credit and some payment holidays
- Significant **reduction in home visits**, meter installations and delivery of energy efficiency schemes, in line with social distancing guidelines.

Looking Ahead, what can we expect?

www.menti.com – presentation code **12 69 93**

Aim of session: to hear from you on:

- i) **What are the anticipated top pressures for your company this winter?**
- ii) **Do you expect these to be impacted by the potential for local/regional Covid lockdowns?**

Coffee Break

Please rejoin the meeting by 11:30



Supplier Licensing Review

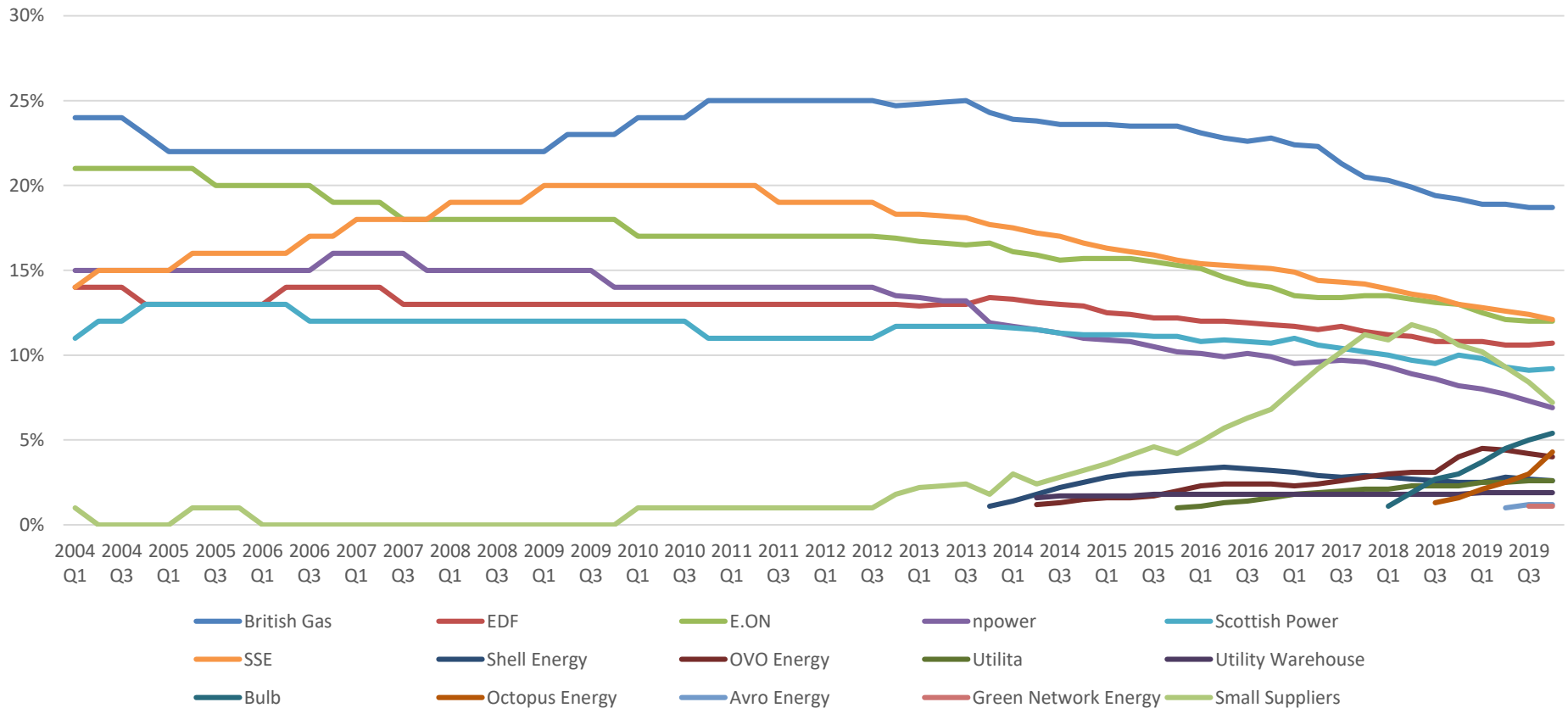
Overview of our package of proposals



James Proudfoot
13 July 2020

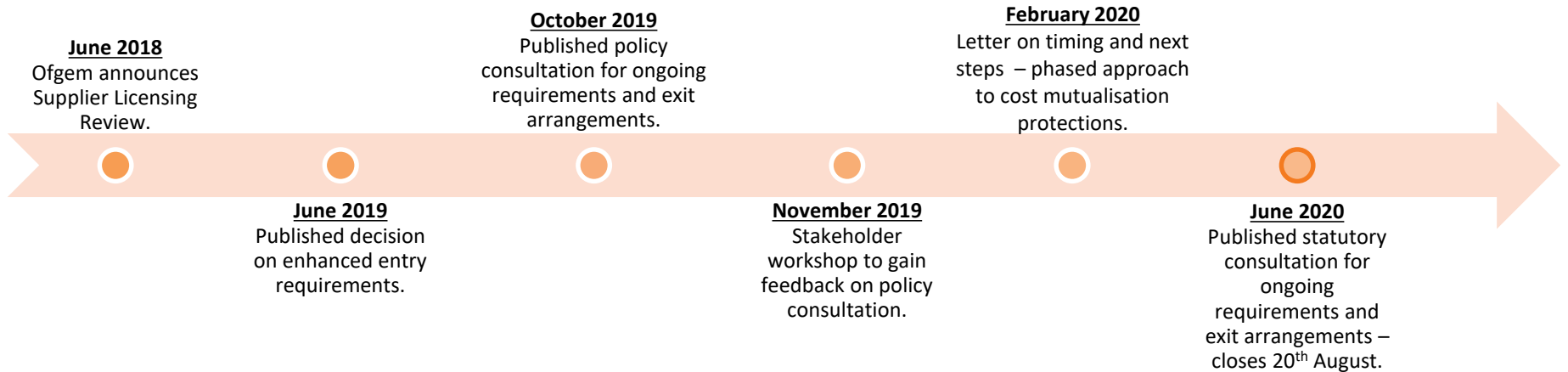
There has been a significant increase in the market share of smaller suppliers in recent years – small and medium sized suppliers now account for around 30% of the market. Consumers have benefited from increased competition.

Domestic electricity supplier market share over past 15 years (%)



Supplier Licensing Review timeline

As in any competitive market, we expect that over time some suppliers may fail. We want to ensure that if this happens customers are protected and wider market impacts are minimised.



Market Entry

- New requirement to demonstrate appropriate knowledge, funding, awareness of risks and necessary capabilities
- New requirement to demonstrate awareness of key regulatory obligations & how the supplier intends to comply
- 'Fit and proper' test of persons with significant responsibility



Ongoing Requirements & Exit Arrangements

- New requirements to ensure suppliers manage risk effectively and are prepared for customer growth
- New protections to ensure suppliers bear an appropriate share of the costs associated with risk, rather than wider industry
- New requirements to ensure suppliers, when they fail, do so in an orderly manner

Suppliers should...

- Adopt effective risk management and be adequately prepared and resourced for growth, and bear an appropriate share of their own risk.
- Maintain capacity and capability to deliver a quality service to their customers and foster and open and constructive dialogue with Ofgem.

