Response to Data Sharing in a Digital Future: Call for Input

30th January 2024

About Energy UK

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology.

Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

The energy sector supports 700,000 jobs in every corner of the country. Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to our Young Energy Professionals Forum, which has over 2,000 members representing over 350 organisations, we are a founding member of TIDE, an industry-wide task-force to tackle Inclusion and Diversity across energy.

Consultation overview

In this Call for Input, Ofgem sets out their view that '*to fully benefit from the net zero transition, consumers will need to effectively give, manage, and revoke consent to share their data with an increasing number of energy sector actors. This will give consumers the ability to share their energy data securely with trusted market participants, who can provide them with energy services to lower their bills, as well as their carbon footprint*'.

Alongside data protection regulations, the consultation sets out three objectives:

- o Improve access to personal data across the sector.
- o Improve consumer trust in data-sharing services.
- o Develop a consent process or mechanism.

A consultation document, building on the findings of the Call for Input, will be published in the Spring of 2024 setting out Ofgem's proposed decisions for improving consumer consent processes in the energy sector.

Energy UK thanks Ofgem for their work in this space and for the opportunity to respond to this Call for Input.

Energy UK agrees that a Customer Consent solution is required and broadly agrees with the potential benefits set out by Ofgem.

However, members are concerned that Ofgem is moving too swiftly from problem-identification to a solution of a centralised database.

Members urge Ofgem to clearly define its intended outcomes and then work with industry to design and deliver a solution that delivers the *objectives* of Option 1 without defaulting to a centralised database which may not be the best way of delivering the intended outcomes.

1. **Yes/No: Do you agree that a Consumer Consent solution is required as per the taskforce's recommendation?**

Yes

Energy UK agrees that a Customer Consent solution is required.

Members urge Ofgem to clearly define its intended outcomes and then work with industry to design and deliver a solution that delivers the *objectives* of Option 1 without defaulting to a centralised database which may not be the best way of delivering the intended outcomes.

Energy UK supports a smart and secure electricity system that empowers customers to engage safely in activities, such as participating in data sharing and flexibility markets, whilst enabling room for innovation in the GB retail market. A customer consent system will support this objective.

Energy UK's 'Energy Matters' report highlights the innovation that is needed to unlock system value and reward customers for providing flexibility. Energy UK is mindful of the need to do this in a way that supports competition whilst providing a balanced playing field between suppliers and other providers.

2. **Could you please provide any reasons why the current methods for obtaining consent from a consumer might be ineffective or inefficient?**

Members highlight a lack of clarity as well as communication failures (for example between the DCC and flexibility service providers [FSP]) within the current consent management system.

Issues include complexity (in the process/procedures), participant lack of familiarity with the process, unclear timelines, unanswered data requests and long response times. As the market matures, demand increases and customer awareness grows, industry coordination could improve this process.

Members had a number of recommendations in this area:

- ➢ Customers should be able to restrict the level of data shared.
- ➢ Interoperability and increased standardisation of products, services and tariffs will increase and widen access.
- ➢ Any data-sharing platform should be mindful of issues that hampered the smart meter rollout:

- Contracting multiple service providers to provide a single system increased project complexity (and with it, costs and deployment time).
- The customer engagement focussed on the smaller personal benefits rather than the deeper (and potentially more compelling narrative of) system benefits failed to convince customers.
- It can be challenging to ensure the digital infrastructure is compatible with non-standard customers (for example, those with non-standard tariffs such as smart prepay).

3. Do you believe that consumers are sufficiently motivated to engage with the consent solutions proposed in this Call for Input? Please elaborate on your answer.

Given the difficulties in engaging customers in the smart meter rollout (and similar industry schemes), members have concerns about whether the proposed consent solution will reach a sufficiently high number of consumers in the short- to mid-term to achieve its aims.

Wherever possible, the customer interface should use simple processes that support consumers to understand and build trust in the data-sharing process (through a robust consent-based model).

Ofgem should consider how customers currently engage with digital infrastructure rather than setting overly-ambitious targets for the initial take-up.

Automation will be central to the take-up of any solution at scale.

The benefits of data-sharing should be reinforced through trusted channels (for example, in the use cases highlighted by Ofgem). These communications should illustrate the benefits in everyday uses and explain customer rights over their data and how to modify these. The proposed solution should be road-tested with relevant community groups and their users to ensure that the solution and the supporting processes and communications support wide access.

4. Do you agree that the four use cases referenced are high-priority use cases? Can you describe any other high-priority use cases?

Energy UK agrees that the four use cases specified in the Call for Input are high-priority use cases for data sharing.

Members supported greater integration of smart data with relevant government data where which could help to identify vulnerable customers and/or enable support to be targeted more effectively.

How this is done needs careful consideration. Combining health or income data with smart meter data could feel intrusive to customers and would need to be carefully managed with full and informed customer consent. This could include an option for users to view a list of organisations with access to their smart meter data (as well as the option to exclude some or all of these at will).

Energy UK notes that energy-smart appliance (ESA) markets are complex and changing rapidly. Any solution should assume increased self-service by future customers (for example regarding self-activation of ESAs for local markets). The rollout will need to allow for design/ implementation challenges, to ensure that the described use-cases can be implemented.

5. Do you believe that a new Consumer Consent solution would enable the improvements to the energy system described in the four use cases? If not, could you please elaborate?

Yes - if there is a sufficient uptake/ customer engagement/ uptake.

Without high uptake, there is a risk that the implementation costs could outweigh the net system benefit.

6. Do you agree with our method and scoring of options?

Energy UK broadly agrees with the method of scoring used by Ofgem.

When scoring cost, members will want to understand the approach taken and the anticipated impact for industry and customers, as well as the administrative burden of any solution.

