



Government and Ofgem Action Plan: Challenger Businesses (Independent Energy Suppliers)

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Who is affected?

Stakeholders	How
Independent energy suppliers	This action plan aims to reduce barriers to entry and growth for independent energy suppliers.
Energy consumers	Improved competition and innovation in the energy market will create better offers and service for all consumers.

Foreword



The growth of independent energy suppliers in the domestic retail market is one of the most significant recent market developments, driving innovation, creating more choice for consumers and providing a strong competitive challenge to the larger established players in the industry.

In 2010 there were 7 independent energy companies in the domestic market. All had fewer than 50,000 customers. Now we have 19 independent energy suppliers, providing consumers with more choice than ever. Collectively they have grown their market share more than six-fold since 2010, and half of all customers who are switching to a new electricity supplier are switching to an independent supplier.

The Government's and Ofgem's policies have already reshaped the market, boosting competition. Yet we are going further, ensuring that in Great Britain we have a diverse, fair and competitive energy market. One where all suppliers - from large established companies to small new entrants - compete on a level playing field to create better offers for consumers.

For new entrants into an existing market, there can of course be challenges when breaking through and establishing a sustainable business. Since 2010, DECC has been working closely with Ofgem to reduce barriers to entry and growth.

We have made good progress in many areas. Earlier this year Ofgem introduced new licence conditions to improve liquidity in the wholesale electricity market and transparency in the retail market. And back in 2011 the Government increased the customer number threshold at which suppliers are required to comply with certain environmental schemes – from 50,000 customers to 250,000.

Despite this progress, we want to improve even further the environment in which new entrants and the more established independent suppliers operate. That is why, through the Government's "*Challenger Business*" programme, we have been working with independent energy suppliers to identify what more we can do to reduce barriers to entry and growth.

While we can take steps to improve market conditions for independent energy suppliers in the short to medium term, some broader concerns exist that require a full and proper consideration from the competition authorities. Ofgem has referred the supply and acquisition of gas and electricity to the Competition and Markets Authority (CMA). This is a significant step and sets in train a process that allows the competition authorities to undertake a thorough, independent and evidence-based assessment of competition in the gas and electricity markets. We expect the CMA to complete its investigation by December 2015 and will engage fully with the process and outcomes.

We are of course determined to continue boosting competition in the immediate future, and so are delighted to publish this action plan. Although the "*Challenger Business*" programme focused on independent suppliers in the domestic retail market, we intend that the measures will also apply to independent energy suppliers in the non-domestic market.

Working with independent energy suppliers we have identified three key areas to focus on:

- Rules and obligations with which suppliers are required to comply;
- Market governance and infrastructure;
- Departmental and Ofgem engagement with independent suppliers.

We look forward to seeing the benefits of these commitments realised and the continuing development of a dynamic competitive market, resulting in better offers and improved customer service for all energy consumers.



Edward Davey

Secretary of State for Energy and Climate Change



Dermot Nolan

Chief Executive, Ofgem

Introduction

The Challenger Business Programme was launched in October 2013, as a joint Cabinet Office and Department of Business, Innovation & Skills initiative to support ground breaking, dynamic UK businesses. The aim of the Programme is to identify quickly and respond to the needs of these businesses to help them enter and grow in their target markets.

One of the themes selected for the programme was to continue the Department of Energy & Climate Change's work to **reduce barriers to growth and entry in the retail energy market**. The Challenger programme work commenced in May 2014 with an event opened by the Secretary of State. Independent domestic energy suppliers and potential new market entrants were invited to explore barriers to the growth of their businesses, and solutions to address these barriers. Solutions have been focused on delivering a level playing field on which independent energy suppliers are able to compete with the larger established suppliers.

This action plan of commitments has been developed working closely with Ofgem to address a range of concerns raised by independent energy suppliers. The commitments are focused around tackling three key areas:

- Rules and obligations, including social and environmental schemes
- Market governance and infrastructure
- Engagement with DECC and Ofgem, in particular around policy design

Rules and obligations

Suppliers raised specific issues around the design of certain Government programmes. A more general concern is the customer number threshold for exemptions for small suppliers from complying with some of these programmes. The customer number threshold removes a barrier to market entry, but it may act as disincentive for suppliers to grow beyond it.

