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## **Ecotricity Response to Ofgem's Open Letter on Industry Code Governance**

### **Introduction**

Ecotricity is a renewable energy generator and small supplier with over 155,000 customer accounts and 71.9MW generating capacity across the UK. We pride ourselves on the professional, transparent and personalised service that we offer, which is consistently recognised by our customers and third party surveys. For example, we recently topped the Which? Energy customer satisfaction survey for the second year running. This recognises our transparency and focus on the ethical treatment of our customers. We support any measure that aims at improving transparency for consumers and simplifies the industry. As we continue to grow, we strive to improve our engagement with industry codes.

### **Industry Codes and the Modification Process**

The codes and their modifications are highly complex and time confusing. As a small supplier, we lack the resources to deal with the significant number and complexity of code modifications. We cannot engage to the same degree that the Big Six suppliers do. A typical Big Six compliance team comprises of 30 people, whereas we have a small team of 6 covering both retail and wholesale compliance; generation data and renewables analysis; project implementation and industry codes. Industry codes therefore represent only a small proportion of our workload, but the current complexity means it is difficult to be involved throughout the process. With significant time and resource investment we have been able to monitor and comply with any modification changes if possible. However, we have not been able to proactively engage with the modification process and our impact with respect to other parties' modifications is negligible.

## Technical Language

Having not been involved in the evolution of a modification, smaller suppliers can miss a nuance that underpins a proposal. We would suggest an obligation for code administrators to explain proposals in plain English. Alongside the impact for under resourced smaller suppliers, the complexity and excessive use of acronyms and technical language is a barrier to entry for new market participants. Modifications are typically raised by individuals with extensive knowledge. Understanding this technical language and operational consequences carries a risk of misinterpretation for parties who have not been involved in the modification process.

We appreciate the role of a 'critical friend' includes providing explanation of modifications in plain English and we agree this is under-utilised.

## Case Study Example: P305

BSC Modification P305 is an example of a code modification with significant effects, particularly detrimental to smaller suppliers. This demonstrates several of the problems faced by smaller suppliers. Firstly, having fewer resources means it was difficult to initially understand the magnitude of a code modification. We were unable to attend all the related workgroups. Often the information disseminated from these is not transparent. Important points to note include that:

- P305 was raised as a proposal following the previous SCR.
- It introduced the single marginal cash out price; the inclusion of value of lost load and reserve scarcity pricing function. This reduced the PAR value from 500MW ultimately down to 1MW.
- These changes will have highly significant effects on suppliers as it significantly increases risk. The lack of available credit for small suppliers means that the negative effect will be greater for them than it will be for large suppliers.
- The effects on small suppliers were unknown and the full effect continues to be so, because we do not have the resources needed to perform the analysis.
- We, and other independent suppliers considered appealing Ofgem's approval. However, the appeals process was too expensive and the lack of data and resource available to perform the necessary analysis, meant pursuing an appeal would have been a significant gamble.

The consultancy Cornwall Energy facilitated the involvement of small suppliers. Whilst we welcome the support of third parties, we would value a position where our views are heard and given due consideration without such an influence.

## Consistency across Codes

Code administration is different for each code; it would benefit users if there was a more uniform approach for modifications. We would recommend a set of minimum standards for all code administrators to abide by. Some codes offer greater guidance to smaller suppliers in the form of clear information or detailed impact assessments. For example, National Grid provides a plain English summary of the Grid Code on their website. All code administrators

~~should meet or exceed this standard. We would also suggest that there be a universal change proposal form across all codes.~~

In addition, all code governance bodies should have to email notification of any change to all parties. Under the current system, finding changes requires ad hoc research from us. Fundamentally we would support any change that standardises the experience of code modifications for suppliers.

We appreciate that these concerns are at least partially addressed by the Code Administration Code of Practice and support this, but note the need for it to be properly followed in practice. We also support the recently suggested addition of Principle 13 'Cross Code Coordination'. This would reduce the research required by suppliers to identify the operational consequences of modifications.


## Conclusion

As a small supplier, the key issue we face with respect to codes is being under-resourced. Understanding the complexity of codes requires significant expertise. Our efforts are focussed in ensuring compliance with the codes. However, unless there are significant improvements in the accessibility and clarity of the modification process we, and other independent suppliers, will be unable to use our resources to adequately influence change. Without the engagement of independent participants, the codes process will continue to hinder competition and create a barrier to entry.

We ask that Ofgem will continue to require simpler information and for this information to be clearly communicated to all parties.

We also welcome any further contact in response to this submission. Please contact Ryan Wilkins on 01453 769392 or [ryan.wilkins@ecotricity.co.uk](mailto:ryan.wilkins@ecotricity.co.uk).

Yours sincerely,



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