

**Sharing best practice and competition law; removing two-yearly meter inspection obligation; approach to Carbon Saving Communities obligation (CSCO) closedown; notification of decision to refuse or revoke approval of a measure**

**Ofgem**

**RPC rating: validated**

This Opinion covers four small measures; for each, a brief description of the change, its impacts (as set out in the IA) and the quality of the submission is given in the table below. All four have an Equivalent Annual Net Direct Cost to Business (EANDCB) which rounds to zero.

Measure	Description	Impact	Quality of submission
Sharing best practice and competition law (May 2016)	Under existing competition law, suppliers may share information and best practice only under certain limited circumstances. In order to facilitate the sharing of best practice around the Smart Meter rollout, Ofgem has issued a letter offering advice and examples of when it might be appropriate to share information in this context.	62 suppliers will be affected. Ofgem argues that the letter offers advice and takes a permissive approach, rather than setting out specific regulatory requirements, so suppliers will only change behaviour when their perceived benefits outweigh costs. Ofgem expects both costs and benefits to be relatively small; the letter is designed to reduce risk aversion at the margin rather than to change behaviour significantly. Ofgem estimates familiarisation costs totalling £160, based on data from ASHE and standard assumptions about reading speeds.	The assessment is clear and concise; the argument that the approach is broadly permissive and low-impact is proportionately evidenced. The assessment of familiarisation costs is likely to be an underestimate, as the ASHE data used provide a poor proxy for the salaries of the most senior managers in the energy industry. Nevertheless, given the length of the document and the small number of companies affected, the EANDCB is likely to round to zero on any reasonable set of assumptions. For this reason, the RPC is able to validate an EANDCB of zero.

Opinion: EANDCB validation  
 Origin: domestic  
 RPC reference number: 3879, 3880, 3882, 3883  
 Date of implementation: see table

Measure	Description	Impact	Quality of submission
<p>Removing two-yearly meter inspection obligation (April 2016)</p>	<p>Formerly, energy suppliers (except for British Gas, which had a specific derogation) were required to inspect customers' meters at least once every two years. The advent of smart meters reduces the value of such inspections. In addition, the Competition and Markets Authority (CMA) has suggested that the derogation for British Gas is anti-competitive. Hence, Ofgem has removed the requirement altogether.</p>	<p>90 suppliers and 25 holders of gas transporter licences are affected. The major impacts arise from changes to suppliers' business practice as a result of not making two-yearly inspections, but these were already assessed and scored for the BIT in the smart meter rollout Impact Assessment. As a result, the only costs assessed here are familiarisation costs relating to Ofgem's publication of its decision and associated guidance.</p>	<p>The assessment is clear, concise and proportionate to the very small costs not already assessed elsewhere. Although not required for confirmation of the EANDCB, it would have been helpful had the assessment included some sense of the wider societal impacts of this measure and of the regulator's approach to risk management in this context – especially during the transitional phase before smart meters are rolled out fully.</p>

Opinion: EANDCB validation  
 Origin: domestic  
 RPC reference number: 3879, 3880, 3882, 3883  
 Date of implementation: see table

Measure	Description	Impact	Quality of submission
Approach to Carbon Saving Communities Obligation (CSCO) closedown (implementation date not given)	Under the Energy Companies Obligation (ECO) Scheme as originally defined, the CSCO element of the scheme required energy companies to promote insulation measures and connections to district heating systems in low income areas. The latest version removes this obligation; Ofgem is obliged to offer clear guidance on the process, including deadlines by which measures must be installed and information submitted in order to qualify for the existing scheme.	12 major suppliers are affected by the change. The direct impacts of the change on business practices and the costs and benefits of these were already assessed and scored by BEIS as part of its impact assessment for the ECO schemes. As a result, the only costs assessed here are familiarisation costs relating to Ofgem's publication of the relevant guidance.	The assessment is clear, concise and proportionate to the very small costs not already assessed elsewhere. The regulator notes that businesses will need to revisit the letter from time to time and to promulgate some elements of the guidance to staff. However, given the length of the document and the small number of suppliers affected the EANDCB is likely to round to zero on any reasonable assumptions. For this reason, the RPC is able to validate an EANDCB of zero.

Opinion: EANDCB validation  
 Origin: domestic  
 RPC reference number: 3879, 3880, 3882, 3883  
 Date of implementation: see table

Measure	Description	Impact	Quality of submission
Notification of decision to refuse or revoke approval of a measure (implementation date not given)	In order to receive credit for installation of an energy-saving measure under the ECO schemes, an energy supplier must submit information on that measure to Ofgem, which may then approve the measure and allow the credit, or refuse approval. In some cases (for example where it later becomes clear that the information provided is incorrect or the measure installed poorly), Ofgem may also revoke an approval. The regulator has issued guidance clarifying when it may refuse or revoke approval, and setting out what will happen next.	12 major suppliers are affected by the change. The direct impacts of the installing and reporting measures were already assessed and scored by BEIS as part of its impact assessment for the ECO schemes. Any impacts of refusal or revocation will fall only on non-compliant suppliers. Thus the only costs assessed here are familiarisation costs relating to Ofgem's publication of the relevant guidance.	The assessment is concise, but should be clearer about what happens when approval is refused or revoked. The regulator notes that businesses will need to revisit the guidance from time to time and to promulgate some elements of the guidance to staff. However, given the length of the document, the small number of suppliers affected, and the fact that most additional costs are likely to fall on non-compliant businesses, the EANDCB is likely to round to zero on any reasonable assumptions. For this reason, the RPC is able to validate an EANDCB of zero.

### Departmental assessment

Classification	All Qualifying regulatory provisions
Equivalent annual net cost to business	All £0.0 million

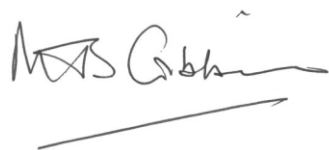
Opinion: EANDCB validation  
Origin: domestic  
RPC reference number: 3879, 3880, 3882, 3883  
Date of implementation: see table

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(EANCB)	
Business net present value	All £0.0 million

### RPC assessment

Classification	All Qualifying Regulatory Provisions
EANCB – RPC validated <sup>1</sup>	All £0.0 million
Business Impact Target (BIT) Score <sup>1</sup>	All £0.0 million



**Michael Gibbons CBE**, Chairman

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<sup>1</sup> For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.