UNIVERSITY OF CAMBRIDGE | Energy Policy Research Group

# Retail Markets in Transformation: Where Next?

EPRG Spring Seminar

5 May 1017

Stephen Littlechild

# History of Interventions

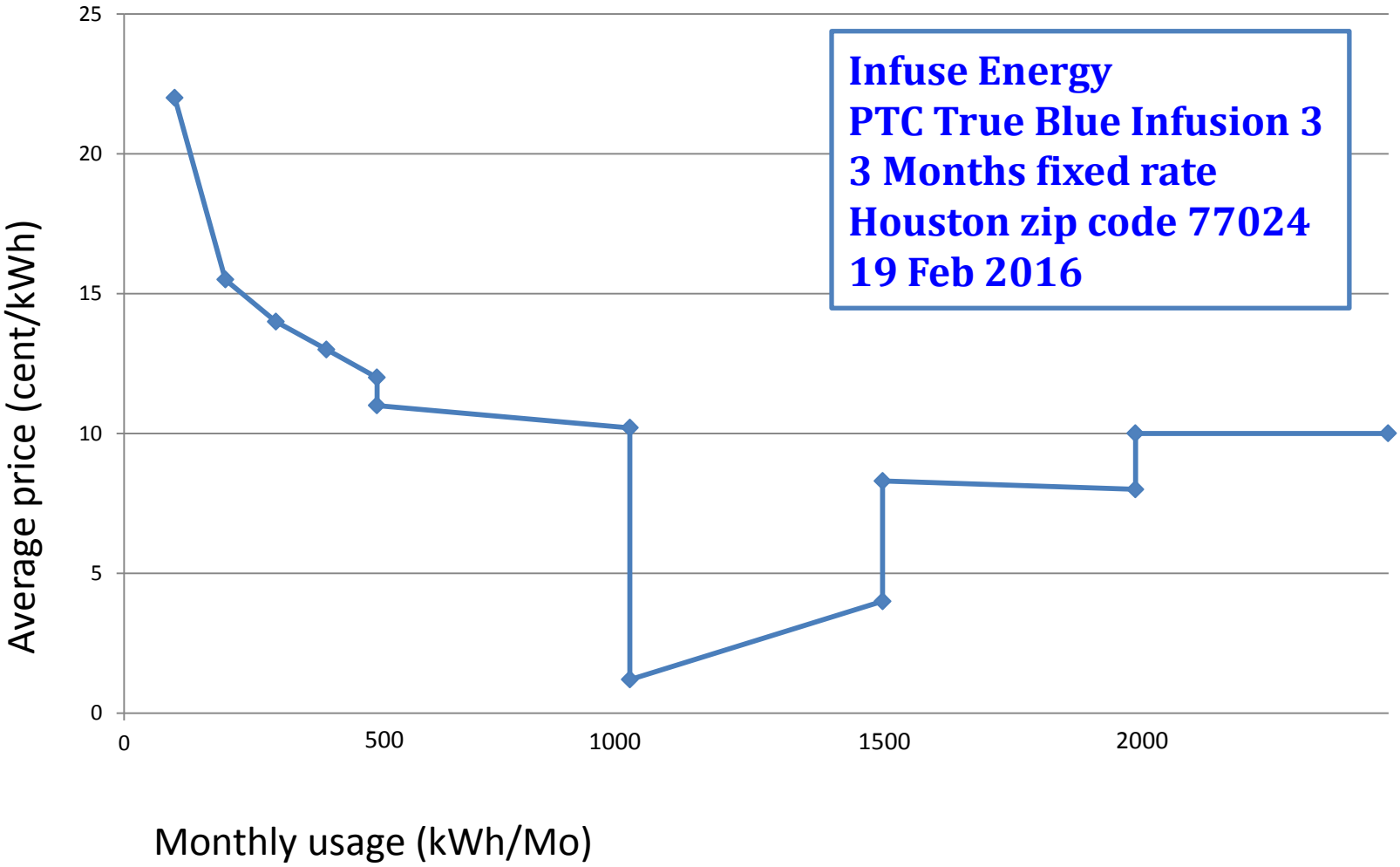
- 2008-2014 Ofgem: Competition isn't working, regulatory interventions
- 2016 CMA: Competition isn't working, Ofgem's interventions not working, made things worse, replace by CMA interventions
- 2017 Govt: Competition isn't working, CMA interventions won't work, supplement with Govt interventions
- Smart metering will solve all these problems (?)
- SCL: these analyses wrong, competition *is* working
- What future for Ofgem and CMA?

# Smart metering in Texas

- 2005 Decision to introduce, ten years experience
- Benefits: immediate & cheap readings
  - Change of supplier, connection/disconnection
- Time of Day pricing? Real-time pricing? More customer engagement? Hardly any
  - Centrica free weekend (as in UK)
  - New phone app to alert user to low & high prices
  - 7 tariffs "indexed rate" out of 371 tariffs listed for Houston
- But accurate & immediate meter reading allows tariffs based on precise monthly usage