Ofgem should...

- Maintain a proportionate oversight of suppliers, and ensure effective protections for consumers exist in the event of failure.
- Ensure our licensing regime facilitates effective competition and enables innovation.

Supplier Licensing Review: Package at a glance



1. Consultation closes 20th August
2. Decision expected in the winter

If you have any further questions, or would like a meeting with the team, please contact licensing@ofgem.gov.uk

Settlement Reform: Project Update



- **Intro to the Draft IA and consultation doc**
- **Summary of access to data rules**
- **Interactive brainstorming (www.menti.com)**

To contact us, please email halfhourlysettlement@ofgem.gov.uk

- Two new industry groups are now progressing the TOM Development Phase:
 - **the Code Change and Development Group (CCDG)** is developing the more detailed TOM design (such as Registration, appointments and data arrangements) and identifying the areas of industry codes and subsidiary documents that need to be changed.
 - **the Architecture Working Group (AWG)** is developing the system architecture design required to enable the preferred TOM. This includes looking at the interfaces between services, communications network and security requirements.
- Since March, we have been publishing [monthly newsletters](#) which provides updates on workgroup progress and allows an opportunity for stakeholders to engage with and feed back on the work prior to the formal consultations.
- All workgroup meeting agenda, slides and highlight reports can also be found on the [ELEXON website](#).
- **We are keen to ensure all parties have the opportunity to stay informed about and input into the work of these two groups and therefore welcome feedback throughout the process.**

Draft Impact Assessment: Process to date

- Request for Information - August 2019
- RFI responses and further stakeholder engagement
- Modelling of benefits
- Published consultation and the draft IA on 30 April 2020
- Republished on 17 June with deadline of 14 September

