

Market Review: Policy decisions and implementation

April 2020

In September 2018, the Commission published a [notice](#) setting out its intention to carry out a comprehensive review of the non-household retail market, with the objective of ensuring that the market continues to work well for customers. Since then, the Commission has consulted extensively with stakeholders on the review and development of the market arrangements in order to ensure that they continue to work in the interest of customers.

The Commission wishes to thank all stakeholders for their feedback and engagement throughout this process. Such engagement is essential to the Commission's policy development work. The Commission has carefully considered the feedback received from stakeholders and has used this to refine its policy approach.

1. The Market Review

Following that comprehensive review, the Commission has today published a number of policy decisions and implementation documents, setting out a comprehensive package of reform for the market. This package consists of four documents setting out the final policy decision. In addition, the Commission is consulting with stakeholders in relation to:

- the drafting of the Standard Licence Condition amendments;
- Deemed Contract Scheme changes; and
- other ancillary documents required to implement the policy decisions.

The package of measures is summarised below.

2. Market Review: Improving the Market Framework

This [document](#) sets out the Commission's policy decisions on a range of measures designed to improve the market framework. These include:

- Changes to the licence application policy and process, notably by enhancing assurance and certification of prospective licensed providers before they are granted entry to the market;
- Measures to implement Market Health Checks, confirming the Commission's intention that these replace the traditional auditing approach;
- Measures in support of a level playing field in the market, designed to ensure that customers are not unfairly disadvantaged by the activities of licensed providers (or their affiliates) in the English market; and

- Measures on mergers and acquisitions between licensed providers, designed to address the risks to customers associated with a single parent company or companies controlling several licensed providers.

In addition to the policy decisions contained in this document, the Commission is now consulting on proposed changes to the Standard Licence Conditions.

3. Market Review: Implementing Ethical Business Practice in the Retail Market

This [document](#) sets out how the Commission intends to regulate in a manner that is consistent with the principles of EBR, and what the Commission expects to see from licensed providers in terms of implementing EBP.

The Commission welcomes stakeholders' views on its proposal to introduce an EBP standard licence condition and on the drafting of the standard licence condition set out in the appendix to this paper.

4. Market Review: Policy Decision on Customer Protection Measures

This [document](#) sets out the Commission's policy decisions on measures to protect customers. Principally, the Commission confirms its decision to prohibit licensed providers from offering or requiring customers to prepay their water charges as a default position. Licensed providers who wish to offer such terms may apply to the Commission for permission to do so. Such permission will be subject to limitations to protect customers.

To support this, the Commission is now consulting on a new Standard Licence Condition, amendments to the Deemed Contract Scheme, and an implementation process.

5. Summary of Responses and Decision on Changes to the Self-Supply Licence Arrangements

This [document](#) sets out the Commission's decision to discontinue the grant of any new self-supply licences, and sets out its intention to take steps regarding the existing self-supply licensee consistent with this approach.

6. Changes implemented during the market review

As part of the market review, in addition to the above package announced today, the Commission has already implemented other changes to the market framework which were identified during the market review. These are:

- Updates to the Gap Site Incentive Scheme: Decision published March 2020, to be implemented April 2020. These reforms implemented a number of changes to the levels of incentive payments for gap sites to better reflect the current market situation.
- Amendments to the Provider of Last Resort framework: Implemented via CMA Technical Panel M CCP237-CC. These changes updated the market code to mitigate the risk of a 'domino effect' in the event of a failure of a licensed provider.
- Changes on access to the central market dataset: Implemented via CMA Technical Panel M CCP244-CC. These changes updated the market code to ensure that only active participants in the retail market have access to the central market dataset.

7. Other areas

Ancillary points

The Commission is also taking the opportunity to consolidate the Standard Licence Conditions document to reflect all amendments to date. With this in mind, the consolidated Standard Licence Conditions shall be published with the inclusion of Standard Licence Condition A12 – Directions in light of notifiable changes, which [took effect from 3 February 2017](#). The Appendix sets out the Standard Licence Condition A12 for reference.

Areas for further work

The Commission identified two other areas of work that will be progressed in the coming year – these relate to new connections and customer experience measures. Further information on these can be found in the [Commission’s Update on the Timeline of the Market Review](#), published in March 2020.

8. Timeline for implementation

The above package represents the Commission’s policy decisions for the market review. Within these decisions, the Commission is also requesting further feedback from stakeholders on some further drafting changes. The Commission welcomes comments on these elements by 1 June 2020. Following this:

- The Commission aims to publish a response to these consultations in July 2020.
- Following that, the ‘go live’ date for the implementation of the package is anticipated to be 1 October 2020.
- Modifications to the standard licence conditions are anticipated to take effect from 1 October 2020.

To support this package of measures, the Commission intends to consult on revisions to its regulatory enforcement policy and will update stakeholders as appropriate.

Finally, the Commission confirms that the interim suspension of the grant on licence applications shall continue until the policies go live in October 2020.

The table below sets out the indicative timeline for implementation.

Area of review	Indicative timeline
Customer protection measures	<ul style="list-style-type: none"> - Statutory consultation and decision document published in April 2020 - Response to statutory consultation published and final market documents published in July 2020 - Implementation goes live from 1 October 2020.
Level playing field	
Self-supply	
Mergers and acquisitions	
Ethical business regulation and ethical business practice	
Licence application process	
Gap site incentive scheme	Final decision published in March 2020 and changes implemented in May 2020.
Market data access	Changes implemented – approved at the CMA Technical Panel M CCP244-CC

Area of review	Indicative timeline
Provider of Last Resort	Change implemented - approved at the CMA Technical Panel M CCP237-CC
Interim suspension to general and self-supply licence applications	Suspension until policies go live in October 2020

Appendix – Standard Licence Condition A12

Standard Condition A12, Directions in light of notifiable changes

1. The licensee shall comply with any direction given to it by the Commission under paragraph 2 below.
2. The Commission may, subject to paragraph 4 below, give the licensee one or more directions which require it to take such steps as the Commission considers appropriate.
3. The steps which the licensee may be required to take by directions given under paragraph 2 above may include (but shall not be limited to) steps as regards (a) the exercise of control in relation to the licensee, (b) the direction or management of the licensee's affairs and (c) the scope and conduct of the licensed services.
4. The Commission may only give a direction under this condition in circumstances where, in light of any notifiable change relating to the licensee or its affairs, it considers that it is or may be the case that the licensee no longer satisfies, or is unlikely to continue to satisfy, the adequacy requirement.
5. For the purposes of this condition:

adequacy requirement	means the requirement that, having special regard to the factors mentioned in paragraphs (a) and (b) of subsection (2) of section 7 of the 2005 Act and to any other matters specified under that subsection, the licensee is able to perform adequately the activities authorised by its licence; and
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notifiable change

means a change, or anticipated change, which the licensee is required to notify to the Commission pursuant to paragraph 6 of standard condition A3.