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Dear Mr Fletcher

Co-operative Energy response to the CMA Energy Markets Investigation - Notice of possible remedies

We welcome the opportunity to respond to your Energy Market Investigation – Notice of possible remedies, dated 7 July 2015.

We have structured our response in line with the order in which your remedies were proposed.

Absence of locational adjustments for transmission losses

Remedy 1 – Introduction of a new standard condition to electricity generators', suppliers', interconnectors', transmission, and distribution licences to require that variable transmission losses are priced on the basis of location in order to achieve technical efficiency.

a. What would be an appropriate method for ensuring that variable transmission losses are priced on the basis of location?

We consider that a method which ensures cost reflective pricing allocation across Great Britain is appropriate.

b. How should the variable transmission losses be allocated between generators and suppliers?

(i) Is the 45-55 split appropriate or could efficiency be improved further by changing this allocation?

We believe the variable transmission losses should be allocated on a 50/50 basis. If the split is positioned in favour of the generators there will be increased costs

on suppliers. For the supplier to maintain a margin equal to that which was in place before the remedy, they will be forced to pass these costs on to the consumer.

c. **What will be the distributional impacts of this remedy? Should the CMA take these into account in coming to a view on the proportionality of this remedy?**

We believe the proposed remedy for calculating distributional costs will result in customers in some regions facing slightly higher costs than in other regions. Distributional aspects of the proposed remedy should be taken into account when developing the proposal further. As an observation, the regulatory framework does not apply a consistent approach to cost allocation/cross subsidy, for example the regulated tariff for gas prepayment meters includes a cross subsidy from credit meters.

d. **Should the CMA implement this remedy directly, i.e. via an order, or should it make a recommendation to Ofgem to initiate a BSC modification instead? Are there any particular aspects of Ofgem's objectives and duties to which the CMA should have regard if implementing this remedy by a licence change?**

We have no particular views on how the CMA should implement this remedy although we believe it would be appropriate to allow suppliers a period of 6 months prior to implementation to allow suppliers the time to fairly amend their pricing reflectively.

Administration of the Contracts for Difference mechanism

Remedy 2a – DECC to undertake and consult on a clear and thorough impact assessment before awarding and CfD outside the CfD auction mechanism.

a. **Would the remedy ensure that CfDs that are allocated outside the auction mechanism are awarded only when the benefits of doing so outweigh the costs?**

Yes, if the impact assessment is carried out consistently and transparently.

b. **How much discretion should DECC retain in terms of the weight it places on each factor that it takes into account in coming to a decision on which projects to award CfDs outside the CfD auction mechanism? Should DECC be required to consult on and determine these factors and their relative importance in advance to enhance transparency? Should the weighting of each factor be constant across projects?**

As Co-operative Energy do not currently hold bi-lateral CfDs it is difficult for us to comment on the DECC's weighting of factors. However, we support DECC consulting on these factors to enhance transparency.

c. **In which exceptional circumstances should DECC be able to allocate CfDs outside the auction process? For example, for reasons of industrial policy, where there are wider market failures, or where there may be insufficient competitors to hold an auction?**

Community Energy groups and smaller sites may not benefit fairly from the current CfD auction process. Our view is that DECC should allocate CfDs to such projects outside of the auction process, provided that the assessment identifies positive social outcomes.

Remedy 2b – DECC to undertake and consult on a clear and thorough assessment before allocating technologies between pots and the CfD budget to the different pots.

a. **Would the remedy ensure that future decisions by DECC on the allocation of technologies and the CfD budget to the different pots are taken in a robust and transparent manner?**

Yes. We support this remedy subject to DECC's decisions being assessed and monitored to identify improvements and ensure benefits are delivered cost effectively as part of a continuous improvement exercise.

b. **Is the remedy likely to result in a positive change in how DECC makes decisions regarding the allocation of the CfD budget to different pots?**

Based on information provided, we envisage that a positive change should occur in principle. Post implementation reviews should be undertaken to evidence whether the remedy has been successful in delivering the benefits identified in the impact assessment.

c. **How regularly should DECC review the allocation of technologies between pots? What information should DECC publish when deciding to amend the allocation of technologies between pots? Should it also on a regular basis consult and/or publish reasons for not amending the allocation of technologies between pots?**

A review should take place a minimum of every 2 years following implementation. We believe a 2 year period is long enough to allow for lessons learned and efficiencies identified in the last auction round to be addressed but no too long to prevent the progress of technologies seeking funding. The entire decision making process for each scenario should be published transparently.

d. **Should DECC be limited in the maximum proportion of the CfD budget that it can allocate to each of the different pots?**

We assume that DECC's decisions will be influenced by the Government's renewable energy strategy in this regard and maximum proportions guided by policy intentions.

Weak customer response from domestic and microbusiness customers and the simpler choice components of RMR

Remedy 3 – Remove from domestic retail energy suppliers' licences the 'simpler choices' component of the RMR rules

a. **Would this remedy be effective in increasing competition between domestic retail energy suppliers and/or between PCWs? What additional tariffs would energy suppliers be likely to offer that they currently do not due to the RMR restrictions?**

We support this remedy and believe it would be effective in increasing competition between suppliers and PCW's, but we feel the market may become saturated with numerous tariffs, as was the case before RMR restrictions were implemented.

Should the restrictions be removed, any barriers or uncertainties around our ability to offer incentives and discounts would be lifted, allowing us to innovate with tariff offerings specifically targeted at disengaged consumers, vulnerable customers and social groups.

RMR restrictions have led us to take decisions not to launch tariffs with incentives which would have benefited specified consumer groups, and partnership tariffs with organisations such as charitable institutions. These partnership tariffs would have benefited consumer groups such as the elderly and students who we found accessed the market primarily through their relationship with the specific partnership organisation. Our ability to offer a colleague tariff has also been greatly compromised.

