

Ofgem's role in the implementation of the CMA's remedies

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Office of Gas and Electricity Markets

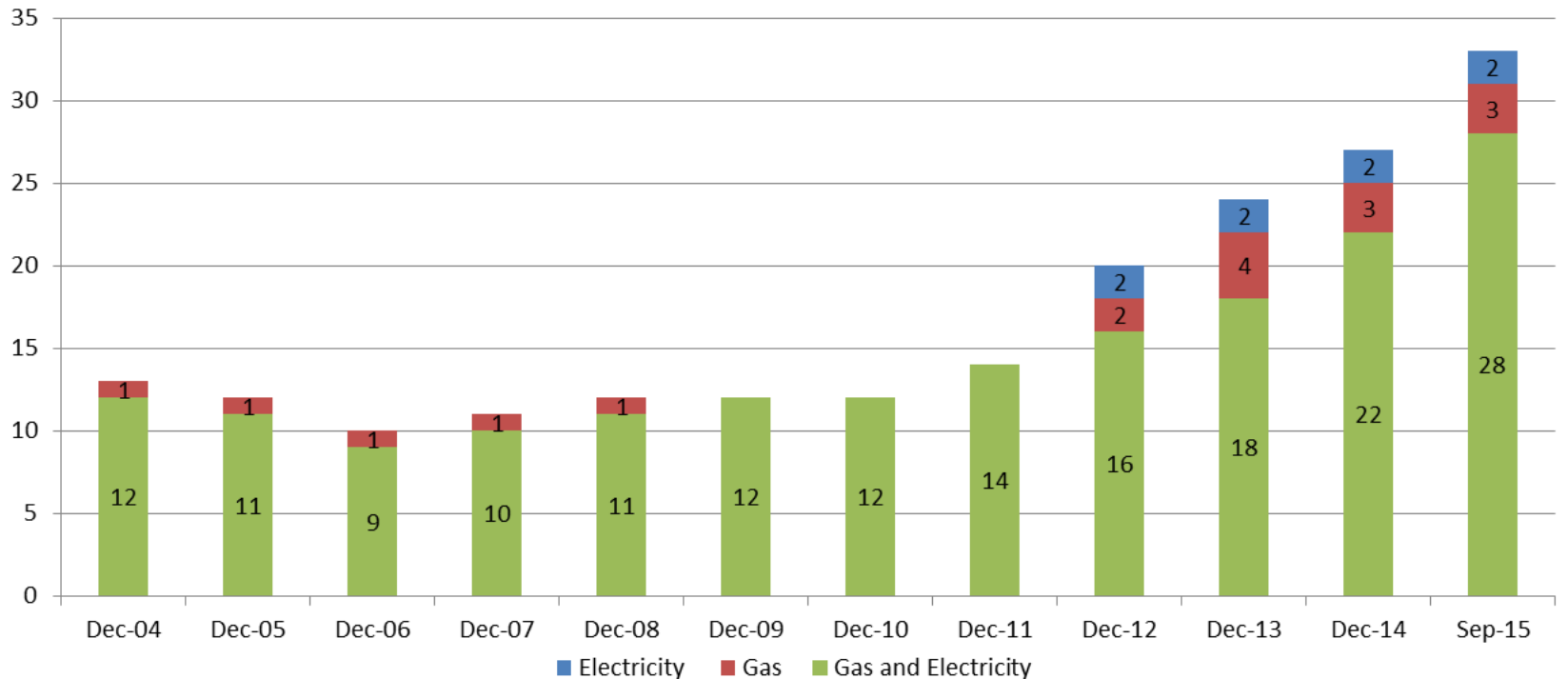
- Protect and make a positive difference for all energy consumers.
- Promote value for money, security of supply and sustainability for present and future generations.
- Regulate monopolies, promote competition, protect consumers

We welcome the CMA's remedies

- Competition was not working well for consumers
- CMA has more powers than Ofgem
 - Divestment
 - Price regulation
- CMA has competition expertise and resources
- We have worked closely with the CMA during the investigation

