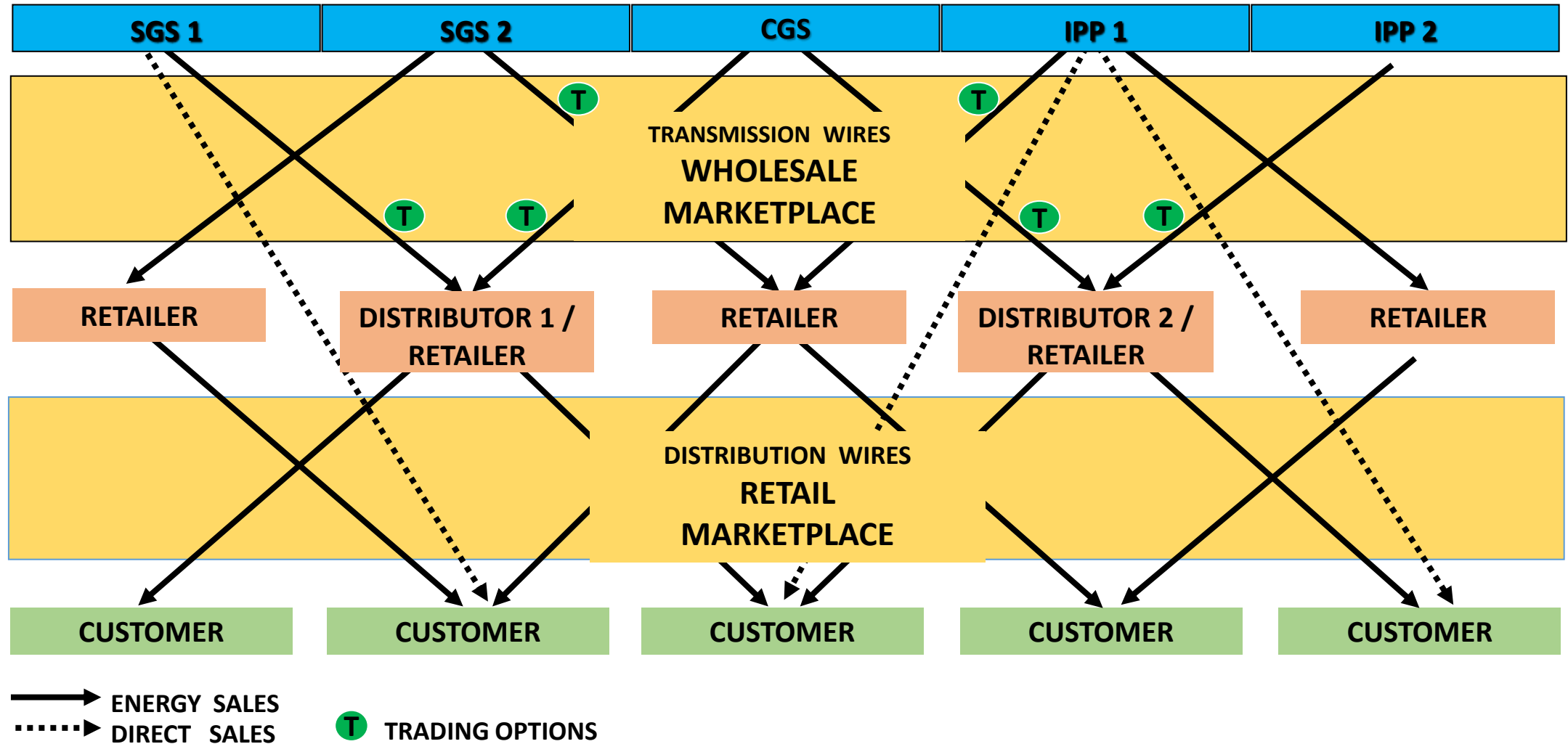


Retail Competition – Framework and Regulations

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Retail Competition – what it entails



Adopted from "Making Competition Work in Electricity" by Sally Hunt

Electricity Regulation – what it does

- Regulation for licensing, licence enforcing, tariff setting and dispute resolving
- Market intervention to introduce economic discipline via performance reporting
- Agenda to promote economy, efficiency and competition, also protect consumer interest

Efficiency is the goal, competition is the means

Customer Interests – how Ofgem protects

- Appoints supplier to take on customers following a competitive bidding process
 - protects supply continuity and credit balance transfer
- Proposing new financial checks and ‘fit and proper’ tests for existing suppliers to strengthen safety net, including independent audits
- Mandating ‘Living Wills’ for new suppliers to ensure orderly exits

As many as 17 suppliers have recently exited the UK retail market

Ownership of Metering & MDMS – what is at stake

- Operation of metering services, including data collection and aggregation
- Integrity of customer database of energy consumption, billing and tariff information
- Switching Registry with depository functions for maintaining SD / credit balances and to facilitate customer switching
- Performance Assurance Framework to ensure metering system integrity

EC says switching rate of 15-20% needed to indicate a market that is working

Sticky Issues – areas to focus

- PPA allocation vis-à-vis dynamic system needs and data flows based on changes in consumer profiles
 - Framework for transfer of power plant operations to market based system (MBED)
 - *“if the trading system is set up to accommodate bilateral energy trades, competition will ensure that arbitrage and entry to the market will push the market price to the competitive level which (is) the marginal cost of providing service if there is excess capacity, or the value of service if there is not”*
- Hunt & Shuttleworth (1996)*
- Protocol for load profiling of consumers with non-time interval meters – National Grid (UK) runs a Profile Service
 - attribution and reconciliation rules based on summated consumer load profiles required to allocate energy volumes to suppliers and aggregate at system level

Unbundling Retail Tariff – benefits competition

- Consumers not aware of value of product absent transparent cost structure
- Migration necessary from Average Cost of Supply to Cost of Supply according to voltage and consumer categories (FOR & MoP / SSEF Reports)
 - cost functionalisation, allocation and classification to be formatted according to asset, network and energy usage
 - templates , economic principles and accounting standards to be established
- Necessary step to quantify components of cross-subsidy, wheeling charges and other adjustments in ceiling tariff (Electricity Amendment Bill)
- To enable consumers to choose suppliers producing least cost results in the marketplace



Retail Competition – as harbinger of decarbonisation

- Role of dynamic tariff as a demand side measure – ToD Rates, Critical Peak Pricing
- Interconnection standards of technical requirements for DERs to minimise entry barriers
- Evolving role of DSOs for hosting DERs and as independent market facilitator
- Rule making for market participation to facilitate consumer / prosumer engagement
- Framework of distribution network regulation for grid investments and DER integration

Striking the optimum pathway for scaling up BTM applications and V2G integration

Enabling Measures – ‘looking back to look forward’

- Stakeholder buy-in
- Restoring public trust
 - *“economic reforms are more likely to fail or even be reversed unless they are understood, believed and accepted by those whom they affect” (IMF)*
- Communicating with a broader audience to articulate “who gets what, when and how”
- Framework for market design – both wholesale and retail

The hardest move is that political first move because then you create the market conditions...” – Noel Quinn, HSBC Chief Executive

Thank You