Market governance and infrastructure

Independent energy suppliers raised a range of issues around the complexity of industry codes, the credit and collateral requirements that arise from these and Government obligations, the operation of switching sites and the poor quality of industry data.

Engagement with DECC and Ofgem

A common theme arising from the discussions was the difficulty smaller suppliers have in keeping up with policy and regulatory changes. They do not have sufficient resource to attend

Ofgem, DECC and industry working groups, which leads to policies and regulatory changes that are designed with insufficient consideration of the impact on independent energy suppliers.

Next steps

Our specific commitments are listed below. We will monitor and evaluate the delivery and outcomes of this action plan to ensure the anticipated high pace of change is maintained. We will continue to work with independent energy suppliers on the development of the actions set out below, particularly on our proposals for improving engagement with them.

Commitments from the Department of Energy & Climate Change

1. Rules and Obligations

Customer number thresholds for small supplier exemptions

You said: The threshold of 250,000 customers for small supplier exemptions is a disincentive to growth.

This means: The marginal cost of the 250,001st customer is very high, so new entrants may lack the incentive to develop a customer base greater than 250,000. This could deter new suppliers from growing beyond the threshold, to a similar size as the current major suppliers.

We are doing: We will issue a call for evidence on the impact of the small supplier exemptions from participation in certain environmental and social schemes. The call for evidence will seek views on:

- the impact of the exemptions on competition and how the costs of compliance impact on different sized suppliers;
- the impact of the exemptions on consumers;
- whether there are other mechanisms that may operate alongside or instead of exemptions that are fairer for consumers and suppliers.

The call for evidence is intended to inform future phases of programmes and policies. For instance it is not our intention to apply any changes to the current phase of the Energy Company Obligation (ECO) which lasts up until 2017, as Government is keen to avoid creating any uncertainty over scheme design for this period. Government consulted extensively on arrangements for ECO through to 2017 earlier this year and published its detailed conclusions on 22 July 2014.

This will: The call for evidence will give us a firmer evidence base upon which to consider any changes that might be necessary to the way our obligations work, to ensure they impact fairly on all suppliers and consumers.

Delivery Date: Call for evidence - autumn 2014
Publication of Government response and next steps - mid 2015

Contracts for Difference

You said: The design of the Contract for Difference (CfD) supplier obligation¹ creates uncertainty for suppliers, as reconciliation means they do not know their liabilities in advance for pricing into tariffs.

¹ CfDs are a new mechanism being introduced from April 2015 to support new investment in all forms of low carbon electricity generation. The payments to be made to generators under CfDs will be calculated and paid out by the CfD Counterparty (the Low Carbon Contracts Company, or LCCCo). The LCCCo will collect a compulsory levy, the supplier obligation, from licensed electricity suppliers to meet the cost of CfDs. For more information, see the [Implementing EMR handbook](#).

This means: Smaller suppliers and those that are planning to expand quickly may be at a competitive disadvantage as they are less able to absorb unpredictable costs.

We are doing: We plan to review the design of the supplier obligation, once it has come into effect. We will ensure that independent energy suppliers are closely involved in the review, and that there is plenty of notice of any changes to the design.

This will: The review will enable us to evaluate the impact of the CfD supplier obligation payments on smaller suppliers and propose any necessary changes based on a clearer understanding of the impact of the obligation in practice.

Delivery Date: We intend to begin the review in 2015, after CfD supplier obligation payments have started flowing (potentially from April 2015, depending on which projects secure CfDs).

Feed-in Tariffs Levelisation

You said: Large suppliers in the non-domestic market are able to purchase non-UK Levy Exemption Certificates (LECs) to reduce their contribution to the Feed-in Tariff (FITs) levelisation fund.