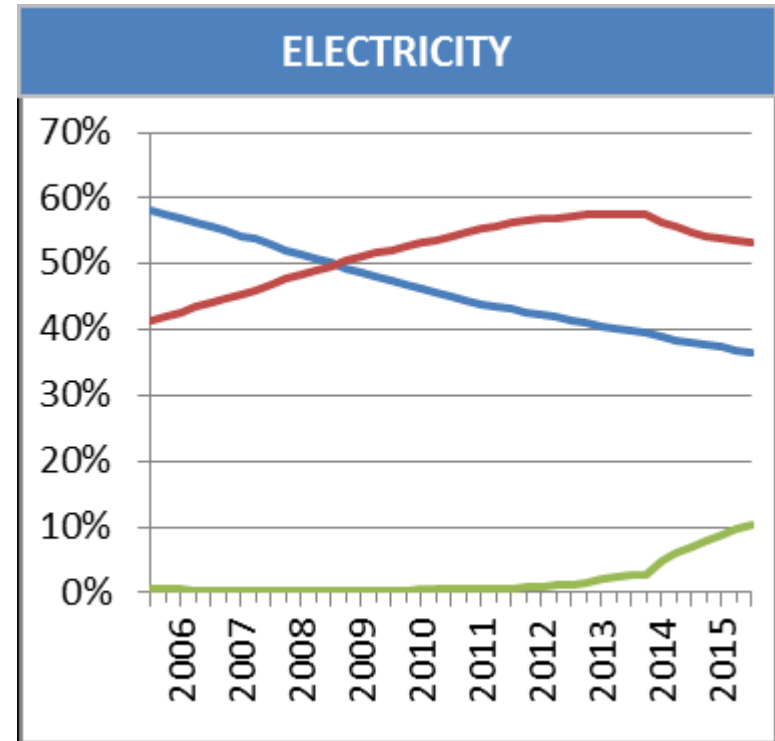
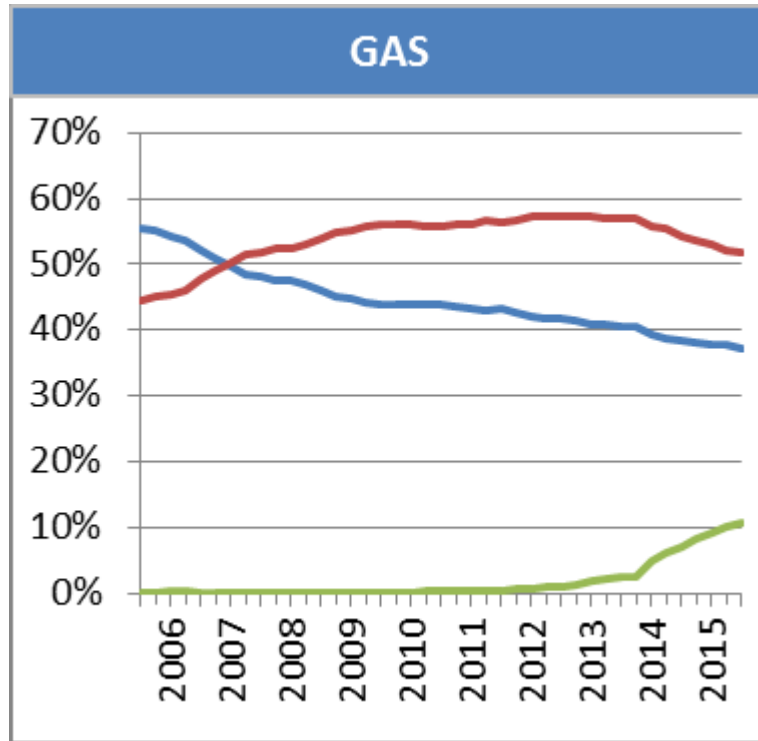
There has been significant market entry...

Number of active suppliers



Source: DNOs, Elexon and Xoserve and Ofgem's market intelligence

...and incumbents' market shares are falling...



