



Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Monkton Reach, Monkton Hill,  
Chippenham, Wiltshire, SN15 1EE  
goodenergy.co.uk  
enquiries@goodenergy.co.uk  
0800 254 0000

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Dear Sir/Madam,

### Targeted charging review: minded-to decision and draft impact assessment

Thank you for the invitation to respond to Ofgem's consultation on their targeted charging review. Good Energy supplies 100% renewable electricity and carbon-neutral gas to homes and businesses across the UK. Good Energy is working towards a 100% renewable future, helping to support technologies including wind, solar, biofuel, hydro and tidal. Our purpose is to power the choice of a cleaner, greener future together.

#### Overview

- The planned TCR reforms undermine renewable generation and flexibility technologies, and so risk compromising the transition to a decentralised, smart and low carbon energy system.
- The implementation of the TCR work and the Network Access and Forward-Looking Charges Review should be synchronised, to ensure positive outcomes for consumers, investors and generators alike.
- Relying on other charges to provide behavioural signals is disproportionately high-risk.
- Attempts to prevent engaged consumers benefiting by avoiding charges should not then result in detriment for vulnerable or low usage users.
- A net kWh residual charge is still the best way to recover charges in a way that supports the future energy system.
- The foreseen consequences of this reform – vast increases in CCGT – risks jeopardising the UK's ability to decarbonise the energy system and is at odds with the notion that government should not be 'picking winners.'

As outlined in our response to last May's initial consultation, we acknowledge that charging arrangements need to cater for a rapidly changing energy market. However, the path outlined in this minded-to decision is not fit for this purpose and will undermine small scale renewable generation and flexibility technologies. This threatens the progress that has been made in the UK's transition towards a decentralised energy system fit for the future.



## The need for a combined approach

Currently, the timelines for the Targeted Charging Review, and Access and Forward-Looking Charges work lie some way apart. This creates significant unnecessary risk, owing to the way in which the charges are being reorganised.

If these reforms are not synchronised, there is a danger that behavioural signals are removed from residual charges, but not adequately replaced in the Forward-Looking charges. This will damage the implementation of flexible energy technologies and limit the numerous benefits they are able to provide to the system.

At his speech on 10<sup>th</sup> January, Ofgem Chair Martin Cave remarked that 'these [consumer] interests are best protected by an energy system that can attract investment and keep costs as low as possible.'<sup>1</sup> Already, investment groups and their representatives are reporting that the state of flux in the policy space is acting as a disincentive, and deals are falling through because of this.

We encourage Ofgem to work closely with National Grid to ensure that the implementation of both workstreams coincide and ensure that there is no hiatus in behavioural signals, as well as providing adequate assurances to investors that these reforms are being conducted in a holistic manner, intended to complement each other.

## Behavioural Signals

Ofgem have expressed their view that residual charges should not be designed to alter the behaviour of consumers; they are simply intended to recover revenue. We would posit that these do not need to be mutually exclusive, and that effective revenue recovery can be done in a way that does not risk compromising the transition to a flexible, smart, low-carbon energy system.

## Impact on Pro-sumers

The move to fixed residual charges will devalue the existing investments in behind the meter generation, such as domestic roof-top solar. Moving from a unit-based to a fixed charging regime will decrease the value of on-site consumption. We are mindful of OFGEM's framing that this amounts to avoiding of network charges, however this risks undermining both investor confidence among consumers that may prove essential to delivering a transition to a low-carbon energy system, and low-income consumers who live in properties owned by housing associations that have invested in roof-top solar generation.

Ofgem have – rightly – gone to great lengths to ensure adequate protections are afforded to the most vulnerable in society. Fixed charges create a scenario where low usage consumers receive less value for their charges. Where it is true to say that not all low-demand consumers are fuel-poor, fuel-poor households would be paying the same as those who consume large amounts of energy. Many customers do have low usage levels, and so under fixed charges will be paying a higher proportion of their energy bill to maintain networks, of which they have some of the lowest levels of use.

There are also repercussions for other types of consumer which need to be considered. For example, homes with multiple MPANS owing to associated meters (from offpeak or teleswitching heating regimes).

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<sup>1</sup> Martin Cave's Speech at Ofgem Future of Energy Conference, 10/01/19.





The same issue could arise in future where multiple suppliers may supply the same meter point through separate MPANS, for example for the supply of electric vehicles. We would argue that greater consideration should be given to impacts on different consumer groups and the implications for future metering developments.

A net kWh charge would provide a progressive charging arrangement, whereby those who consume more contribute more, and those who contribute to the network by reducing constraint and increasing flexibility are rewarded for doing so.

### Impact on Decarbonisation

Ofgem have stated on multiple occasions that any charging reform is intended to be technology neutral, clarifying this view at the Charging Futures Forum on the 15<sup>th</sup> January, stating that a level playing field between technologies delivers the best outcomes. The impact assessment would indicate that as it stands, the TCR reforms would deliver disproportionate benefit to larger, transmission connected generation. The anticipated growth of CCGT is, in our view, not indicative of an energy system changing for the better.

Grid charging arrangements are **key to the viability of small-scale generation, storage, and flexibility technologies**. It is important that the TCR, Network Access and Forward-Looking Charges reforms are conducted with a 'whole-systems' approach, and do not inhibit the transition to a decentralised, smart and low carbon energy system.

We hope you find this response helpful. If you would like any more information, please do not hesitate to contact me.

Kind Regards,

Dave Burton

Head of Risk and Audit