

MODERNISING ENERGY GOVERNANCE: A GOLDEN OPPORTUNITY?

New Power

With the assistance of



At Gemserve's first energy Innovation Forum, representatives commented that regulation is fit for 'yesterday's market'.

Gemserve's assessment is that the rapidly transforming energy sector is being frustrated by outdated regulation and governance and is not fit for a new energy future driven by data. We could fix what is broken. Or we could step back and take a much more transformative, whole systems approach.

WHAT IF WE STARTED FROM SCRATCH?

Energy industry codes have been criticised for being complex and impenetrable, and hampering new entrants by their sheer number and technical complexity. As a central code governance body, we acknowledge governance has become fragmented and unwieldy.

With over 150 years of energy market experience, and drawing on subject experts and external stakeholders, Gemserve defined a set of seven principles and fifteen market characteristics that best set the tone for a modern energy market governance future. Against these were mapped other sectors: financial services, food, telecommunications and aviation. We examined their regulatory and governance constructs and did a qualitative assessment to identify the strength and weaknesses of each. When it came to the allocation and management of risk, this above all else seemed pivotal across the five markets.

Competition is effective at driving quality and efficiency and consumers receive the greatest benefits when markets are competitive. How do we liberate competition and innovation without risking energy system safety and security? And what can we learn from other markets that are just as risky and fundamental to the UK economy and well-being of its citizens? We should start from a competitive market position, and 'design in' to cater for those that are vulnerable and remain disengaged.

HOW DO WE GET THERE?

We are convinced there is a better way. But fundamental energy market reform requires a comprehensive rethink of our energy regulatory and governance framework.

As we develop a new governance future, we

must agree on the targets and how the experience might feel for different stakeholders to define the future market vision. That means we must place the customer at the forefront:

- We have to enable a new future that embraces new markets and therefore new ways of doing business, such as peer-to-peer trading, demand-side management, decentralised solutions, and supporting the electric vehicle revolution. All will transform how the energy market operates and help motivate consumers to engage.
- We have to establish the non-negotiable rules that maintain safety, security and consumer protections, but allow a risk based assurance approach to do the rest.
- We have to reduce market complexity, accept that we cannot circumvent risk and find new intelligent solutions that deal with that challenge.
- We have to realise that data availability and access, enabling IT systems, and commencing a shift from an analogue to a digitised energy governance framework is of fundamental importance throughout the new industry. We must evolve much simpler systems for market participants to access data.

Above all, we must put consumers in the driving seat. Consumer behaviour is changing in a new digital, online future. We have to establish new ways for consumers to be put in control and for consumer-centric companies to be rewarded. Products and services must flourish within the energy sector that will provide the same 'pull' and market engagement as happens in the other sectors.


JOIN THE DISCUSSION

Ofgem is consulting on proposed modifications to regulation and governance with respect to the Switching Programme. This includes setting out its vision for the Retail Energy Code, putting consumer outcomes at the heart. That is where we should start.

Retail could be so much more than yet another code. It could become embodied as a set of digitised rules, intelligently laid out and customised to reflect the variety of risks that arise from different retail market participants. Coupled with digitised 'wizard'-style procedures and cognitive automation, market engagement as we know it today would be totally unrecognisable and totally transforming.

Over the next few weeks, we are embedding these ideas within a target operating model that we hope will help stimulate discussion around the features of what a modernised energy governance future could entail. We will then consider the building blocks and set out for each what we need to do today.

Get involved and join Gemserve's Innovation Forum.

Contact Tony Thornton (above) at Transformation@gemserve.com to find out how. 



@ Read more on Gemserve's view of the future of energy governance