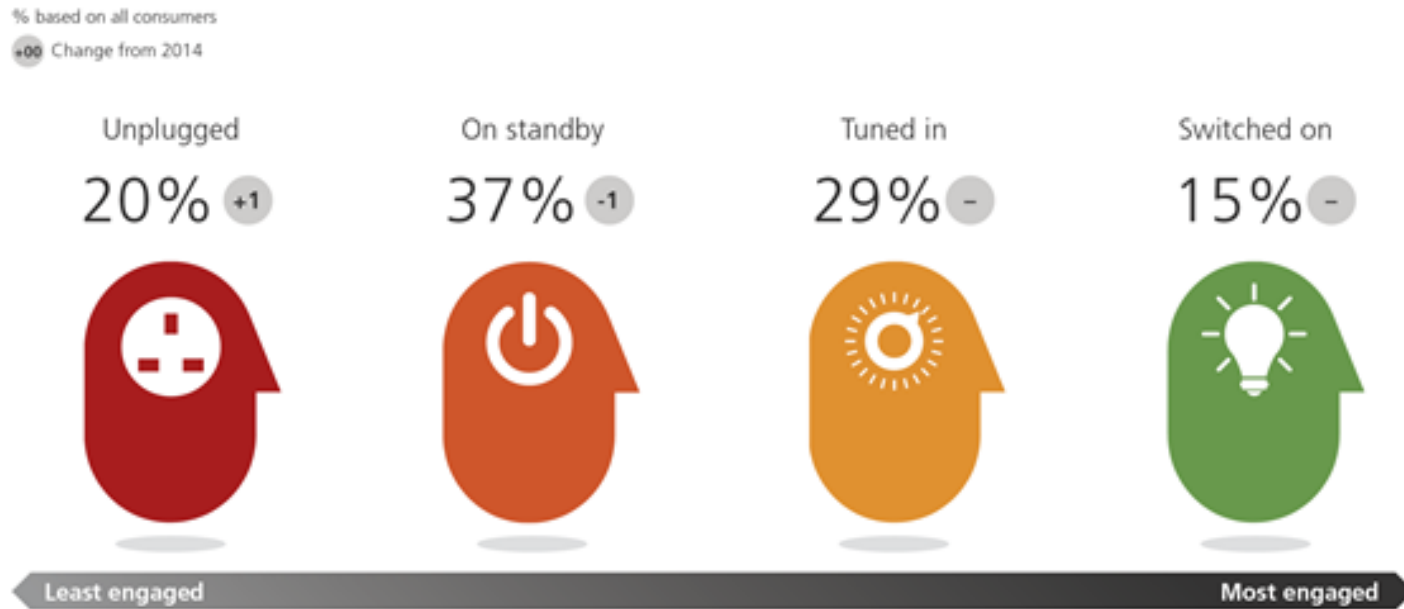
- British Gas (for gas) or the former regional electricity incumbent (for electricity)
- Another of the six large suppliers
- Independent supplier

Source: Ofgem analysis of data provided by DNOs/Xoserve.

Taken from [Retail Energy Markets in 2015](#)

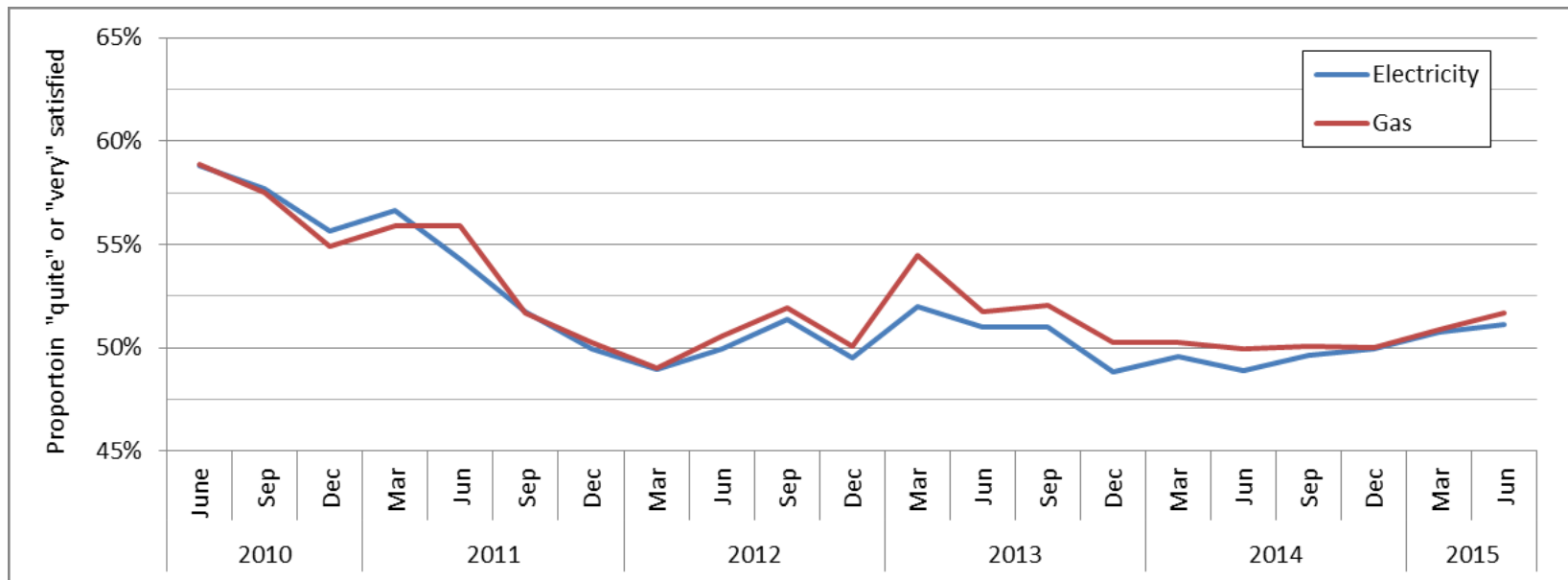
https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/retail_energy_markets_in_2015_report_0.pdf

