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Dear Anna,

## **Consultation on Distributed Energy**

Thank you for the opportunity to respond to the above consultation. As you are aware, Good Energy is medium sized licensed supplier in the electricity & gas market providing 100% renewable electricity and Carbon Counted gas to primarily domestic customers. We are also active in the micro-generation market and work closely with embedded renewable generators, from whom we source a majority of our power requirements.

For your benefit we have structured our response to answer the questions posed in your consultation document, expanding our response where necessary.

### **Question 1**

**We welcome views on whether the Authority should exercise its power as provided for under the BSC to designate a third party representative with DE interests or expertise to raise BSC code modifications?**

We do not believe this proposal is necessary or practical. Good Energy, like several other BSC signatories has an interest in making the BSC work for smaller players. Indeed we raised modification P205 specifically to protect embedded renewable generators from the worse effects of modification P194. It is inconceivable that as the DE markets grows, that current

BSC parties will not be involved in this area, and as such modifications can, and will continue to be raised for the benefit of DE parties.

The proposal is also impractical. If the proposal was to go ahead, then a representative could raise a modification, but this would be assessed by a modification group consisting of “experts” drawn from the current BSC signatories (Usually from companies with the resources to commit to the modification process). Practical experience suggests that any modification raised by a DE representative will not succeed unless it concurs with wishes of the established major players. That being the case, then a BSC party would probably be willing to raise such a modification if asked by a DE party.

A more practical solution would be for all modification reports to include an assessment of impact on Distributed Energy. This will not only help with modifications beneficial to DE parties, but highlight other modifications which are detrimental to their interests.

## Question 2

**We welcome expressions of interest from stakeholders interested in having the power to raise code modification proposals on behalf of DE schemes. For those interested parties, please highlight specific reasons why this power should be conferred upon you?**

Good Energy is a signatory to the BSC, and as such does not require this authority. If we believe a modification would benefit result in a reduction in carbon output, then we would consider raising the modification as a BSC signatory. However, the resource requirements that are needed to both raise and see through a modification are quite intensive and as such we would need to be sure it was worthwhile and achievable.

## Question 3

**In terms of the length of designation, we believe that a period in line with the Panel’s term (e.g. 2 years) may be a suitable period which to trial this proposal. We would welcome stakeholders views on the period for which designation might last.**

We do not support the proposal for the reasons outlined above. However, if the proposal did go forward, then the 2 years period would seem to be sensible.

## Question 4

**We welcome views on whether the designated party should be obliged to contribute to fees to Elexon in order to participate in the BSC change process, If so, how should the level of contribution be determined?**

We believe that such a party should contribute to Elexon's cost, and this should be similar to a non-trading party.

## Question 5

**Should any other codes be examined in relation to lack of DE representation?**

For the reasons mentioned in our answer to question 1, we are sure DE is well represented on all relevant codes.

## Question 6

**We invite stakeholders to identify any good quality information currently available that would be suitable for including in the development of a user friendly information hub on the process of setting up and operating a DE scheme.**

We are not aware of any such information that is publically available. However, we would be happy to assist in the development of such material.

## Question 7

**Do you agree with the proposed licence amendment to SLC11.2? Suppliers – please indicate whether you would accept the proposed licence amendment.**

We would be happy to accept the proposed licence amendment.

## Question 8

**Should Ofgem issue guidance on the eligibility criteria for switching off the code compliance licence condition? If so, what would the main criteria be?**

Yes. The main criteria should be that the scheme is limited to a single licensed network operator area and that a significant proportion of the energy supplied is from generation within the scheme. This then ensures there is an environmental benefit in operating the

scheme by the avoidance of losses. Without this requirement, a new entrant supplier could enter the market and source all its energy from the “licensed supplier” thus providing no environmental benefit.

## Question 9

### **Should Ofgem establish an industry working group to develop a good practice guide on supplier services agreement?**

We would welcome the setting up of an industry working group to establish how these arrangements would be implemented in practice and to look at any changes required to the industry processes to ensure the arrangements work smoothly. For example, that Licensed Suppliers can operate multiple Market Participant Ids (see below).

We would not support a group developing a good practice guide as we believe this may inhibit innovation, but believe the working group should develop the key requirements for such an agreement which will give Ofgem the comfort that both consumers are protected, and industry obligations and responsibilities are clearly marked as the responsibility of one of the parties to the agreement.

## Question 10

### **How should the risks of a breakdown in the DE-Agent relationship be mitigated?**

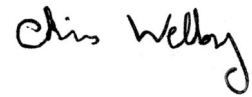
The principle risks are that customers are left with no licensed supplier. The key to mitigation of this is the ease at which affected customers can be moved from one licensed supplier to another on termination, especially due to failure of one or other of the parties. The best way to do this is ring-fenced these customers as registered to a distinct Market Participant id under the licensed supplier, so they are easily identifiable by the industry, and regulator should it need to enact supplier of last resort. This will have the additional benefit that industry costs are more readily identifiable at the point of change.

In principle, the industry accepts multiple market participant ids under a single license, but this would need to be examined to ensure it does not throw up any unreasonable costs. (e.g. fixed costs based on MPid rather than licensee, unless there were significant additional costs incurred) The industry would also need to develop a process for moving a MPid from one licensee to another.

Additionally, Ofgem would have to be satisfied the contractual arrangements set out the course of action on termination of the contract to ensure customers have a licensed supplier at all times, before agreeing to switch off the relevant licence condition.

I hope you find these comments useful. If you require additional information, please do not hesitate to contact me.

Yours sincerely,



Chris Welby  
Commercial Director