Navigating the prescriptive tariff and discount requirements in relation to innovative offerings is time consuming and often requires costly legal input for smaller suppliers.

b. **Removing the four-tariff rule is likely to increase the range of tariffs on offer and result in different tariffs being offered on different PCWs. Are there, therefore, any remedies that the CMA should consider alongside this remedy, to encourage domestic customers to use more than one PCW in order to facilitate effective competition between PCWs and domestic energy suppliers?**

We envisage that a Government advertising campaign similar to the successful 'Power to Switch' campaign launched in February 2015 would assist in encouraging consumers to access PCWs. However, rather than encouraging customers to use more than one PCW, we are strongly in support of Remedy 6, an Ofgem PCW which has the ability to directly facilitate switches. Furthermore, if PCW's had access to a central repository of all tariffs this would help consumers navigate the market.

c. **We note that if this remedy were to be imposed, Ofgem's Confidence Code requirement for PCWs to provide coverage of the whole market appears likely to become impractical as the number of tariffs offered increases and PCWs agree different tariff levels and commissions with energy suppliers. Should this element of the Confidence Code be removed, therefore, as part of this remedy? If so, are alternative measures to increase confidence in PCWs required? For example, in order to maintain transparency and trust, should PCWs be required to provide information to customers on the suppliers with which they have agreements and those with which they do not?**

We feel that removal of the whole of market coverage requirement on Confidence Code governed PCW's would be extremely detrimental for consumers. We have long highlighted the unfair practices and opacity that presents where only partial market comparisons are provided to consumers, practices which are often hiding the best deals available in the market. Indeed we feel that accession to the Confidence Code should be mandatory for all energy PCW's.

We do not feel that coverage of the whole of the market would be impractical for PCW's given that the market has until recently contained a myriad of tariffs, prior to RMR implementation. If there is to be one central store of 'whole of the market' tariff information, as is proposed in Remedy 6 through an Ofgem Price Comparison website, PCW's would be able to access complete and current tariff information from this central information repository.

Should the removal of RMR restriction lead to innovation in the market which results in suppliers negotiating bespoke tariff offerings and incentives with different PCW's, we feel that PCW's should still present whole market tariff information, even if they are forced to show preferential rates only offered through competitors' sites. Complete, whole market tariff comparisons are in the interest of transparency for consumers.

d. **Rather than removing all limits on tariff numbers and structures, would it be more effective and/or proportionate to increase the number of permitted tariffs/structures? If so, how many should be permitted and which tariff structures should be allowed?**

We have concerns that should the tariff cap be removed entirely the market may return to a pre-RMR proliferation of tariffs that the customer finds hard to navigate. However, if the tariff limit is set too low it may still stifle innovation in that it could restrict suppliers from offering multiple charitable tariffs, tariffs linked to regions of deprivation and tariffs aimed at vulnerable customer segments. A too restrictive tariff limit could also prevent suppliers from reacting quickly to market developments and opportunities that could benefit the consumer.

We envisage it could be appropriate to limit the number of tariffs the largest suppliers are able to offer so that smaller suppliers may target the incumbent's disengaged customer base with innovative, tailored tariffs.

(i) **For example, would requiring domestic energy suppliers to structure all tariffs as a single unit rate in pence per kWh, rather than as a combination of a standing charge and a unit rate, reduce complexity for customers, while avoiding restricting competition between PCWs? Alternatively, would such a restriction on tariff structures have a detrimental impact on innovation in the domestic retail energy markets?**

We feel that the current structure requirements of combined unit rates and standing charges work well and that these RMR prescribed tariff structures have benefitted the consumer by providing clarity around exactly what they are paying for their energy consumption.

However, we feel it may be beneficial for the consumer and for market competition to allow tariff structure innovation. For example, tariffs could be structured, as was permitted pre-RMR, to allow a customer to pay for both energy-related and non-energy related products though their energy bill. In order for this to work in practice, appropriate principles will need to be set by the regulator.

Remedy 4a – Possible measures to address barriers to switching by domestic customers

a. **Will the roll-out of smart meters address the feature of uncertified electricity meters? If not, what additional remedies should we consider to address this feature?**

Yes, we believe the roll out will address these features. It will also address the requirements associated with gas meters, relating to the accuracy of ageing meter stocks.

b. **Will the roll-out of smart meters address the barriers to switching faced by customers with Dynamic Teleswitched (DTS) meters? If not, what additional remedies should we consider to address this feature?**

Yes, although the issue may remain for a small minority of customers should they not have been issued with smart meters when the DTS service is switched off. Where DTS is installed in high rise properties, the Data Communications Company (DCC) does not currently provide a communication network, which may frustrate the roll out of smart meters for these consumers. There are merits in the DCC providing communications coverage for all property types.

c. **Should PCWs be given access to the ECOES database (meter point reference numbers) in order to allow them to facilitate the switching process for customers?**

(i) **To what extent would this reduce the rate of failed switches and/or erroneous transfers?**

In the case where ECOES data is incomplete or incorrect, the obligation is currently on the supplier to contact the customer and manage the resolution process. In order for PCW access to be effective and straightforward for the customer, the responsibility for managing the resolution process would need to lie with PCW's in scenarios where they have initiated the switch.

We have reservations about PCW's facilitating switching using anything other than meter specific information such as the MPAN or serial number and we do not see how PCW ECOES access would reduce the rate of failed switches or erroneous transfers and believe that sufficient controls will need to be in place to ensure they submit accurate data to the ECOES database. However, there is the obvious potential benefit for consumers in that switching may be instigated more quickly.

We have concerns around PCW's having access to this industry data and the potential for them to abuse this to market to domestic consumers in future. We believe additional data protection may need to be introduced, for example the caveat that PCW's destroy specific customer data once the switch has been finalised.

We also have concerns around how PCW facilitated switching would work for dual fuel customers because if PCW's only have ECOES access delays may occur whilst the gas element is being switched separately through Xoserve's Data Enquiry portal.

(ii) Are there any data protection issues we should consider in this respect?

We envisage appropriate customer permissions will be required and relevant data protection legislation complied with. Please also see our answer to Qc(i) above.

(iii) Will access to this database still be relevant once smart meters have been introduced?

We feel that PCW ECOES access will be irrelevant following the roll out of smart meters as data can be accessed directly through the Data Communications Company (DCC).

d. Should there be penalties for firms that fail to switch customers within the mandated period (currently 17 days, next day from 2019)? How should these penalties be administered? At what level should the penalties be set? Should customers who suffer a delayed or erroneous switch receive the penalty as compensation?

We feel a penalty is not necessary due to the fact that it is in the supplier's own interest to provide good customer service and resolve technical switching issues relating to customer on-boarding within an appropriate timescale. Suppliers currently take all available steps to expedite resolution. Supplier penalties are also not appropriate where the issue has arisen due to errors on industry databases which they have no control over. We also envisage a specific risk to smaller

suppliers who may be penalised due to poor data provided historically by the incumbents.

