

# Electricity needs to be better regulated to benefit consumers, says new report

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Electricity market regulation must be redesigned to offer the best value for consumers, according to a new report published today.

The report, ReDesigning Regulation, which is launched in Parliament today, calls for [electricity](#) regulation to be transformed to meet the challenges and opportunities available in a low-carbon electricity system.

The authors of the report propose that the impact of decarbonisation, decentralisation and digitalisation requires a "managed revolution" focusing on how the market works, what needs to be regulated and what tools the regulator should use to deliver best value for consumers.

The report proposes giving consumers greater protection by introducing a similar scheme to the travel industry's ABTA and ATOL bonds to give people a better guarantee against companies going out of business.

The report, led by former MP Laura Sandys, who now heads up the business consultancy, Challenging Ideas, was co-authored by Dr. Jeff Hardy from the Grantham Institute, Dr. Adrian Rhodes from the Energy Futures Lab, and Professor Richard Green from Imperial College Business School.

Commenting on the recommendations of the report, Dr. Jeff Hardy, Senior Research Fellow at the Grantham Institute, said: "In a decarbonised, decentralised and digitalised future there is an expectation that consumers will be more flexible and low-carbon in their energy demands, which will be a surprise to many. We need to allow electricity retailers to manage risk and complexity on behalf of the consumers who can't or don't want to. Our proposals show how this can be done."

Professor Richard Green, Professor of Sustainable Energy Business at Imperial College Business School, said: "Too many electricity suppliers are leaving customers in the lurch when they go out of business. An assurance scheme like the travel industry's ABTA and ATOL bonds would provide protection against this disruption."

The recommendations of the report are:

- Change what we regulate: Re-engineer the market from the plug into the system, top down approach of today to reflect the new values of time, location and service.
- Change how we regulate: Regulate risk not process, as the future will be too multi-dimensional for the current approach to succeed. The regulator should sit outside the sector looking in rather than aiming to conduct every dimension of an increasingly complex and diverse electricity system. A risk-based approach enables the regulator to assess where risk really lies for consumers, the market and the system and can allocate risk to those who can best manage them – with robust sanctions.
- Provide consumers greater protection: As we move into a more complex system of bundled products and services, the consumer-facing parts of Ofgem, Ofwat and Ofcom should be amalgamated into one Essential Service Regulator to manage the risks around bundled products and services, where the distinction between different products could be blurred.
- Change the Supplier License to a "retailer" model: The one-size-fits-all licence is no longer fit for purpose and the report proposes an insurance-backed assurance scheme to replace today's electricity supply licences. This allows the actual risks businesses pose to [consumers](#) to be assessed and insured against, without stifling [business](#) model innovation.
- Supporting "vulnerability" holistically: Support for those with specific needs or challenges needs to be amalgamated across all the essential services, developing holistic responses to the wide range of different needs, stripping away all the overlapping and underlapping programmes currently sitting in utility silos.

Laura Sandys, Chief Executive of Challenging Ideas, said: "Tomorrow is already today and we need to ensure that we don't bake in the costs and

inefficiencies of the past into the transformed system. We need to embark on a "managed revolution" to embrace the new structure of the future of electricity. This report aims to propose regulatory actions – reimagining the market design, refocusing [regulation](#), opening up consumer choice, and unlocking the power of supply-chain pressures while shaping a new "retailer" market.

"Regulation will need to look and feel very different if we are to move away from the Price Cap and more interventionists policies. We hope that our thinking might contribute to this endeavour."

The report, "ReDesigning Regulation: Powering from the future" has been written by Laura Sandys, together with Professor Richard Green, Dr. Jeff Hardy and Dr. Aidan Rhodes. This is the second [report](#) authored by Challenging Ideas and Imperial College London.

**More information:** ReDesigning Regulation: Powering from the future: [www.imperial.ac.uk/grantham/pu ... -from-the-future.php](http://www.imperial.ac.uk/grantham/pu...-from-the-future.php)

Provided by Imperial College London

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