

MODERNISING ENERGY GOVERNANCE 4: TRANSFORMATION



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Energy markets are facing a dramatic transformation. Consumers and businesses are being empowered by new technologies to produce, store and trade energy. New entrants and innovative business models are emerging, with open data likely to play a critical enabling role.

Gemserve's aim is to help create the energy market required for this exciting future. While the current rules have been effective in supporting market developments since deregulation in the 1990s, they are now outdated. The government's current Energy Codes Review could be the catalyst to drive this change. We have set out our response to the problem in three thought leadership papers. Gemserve is now setting out a summary of its proposals to help inform the outcome of the Review.

Transforming the rules and practices that define today's energy market framework will be challenging, but action is vital to enable increased competition, new services, reduced emissions and better consumer outcomes. A fundamental step change is needed, but one that is practical to implement. Gemserve is proposing three areas of reform.

A **strategic direction** should be developed by BEIS and Ofgem. A clear strategy will provide clarity for code managers to ensure collective effort towards common market goals.

A **new industry self-governance framework** should be created to align with this strategic direc-

tion, to be faster and adaptable to future market change. It would address current issues such as transparency, accessibility to decision-making and issues of self-interest, by increasing the powers of independent panel members and ensuring decisions always align with clear outcomes.

Improved operating models should be developed to offer simpler access to rules and administration services, with risk-based rules, a single portal, digitalisation and performance incentives. A single market portal 'one-stop-shop' will enable streamlined market entry for all participants, cutting the need to navigate multiple rule books and reducing the regulatory burden.

The government's Energy Codes Review, forthcoming White Paper and the new Retail Energy Code (REC) can catalyse this transition with the REC becoming an exemplary code incorporating new thinking and process improvements, which could then be mirrored across other codes and governance arrangements.

Trevor Hutchings, Gemserve's director of strategy and communications, said: "The pace of change in the energy sector is accelerating and we believe industry self-governance must modernise to keep up. While we expect government to act, the industry must step up too. At Gemserve we have helped shape the new REC so it can be an exemplary code, and we are taking steps to digitise codes which will make them more accessible and efficient, reducing the compliance burden."

Get involved: contact us at strategy@gemserve.com

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

FUTURE OF CODE GOVERNANCE PRINCIPLES