This means: Consumers meet the costs of the FITs scheme through their bills. The amount varies each year to reflect deployment levels and support payments. In order to ensure that energy suppliers contribute their fair share, **levelisation payments** are made. Ofgem calculates the total market share and use this to determine each supplier's required contributions to the scheme. If a supplier's FITs contribution is lower than their forecasted payments, they make a further payment. If it is higher, they receive a payment.

The state aid agreement for FITs required there to be an exemption for renewable electricity purchased outside of Great Britain from the FITs levelisation process. To gain an exemption from the FITs levelisation suppliers must provide a LEC, which needs to be purchased anyway by suppliers with non-domestic customers for the Climate Change Levy (CCL). These must have been redeemed by 1 August after the FITs year in which the supply was provided. Suppliers operating mainly in the domestic market will have to pay a higher contribution into the FIT levelisation fund if suppliers operating in the non-domestic market are able to secure exemptions from levelisation. Any exploitation of this policy would be of particular disadvantage to small domestic suppliers, who would be vulnerable to distortion of their levelisation payments.

We are doing: We are working with Ofgem to assess options for resolving the issues arising from the use of LECs in the FITs levelisation process, with the aim of ensuring the levelisation process is sharing the cost of renewable deployment fairly.

This will: We aim to reduce the risk that independent suppliers in the domestic market pay unjustifiably higher contributions to the FIT levelisation fund than suppliers with a large non-domestic customer base.

Delivery Date: This is dependent on feedback from suppliers as well as the outcome of our legal and state aid analysis, but we are aiming to introduce any amendments in 2015.

Warm Homes Discount

You said: In the event of an underspend against the annual spending target, the amount of the underspend is allocated to all suppliers participating in the next scheme year, based on their market share in that year.

This means: If there is an underspend during the previous scheme year, newly obligated suppliers would incur a greater cost than if the allocation were based on their previous year's customer numbers. Conversely if there were an overspend in the year prior to them joining the scheme, they would incur lower costs.

We are doing: The forecasting of scheme spending has now been improved. In addition, we plan to consult in summer 2014 on whether to amend the methodology for the scheme in 2015/16.

This will: Changes to the forecasting will reduce the risk of large future underspend or overspend. Consulting on proposed changes to the methodology will determine what additional changes may also be required to ensure that the costs are fairly distributed across all obligated suppliers.

Delivery Date: Change to the forecasting – summer 2014
Consultation on the methodology for 2015/16 – summer 2014

QR Codes

You said: QR codes create a significant overhead for independent suppliers.

This means: The initial fixed costs of introducing machine readable images may be disproportionately higher for smaller suppliers who have a smaller customer base over which to spread the initial fixed costs of implementation, such as buying the necessary software and making changes to their billing systems.

We are doing: We are considering the evidence on costs to determine whether an exemption may be appropriate for the smallest suppliers. We will work with all independent energy suppliers on implementation of machine readable images, including QR codes, to discuss and resolve concerns as appropriate.

This will: Our implementation plans will take account of the different business models of the independent energy suppliers and ensure that the smallest suppliers are not unfairly disadvantaged by the requirements.

Delivery Date: December 2014

2. Market Governance and Infrastructure

Credit and Collateral

You said: Credit and collateral arrangements across the industry are extensive and disproportionate, acting as a barrier to growth.

This means: New entrants to the market are required to tie up a greater proportion of working capital in the form of credit and collateral than larger companies with high credit ratings. These companies are able to benefit from unsecured credit under some of the industry codes, as are all suppliers who establish a good payment record.

Some of the requirements in relation to balancing and settlement are particularly complex and the consequences of posting insufficient credit are deemed by suppliers to be so severe that they post more credit than is necessary just to make sure they are covered, particularly those seeking to expand.

We are doing: We commissioned Cornwall Energy to assess the impact of the credit and collateral arrangements on different market participants, and present options for reducing the burden for those flowing from current Government, Ofgem and industry requirements. Following the publication of the reports we will discuss the options presented with all relevant stakeholders, including independent suppliers, and develop an action plan to take forward agreed measures. We will also consider any additional suggestions put forward by industry.