Next steps

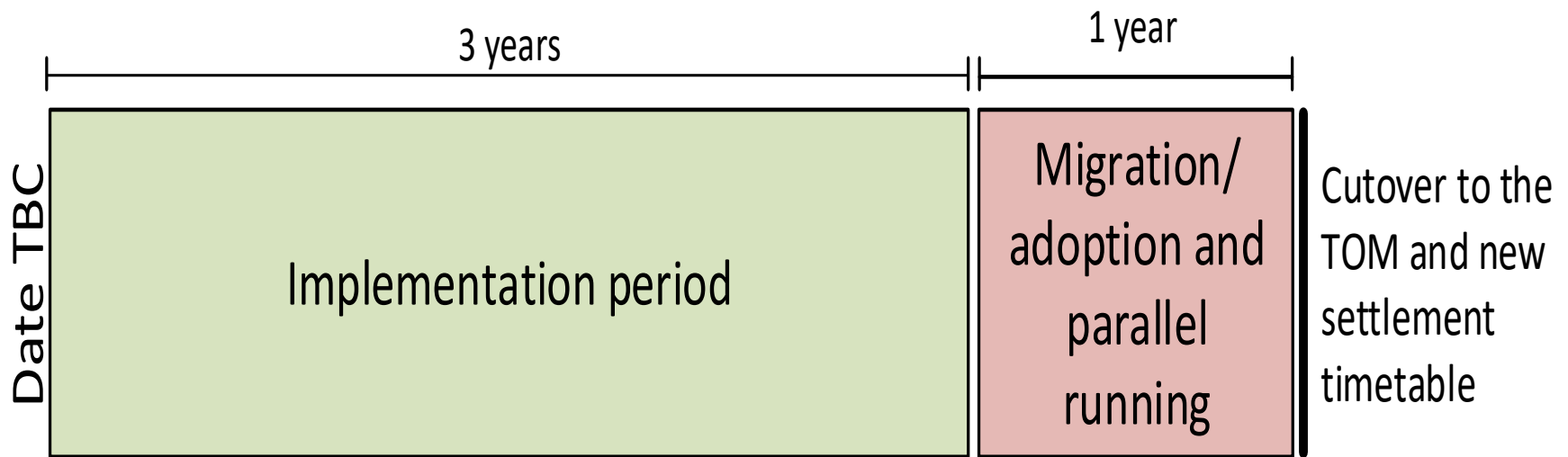
- Further stakeholder engagement during and after the consultation period
- Full Business Case and decision planned for Spring 2021
- Then licence amendments and code changes

**Expected range of net benefit to GB consumers:
£1,607m-£4,557m up to 2045**

Plus unquantified consumer benefits from greater competition and innovation in new products and services

Small supplier evidence base

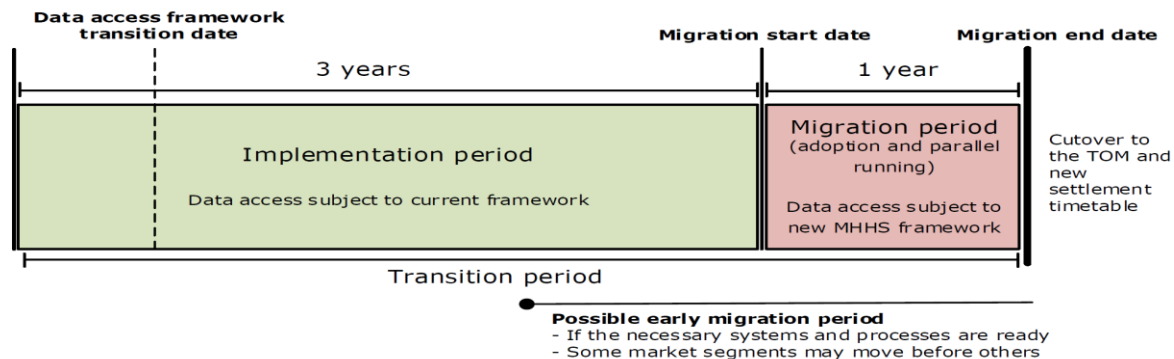
- We have received some useful evidence but we'd like more data
- In particular we are interested in:
 - implementation timetables given COVID-19
 - cost drivers for your business



Migration/Adoption can occur in the implementation period as and when the systems and processes are ready. Some market segments may move before others

