

28/02/2022

Dear Forward Work Programme team,

Good Energy's response to Ofgem's 2022/23 Forward Work Programme

Thank you for the invitation to respond the proposals for Ofgem's 2022/33 Forward Work Programme.

Good Energy supplies 100% renewable electricity and carbon-neutral gas to homes and businesses across the UK. Good Energy is working towards a renewable future, helping to support technologies including wind, solar, biofuel and tidal. Our purpose is to power the choice of a cleaner, greener future together.

Maintaining a diverse retail market

The last year in energy retail has been difficult. Lessons have been learned by all, and it is now important we work together to create a future marketplace which is sustainable both in terms of finances and alignment with net zero. Decarbonisation will require innovative companies of all sizes pushing boundaries and producing exciting propositions which deliver consumer value and reduce our carbon emissions. While it might be tempting to revert to a relatively homogenous energy retail market comprised of enormous organisations with balance sheets to match, that is not the right kind of marketplace to deliver a net zero energy system.

We support Ofgem ensuring that the UK's energy retail market is designed so that the impact of supplier failures on the consumer is minimised, but this should be done in a way which still allows organisations of all sizes to thrive. If implemented, some of the more recent proposals around capital adequacy will threaten this balance.

Reporting and consultation processes

Given the events of the last few months, and the number of supplier failures towards the end of last year, it is understandable that a core focus for Ofgem will be strengthening energy market resilience.

We welcome decisions to undertake more robust checks for new entrants for example, however we do have concerns with the lack of consultation and industry input for some of the more significant interventions.





Decisions on milestone assessments, additional reporting requirements and capital adequacy requirements have been brought forward without sufficient time for stakeholders to input. The policy making process requires input from all stakeholders – including suppliers of all sizes and consumer organisations. It's vital that we see a more substantial consultation process for financial resilience reforms this year.

This is also true for the work on reforms to credit balances. We have supported the aims of Ofgem's wider work to reduce the amount of money at risk of being mutualised in the event of supplier failures. However, we would urge caution in proceeding with the two prior policies consulted on in 2021, without further consultation to understand how they might work in a very different landscape.

Finally, we believe Ofgem should work to streamline Requests for Information (RFI) and keep processes for financial reporting and oversight under review.

The volume of recent RFI requests has posed significant administrative burdens on suppliers. As mentioned previously, Good Energy would be happy to discuss our existing audit regime as an AIM listed organisation to help guide changes to improving the process and transparency of financial reporting in the retail market.

Prioritisation of reforms

With the response to the energy crisis taking up a larger proportion of Ofgem's focus and resource, we understand why decisions on some of the key policy workstreams and regulatory changes have been delayed.

Whilst sympathetic to the wider context, it would be appreciated and a very useful exercise if Ofgem could provide an update to the industry about the prioritisation of proposals for the 2022/23 period. For instance, updates on the Microbusiness Strategic Review and the credit balance mutualisation reforms would be appreciated.

Suppliers are currently having to plan for implementations, without the confirmation of when the possible new measures are going to come in. This could be something as simple as the likely quarter of when the measures are to come in.

We welcome the recent update on the Consolidated Segmental Statement and believe a wider prioritisation list, that can be distributed to all stakeholders in the market would be a valuable piece of Ofgem's time and resource.

Close collaboration with BEIS

There are a number of policy areas where we believe much closer collaboration is needed between Ofgem and BEIS, including on designing proposals for the future of the energy retail market.

With Ofgem working on its own future retail market strategy at the same time BEIS are conducting a call for evidence on the future of the retail market, it is unclear as to whether these two are linked or complimentary.

A recent joint consultation on the proposals for addressing Renewables Obligation supplier default is a good example of how the closer collaboration can work in practice. As we continue to grapple with questions around the future of the market, we need to ensure that key decisions taken are developed mutually and not in isolation.

Green tariffs

There is no specific mention to green tariffs in the Forward Work Programme for 2022/23, which is disappointing considering the on-going consumer protection scandal that is still prevalent in the retail market.

BEIS have now taken the first steps in the policy making process, with the call for evidence, yet there is much more the regulator can do to protect consumers from misleading advertising, including redress payments for example.

This became evident during the decision to fine eighteen suppliers £5,000 each for inaccurate fuel mix disclosure requirements, when the cost of the REGOs which those suppliers failed to purchase would have been in excess of £1m¹. The issue here is that in this example, it has effectively become an incentive to take a fine from the regulator rather than procure the necessary amount of REGOs for some suppliers.

As highlighted in the forward work programme, Ofgem's objective is to protect consumers' interests now and in the future by working to deliver a greener, fairer energy system.² Ensuring suppliers are procuring the equivalent amount of renewable power as they supply to their customers should be the absolute minimum. We therefore need much more robust enforcement action, in order to remove the incentive to take a fine.

¹ <https://www.ofgem.gov.uk/publications/20-suppliers-correct-201920-fuel-mix-disclosure-fmd-statements-after-overstating-proportion-renewable-electricity-supplied-their-customers>

² <https://www.ofgem.gov.uk/publications/202223-forward-work-programme-consultation#future%20of%20retail>



Network charging reforms

Ofgem must re-double its efforts to incentivise the installation of local, distributed renewable generation. With serious questions over our energy security and reliance on international gas markets dominating the news agenda, we need to ensure any regulatory barriers – such as delays with the SCR – don't become long-term blockers for installing renewable generation.

We do however understand the decision to separate out the forward looking reforms for DUoS and TNUoS reforms into separate significant code reviews. It is hoped that this separation can be justified with better policy outcomes for small-scale renewables.

It is nonetheless disappointing to see that TNUoS reforms have been delayed further, which brings yet more uncertainty for investor confidence. At a time when investment for small scale renewables is absolutely critical for our wider decarbonisation efforts, we should be looking to provide certainty for any additional charges that these generators could face in the future.

As has been made clear before, it is our view that small distributed generators should not be subject to TNUoS charges. We look forward to reviewing the conclusions from NGESO's task forces later this year and participating in the next stage of the TNUoS review.

A smart and digitalised energy system

Good Energy supports the work of encouraging cross-industry energy data transformation and believe this should be remain a key focus for this year and beyond.

We would like to see more detail on opportunities for supplier involvement, as the proposals have until this point been largely focused on DNOs. There is also an opportunity to build on the recommendations from the Energy Digitalisation Taskforce Report earlier this year, which highlights actions in Ofgem's gift to implement.

Finally, more focus is needed on the Market Wide Half-Hourly Settlement programme. Whilst still in its infancy, there has been a lack of clarity for suppliers as to immediate priorities and milestones. As a central component of enabling a smart, data led future energy system, more clarity is needed so suppliers who want to take a more proactive approach are able to do so.



EV joint policy statement

It is pleasing to see that Ofgem will be working BEIS on a joint policy statement on Electric Vehicles. We are supportive of BEIS aims to improve the chargepoint experience for EV drivers, however we need to urgently see a joined up approach that provides a vision for enabling the flexibility potential that EVs can provide the wider grid.

I hope you have found our response helpful. If you would like more information, or have any questions about our views, please do not hesitate to let me know.

Kind regards,

Simon Shaw
Regulatory Affairs Officer