

## **Ofgem-BEIS Independent Suppliers Forum Quick Policy Updates** **16 February 2017**

### **Ofgem Update**

#### **Code Governance remedies**

In October 2016 we launched a 12 week consultation on the implementation of the [CMA's Code Governance Remedies](#). This closed on 1 February 2017, receiving over 40 responses which will be published on our website in due course. The consultation was split into four main sections; scope of the new arrangements, licensing and competition, strategic direction, consultative board. Our overriding objective for these remedies is to achieve greater coordination across codes for identifying strategic change that benefits consumers and competition. Putting in the right governance framework should allow industry to deliver change more effectively with the appropriate level of oversight from us.

Going forward we will look to engage with industry on each of the main areas of these remedies; licensing of code managers, the strategic direction and the consultative board. Your input into all these areas is vital to ensure we have a code governance system in place that works for all those impacted by it. If you have any questions or comments, please contact the Ofgem's Code Governance Remedies Team at [CodeGovRemedies@ofgem.gov.uk](mailto:CodeGovRemedies@ofgem.gov.uk).

#### **Our approach to dealing with supplier insolvency and its consequences for customers**

There have been a number of developments in this area since the last forum.

We have adopted revised guidance on our approach to dealing with supplier insolvency, following our consultation undertaken over the course of last summer. The revised guidance can be found here: [link].

At the end of November, and following the adoption of that guidance, we intervened to protect consumers following the failure of GB Energy Supply (GBES). Following a competitive process, Co-operative Energy was appointed to act as Supplier of Last Resort (SoLR) to GBES's former customers. A key learning from this experience is that suppliers should note the requirements of the Energy Act 2011. These require, among other things, the giving of 14 days' prior notice to Ofgem and BEIS of certain formal insolvency steps. During this time period it will not be possible for a supplier and its directors to seek the protections offered to them by those insolvency processes. We therefore encourage early engagement with us around these issues.

Looking forwards we are considering setting out in more detail how we would approach certain aspects of the SoLR process. These would include how we would approach a request for approval of a Last Resort Supply Payment from a SoLR to support

compensation to consumers for lost credit balances. Any amount approved by us will be recovered through network charging arrangements.

Any person wishing to discuss these issues should, in the first instance, contact: Mark Mills ([mark.mills@ofgem.gov.uk](mailto:mark.mills@ofgem.gov.uk)) or Rob Salter-Church ([Rob.Salter-Church@ofgem.gov.uk](mailto:Rob.Salter-Church@ofgem.gov.uk)).

## Prompts to engage programme

These are extracts of the decision documents for the implementation of the programme of Ofgem-led trials, published on 30 January. The full documents can be found under the [licence modification page](#) and [decision selection criteria page](#).

SLC 32A has two key features: (i) the power to direct licence holders to undertake testing and trialling; and (ii) information gathering powers. Both are with regards to us being able to use randomised control trials or other forms of testing to identify effective domestic consumer engagement measures.

We are of the view that the scope SLC 32A would include supporting and ancillary measures or behaviours of suppliers which may impact on consumer engagement due to the important relationship with the products and information suppliers offer to customers. For example, training provided to call centre staff to deal with contacts from customers who receive a new prompt that is being trialled.

We have decided that selection for a trial will be based upon:

1. Whether the supplier has enough of the types of customer of relevance to the specific research question(s) and;
2. Whether the burden of the trial is proportionate to the particular supplier, taking into account the supplier's existing capabilities including consideration of the supplier's efforts to participate in previous Ofgem-led trials or undertake its own testing to address the specific area identified in the research question(s). We will also take into account the extent to which a supplier or suppliers have already undertaken trialling work that is helpful to our policy design and research objectives.

## Secure and Promote policy review

Special Condition AA came into effect on 21 March 2014. At the time of its implementation we indicated that we intended to leave it in place for a significant period of time (at least three years) so that there was a reasonable body of evidence as to its effects before making changes. To this end we are scheduled to conduct a review of the policy starting from Q2 2017. The review will allow all market participants to express their views, including in particular small suppliers on the 'eligible supplier list' under Schedule A of the licence condition.

## BEIS Update

## Smart Metering Implementation Programme

The Smart Metering Implementation Programme has been working to produce and seeking to publish the final outputs of our Smart Metering Energy Efficiency Advice Project (SMEEAP). This has now been published and it can be found on [gov.uk](http://gov.uk).

The project was informed by conclusions drawn from our [Smart Metering Early Learning Project](#). Ipsos MORI and Energy Saving Trust (EST) were commissioned to create, test and pilot and evaluate an approach to delivering energy efficiency advice during the smart meter roll-out which would lead householders to adopt energy efficient behaviours, which was delivered in partnership with two energy suppliers. The project has delivered two core products:

- a 'toolkit' that disseminates the principles on which the pilot was based, and provides evidence-based guidance to assist suppliers in meeting their mandatory obligation to offer energy efficiency advice during the smart meter installation visit
- 10 factsheets focusing on different core areas of energy efficiency. These enable the installer to tailor the energy efficiency advice they provide by selecting the most relevant factsheets to use (and leave behind) as part of a conversation with the consumer on identifying appropriate approaches to managing energy use. A folder to contain the factsheets and which signposts customers to additional sources of support has also been developed.

The detailed findings from the study are included in the research reports also available online. We have been and continue to work with suppliers and consumer facing bodies on the use of these tools, which should be beneficial in supporting the delivery of energy efficiency advice that consumers will value and act on. We are encouraging suppliers to make use of these materials and we would welcome feedback on use of the materials particularly in light of experience on the ground.

If you would like to discuss this work further please get in touch with Sarah Baylis, Consumer Engagement Manager in SMIP, BEIS by email at: [sarah.baylis@beis.gov.uk](mailto:sarah.baylis@beis.gov.uk)

## RO and FIT Exemption for Energy Intensive Industries (EIIs)

The Spending Review 2015 announced to move from compensation to an exemption for the indirect cost of the RO and FIT for eligible EIIs. Government will not be able to introduce the exemption from 1 April 2017.

BEIS will continue state aid discussions with the Commission on securing the exemptions and the current compensation scheme will remain in place in the meantime. The CfD exemption for EIIs is still on track to be introduced by April this year.

BEIS will publish the Government response to the [consultation on the EII exemption from indirect costs of the CfD scheme](#), secondary legislation and guidance in due course.

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