

Jemma Baker
Regulatory and Energy Economist
Ofgem
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2nd April 2012

Dear Jemma,

Undue Discrimination Prohibition SLC consultation

Thank you for your invitation to respond to the above consultation. As you are aware, Good Energy is a small, licensed electricity supplier of 100% renewable electricity to over 28,000 customers; sourced from a community of around 25,000 small and decentralised generators across the UK. We also supply gas to over 5,000 customers on a tariff which supports the development of renewable heat.

For your convenience we have answered your questions below, expanding where necessary.

1. We welcome views from stakeholders on our “minded to” proposals and any other considerations in this consultation.

Good Energy is not supportive of the proposed extension of the undue discrimination clause as we believe the clause is a constraint on competition which forces energy suppliers to design mass market tariffs rather than tailoring tariffs to suit customers. The best protection for consumers comes from a competitive market and the key to the issues raised in the probe relate to transparency and comparability of tariffs rather than a need to restrict tariff offerings.

With the advent of smart metering, then suppliers will be able to offer more bespoke tariffs to consumers, but only if regulations do not prevent this improved level of service from taking place. The current approach of tariff design of “one size fits no-one” is not in the consumer’s interest.

We also believe that the fear of non-compliance with SLC25A, means that tariff offerings that could be compliant are not being offered. Ofgem’s refusal to engage in dialogue as to whether a tariff is compliant before it is offered causes this.

2. We welcome comments from stakeholders on whether it would be appropriate to review the 50,000 customer threshold as part of a separate process, in the event that we decide to reinsert SLC25A for a further period of time.

Good Energy is currently under the threshold and wishes to design community tariffs for consumers who live close to our proposed generation site. However, for this to work effectively we need to offer those consumer a long term commitment which we feel unable to do in case we have to withdraw the tariff should we exceed the 50,000 limit in the near future. Therefore we are already constrained by the 50,000 limit even though we are not currently exceeding it.

We note in your guidance, that this is just the sort of innovation that you hope not to inhibit and would therefore welcome an increase in the limit to 250,000 domestic customers which we believe will give us sufficient headroom to proceed with confidence, without causing material impact on significant numbers of consumers. In addition, we would welcome additional information in the guidance around tariffs restricted by location and where this would and would not be considered discriminatory.

3. We welcome comments from stakeholders on whether there are alternative suggestions or views on undue discrimination prohibition standard licence condition ("SLC25A")

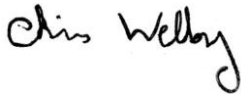
We believe that SLC25A is a broad brush solution to deal with specific problem. Consumers are best served when suppliers deliver what the consumer wants rather than offering consumers what it the regulations permit. As smart metering becomes the norm this will hopefully happen, but suppliers need to start their thinking now, and not be curtailed by regulations which are too blunt for purpose.

We also believe that the flip side of discrimination is reward. If we are able to offer communities a reward for engaging in the energy market by having renewable forms of generation in their community, are we discriminating against those consumers who have not able to access a community tariff, even though they are too far away to be impacted by the scheme? We believe not, but SLC25A is too imprecise to make this clear.

If Ofgem believe that undue discrimination would arise if they withdrew SLC25A, then we believe a more precise prohibition, clearly stating what constitutes "undue" so that suppliers can reward consumers who engage, and innovative suppliers can offer a real alternative to mass market products.

If you would like to discuss these matters further, please contact me.

Kind regards,

A handwritten signature in black ink that reads "Chris Welby". The signature is written in a cursive, slightly slanted style.

Chris Welby
Policy & Regulatory Affairs Director