

Fast and reliable switching and half-hourly electricity settlement(s)

Department of Energy and Climate Change

RPC rating: fit for purpose

Description of proposal

The Department explains that competition, consumer choice and consumer engagement are constrained by existing gas and electricity switching and electricity settlement processes. The IA supports draft primary legislation which will go to Parliament for pre-legislative scrutiny. The IA would provide Ofgem with the following powers to implement switching and settlement reforms in a more timely and cost-effective manner:

- Enable industry codes to be modified directly by Ofgem rather than by industry.
- Replace the Competition and Market Authority (CMA) appeals route, for market participants who wish to challenge Ofgem's decisions on proposed industry code changes, with challenge through judicial review.
- Introduce the ability for Ofgem to reduce the current 56-day period between notice of a licence modification being published and a modification coming into effect.

The Department explains that, while Ofgem has existing powers to deliver the reforms through the Significant Code Review (SCR), this process is prone to delays and coordination failures. The Department intends to reform the SCR in the longer term. However, the proposed changes aim to deliver benefits to consumers and industry in the shorter five year term.

Impacts of proposal

The Department explains that the proposed enabling powers would not, by themselves, alter the regulatory burden on business. Only when Ofgem uses these powers, will there be direct impacts on business. The Department explains that the proposed powers would be limited to five years to reduce regulatory risk for the market.

While the powers in primary legislation would not result in immediate impacts on business, the Department has provided a clear indication of the impacts of the new provisions based on Ofgem's current assumptions.

Quality of submission

The Department explains that the new powers would impose no costs or benefits to business at this stage. However, the Department provides analysis of expected impacts. The IA estimates indicative savings to industry of £1.9 million from switching reforms and £1.3 million from settlement reforms. These estimates are subject to uncertainty at this stage and the Department must assess the need to provide a further IA if required following the pre-legislative scrutiny. Any IAs supporting subsequent secondary legislation will need to refine the analysis and evidence on the impacts on business.

Based on current working assumptions, the RPC can confirm that the proposals are qualifying regulatory provisions that will score under the business impact target but with no direct cost to business at this stage.

The Department explains that, under the proposals, the CMA appeal route for code changes will no longer be available. Instead, parties would be able to challenge decisions made under the legislation through judicial review. It will be necessary for Ofgem to work closely with industry to ensure that sub-optimal policy development does not result from the loss of the CMA appeal route. Any subsequent IAs should provide detail of the process available to parties and would benefit from detail of the costs associated with undertaking a Judicial Review.

Initial departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net cost to business (EANCB)	£0 (at this time)
Business net present value	£0 (at this time)
Societal net present value	£0

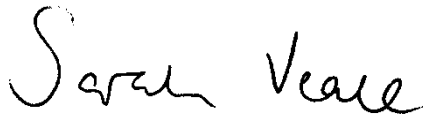
RPC assessment

Classification	Qualifying regulatory provision
----------------	---------------------------------

Opinion: final stage IA
Origin: domestic
RPC reference number: RPC-DECC-3130(1)
Date of implementation: not provided

EANCB – RPC validated	£0 at this time
Small and micro business assessment	Sufficient

¹ The RPC verification of the estimated equivalent annual net cost to business (EANCB) and assessment of whether the measure is a qualifying regulatory provision are based on current working assumptions.



Sarah Veale CBE, Committee Member