...but consumer engagement is low



Source: TNS BMRB/Ofgem, Retail Market Review 2015 survey, July 2015. The findings are based on a large nationally representative face-to-face sample of approximately 6,000 respondents.

Proportion of satisfied customers



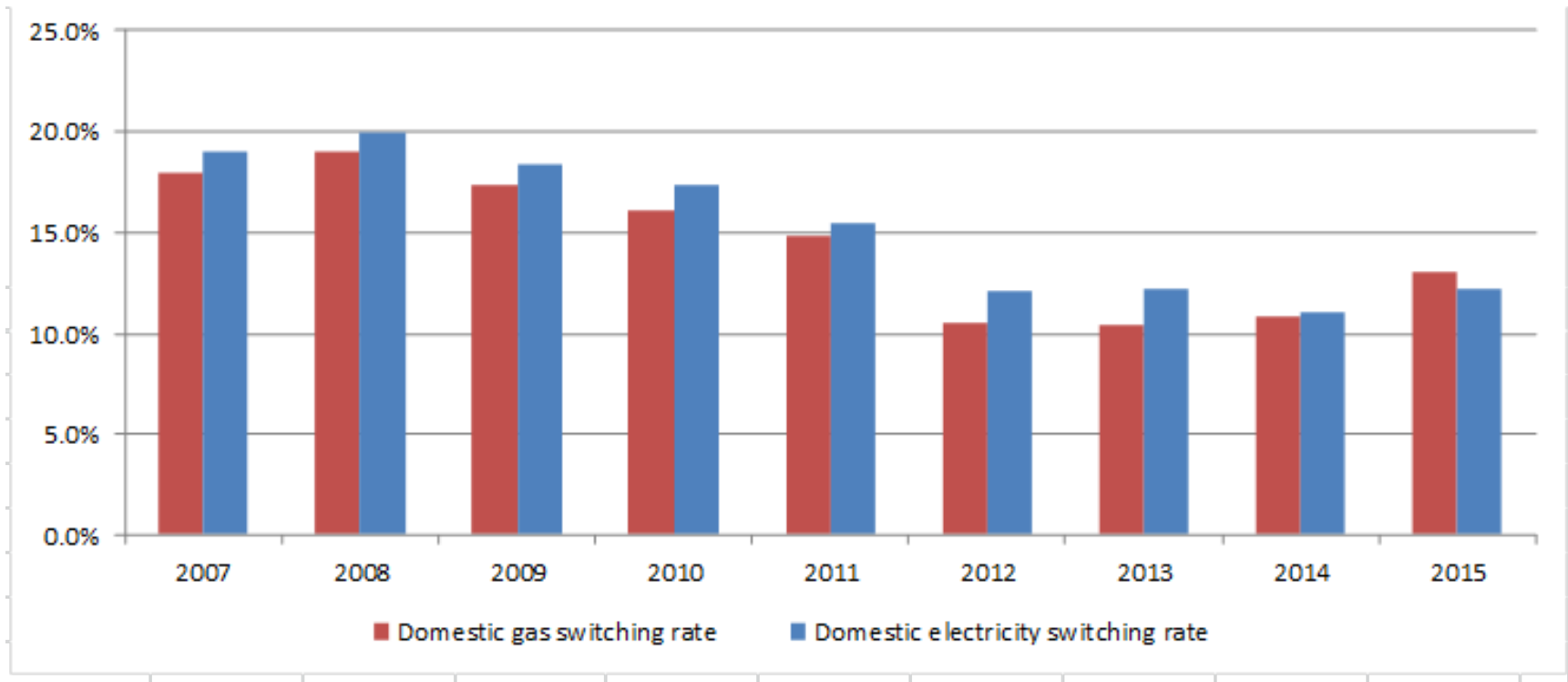
Source: Ofgem analysis of data from GfK Energy Research Panel. Shown are the proportion of customers reporting being 'very satisfied' or 'quite satisfied' when asked "How satisfied are you with the service that you get from your current gas / electricity supplier?"