Where switching delays are not resolved in a timely fashion through supplier maladministration, compensation for the customer may be appropriate in individual circumstances.

e. **When next-day switching is introduced, will a 'cooling-off' period still be required? Could it be avoided by requiring that no exit fees are charged within two weeks of switching?**

It appears that what is being proposed will for intents and purposes act as the cooling off period in a slightly different guise. The removal of the traditional 'cooling-off' period may be appropriate in relation to a customer's energy supply, but if removal of RMR restrictions also lead to a change in tariff structure requirements, any other product (e.g. boiler cover/other energy services) which accompanied the supply would need to still be subject to the statutory cooling off period.

f. **Are specific measures required to facilitate switching for customers living in rented accommodation (either social or private)?**

We understand that there is a perception amongst some rental tenants that they cannot switch supplier without the permission of their landlord and that misinformation can act as a barrier to switching. A reminder that rental tenants may consider switching supplier could be made present on bills and through machine-readable codes, annual statements or other supplier to customer communications and via PCW messaging.

Information highlighting that rental customers may be able to switch supplier could also be provided through local councils, housing associations and a Government marketing campaign.

And in light of the introduction of Smart Meters:

a. **Does the 'Midata' programme, as currently envisaged, provide sufficient access to customer data by PCWs to facilitate ongoing engagement in the market? Should PCWs – with customer permission – be able to access consumer data at a later date to provide an updated view on the potential savings available?**

For Midata to be appropriate to facilitate switching it will need to contain all the information currently held in industry systems e.g. ECOES and Single Centralised Online Gas Enquiry Service (SCOGES). We envisage that PCW's will be able to access Smart Meter Data remotely via the DCC in future. The cost associated with becoming a DCC user may be a barrier to PCWs obtaining information and the Midata programme may make access easier for them. We also note that the Midata programme is currently voluntary.

As with access to the ECOES database, we have concerns around PCW's having access to this industry data and the potential for them to abuse this to market to domestic consumers in future. Customers should be required to positively opt-in for updated information to be provided periodically through PCW's. We believe additional data protection caveats may need to be introduced to prevent unwanted marketing.

b. Do customers need more or better information or guidance on how their new smart meters will work?

We feel that information and guidance requirements will be sufficiently addressed within smart meter roll out plans.

Remedy 4b – Removal of exemption for Centrica on two-year inspection of gas meters

a. Would this remedy be effective in removing the distortion to competition that currently exists as a result of Centrica's derogation on the inspection of gas meters?

Yes, as smaller suppliers would no longer be responsible for the cost of inspecting meters that have been subject to the Centrica derogation. Where customers switch away from Centrica to any other supplier they would not be inconvenienced in the event that the meter needed to be inspected.

b. Would it be preferable to remove Centrica's derogation, or extend the derogation to other suppliers?

We believe it would be preferable to remove Centrica's derogation and develop an industry wide approach.

We welcome Ofgem's recent consultation entitled 'Reforming suppliers' metering inspection obligation' which seeks to address this issue. For smaller suppliers, an extension of the derogation or the subsequent move to a risk based approach is a significant departure from the existing licence conditions. If any of these option are implemented, there would be merit in a common industry approach being developed, similar to that developed by the Theft Risk Assessment Service (TRAS). We would also support the development of a centralized standard risk assessment and reporting mechanism.

c. If Centrica's derogation were removed, should it be phased out over a period of time? If so, how long should Centrica be given in this respect?

Our response is based upon the premise that in the event Centrica's derogation is removed, it will be replaced with the requirements resulting from Ofgem's recent consultation on 'Reforming suppliers' metering inspection obligations'. We are unsighted in respect of how successful Centrica's risk based approach has been. Therefore any phasing out should consider a) the risk to consumers, b) the current

performance of its arrangements and c) the time taken for the industry to implement and operate any new arrangements.

Remedy 5 – Requirement that energy firms prioritise the roll-out of smart meters to domestic customers who currently have a prepayment meter

a. Would this remedy be effective in allowing prepayment customers to engage fully in the market and benefit from a wider range of tariffs? Would it be effective in reducing the costs of supply to prepayment customers?

Yes, we agree and welcome the principle that prepayment meter installations are prioritised within the national rollout of DCC SMETS 2 compliant smart meters. To apply this condition for foundation smart meters would undermine the benefits available to PPM customers and would present an additional barrier for those customers to switch. If the remedy was to be introduced for foundation smart meters, there would also be an additional cost on suppliers for the provision of multiple Head End Systems.

b. Which version of this remedy would be more effective and/or proportionate?

Option B is preferred: "Domestic energy suppliers would be required to install smart meters in homes that currently have prepayment meters before seeking to install them in homes that currently have traditional meters". We feel that this option should be adopted by the largest suppliers in their National SMETS 2 rollout programs. This option provides an enduring solution which prioritises existing prepayment customers where a need for a Prepayment Meter system has already been identified, for example for reasons related to vulnerability or debt. We believe this option is of greater social benefit than Option A: "Domestic energy suppliers would be required to stop installing 'dumb' prepayment meters in customers' homes and, from the point of implementation, ensure that all future installed prepayment meters are smart meters".

We believe this remedy must be enacted as part of the Smart DCC enabled roll out and not the foundation solution. Timely delivery of the DCC is vital to bring this service to PPM customers as soon as possible.

c. Would any additional or alternative measures be required to ensure that this remedy comprehensively addressed the overarching feature of weak customer response arising in particular from those with prepayment meters?

Information measures could be introduced as a priority. The only written communication a PPM customer currently receives from a supplier is their annual energy statement. As previously mentioned, a Government marketing campaign may be appropriate. We recommend the active involvement of Ofgem, Citizens Advice Bureau and Smart Energy GB to develop a specific campaign to engage PPM consumers using the Smart rollout as a fulcrum point.

d. What issues may arise as a result of prioritising the installation of smart meters in the homes of customers who currently have prepayment meters?

We note that suppliers' costs to serve may increase due to the efficiency of the national roll out based on geographical density being skewed. We would expect suppliers to justify how the principal of prioritising PPM customers is reflected in their plans and progress should be monitored. We are also mindful that there are often difficulties in accessing the homes of customers, particularly those who are vulnerable and/or in debt, as is the case with many PPM customers. We therefore feel that any obligation upon suppliers should require them to 'take reasonable steps' to apply the principle to roll out smart meters to PPM customer first, due to the potential access difficulties. For rental tenants it may be appropriate that an obligation be placed upon landlords to facilitate access, especially in the case of high turnover, short let properties.

e. Would it be more effective and/or proportionate to require energy suppliers to accelerate the roll-out of smart meters across the retail markets as a whole, in order to facilitate engagement more broadly, rather than focusing on customers on prepayment meters?