This will: Our action plan will set out where there is scope to reduce the burden of credit and collateral arising from current obligations placed on suppliers. This will ensure that the arrangements are proportionate and consistent.

Delivery Date: Publication of Cornwall Energy reports - summer 2014
Action Plan developed - by winter 2014/15

Smart Energy Code (SEC)

You said: SEC demands that suppliers without access to bond rating must provide the Data and Communications Company (DCC) with credit cover to offset their Value at Risk (VAR). They must post as a minimum 50% of their VAR with a company that does not yet provide any operational services to those suppliers. Moreover, transitional arrangements before services are provided on an enduring basis under the SEC mean suppliers can seek modifications to its rules only in limited urgent circumstances.

This means: Suppliers that do not have high credit ratings are unable to access unsecured credit and therefore have to tie up working capital, placing them at a competitive disadvantage relative to those with higher credit ratings. Because modification of the SEC is currently subject to transitional rules, suppliers are unable to propose modifications to the code to address this issue.

We are doing: We will consider these specific SEC credit cover concerns as part of the work we will take forward following the publication of Cornwall Energy's reports. The enduring modification routes will be enabled in due course as part of DECC's implementation of the regulatory framework relating to smart metering.

This will: Our action plan in relation to our wider work on credit and collateral will ensure that if the arrangements in the SEC are found to be unduly burdensome or disproportionate to the risk of default, they will be considered for amendment.

Delivery Date: Publication of Cornwall Energy reports – summer 2014
Action Plan developed - by winter 2014/15

3. Engagement, Communications and Policy Design

Effective Engagement with Independent Suppliers

You said: Engagement between the Department and independent energy suppliers could be improved, with current arrangements being resource intensive and difficult to navigate.

This means: Independent energy suppliers' voices may not be heard at crucial points in the policy development process and they may be unable to keep abreast of regulatory developments and policy proposals. Larger suppliers have greater resources at their disposal to attend regular working groups which the Department, Ofgem and industry hosts to help inform policy proposals and other regulatory requirements. There is a risk that proposals are developed without taking sufficient account of the impact on independent energy suppliers, which can put them at a competitive disadvantage.

We are doing: We are establishing regular joint DECC/ Ofgem forums, to flag upcoming policy initiatives and consultations, and to give independent energy suppliers the opportunity to discuss issues of concern and input at an early stage to policy development.

In relation to smart meter roll out, we currently hold monthly teleconferences and quarterly meetings for independent energy suppliers. We will be holding more bilateral meetings with 'transitioning' suppliers and the non-domestic suppliers, to better understand concerns and to inform future communications. We are also considering how to improve the provision of information on smart meters to new entrants.

We are appointing a DECC senior champion for independent energy suppliers. This role will be undertaken by Rachel Crisp, Head of Energy Markets and Consumers. Her role will include:

- Regular meetings with independent energy suppliers, and her team acting as the first point of contact within the Department;
- Ensuring that policy makers take account of independent energy suppliers in policy design;
- Raising awareness across the department of the changing nature of the retail energy market and the crucial role that independent suppliers play in driving competition.

We also intend to establish a rolling programme of DECC visits to independent suppliers.

This will: The forums will ensure independent suppliers can be updated on and provide input to policy initiatives at crucial points in the policy development process. It will also provide them with the opportunity to raise emerging issues of concern. In relation to smart meter roll out, the forums will ensure that implementation continues to take account of the independent suppliers' perspectives and that they are kept informed of developments.

The appointment of an independent supplier champion will ensure the Department as a whole has a better understanding of the role that independent suppliers play in the market, how they

operate, and their different business models and consumer offerings. This will help ensure that the independent supplier perspective is considered at an early stage in policy development. Through bilateral meetings independent suppliers will be able to raise issues of concern that are specific to their business model and update the DECC Retail Markets Team officials on any new initiatives they are undertaking. They will have a key contact in the Department, making it easier to find the right contacts for different policy issues.

The rolling programme of DECC offsite visits to independent suppliers will give the Department a greater insight into how suppliers operate in practice, and enhance our understanding of the potential impact of policy proposals.