Trust is lower than other utilities

Trust in utilities	% of trusting consumers
Water suppliers	63
Banks	51
Landline phone providers	49
Energy suppliers	43
Insurance companies	34

Source: 'Retail Market Review 2015 Survey', TNS BMRB/Ofgem, Sep 2015, and 'Retail Market Review Baseline Survey', TNS BMRB/Ofgem, Jul 2014. Both via [Retail Energy Markets in 2015](#)

The picture on switching is mixed

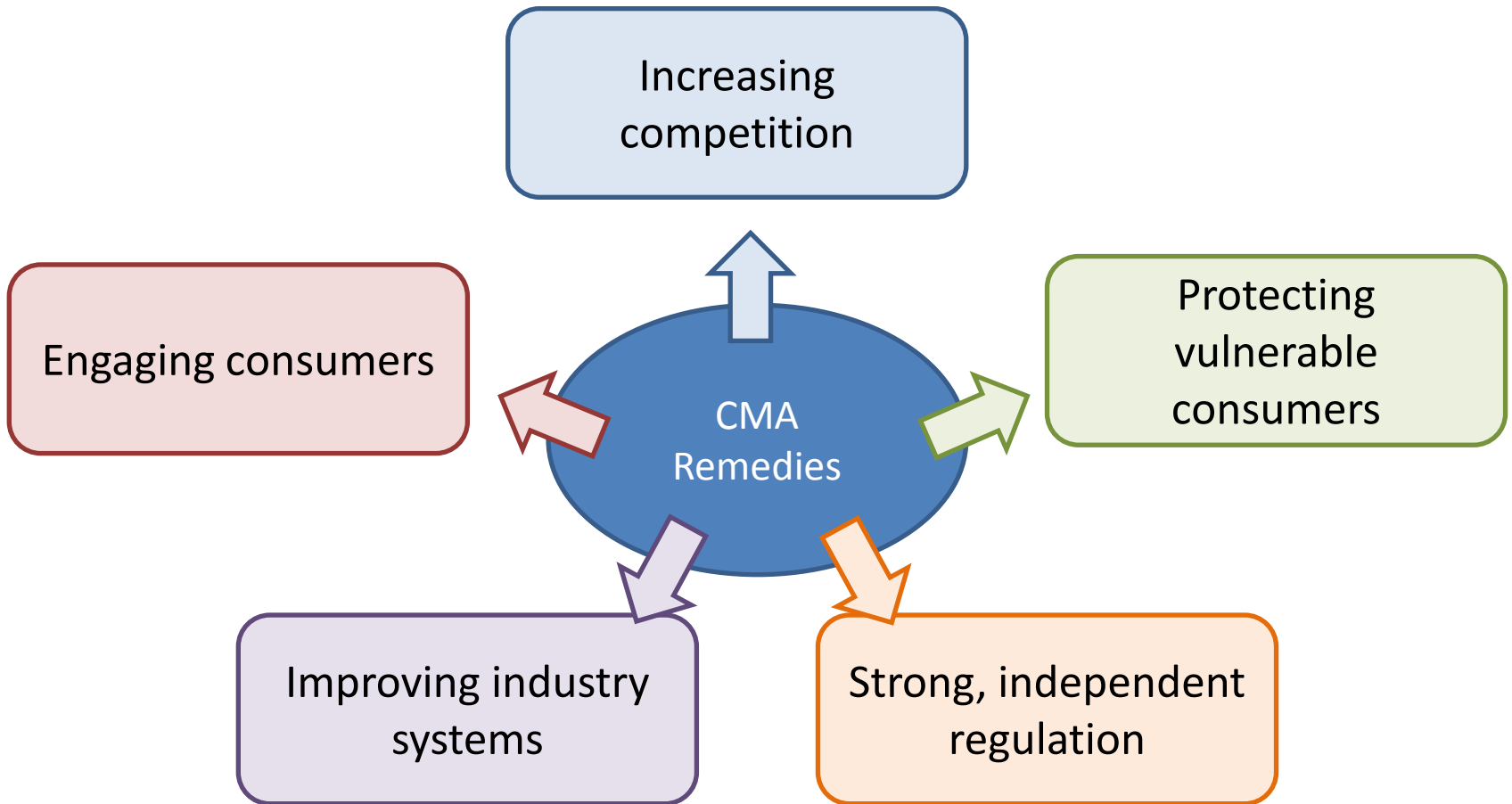


- Switching increasing again
- Still lower than peak years, but quality of switching also important