The timeframe for roll out of smart meters is already a challenging target for all suppliers. We consider that suppliers should be able to prioritise PPM customers within their existing roll out plans so as to not jeopardise the co-ordination and efficiencies of the wider roll out programme or undermine the benefits case identified in DECC's impact assessment. Disrupting the wider roll out programme would risk coherent delivery and increase the cost of installation as suppliers would become distressed purchasers.

Remedy 6 – Ofgem to provide an independent price comparison service for domestic (and microbusiness) customers

a. Would this remedy be effective in increasing customers' trust in PCWs and thereby encourage engagement in the markets and switching?

Yes, we have long called for the creation of a centralised, independent price comparison service for the benefit of both consumers and competition and are confident that this will increase consumer trust and engagement in the market.

We believe that this remedy should offer consumers a trusted, complete and accurate central source of all tariff information across the whole retail market. Its creation should also increase Ofgem's awareness and monitoring of market offerings.

b. Should this service be online-only, or should it also operate over the telephone for those customers without access to the internet?

We believe that this remedy will work best as an online offering but recognise that some of the least engaged customers may not have internet access and should have the option of receiving relevant, tailored information over the telephone or face to face through trusted consumer agencies or charities such as the Citizens Advice Bureau and Age UK.

c. Is there a risk that such an independent service could undermine the development of other PCWs in the energy sector? How could this risk be mitigated?

No, it should assist PCW's in complying with the Confidence Code and provide vital access to a single, complete and accurate information repository.

d. Should the Ofgem website quote the energy suppliers' list prices only? Or should it seek to provide full details of all quotes available on the market (including on other PCWs), i.e. function as a meta-PCW?

We believe the Ofgem site should act as a meta-PCW and provide full details of all quotes available on the market, including those available via individual PCW's.

e. How could we ensure that an Ofgem price comparison service was robust in terms of offering all tariffs available on the market? Should there be an obligation on retail energy suppliers and/or PCWs to provide information to Ofgem on their tariffs?

We agree that there should be an obligation on both suppliers and PCWs to provide tariff information directly to Ofgem or a centralised database.

f. Should any price comparison service operated by Ofgem be transactional, i.e. be able to carry out switches for consumers, or should it provide information only?

We support the principle of an Ofgem PCW which would complement the Government marketing campaign. We believe that if the Ofgem-PCW were to function as a meta-PCW and also facilitate switches for consumers, this would be beneficial for consumers as it would act as a 'one-stop shop' for comparisons and switching.

g. What would be the likely costs to Ofgem of offering this type of price comparison service? Would Ofgem need additional funding and/or statutory powers in order to provide this type of service? If so, where should this funding come from?

We do not envisage the costs to Ofgem to be high and believe the service can be paid for through Ofgem's current funding arrangements. We assume that the tender process to provide this service would likely result in the service being fulfilled by an existing PCW, therefore reducing implementation costs.

h. **How should customers be made aware of the existence of this service? Should information be provided by energy suppliers on bills/during telephone calls? Should PCWs be required to provide links to the Ofgem website during the search process to allow customers to cross-check prices?**

All of the above are appropriate information requirements.

i. **Is there any additional information that Ofgem should provide on its website relating to energy suppliers and/or tariffs to facilitate the customer search and switching process?**

Ofgem should consider information that is currently available on existing switching sites, to ensure that its solution is effective. A summary of the benefits of switching, key switching information, for example the length the process will take, may help to manage customer expectations, together with suppliers' contact details. The service should also seek to provide information on the issues that were identified from the CMA's customer survey – e.g. that certain customers were not aware that is possible to switch supplier, without the supply be interrupted. If it is decided that the service will not facilitate switches for consumers, the tariff results displayed should be accompanied by a link to suppliers' websites.

Measures to reduce actual and perceived barriers to accessing and assessing information in the SME retail energy markets

Remedy 7a – Introduction of a new requirement in the licences of retail energy suppliers to provide price lists for microbusinesses on their own websites and to make this information available to PCWs

a. **Would this remedy be effective in increasing price transparency for microbusiness gas and electricity tariffs? Would it serve to make comparisons between different suppliers easier, either directly or by encouraging the development of PCW services for microbusinesses? If not, are there other measures that would encourage this development either as an alternative to this remedy or in conjunction with it?**

As Co-operative Energy do not currently serve the SME market we are not able to provide full comments on the merits of the proposed remedy. However, we do believe that SME customers would benefit from increased transparency and the removal of contractual conditions that restrict SME customers from switching.

b. **Do microbusinesses have sufficient access to the information they need (for example on their meter types) in order to engage effectively in the search and switching process?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

c. **How long should energy suppliers be given to provide the required information?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

d. **Should energy suppliers be permitted to fulfil this requirement by providing an automated quoting service on their websites (where microbusinesses can put in their details in order to obtain quotes) rather than a list of prices?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

Remedy 7b – Introduction of rules governing the information that TPIs are required to provide to microbusiness customers

a. **Would this remedy be effective in improving transparency over incentives and trust in TPIs in the energy sector? How could the CMA ensure that this remedy was enforced, ie that TPIs were providing the specified information?**

As Co-operative Energy do not currently serve the microbusiness market we are not able to provide full comments on the merits of the proposed remedy. However, we do believe that microbusiness customers would benefit from increased transparency.

b. **What information should be provided by TPIs to microbusinesses in order to enable them to make informed choices?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

c. **Could the provision of certain types of information have unintended consequences (e.g. customers choosing tariffs based on commission rates rather than total price)? If so, are there any steps that could be taken to mitigate this effect?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

d. **Should the specified information be provided to customers in writing or orally (or both)? At what stage in the sales process should this information be provided?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

e. **Should this remedy be introduced in addition to Ofgem's proposed code of conduct? Or should only this remedy (or only Ofgem's code of conduct) be introduced?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

f. **Are there any additional measures that should be implemented alongside this remedy to enhance its effectiveness?**

Co-operative Energy are unable to comment as we do not currently serve the SME market.