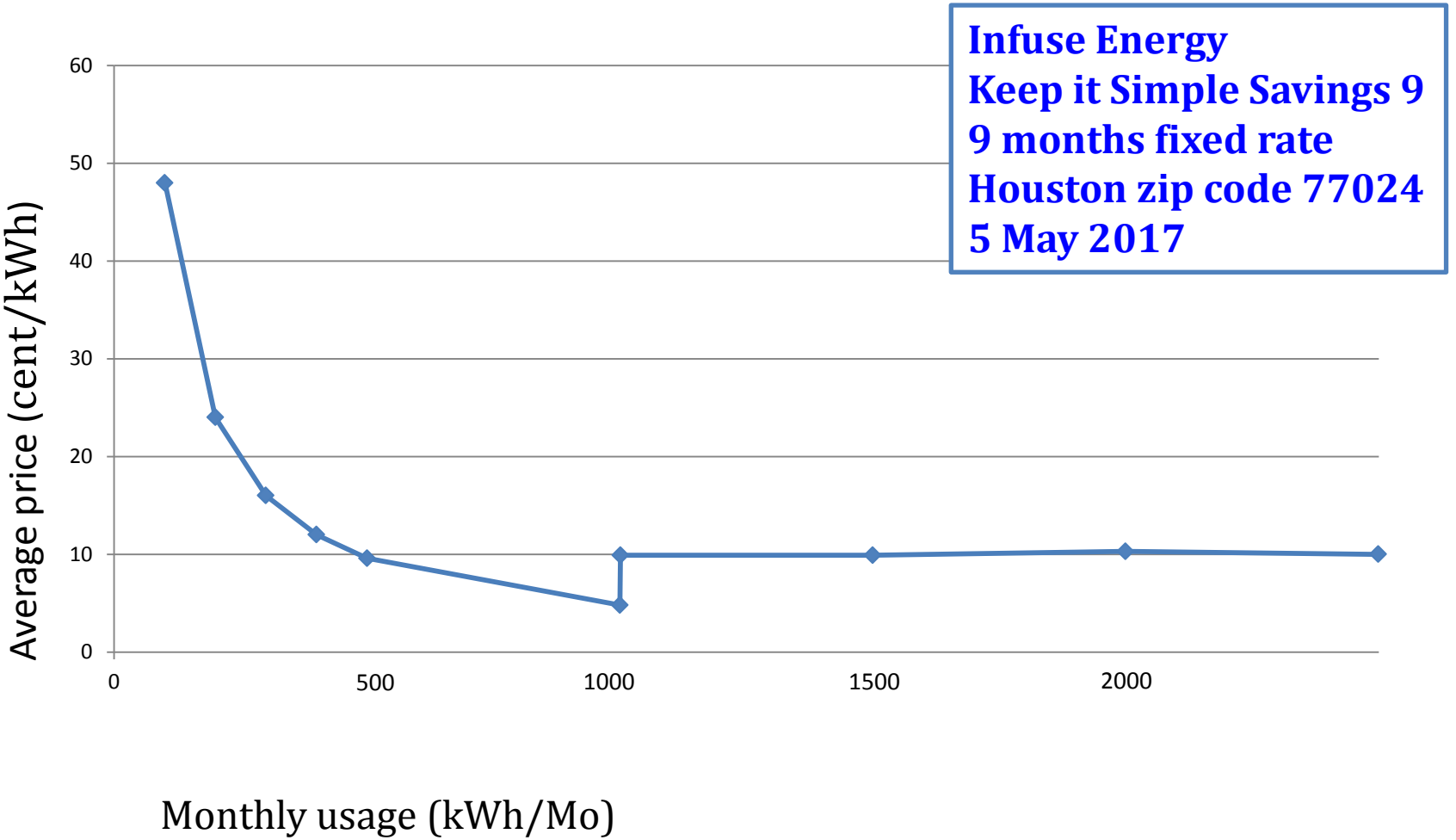
# Example of new tariff

- Some prices only 1 c/kWh when grid charge 2.3 c/kWh
- Why? To get top billing (lowest price) on regulator's Power to Choose price comparison website
  - To date this has been the only widely available price comparison website, thought to cover about half the tariffs available in the market
- How? Targeted credits & fees for hitting or missing monthly usage targets based on benchmark levels in Power to Choose
  - Viz 1000 kWh/mo, also 500 kWh/mo & 2000 kWh/mo
- 1c/kWh at 1000 kWh/mo, 10c/kWh at 999 kWh/mo


Infuse Energy
PTC True Blue Infusion 3
3 Months fixed rate
Houston zip code 77024
19 Feb 2016
Average price (cent/kWh)
25
20
15
10
5
0
0
500
1000
1500
2000
Monthly usage (kWh/Mo)

# Another New Tariff?

- Is this misleading? Texas reluctant to prohibit or restrict competitive offerings, so decided:
- Not to include tariffs with usage credits & fees in default listing on Power to Choose
- But complete listing still available on request
- Nearly half listed tariffs still use such credits & fees
- And suppliers soon got around this eg Infuse Energy
  - $48/mo + 0 c/kWh for usage up to 1000 kWh/mo
  - $99/mo + 10.7 c/kWh for usage over 1000 kWh/mo
- Average 5 c/kWh at 1000 kWh, 10c/kWh at 1001 kWh


Infuse Energy
Keep it Simple Savings 9
9 months fixed rate
Houston zip code 77024
5 May 2017
Average price (cent/kWh)
60
50
40
30
20
10
0
0
500
1000
1500
2000
Monthly usage (kWh/Mo)

# Implications for UK

- Smart metering has brought benefits in Texas
- But transforming customers and/or the competitive retail market, as envisaged by some UK proponents, is not yet one of these benefits
- Novel retail pricing policies are becoming available that are causing some concerns
- This might lead to regulatory interventions in UK?
- Will smart metering still be seen as “the solution”??