

OfGem Targeted Charging Review

Response to consultation from Low Carbon Gordano

Low Carbon Gordano is a Community Benefit Energy Company based in North Somerset.

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It is well recognised that the grid will need to play a major role in enabling a massive shift in the provision of energy in the UK to a zero carbon system. A review of the charging basis for the grid is therefore extremely timely. In view of this, and bearing in mind the fact that parliament has given OfGem broad statutory responsibilities to address climate change and to consider the needs of future consumers, we are extremely disappointed to find that neither of these considerations appears to have entered into OfGem's thinking in this Review. Instead and as seems to be the regulator's default position, the short-term impact on consumer prices is prioritised. As a result, instead of a far-sighted and comprehensive review we are presented with a very partial analysis and a hotchpotch of proposals which inevitably have a number of perverse outcomes, some of which are listed below.

We welcome the commitment to fairness which is made in OfGem's consultation, but fear that if the 'minded-to' proposals are enacted they will in fact impact unfairly on significant groups of network users – most especially those on low incomes who can least afford it and are financially forced into low energy consumption and those who have spent significant sums making their homes or business more energy efficient and so have become low-usage consumers by choice.

Strategically, we also believe that OfGem should be encouraging local, often small-scale, generation and energy efficiency which in the medium term will increase network resilience and reduce the need for long-distance transmission. This review appears to be working in the opposite direction.

We are also concerned at the asymmetric unfairness within OfGem's consultation process. The proposals cover issues of immense complexity and yet OfGem's consultation has given better opportunity of access to the few major energy companies than to the many smaller providers. The latter are, of course, far less well placed to invest the resources of time and expertise to fully understand and, where appropriate argue against, the proposals. The, mostly highly specialist, consultation questions further weight the review in favour of bigger companies.

Low Carbon Gordano also welcomes the potential it sees in the review to support the development of local, energy-sharing, networks but regrets that this area of development has not been further explored by OfGem.

Specific issues which we identify as potential consequences of the implementation of the 'minded-to' proposals are:

- Whilst average electricity bills will decrease, those households who use the least electricity could face an increase when these changes fully come into effect. Obviously, this is significantly harmful to those in fuel poverty who can least afford additional costs.

- Any reduction in the cost per unit of electricity will mean there is less incentive to cut down energy use and hence carbon dioxide emissions. This will penalise those who have in different ways reduced their energy use, and reduce the incentive for others to do so. In an era of climate emergency, this is the wrong direction of travel.
- More positively, unit cost reduction will make the adoption of electric vehicles more attractive.
- We regret that the proposals may reduce the benefit of investment in solar panels and other forms of local renewable generation.
- We recognise that lower transmission charges might help energy sharing in peer-to-peer schemes more attractive.
- Ofgem's 'minded-to' approach suggests that if you are planning new energy efficient housing, with ample on-site generation for homes, which don't consume much energy, you will be hit by increased fixed charges, and get less money for any electricity you export. This may create sufficient financial incentive to either turn the site into a gated community with a single commercial meter covering all users – a micro-grid. Or indeed you might want to go off-grid altogether, which might more directly challenge the current legacy network. In other words, it may well have the effect (perverse to the intentions of the review) of creating significant numbers of consumers who make little or no contribution to grid maintenance.

In summary, we are concerned that these measures do not directly support renewable energy or energy efficiency measures (and may hamper their installation) whilst also regretting the lack of certainty about whether these changes also support reduced network charges for local transmission of locally generated energy. We believe that OfGem needs to consider the likely implications of their 'minded-to' proposals more broadly, most especially in relation to their statutory responsibility to address climate change, before reaching any decisions and would suggest that if they fail to do so they might be considered in default of their statutory responsibilities. Taken with the systematic unfairness in the consultation process noted above, we believe that this might lay their decisions open to judicial review.

Bob Langton
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