



Making a positive difference
for energy consumers

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Date: 09 October 2019

Dear Michael,

RE: Ofgem's Provisional thinking on BSC Modification P332 (Revisions to the Supplier Hub Principle)

Thank you for your letter of 19 September 2019 on behalf of the BSC Panel, requesting clarity on whether proposed BSC modification P332 is within the scope of any of Ofgem's programmes of work. We have noted the points set out in your letter and respond to your questions below. For the avoidance of doubt, nothing in this response binds Ofgem to any future action. We reserve the right to modify our provisional views as regards to all matters set out below.

The Panel sought our views on three questions. We respond to your specific questions below, including some further observations on industry change. We have combined our response to two of the questions, since they are related.

First question: Is it still Ofgem's view that there is a lack of evidence to suggest the Supplier hub model needs to be re-considered for the Advanced Meter segment?

Second question: Do Ofgem believe that upcoming developments such as P379 and the Flexible and Responsive Energy Retail Markets initiative mean that the Supplier Hub Principle will require some adjustment sooner or later anyway?

We continue to believe that there are benefits to customers of having choice over their agents, but also that in exercising this choice, supplier's settlement performance should not be unduly affected.

While we note the points laid out in your letter and have put them in wider consideration, the 'supplier hub' model is significantly larger than customer appointed agents. We acknowledge that there are a variety of potential changes currently being explored, including modification proposal P379, and the Flexible and Responsive Energy Retail Markets initiative, which is investigating fundamental changes to the market structure to facilitate flexibility and innovation. Any fundamental reforms would need to be carefully considered and many would involve areas of energy policy outside Ofgem's control.

In your letter you state that the proposer believes that the P332 proposals do not constitute a fundamental shift away from the 'supplier hub'. We believe that the P332 proposal could be investigated separately from considerations of a fundamental change to the whole market design, especially considering the proposed narrowed scope of the modification. Based on the evidence presented to us in the P332 Interim Report and the information provided in your letter, we continue to believe there is a lack of evidence to show that the issues identified by the proposer could not be addressed under the current arrangements. We acknowledge that the scope of the issue has been narrowed to the Advanced Meter segment only, and that this reassessed scope reduces the impact on industry which was previously one of our concerns. If it is the Panel's view that work on proposal P332 should restart, we would welcome evidence of the benefits and costs in light of the narrowed scope as part of the workgroup process.

Third question: Is modification P332 within scope of any of Ofgem's programmes of work?

It is unlikely that any current Ofgem programmes of work will address the issues raised in P332. The proposals would be within the scope of the [Settlement Reform Significant Code Review](#), however the current settlement reform proposals will not address these specific points. We note however that the proposals could still be progressed as the modification was raised before the launch of the SCR. Additionally, it should be noted that Ofgem and government's joint Flexible and Responsive Energy Retail Markets consultation sought views from stakeholders on whether it was the time to make further changes to some areas of the retail market, including metering. The review is currently analysing consultation responses and will respond in due course.

Further observations on modification P332 and industry change

Even though no current Ofgem programme of work is likely to address the issue of customer appointed agents, it is likely that implementation of Market Wide Half Hourly

Settlement would, as part of the Significant Code Review, make substantial changes to the sections of the BSC that would require amendment in the P332 proposals at a similar time. If it is decided that the P332 work should restart, the interaction with other substantial industry change, and the draw on industry time, should be considered. For example, as you point out in your letter there is the potential that the P332 issue could be fragmented across the BSC and Retail Energy Code. We think it is important to consider the proposal in this wider context.

Yours sincerely,

Anna Stacey
Head of Settlement Reform