Member recommend that Ofgem's scoring also include the following:
- the likely customer uptake as this will ultimately define the success of any scheme
- the complexity of implementation and synergy with other customer tasks (for example self-service, self-activation of ESAs, participation in local markets, and customer-led switching of operators).

7. Which of the options referenced in this chapter do you believe would be the most appropriate Consumer Consent solution, for the industry, the government, and the consumer?

While Energy UK members support the *ambition* of Option 1, the design is not clear and feels headed towards a centralised database. Greater detail is also needed on how compliance and assurance would be managed (different data users may be governed under different governance regimes - SLC47 and ICO governance).

Members urge Ofgem to set out desired outcomes and then take an industry-led approach to develop the most effective roadmap and solution.

Members would support an API-based system that is scalable, future-proof, responsive and efficient. Such an approach would enable the dashboard to be updated and maintained by different parties. This approach, including associated interfaces, would require input from a range of market participants helping to ensure that it meets the needs of a wider group of market participants and their customers.

Energy UK has concerns about option 3 (voluntary standards). This approach risks a lack of consistency between the consent mechanisms and different interpretations of the same standards. This has been the experience with local flexibility markets despite six years of the ENA's Open Networks programme working to harmonise the products, process and procedure of the six distribution network operators (DNOs).

The Innovate UK commissioned work by Zuhlke on the "*The Consumer Energy Data Consent Project*" set out basic principles that should remain the broad basis for a single technical solution for an efficient robust interoperable consent solution. These are:

- "*Market coordination is needed*
  - *regulatory requirements for consensual use of personal data to deliver market products/services are driving a need for coordination of digital investment by*

many market participants, particularly with respect to investments made into the management and exchange of data assets.

- *Interoperability of Consent Data needs to be achieved*
  - o *underpinning the ability of a marketplace to fluidly exchange personal data on a consensual basis is the ability to interoperate the data that describes the consent people have and have not given with regard to their personal data*
  - o *it is possible to design practical solution that can unlock the benefits of making greater consensual use of peoples' personal data.*
- *Interoperable Consent Data will better enable transparency and consumer services*
  - o *it is also possible to use the solution to provide people with greater transparency about the status of consent they have given and the benefits that this is bringing to them personally and to wider society.*
- *Energy sector needs are not unique*
  - o *in general we find energy sector requirements for the exchange of personal data and consent data are no different to those of other sectors.*
- *Infrastructure sectors need to deliberately plan to achieve interoperability*"[1]

There are significant hurdles to be addressed with any solution. These include:
- Decisions on how consent can be transferred (for example, on Change of Tenancy or Change of Supplier).
- How a proposed dashboard should function (and how to signal to customers where their protections may differ).
- How authentication would work (ensuring that a customer is associated with the identified meter point to prevent fraud).
- How consent withdrawal would work and be verifiable (and how quickly any removal of consent is actioned upon).
- Further detailed work is required on the modelling of consent. If shared data is combined with other data that a company holds about a customer, this could increase the sensitivity of any data held and so increase risk to customers.

On the importance of an opt-out for take-up: Energy UK has been working with supplier members and Ofgem to complete PSR data-sharing between energy suppliers and water companies. A key success factor here has been ensuring that customers can opt-out. A consent dashboard including this data opt-out allows for a tell-once approach to be used.

8. Please can you explain why you chose a specific option? Do you have any suggestions on how to improve this option?

We encourage Ofgem to work with members to deliver a solution that delivers the *objectives* of Option 1. Members think that these objectives can be met without the need for a centrally-run database. Energy UK does not support a supplier-funded approach. If Option 1 is pursued, it should be funded centrally to avoid possible 'free rider' problems.

Members would like to see further detail on how a proposed dashboard would function and how authentication would work.

Greater interoperability of consent will help the sector and consumers to prevent different interpretations of rules and enable a more streamlined customer journey. These options should be limited to institutions a consumer has given active consent to.

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[1] The Consumer Energy Data Consent Project

9. What barriers do you see to the successful implementation of a new consent solution?

Several areas require clarification from Ofgem before the confirmation of a specific option.

Further detail is needed:
   i)   Design
   ii)   Consent and customer data protection
   iii)   Compliance and assurance processes (to ensure that sensitive data is adequately protected).
   iv)   How the proposed solution will be financed

Design: Energy UK members are concerned that Option 1 (if a centralised solution) could increase both the costs and complexity of any system. The smart meter programme illustrates how complex data infrastructure can take time to deploy effectively. Any proposal should take into account the impact of increased data flows on Smart DCC.

Consent and customer data protection: Specific guidance would be needed on how (for example), consent for data from multiple-occupancy properties would be managed, particularly when not all property occupants have consented to data sharing whilst only property-level data is available. There are similar concerns around how consent changes would align with Change of Tenancies, as this could lead to customer data being shared unintentionally until consent is revoked.

Compliance and assurance processes: This includes the provision of clear escalation routes in the event of any data breach.

Finance: Members have concerns about how any solution will be funded. Energy UK does not support a supplier-funded approach. If Option 1 is pursued, it should be funded centrally to avoid possible 'free rider' problems as in other supplier-funded initiatives where participants benefit from but do not contribute to the central system.

The design must support high take-up, and the cost-benefit analysis must use a realistic assumptions here informed by comparable sector programmes such as the smart meter rollout.

Energy UK members also note that any changes to switching procedures at an operator/aggregator level may impact the relevance of consumer consent models, given that customers currently need to give consent for a switch request by a 3rd party provider or aggregator (on behalf of the customer).

Finally, Ofgem should consider how to ensure that data sharing is only related to uses a customer understands and has actively opted into. This will avoid any risk of customers perceiving any solution as being one that they did not consent to. It is vital for this work that Ofgem has a clear and executable model of consent management that consumers will trust.