Delivery Date: Introducing joint forums - September 2014
Appointment of the independent energy supplier champion - August 2014
Introducing programme of visits - October 2014

Improving Communications

You said: The large volume of communications from Government and Ofgem makes it difficult for independent suppliers to keep track of developments and it is not always immediately apparent what is relevant to suppliers.

This means: Independent suppliers may not be up to date with policy developments, and the large volume of publications from Government, Ofgem and other industry bodies make it difficult for them to identify consultations that may have implications for their business. We have noted that we receive relatively few responses to consultations from independent suppliers, which means the impact of policy proposals on them may not be understood fully, possibly putting them at a competitive disadvantage.

We are doing: We will create a new page on GOV.UK for independent energy suppliers. This will be developed in consultation with suppliers but could include key documents and events that impact on independent suppliers, and contact details for relevant policy leads.

We will pilot a new template for our publications, which clearly sets out stakeholder impact.

This will: The creation of this page will enable independent energy suppliers to keep up to date with policy initiatives and developments more easily. Revising our publication template will make it clear at the start of the document who is affected and whether it is relevant to a given stakeholder, saving time and resource.

Delivery Date: New online page - October 2014
Piloting a new publication template - September 2014

You said: Trust in the sector is low and that Government communications would benefit from a more positive tone in relation to suppliers.

This means: This means that fewer consumers may be inclined to consider switching as they may have the impression that “all suppliers are the same”.

We are doing: Through the bilateral meetings with the independent supplier champion, we will develop a forward look of suppliers’ activity and incorporate it, where appropriate, into DECC communication plans.

This will: DECC's communications will take account of developments in the sector that benefit consumers and highlight the role of independent suppliers in improving competition.

Delivery Date: August 2014

Impact Assessments and Independent Suppliers

You said: Policy is developed without fully considering the impact on independent energy suppliers.

This means: Independent suppliers may be put at a competitive disadvantage and their customers may be adversely affected, particularly where suppliers are offering specialist or niche tariffs.

We are doing: We will develop an Independent Energy Supplier Impact Toolkit, which will be kept up to date through the Independent Supplier Champion bilateral meetings, as a resource for policy teams across the Department. This will be developed in consultation with independent suppliers and will include key information on each company. It will also flag a key contact in the Retail Markets Team from whom policy makers may seek advice and who should be notified of policies that will impact on suppliers.

Our policy Impact Assessments include a full assessment and, where appropriate, mitigation of the impact of measures on small and micro businesses. We will strengthen this process by emphasising the importance of considering the specific effect on *independent energy suppliers*, including barriers to entry and expansion.

This will: The toolkit will ensure that the Department has up to date information on all suppliers. The toolkit and the proposed change to the Departmental Impact Assessment will ensure that the impact of policies on independent energy suppliers is assessed from the earliest stages of policy making.

Delivery Date: Independent Energy Supplier Impact Toolkit - September 2014
Strengthening departmental impact assessment - October 2014

Clarity around Roles

You said: There is a lack of clarity regarding the roles of DECC and Ofgem.

This means: Independent suppliers may not be clear whether it is the Government or Ofgem that is leading on a particular issue and therefore how to provide input to policy proposals.

We are doing: We will be consulting on our Strategy and Policy Statement, which sets out the formal roles and responsibilities of DECC and the independent regulator. We would also envisage including a document on our proposed online page, setting out DECC and Ofgem's roles and responsibilities.

This will: Clarify the roles of the Government and Ofgem by clearly setting out their respective roles and responsibilities, and the particular outcomes which they both should be working towards in order to implement the Government's energy policy.

Delivery Date: Consultation to be published August 2014

Commitments from Ofgem

1. Supplier Rules and Obligations

Retail Market Reform (RMR)

You said: There is a lack of certainty about when the impact of RMR will be assessed.

This means: Independent suppliers are not clear what assessments Ofgem will conduct before a full review of the impact of the new rules in 2017.