Access to data for settlement and forecasting

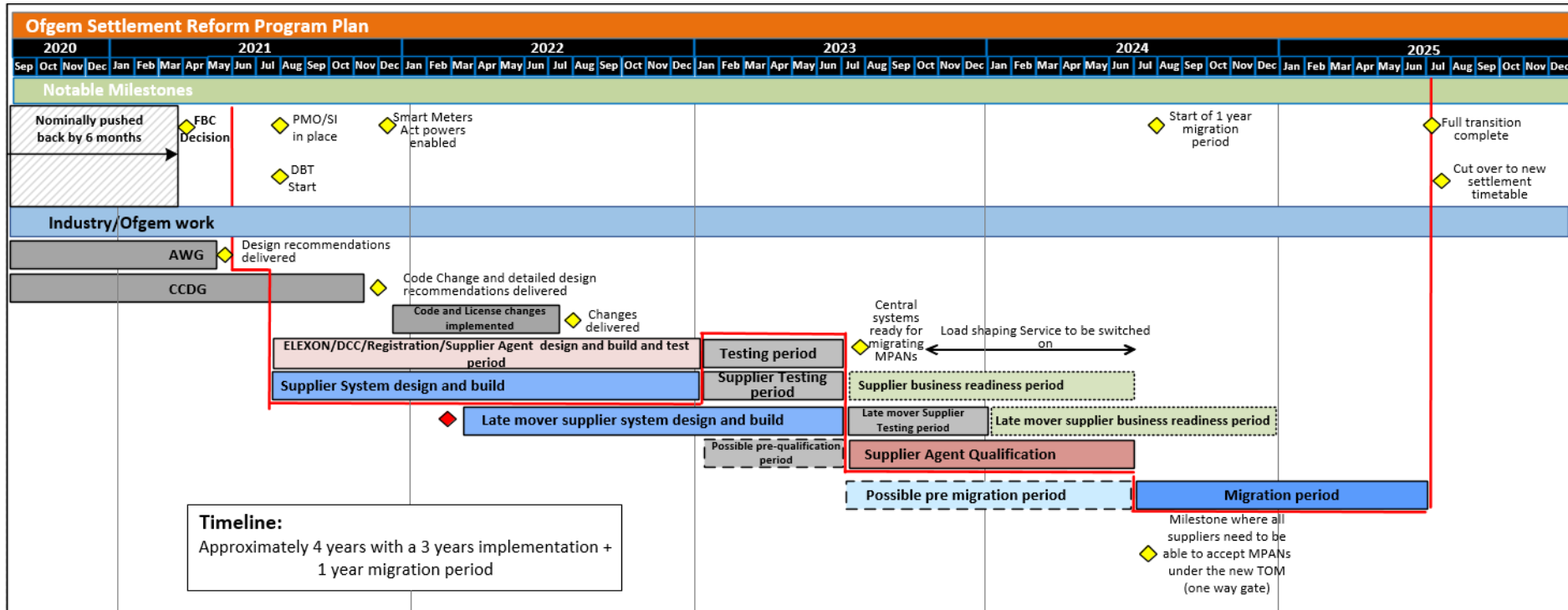
- We published decisions on access to data under MHHS in June 2019. The highlights are:
 - HH data will be collected by default from domestic customers, but they can opt-out. It can only be used for settlement and forecasting purposes
 - Microbusinesses will not be able to opt-out (processing will be mandatory)
 - Existing smart meter customers (on the transition date) will continue to be subject to the older rules, until they choose to change supplier or contract



- Data access framework transition date:** To be set out in a licence amendment soon after Full Business Case publication. Customers accepting smart meters after this will be subject to the new data sharing framework. However, their data will begin to be collected on an opt-out basis only once MHHS has been implemented
- Migration start date:** Data will be collected under the new framework when MHHS is implemented
- Until then:** The current data sharing framework applies for all customers (existing and new). Collection of HH data for settlement purposes from domestic consumers on an opt-in basis only. This includes data collected for the purposes of Elective HHS.

- **Questions?**

- **Complete Transition over approx. 4 years – starting from FBC decision**
- **We’ve proposed a 3 year implementation period and 1 year migration**
- **Indicative timetable for discussion:**



Questions

www.menti.com – presentation code **56 88 55**

- What impact will Covid-19 have on your capacity to start transitioning towards MHHS, after the Full Business Case is published in Spring 2021?
- What impact will Covid-19 have on your capacity to complete the transition within a period of about 4 years?

- **Central oversight will be required for transition to be completed on time and to the requisite quality.**
- **We expect there to be a number of roles to oversee the transition:**
 - Programme Management Office (PMO)
 - System Integrator
 - Programme Party Co-ordinator
 - Assurance Function
- **Ofgem is overall project sponsor, but does not necessarily need to lead on these delivery functions and so we are considering where these roles should sit. Three possible options:**
 - The delivery could be led by a relevant industry party/body (Ofgem would have a hands off approach)
 - Ofgem could procure a 3rd party to take on these roles on our behalf (with direct control on delivery and ultimate responsibility)
 - A mixture of the above, where an industry body/party takes responsibility for part of the functions (such as PMO and SI), and Ofgem is responsible for the assurance function.

Question

www.menti.com – presentation code **15 77 56**

- Based on previous reform experience, what are the key factors we should take into account when deciding the governance structure?

- A feedback survey will be sent out by email with a link to a Survey Monkey. Your feedback is very important since the forums have evolved due to attendee feedback, and we aim to continue improving them.
- Slides from the event will be published on the Ofgem [Independent Suppliers Forum webpage](#) along with notes from the forum (all views will be anonymised).

<https://www.ofgem.gov.uk/gas/retail-market/forums-seminars-and-working-groups/ofgem-beis-independent-suppliers-forum>

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.