Remedy 8 – Introduction of a new requirement into the licences of retail energy suppliers that prohibits the inclusion of terms that permit the auto-rollover of microbusiness customers onto new contracts with a narrow window for switching supplier and/or tariff

a. **Would this remedy be effective in allowing microbusiness customers greater opportunity to engage (by removing the narrow window in which they can choose not to roll-over automatically)?**

As Co-operative Energy do not currently serve the microbusiness market we are not able to provide full comments on the merits of the proposed remedy. However, we do believe that microbusiness customers would benefit from increased transparency and the removal of contractual conditions that restrict microbusiness customers from switching.

b. **Are there any means by which energy suppliers could circumvent this remedy to continue to lock customers into energy tariffs that they have not chosen for extended periods of time?**

Co-operative Energy are unable to comment as we do not currently serve the microbusiness market.

c. **What is the minimum or maximum notice period that customers should be required/allowed to give in order to exit a contract that they have been rolled on to?**

Co-operative Energy are unable to comment as we do not currently serve the microbusiness market.

d. **Should energy suppliers be required to inform customers that they are nearing the end of their contract and prompt them to switch?**

Co-operative Energy are unable to comment as we do not currently serve the microbusiness market.

Remedy 9 – Measures to provide either domestic and/or microbusiness customers with different or additional information to reduce actual or perceived barriers to accessing and assessing information

a. **Does the current format and content of energy bills facilitate engagement by customers? Is there additional information that should be included on bills? Should the quantity of information on bills be reduced to enhance clarity?**

We would welcome the replacement of the current prescriptive, rules based framework with a principles based approach to regulation, centered on Treating Customers Fairly principles. We recognise that there may be some prompts that regulators will want to prescribe and urge that these are kept to a minimum.

We believe that the complex, confusing and lengthy nature of energy bills is a barrier to consumer engagement. The prescriptive requirements implemented as a result of RMR are too onerous and have led to further disengagement of customers. Prior to these requirements coming into force our bills won awards and recognition from the consumer organization 'Which?' for their clarity and easy to understand format whereas we now have no flexibility to implement our desired customer-friendly text or format.

We believe that the duplication of certain information is not necessary and the customer does not need to see the same industry information on every bill in their cycle. Space generated by the removal of duplication would allow for important consumer engagement prompts and messages mentioned elsewhere in this document.

We believe that the significant length of the bill document at present results in consumer disinterest. The provision of more concise and relevant information could reduce the bill length substantially. As an example, prescriptive 'Could you pay less?' requirements could be replaced with the requirement to show the Tariff Comparison Rate alone along with a prompt that this can then be compared alongside tariffs on Ofgem's PCW.

Complying with prescriptive RMR billing and communication requirements came at a substantial cost for us as a smaller supplier in terms of system changes and the associated financial spend.

b. **When customers seek to switch tariffs, are they given enough/too much information on the terms and conditions of their new contract?**

We do not feel that this is an issue. Tariff principle terms are currently concise and full Terms and Conditions are provided in convenient booklet form for the customer. They can also be accessed online at any time.

c. **Should customers be prompted to read their meters (quarterly or annually), either by information on their bill or by a phone call from**

their energy supplier? Would this increase engagement by improving the accuracy of billing?

We believe that customers should have the option to be prompted, and this could be adopted without a specific license requirement upon suppliers. Again, this could be covered by the Treating Customers Fairly elements of a principles based regulatory framework. Customers could be prompted via a variety of methods such as by smart meters, text or email. This may increase customer engagement within the context of changes to bills and removal of the restrictions on tariffs.

d. Once customers reach the end of a contract period, should subsequent bills highlight that they have now been moved onto the standard variable tariff and/or other default tariff and encourage them to check whether they are on the most appropriate tariff for them?

Currently there are licence obligations in place for suppliers to inform customers of their options when approaching the end of their fixed-term period and to prompt the customer to take action. We believe these requirements sufficiently engage our customers who have taken the steps to switch to us. There is no evidence that any subsequent messaging would improve the engagement level of customers who have previously engaged in the market by choosing a fixed tariff. Moreover the issue identified by the CMA is the engagement of customers who have never, or very rarely, switched, nor taken advantage of lower priced tariffs.

<u>Remedies to provide suitable safeguards for disengaged domestic and microbusiness customers</u>

Remedy 10 – Measures to prompt customers on default tariffs to engage in the market

a. What information should be included in the prompts to customers on default tariffs in order to maximise the chances that they are acted upon?

(i) Should customers who have failed to engage be informed that they are 'no longer under contract for energy', that they have been 'rolled onto a safeguard tariff', or an alternative message, for example, emphasising how many customers in their area have switched in the last year?

As an independent supplier Co-operative Energy's customers have all made an active choice to switch from their previous suppliers. Our customers are engaged in the market and we actively promote our most competitive products. We do not think it is proportionate that obligations should be applied across all suppliers.

It is our view that the largest energy suppliers have benefitted from the disengagement of customers.

b. How should prompts be communicated to customers? For example, there is some evidence from the financial sector that text prompts are particularly effective at raising awareness in terms of overdrafts etc.

A variety or methods could be implemented, for example email and text prompts.

c. What should be the timing and frequency of prompts in order to balance effectiveness in terms of encouraging engagement with the cost and potential irritation that might arise from repeated prompts?

We suggest that the customer could be prompted 6 monthly or annually.

d. Who should provide the prompts: customers' energy suppliers, Ofgem or another party?

In line with our response to Q. 10a, we believe that the largest suppliers should be responsible for prompting their own customers.

e. Are there particular groups of customers who should receive prompts at specific points? For example, should house-buyers be prompted to engage with the market on completion of their purchase?

We feel that all customers on default tariffs should be prompted, rather than specific customer subsets. We believe it would be appropriate for prompts to point to the existence of the Ofgem PCW (Remedy 6).

f. Is there benefit in others in the markets, such as rival energy providers or TPIs, being made aware of which customers remain on default tariffs (or have been rolled on to the safeguard tariff)? In this respect, data protection issues would need to be carefully considered. The ability of other market participants to identify inactive customers, however, has the benefit of potentially encouraging the customer to switch tariffs once out of contract.

We believe there is some merit in targeting this remedy at the largest energy suppliers as it could rectify the adverse effect on competition identified by the investigation. We do not think it is proportionate that such an obligation should be applied across all suppliers.

It is our view that the largest energy suppliers have benefitted from the disengagement of customers and the adverse effect on competition. We believe such remedies implemented should be proportionate and focused on the companies that benefited from the harm the CMA has identified. It is our view that independent suppliers should be given access to this data to allow them to continue to actively address the issue of reaching the most disengaged of consumers.