Ofgem is doing: We are reporting annually on the state of competition in energy markets. The first of these assessments was published in March this year. On 31 July we published our framework for assessing the impact of the RMR rules. We also published consumer research which will act as a baseline for future evaluations. Our work to understand how the RMR has affected consumer engagement will be an important component of future annual reports.

This will: The results of these annual evaluations will guide our full review of the RMR reforms, planned for 2017. Our assessments will also allow us to keep the arrangements under review and to take action if we need to.

Delivery Date: Assessment framework and baseline consumer research - July 2014
Next annual market assessment - summer 2015

You said: The 4-tariff limit set by RMR is stifling innovation in the market.

This means: Independent suppliers are concerned that Ofgem's new rules, which restrict suppliers from offering no more than four core tariffs, prevent them from launching more innovative products.

Ofgem is doing: The RMR rules allow suppliers to offer up to four core tariffs per fuel and per meter type. This means up to four "Time of Use" tariffs are also permitted. In addition, the RMR rules allow for derogations from specific rules. Our guidance sets out that we will consider derogations to allow for pilot schemes for innovative products. We have already granted a number of derogations for innovative products and are considering more requests. In the light of our experience, we are trying to speed up the derogation process and considering the need for clearer guidance on the information that suppliers need to submit.

This will: Our derogations process provides flexibility for tariff innovation, while maintaining the integrity of the new RMR rules, which protect today's consumers and promote greater engagement.

Delivery Date: Currently underway (we are currently considering a number of derogation requests and are open to new ones).

You said: White label companies are currently included in the 4-tariff limit, but they should be able to operate outside this cap.

This means: Independent suppliers are concerned that Ofgem's tariff cap restricts their ability to provide white label offers into the market.

Ofgem is doing: We are looking to extend the current temporary exemption for existing white labels and are about to consult on an enduring regime which accommodates white labels in the regulatory framework, including an additional four tariffs. This is aimed at allowing white label providers to develop their propositions while retaining the RMR aims of a simpler, clearer and fairer market.

This will: Provide stakeholders with clarity on the rules applying to suppliers in relation to white label providers.

Delivery Date: Consultation on our enduring framework - August 2014.

You said: RMR's rules to standardise tariff structures, in particular Ofgem's rules limiting cash incentives, has restricted supplier ability to compete and retain customers.

This means: Independent suppliers consider that non-cash incentives are difficult for smaller suppliers to differentiate and reward customers, compared to the now prohibited cash incentives.

Ofgem is doing: Our consumer surveys indicated tariff complexity is a key barrier to consumer engagement. Consumers were confused with the wide array of discounts. This made it harder for consumers to compare tariffs and choose the right one for their energy needs. We have tackled this by prohibiting cash discounts in all but two cases – for dual fuel and online account management. We are monitoring the impact of our new rules closely through our RMR evaluation, which includes any potential unintended consequences.

This will: Our evaluation of the RMR will allow us to identify any problems at an early stage.

Delivery Date: Next annual market assessment - summer 2015.

2. Market Governance and Infrastructure

Switching and Switching Sites

You said: There is a lack of transparency and accuracy of switching site operations.

This means: Independent suppliers are concerned that it is unclear to customers when switching sites are not offering comparisons across the whole of the market and the method of how comparisons are made may not always be accurate.

Ofgem is doing: We are reviewing the Confidence Code - a voluntary code of practice which governs domestic price comparison sites. We will consult on proposals to improve accuracy of comparisons and clarity of whether the whole market is being compared. We

are also developing a code of practice for intermediaries, such as energy brokers in the non-domestic sector.

This will: Our consultation on the Confidence Code will allow us to further embed the four principles of good intermediation: independence, accuracy, transparency and reliability. We will also set out our next steps for the non-domestic code of practice.

Delivery Date: Consultation on the Confidence Code - August 2014
Open letter on next steps for non-domestic code of practice - August 2014

You said: Allowing the existing supplier to object to a switch can slow or halt the process.

This means: Existing suppliers are able to slow or halt a customer from moving to a new supplier by objecting to the switch. This has a disproportionate effect on independent suppliers, who are typically growing in size by winning customers from the six largest suppliers.