We welcome the CMA's remedies

- Some big questions have been answered
 - Vertical integration
 - Co-ordination
 - Wholesale markets
- CMA has recognised a two-speed market
 - Biggest 'win' – engaging customers
- Remedies are 'future-proof' and fit with our vision

Achieving the benefits



Increasing competition

- Stepping back and letting competition work
- Suppliers and intermediaries
- Scrapping old rules
- Bringing in new principles

Engaging consumers

- Understanding consumer behaviour
- Robust trials
- Database – a game changer?

Protecting
vulnerable
consumers

- Price cap shelters vulnerable customers
- Remedies fit with our existing work to strengthen protection
- Competition will improve with smart meters

Improving industry systems

- Gas and electricity settlement
- Better governance of industry codes
- Fits with our work on faster switching and smart meter rollout

Strong, independent
regulation

- Annual 'State of the Market' report
- You will see the difference the remedies will make
- Protects Ofgem's independence

- The energy system is transforming
- Innovation and technology-driven business models can unlock a permanent change in the market – anyone for Uber Energy, or Google Gas?
- But consumers will not benefit unless
 - Consumers trust the market and want to engage
 - Suppliers compete vigorously to offer choice, quality, low prices and innovation
 - Government can provide a low-carbon, secure future at low cost
- The remedies will help us protect consumers and promote competition, now and in the future.

Delivering better outcomes for **all** consumers through the creation of smarter energy markets that are **efficient, dynamic and competitive**.

Consumers are **empowered** by a market that delivers greater visibility, clearer **information**, **reliable switching** and **targeted protection**



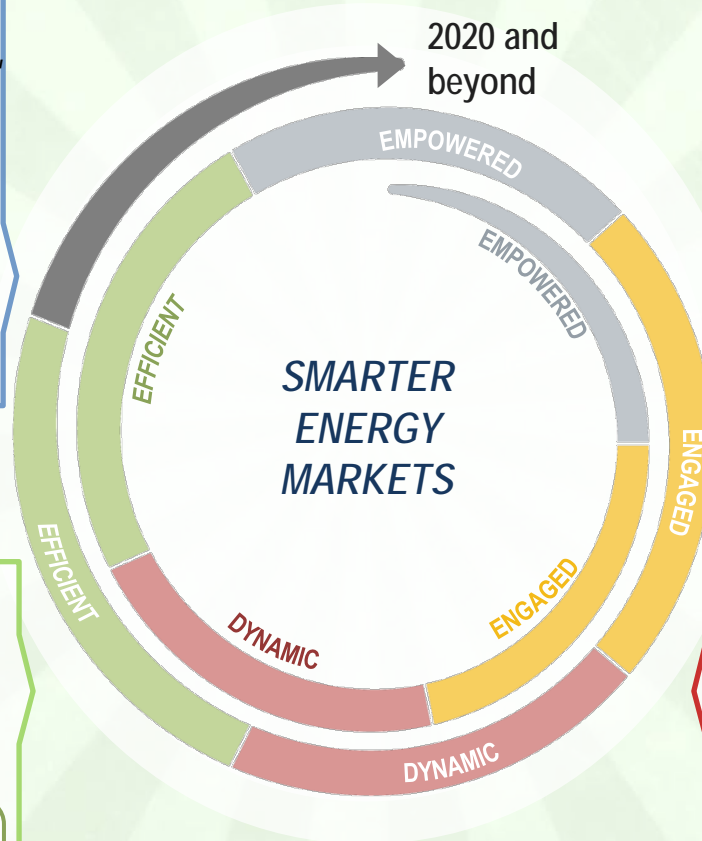
Consumers have more **control**, increased levels of **trust** and consequently are more **engaged** in the market



Consumers and providers become more **efficient** in the way they use energy and **interact with the market**



Consumers are part of a **dynamic** market with **greater competition**, more **innovation**, better service, **new entrants** and **new offers**



Continually building on the smart meter roll-out to create **smarter markets** in which **all consumers have confidence** and which support the **differing needs** of consumers.

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.