Remedy 11 – A transitional 'safeguard regulated tariff' for disengaged domestic and microbusiness customers

a. **Should the safeguard tariffs be set on a cost-plus basis, or should they be related to other retail prices?**

In principle we are in support of a transitional safeguard regulated tariff, subject to the detail of the proposal. We also believe that before the remedy is applied a Government marketing campaign, similar to the Power to Switch campaign which took place in early 2015, is needed to back up marketing by suppliers to encourage these customers to engage and make a positive choice over their supplier and tariff.

b. **If the safeguard tariffs were set on a cost-plus basis, which approach(es) we should consider to determining the wholesale energy cost element of the tariffs? What are the relative merits of the proposed approach(es) in the context of the purpose of the safeguard price cap?**

We believe that if a safeguard tariff were to be introduced it should be set on a cost plus basis. We believe it should be set on a gross margin basis as this is the least interventionary option and allows suppliers to continue to compete on operational efficiencies. If the level is set on a net margin basis suppliers would have limited ability to compete on operational costs and this would have the adverse effect of controlling expenditure, which is likely to affect competition and customer service. In any event we would expect that suppliers' profit be set at a reasonable level.

c. **Could the imposition of a transitional safeguard price cap result in energy suppliers reducing the quality of service offered to customers on this tariff? Is this risk reduced by customers' ability to choose alternative, unregulated tariffs?**

We see that there is a risk of this occurring. However, the over-arching licence obligation to treat customers fairly should act to ensure that suppliers do not reduce the quality of service to customers on the safeguard tariff. This will need to be monitored for compliance.

d. **Should all domestic and microbusiness customers on default tariffs be rolled onto the safeguard tariff, or should this remedy only apply to a subset of these customers? If this remedy should not apply to all customers, why? And how should energy suppliers identify those customers who should be covered?**

Our suggestion would be for suppliers to first roll over those vulnerable customers who find themselves on a standard variable tariff through historic circumstances or through inaction when their fixed tariff has come to an end. Customers who have actively chosen a standard variable tariff within the last 12 months could be given a further 12 month period to respond to the CMA's proposed prompts (remedy 10) before they are rolled onto the safeguard tariff.

This will capture all customers who have never engaged with the market, and provide for a concerted marketing campaign to re-engage those who have once engaged, but are not doing so currently.

e. How should the headroom be calculated to provide the right level of customer protection while not unnecessarily reducing healthy competition?

We believe that the regulated tariff should provide sufficient headroom as not to distort competition. The introduction of a form of price control is a complex matter and should be carefully considered. The mechanism for setting the cap/price control should enable suppliers to achieve reasonable profits. It will need to reflect economies of scale to ensure that market participants are not adversely affected, which could be an unintended consequence.

f. What regulatory information would be required to set the safeguard tariffs?

The regulatory tariff is a form of price control and therefore in setting the cap the mechanism should consider the costs, risks and economies of scale, cost of capital and appropriate rate of return. The independent networks are currently regulated in respect of the amounts that they can charge their customers for using their networks via a 'Relative Price Control' (RPC). The approach that is currently used for the independent networks may provide some useful insights and learning in setting a tariff that provides for reasonable profits.

g. How long should the safeguard price caps be kept in place? Is it appropriate to include a specific sunset provision, or should there be a commitment to review the need for and level of the safeguard price caps after a certain period of time?

The remedy should have an initial life of 3 years, with the provision that it should be reviewed 12 months prior to expiry, with the ability to extend for 12 months at a time if it is deemed necessary.

h. How frequently – if at all – would the level of the cap need to be reassessed? If the cap is set on the basis of directly passing through wholesale and network costs, then it may not be necessary to revisit the safeguard price level.

Should it be introduced, the cap should be reassessed every 6 months or on an adhoc basis as the market responds.

We disagree that it will not be necessary to revisit the level as wholesale costs are continuously changing and network costs change on an annual basis. The allowed gross margin should stay consistent but that may require the price point to change.

i. **Which energy suppliers should be subject to the safeguard cap, and why? Should it be restricted to the Six Large Energy Firms, or should all retail energy suppliers be covered?**

We consider that the safeguard tariff should seek to protect vulnerable customers only. Therefore the measures should focus on targeting energy suppliers on the basis of their vulnerable customer base.

j. **How should the transition from the current arrangements be managed? We note that an immediate requirement to change the prices for all customers on standard variable tariffs, rollover, evergreen, deemed and out-of-contract tariffs might put pressures on certain suppliers more than others. Should there be, therefore, a long period over which the safeguard price cap is phased in? If so, how should this period be and how should the transition work?**

We do not envisage that suppliers will face substantial problems in facilitating the roll over. However, suppliers will require clarity regarding customer notification requirements and whether customers are to be given written advance notice of the change. It may be appropriate to allow suppliers a 3 month transition period.

k. **Would energy suppliers have the ability to circumvent the remedy, for example, by encouraging disengaged customers to switch on to less favourable, unregulated tariffs, and how such risks could be mitigated?**

We do not believe that suppliers will have the ability to circumvent the remedy. The CMA's findings show that the default variable tariffs are the most expensive for customers so if the customer was to choose an alternative unregulated tariff this is unlikely to be less favorable in terms of price.

However, if suppliers do attempt to circumvent the remedy in the manner raised this itself would prove to be cross-subsidisation of tariffs.

Suppliers are also required to meet licence conditions in respect of treating customers fairly, which will prevent the CMA's concerns.

l. **Should the CMA set the level of the safeguard price caps itself, or should make a recommendation to Ofgem to do so?**

We believe the CMA is best placed to set the level of the price caps based on their experience of competition related issues. However they should work closely with Ofgem to understand the economic implications of price regulation.

m. **Are there any potential unintended consequences of setting safeguard price caps, for example, in terms of their potential impact on the level of other, unregulated tariffs?**

The principle concern is that the market will become less active and customers even stickier, as they may consider they are being looked after. There is a risk that some suppliers may increase the costs of their fixed tariff offerings to cover the financial impacts of offering only a lower rate variable tariff. It is conceivable that the delta between the regulated tariff and fixed price tariffs will diminish.

Regulatory framework governing domestic and SME retail energy markets

Remedy 12a – Requirement to implement Project Nexus in a timely manner

a. **How long should the parties be given to implement Project Nexus?**

It is essential for all suppliers and consumers that Project Nexus is implemented in a timely but efficient manner. We would like to see Project Nexus implemented by 1 April 2016 and are of the view that the gas year timetable should be brought in line with the electricity year timetable.

b. **Should the CMA implement this remedy directly (eg via an order and/or a licence modification) or should it make a recommendation to Ofgem to implement the remedy?**

Given the implementation delays experienced to date, we would support the CMA implementing this remedy.

