

RECC and EVCC response to the Ofgem consultation on implementation and governance arrangements for the introduction of Market-Wide Half-Hourly Settlement

The Renewable Energy Consumer Code (RECC) and the Electric Vehicle Consumer Code for Home Chargepoints (EVCC) are pleased to submit this response to the Ofgem consultation on implementation and governance arrangements for the introduction of Market-Wide Half-Hourly Settlement.

About RECC and EVCC

RECC is the main Consumer Code setting and requiring high standards of protection for consumers wishing to buy or lease small-scale renewable energy generating systems and related products such as battery storage, with 1,500 members. RECC was set up in 2006 by the Association for Renewable Energy and Clean Technology (REA) and is approved by Chartered Trading Standards Institute (CTSI) as part of its self-regulation initiative, the Consumer Codes Approval Scheme.

Businesses working with domestic consumers who wish to access the Domestic Renewable Heat Incentive (RHI) or the Smart Export Guarantee (SEG) must be members of a CTSI-approved Consumer Code. RECC members work with installers of the full range of renewable heat and power generating technologies as well as with related products, in particular battery storage.

The EVCC was launched in February 2020 as the first consumer code setting out high standards for businesses who install chargepoints in consumers' homes.

Both Codes provide mediation of consumer complaints in their respective marketplaces.

Both Codes are also beginning to see 'flexibility packages' being offered to their respective consumers that combine elements of those marketplaces - renewables, batteries and EV chargepoints – with actual or recommended tariff packages.

Response

The codes share concerns that consumers interests must be reflected and protected in the emerging domestic energy flexibility market space, the expansion of which MHSS will facilitate. Our comments on the consultation are confined to those aspects where we think the implementation and governance arrangements may need to incorporate the domestic consumer interest more explicitly. While RECC and EVCC support MHSS, the scope for consumer detriment is significant, both among those who can and do take advantage of new tariffs and those who are effectively excluded from MHSS (in this regard we concur with the points raised by Citizens Advice and Sustainability First in their responses to the earlier MHSS consultation¹). Our main concern in relation to the current

¹Both September 2020 Eg Citizens Advice: 'already...a large group of consumers do not engage with their current energy retail options despite the options and support available to make a relatively simple change. Three-quarters (73 per cent) of low-income households had not switched fuel supplier in the last two years...Reasons for not switching included risk aversion and the need to retain tight budgeting control... MHSS and the increased complexity of engagement with new tariffs [should] avoid further aggravating those perceptions and remedy, rather than broaden the disparity, between a protected or default tariff and the

consultation is that it is not clear that the envisaged structures sufficiently integrate the consumer interest within the arrangements proposed.

The key points at which we would seek clarity around, and potentially improvements in, the input of the consumer interest in the processes are in relation to the Independent Assurance Provider (IAP), in the triggers for Ofgem intervention and in the change process/SRO decision-making process.

For the IAP, under the **assurance principles** that will guide it we note:

a) Assurance approach

‘The assurance provider should also undertake assurance of selected activities and organisations on an ad hoc basis.’ Will there be provision for consumer representatives to input to suggest the activities or organisations that the IAP should focus on on an ad hoc basis?

b) Independence

We note under the Independence principle that the assurance provider can be tasked independently by the Programme Steering Group and by Ofgem. Again, what scope, if any, is there for consumer representatives to input to either PSG or Ofgem or both to suggest what the IAP should be tasked by them to examine? Is there any scope for a ‘super-complaint’ type process here?

In relation to **Ofgem’s role**, we note that the proposal is that Ofgem should only intervene to take decisions or direct action when certain thresholds are met, or where the Independent Assurance Provider (IAP) recommends that an issue should be escalated to Ofgem.

We note that the criteria and thresholds for Ofgem intervention include:

‘Where a situation arises in which a stakeholder argues that the design process is not taking proper account of the interests of end consumers, or a change would have a material impact on consumers. On the presumption that Ofgem is including consumers (and excluded consumers) as ‘stakeholders’ here, by what means will they (or their representatives) be able to make such an argument? The

better rates accessed by those that can confidently engage with their energy..... a benefits realisation strategy [is needed to] maximise load shifting through appropriate engagement... [model]... the wide variety of consumer energy retail journeys and [prepares] proactive protections for consumers [plus]..information on the transition that can be accessed from an impartial source. ...[and proactively address]..the distributional impacts [on those who cannot access new tariffs/load shift etc].

Eg Sustainability First ‘...the underlying cost-to-serve for customers with peaky demand will be higher under MHHS and even if these customers choose to stay on a flat rate tariff that tariff will ultimately increase as other customers with flatter demand move onto TOU tariffs..... there will be a significant reallocation of cost-to-serve between customers on a “static basis”. We are concerned that the scale of this impact is significantly understated by Ofgem’s distributional impacts which looks at the average consumption for different demographic groups while ignoring the very large variations that exist within groups. We recognise the challenge presented by the lack of smart meter data (linked to demographic data) ...However our concern is that Ofgem are taking undue comfort from the analysis that has been done focussed on *average* consumption. Moreover, absent such data – which suppliers themselves will have access to – Ofgem will be unable to effectively monitor the impacts of these changes and to pick up on any exploitative behaviour by suppliers. ‘

governance arrangements might need to incorporate specific provisions to elicit such arguments given the imbalance of resources available to consumers vs other stakeholders.

We further note that the consultation also states that '*all programme change will have to be impact assessed and that this should include the impact on consumers.*' Given the paucity of data thus far, which the existing Impact Assessment recognised, it is vital that the impact on consumers is as thoroughly assessed as possible and we consider that the wording here should reflect that ie 'this MUST include the impact on consumers' and furthermore it should be clear that this includes the impact on domestic energy consumers both in AND outside of HHS.

Another means of triggering Ofgem intervention is escalation to Ofgem by the IAP in response to a concern raised by a programme party. As consumers are not a programme party, what provision is there for them to raise a concern with the IAP?

SRO decisions/change process:

We fully agree with Ofgem that 'it is vital that sufficient consultation occurs throughout the process to be sure that decisions are fully informed and are being taken transparently with understanding across the programme parties and with consideration of the impact on consumers.' We support the statement that the Senior Responsible Owner (SRO) decisions are to be made using a consultative model that takes '*appropriate account of each programme party and of consumers*'. We would welcome greater elaboration as to how the latter will in practice be elicited and taken into account, particularly since there will undoubtedly be an imbalance between the resources and clout available to programme parties vs consumers or consumer representatives. Also, it will be important that the model takes into account the diversity of consumers' experiences/likely impact of SRO decisions.