Ofgem is doing: We are increasing our detailed monitoring of objections to determine how suppliers use this process. We are also taking enforcement action against suppliers that breach their obligations on objections.

We are also starting a review of objections and their role in the switching process. This is a complex area with potentially significant impacts on competition. Our review will require comprehensive engagement with interested parties and a detailed impact assessment.

This will: Our monitoring will provide evidence on the degree to which objections are justified and benefit consumers. The review will enable us to make any necessary regulatory changes.

Delivery Date: Increased monitoring - September 2014
Review starts September 2014 and is forecast to complete by early 2016

You said: Inaccurate records for MPAN and MPRN numbers lead to errors in the switching process.

This means: A wrong meter reference number can delay or halt a customer from switching supplier. This has a disproportionate effect on independent suppliers, who are typically growing in size by winning customers from the six largest suppliers.

Ofgem is doing: In June we wrote to the industry code panels asking them to produce a joint report on data quality and, in particular, what measures should be taken to improve the quality of address and metering data that supports the switching process.

We are also working with industry to address specific data quality issues. For instance, an exercise is already well advanced to ensure the accuracy of data that will be migrated to the new gas settlements system (Project Nexus) due for implementation in October 2015.

This will: The report will identify actions to improve quality of data, making switching easier.

Delivery Date: Report delivered - by December 2014
Next steps set out - early 2015

Industry Network Codes

You said: Industry network codes are numerous and complex, which leads to slow and disjointed governance when a modification is required.

This means: Due to limited resources, independent suppliers are put at a disadvantage when an industry code modification is required to tackle an issue affecting them.

Ofgem is doing: We looked at this issue as part of our 'Code Governance Review'. As a result, we introduced a requirement for Code Administrators to act as a 'critical friend' for smaller parties. This includes supporting them through the modification process, for example by representing their views in working group meetings or helping them to raise and draft proposed code changes. We monitor the performance of Code Administrators continuously. The Code Administrators have just started a review of their Code of Practice and we will work with them as part of our monitoring.

This will: This requirement should make it easier for smaller suppliers to engage effectively in code governance and change processes.

Delivery Date: Requirement has been in place since January 2014
Performance monitoring - ongoing

Project Nexus

You said: Data technology for gas lags behind the electricity market. Project Nexus is meant to address this, but industry is trying to delay its implementation.

This means: Existing data systems make it more difficult for independent suppliers to compete.

Ofgem is doing: We have approved the first tranche of code modifications. We are holding the industry to an implementation date of October 2015, and continue to monitor progress. We have recently written to the CEOs of relevant companies to make sure they are aware of the importance of this project.

This will: Ensure that a more accurate and robust gas settlement system is in place.

Delivery Date: Letter to CEOs - September 2014
Project Nexus implementation - October 2015

3. Engagement and Policy Design

Effective Engagement with Independent Suppliers

You said: Engagement between the independent regulator and independent suppliers could be improved, with current arrangements being resource intensive and difficult to navigate.

This means: Independent suppliers are unable to effectively communicate with us or engage in our policy development. This may put them at a disadvantage if they do not understand or cannot influence our policies.

Ofgem is doing: We have appointed a senior champion for small suppliers (Adam Cooper, Associate Partner). His role includes:

- Reviewing our policies as they are developed to ensure the interests of independent suppliers are considered.
- Identifying barriers to effective competition by independent suppliers.
- Leading on work to better understand new and innovative business models.

We will work with DECC to join up our engagement where possible. We will establish joint DECC/ Ofgem forums, and ensure that our online resources complement each other.

We held a workshop in June to explore how best to engage with smaller suppliers. Thirty seven suppliers attended. We are reflecting on the feedback from the workshop and will propose ways to improve our communications and engagement with smaller suppliers in the autumn.

This will: The appointment of a senior champion will raise the profile of smaller suppliers in Ofgem and make it easier for their views to be heard. By making our communications more effective we will make it easier for smaller suppliers to respond to our consultations and keep in touch with developments.

Delivery Dates: Joint forums to be introduced - September 2014
Programme to improve engagement - September 2014

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