Remedy 12b – Introduction of a new licence condition on gas shippers to make monthly submissions of Annual Quantity updates mandatory

a. **Is it proportionate to require the mandatory monthly updating of AQs? Would it be more proportionate to require less frequent updating of AQs? Would less frequent updating still be effective in terms of removing the scope for gaming of the system?**

We would be in favour of any mechanism which facilitated an increase in the frequency of which AQs could be updated. Under the current regime, shippers in the small supply point arena are presented with a significant challenge in managing AQs between the review periods. As the process of updating AQs is managed by individual shippers, market participants have no control over the AQs they inherit from other shippers when registering new meters. In scenarios where an AQ is erroneous and unreflective of actual consumption, users can bear the higher costs of gas allocations, transportation and market share of Review of Reconciliation by Difference (RbD) for as long as 12 months.

The fundamental question is what could the industry systems facilitate in the run up to a Nexus delivery, where AQs will update on a monthly basis? Back in November 2014, Co-operative Energy welcomed the introduction of MOD450b 'Monthly Revision of Erroneous SSP AQs' which allowed shippers to challenge 200 SSP AQs within month outside of an AQ Review window. Although a small volume of challenges, the business was allowed to tackle its biggest outliers in the run up

to the AQ Review and was able to take significant corrective action on erroneous AQs.

Given the well documented limitations of the UK Link system, it may be unrealistic to mandate a monthly AQ update and a less frequent period may be more achievable, although of course would be less effective. A happy medium might be the re-introduction of Mod450b with a renewed output, perhaps increasing the volume of monthly challenges to a larger figure.

Remedy 13 – Requirement that domestic and SME electricity suppliers and relevant network firms agree a binding plan for the introduction of a cost effective option to use half-hourly consumption data in the settlement of domestic electricity meters

a. **Would this remedy be effective in stimulating tariff innovation, in particular in terms of time-of-use tariffs?**

Co-operative Energy do not currently serve the SME market. In relation to domestic supply, we agree that this remedy would be effective in stimulating time-of-use tariff innovation. We are currently considering innovative ways to utilize smart data effectively to build suitable time of use tariffs for consumers.

b. **How long should the parties be given to agree this plan?**

Subject to relevant settlement procedures being in place, we see no reason why the plan cannot be implemented as soon as the Smart infrastructure (DCC/SMETs 2) is in place.

c. **What are the principal barriers to the introduction of a cost-effective option to use half-hourly consumption data in electricity settlement for profile classes 1 to 4? How could these be reduced?**

The infrastructure of the market is not yet ready on a settlement basis to utilise this data as there is currently no option to settle on a half-hourly basis. Consultation will need to take place with Elexon in relation to reducing any barriers to implementation.

d. **Should the use of half-hourly consumption data in settlement for these profile classes (or certain of them) be optional for energy suppliers, or should it be mandatory? What are the advantages/ disadvantages of each approach?**

We feel that this should be mandatory for all suppliers but it should be up to suppliers to re-nominate into half-hourly settlement.

e. **Are there any distributional considerations that we should take into account in relation to time-of-use tariffs? For example, might vulnerable customers end up paying more if they fail to change their**

consumption patterns? Or will the decline in the required generation capacity outweigh any increase in peak prices?

We feel that if customers are actively requesting time of use meters they are likely to be already armed with the relevant information regarding their consumption patterns. For those who inherit these meters it may be necessary for the supplier to implement information remedies to educate the customer appropriately.

At this point we don't have enough information to anticipate a significant reduction in generation requirements based on our lack of involvement in the I&C market. We do not feel it will affect the domestic market.

f. When should the (optional/mandatory) use of half-hourly consumption data replace settlement based on assumed customer profiles? Is it necessary to wait until 2020 when all domestic customers have smart meters installed? Alternatively, could the use of half-hourly consumption data be phased in for those customers with smart meters prior to 2020?

We strongly believe that there should be a phased introduction for those customers with Smart Meters prior to 2020. Consideration should be given to allowing suppliers to put aggregated meter consumption data into settlement.

<u>Lack of robustness and transparency in regulatory decision making</u>

Remedy 14 – Remedy to improve the current regulatory framework for financial reporting

a. Should the scope of the individual areas reported on align with the scope of the markets as set out for generation and retail supply in our provisional findings? For example, should a requirement to report wholesale energy costs on the basis of standard products traded on the open wholesale markets be imposed?

We believe that the scope of REMIT sufficiently addresses these requirements and that suppliers should report this financial information in the interest of full transparency.

b. What regulatory reporting principles would be particularly relevant to the preparation of regulatory financial information in this sector?

We feel that current arrangements, based on supplier market share, are sufficient. We believe that all suppliers should have the same reporting years in the interest of the reports being clear and transparent.

c. Would summary profit and loss account and balance sheet information for each area be sufficient to enable the effective regulation of the sector and the development of appropriate policies?

Or should the large domestic and SME energy suppliers be required to collect and submit additional, more granular financial information?

We consider that the current format is sufficient as long as they are produced on a like for like basis.

d. Should Ofgem require that the summary profit and loss and balance sheet information be audited in accordance with the regulatory reporting framework?

Yes, this information should be subject to audit. It may be worth investigating whether a) the same audit company could provide all audits to ensure consistency or b) guidance issued for the purpose of conducing the financial audit

e. Should this remedy apply to the firms that are currently under an obligation to provide Ofgem with Consolidated Segmental Statements? Or should it apply to a larger or narrower set of firms?

We believe that the current thresholds, based on market share, are sufficient.

f. What would be the costs of imposing such a remedy? We note that some firms' reporting systems are not currently capable of providing information on such a 'market-orientated' basis and that our remedy could require significant additional system requirements.

We believe there is no reason why suppliers reporting systems should not already contain this information.

g. Should the CMA implement this remedy by way of licence modifications or by way of a recommendation to Ofgem?

We are of the view that the remedy should be implemented by licence modification.

h. To what extent should this financial information on performance be published?

We consider that this information should be published on an annual basis within the public domain.

Remedy 15 – More effective assessment of trade-offs between policy objectives and communication of impact of policies on prices and bills

a. Are such assessments of the impacts of policies on prices, bills and on the trilemma trade-offs carried out to a sufficient extent currently?

We do not feel that such assessments are carried out to a sufficient extent currently.

b. Are there specific areas where such assessments are not currently carried out, or might be undertaken more comprehensively?

We have commented during the investigation that the impact of Government social and environmental policies on smaller suppliers is substantial and that it is the consumer that ultimately pays the price. We feel that certain obligations are better delivered through central Government rather than suppliers.

We have raised questions in the past in respect of whether suppliers are best placed to deliver social benefits/schemes (for example Warm Home Discount and Energy Company Obligations). Co-operative Energy is committed to supporting vulnerable customers and reducing consumers' energy bills, however we are not convinced that a decentralized approach is in the best interests of consumers.

c. Are the assessments sufficiently scrutinised?

The consultation and policy process does not operate a consistent approach or framework, across Government or within Ofgem. Our observation is that Ofgem does not consider the costs and benefits in line with the Civil Service best practice. This in itself creates a discontent between how DECC and Ofgem conducts its assessments of benefits.

We consider that a relevant factor that is currently missing from the policy assessment framework is the impact of policy on independent suppliers and the effects on competition.

We have observed that social obligations (Warm Home Discount) assume that suppliers' portfolios have the same demographic and geographic makeup. This is not the case and can a lead to a disproportional cost in meeting the obligation. Furthermore, in the event that a supplier is unable to meet its obligations under a poorly designed scheme, it will reinforce consumer distrust within the market. Policy design and obligations should also consider how it will address disengagement and mistrust specifically.

d. Are the assessments sufficiently disseminated to interested parties? Which parties need to be informed about these assessments?

The assessments are sufficiently disseminated to interested parties but the volume of information is an issue for independents and could benefit from some co-ordination. In addition, the impact of one policy change upon another does not always seem to be considered in the round.

e. Is there an additional role for either Ofgem and/or DECC in carrying out assessments of the impacts of policies and trilemma trade-offs, or communicating the results of them?

Yes, we believe Ofgem and DECC should undertake a full assessment of policy impact upon suppliers and consumers.

f. Should further, authoritative analysis be published to assist the public discussion? What form might this take? Which existing bodies are best positioned to undertake this role?

Yes, we believe DECC may be best placed to produce such documentation in summary report form.

g. Is there a sufficient case to justify creating a new, independent body tasked with scrutinising the impact assessments of policymaking bodies and/or providing authoritative analysis to inform the public debate?

We believe that this will be at extra cost and is not necessary if points A to F above are addressed appropriately.

Remedy 16 – Revision of Ofgem's statutory objectives and duties in order to increase its ability to promote effective competition

a. What specific changes should be made to Ofgem's statutory objectives and duties in order to ensure that it is able to promote effective competition in the energy sector?

(i) For example, would it be possible to revert to the role of competition that existed before the introduction of the Energy Act 2010?

We believe Ofgem's statutory duties should include both the protection of existing and future consumers and the promotion of effective competition but have no comment on specific changes.

Remedy 17 – Introduction of a formal mechanism through which disagreements between DECC and Ofgem over policy decision-making can be addressed transparently

a. In which circumstance should Ofgem have the right or duty to express views on DECC's policies and DECC/Ofgem strategy for their implementation? What format should such views take? Should DECC have a duty to formally respond?

We believe Ofgem should a) have the right and duty to express views on DECC's policies in the majority of scenarios as they have the relevant market intelligence and b) comment on impacts on consumers and suppliers. This should take place through a formal consultation and response process.

b. In what circumstances should Ofgem have the right to seek a formal direction from Ofgem to implement a certain policy?

We believe the question refers to Ofgem obtaining a formal direction from DECC. We think it would be in Ofgem's best interest if this happened upon their request in the event that they do not agree with the policy intent.

c. Would DECC's formal direction undermine (or appear to undermine) Ofgem's independence?

It depends upon whether the direction is for legal purposes or to give effect to implementation of strategic delivery.

d. Would other measures be effective in promoting the independence of regulation?

Clear demarcation between Ofgem and Ofgem E-Serve as Ofgem's remit has become a DECC policy delivery vehicle and one of economic regulation and policy design.

Industry-led system of code governance

Remedy 18a – Recommendation to DECC to make code administration and/or implementation of code changes a licensable activity

a. Is this recommendation likely to result in a positive change in the initiation, development and/or implementation of code changes that pursue consumers' interests?

We believe this remedy will result in a positive change and more efficient implementation of code changes for the benefit of all parties by giving Ofgem the ability to bring about the required changes.

b. Would this remedy be more effective if certain functions currently carried out by code panels and/or network owners (eg setting up working groups) were transferred to code administrators?

The governance and rules associated with code changes and implementation may be useful to provide evidence and clarity about the role of code administration in considering business objectives versus protecting consumers. For example a relevant requirement may be to consider the impact of change on consumers, independent suppliers, and competition**.**

c. Would this remedy be more effective if Ofgem or DECC were to impose stricter requirements relating to the selection (eg competitive tender), financing and/or independence of code administrators (and/or delivery bodies)?

Yes as it takes out the issue of self-interest and brings consumer protection and competition to the heart of change.

Remedy 18b – Granting Ofgem more power to project-manage and/or control timetable of the process of developing and/or implementing code changes

a. **Is this recommendation likely to result in a positive change in the development and/or implementation of code changes that pursue consumers' interests?**

We believe this recommendation will result in a positive change and more efficient implementation of code changes for the benefit of all parties.

b. **Would this undermine the principle (and effectiveness) of industry-led code changes?**

Whilst it may undermine the principle of industry-led change, given that the current system does not work, we feel that this recommendation is necessary.

c. **Should this power be limited to the completion of certain elements of the development or implementation phase (eg consultation, setting up working groups)?**

There is a balance to be struck between supporting industry and becoming too central to the delivery of change. For example, Ofgem should ensure that its involvement in the delivery as a project manager does not fetter its discretion when assessing the merits of a change proposal.

d. **Should Ofgem's ability to use this power be limited to defined circumstances (eg modification proposals which are relevant to Ofgem's principal objectives) or should it be left to Ofgem's discretion?**

We feel that Ofgem's powers in this regard should be clearly defined for the benefit of clarity and transparency.

Remedy 18c – Appointment of an independent code adjudicator to determine which code changes should be adopted in the case of dispute

a. **Are there benefits in terms of independence, impartiality and/or industry know-how of an independent code adjudicator that are not available with Ofgem, given its other responsibilities, when undertaking the adjudicator role?**

We feel that an independent code adjudicator would be beneficial in the case of dispute.

b. **Would there be unintended consequences, arising for instance from an increased lack of coordination between code modification governance, licence modifications and legislation?**

Yes, change programmes need to be coordinated to ensure that strategic change management meets the following objectives:

a) Code modifications
b) Governance
c) Licence modifications
d) Legislation

to ensure that change is in the best interest of the consumer and competition.

If you require any further information please contact steve.rowe@cooperativenergy.coop in the first instance.

Yours sincerely,

Ramsay Dunning
Group General Manager