

Maxine Frerk,
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[25 June 2015](#)~~15 June 2015~~

Dear Maxine,

Further review of Industry code governance

Thank you for the invitation to respond to the above document. Good Energy is a fast-growing 100% renewable electricity supply company, offering value for money and award-winning customer service. An AIM-listed PLC, our mission is to support change in the energy market, address climate change and boost energy security.

Executive Summary

Good Energy believes that the Significant Code review process has been beneficial in driving through complex change, although we question the balance of power between the regulator and industry in its current guise.

However, to really improve the ability of all parties to manage the codes there needs to be a radical overhaul not just of the governance but the content of the codes as well. Most of the codes are wedded to the principle that industry parties are large, few in number and were designed and amended for competition in the market almost 20 years ago. As more players enter the market, then the existing set-up with a majority of parties not engaging with code changes is unsustainable and has to be addressed.

We therefore encourage Ofgem to be brave and consider if a more radical approach is needed to reduce the complexity of the codes and get greater engagement from parties beyond the big 6 suppliers.

We have answered your specific questions with reference paragraph below, expanding where necessary.

Q1. Do you consider the governance changes introduced under CGR and CGR2 have been effective in improving the code governance arrangements? In particular considering the efficiency and effectiveness of code change, the ability for large scale reform to be implemented, and the accessibility of the arrangements for smaller/newer industry participants and consumer representatives?

We would agree that the introduction of the Significant Code Review (SCR) process has improved the ability of the industry to manage complex change, although we note that the instigation of the process rest solely with Ofgem, as does the approval of the subsequent code changes. This became apparent during the Electricity balancing SCR, where through consultation with the industry the BSC Panel rejected the proposed change due to the impact on certain aspects of the market, but Ofgem subsequently approved the change they had instigated. We therefore believe that Ofgem if it instigates a SCR, it should not be the final decision maker. Alternatively, a SCR should need to be

requested from Ofgem by a party, and Ofgem should consult on whether the market supports that request.

With regard to CACoP and access to the codes for smaller parties we have seen little improvement. Whilst some Code Administrators have upped their game in engaging Independent suppliers, little has been done to address the resource inequality that exists between the largest companies and their competitors. As an example, whilst small suppliers are guaranteed representation on the SEC Panel, none of the sub groups such as the security sub committee have Independent supplier representation as the “expertise” skill set required does not exist in smaller companies even though places are assigned for them. Many codes also operate change groups which are self selecting with little attempt to address any imbalance of representation.

We believe that self governance has helped, but could be improved by placing on Change Administrators an obligation to keep the codes under review for efficiency. This means using the self governance process for removing redundant text or reflecting changes elsewhere. For minor changes a process of approved unless challenged would expedite the process. (For example typos, alignment of different parts of the codes etc.)

Q2. Do you agree that there is a need to consider further reforms to the industry code governance arrangements? If so, what issues do you consider should be addressed, and what possible solutions do you identify?

Whilst the previous reforms were welcome, they did not address the size and complexity of the various codes, and the fact that many are run by different administrators in different ways. Addressing the Governance of the codes without addressing the content of the codes themselves will not resolve the problems within the industry.

We believe there are several things that need to be addressed. Firstly, whilst recognising the history, running the energy industry with 11 codes, each with their own secretariat and ways of operating is inefficient, and often creates duplication. For example, the introduction of the TRAS service has required almost identical changes to the SPAA and DCUSA separately. This results in suppliers in both markets having to manage the change in both codes separately, even though the company providing the administrator function (Electralink) is the same.

We believe the process could be resolved by creating three codes. A retail code, a wholesale Code and a network code. All three codes should be managed by one administrator who can ensure efficient use of signatory’s time and resource, and support smaller market players by having their own expertise to support them.

The change processes would also need to be reviewed. Currently, it is not uncommon for change groups to have only six members one from each of the large suppliers. However, even if all parties could find the resource to attend change meetings, then the change group would grow to a size (potential 50+) as to be unworkable. We believe all change groups should reflect the mix of signatories on their Panel, and no panel should have six large supplier seats.

The process should also be streamlined. Working groups should sit as experts (with the exception of the change proposer who would not have a vote). All attendees should not only have their expenses reimbursed, but should be paid a fee for their participation. This would assist smaller parties to either send their experts, or ensure experts they are comfortable with attend without having to be funded by smaller parties. This may require the code administrator to run elections

from nominations, but this would be a more representative way of working. The Experts on the working groups would then consult on their proposals, and responses would be submitted as representing the views of organisations.

Finally, all codes need an objective of delivering a better outcome for consumers. Many of the codes sit aloof from customers and can get lost in their own complexity and make changes in isolation of their wider impact.

Q3. In addition to a post implementation review of our CGR reforms and potential changes discussed in this letter, are there any other areas of industry code governance that should be considered in this review?

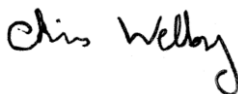
Whilst we recognise a lot of the codes are there to ensure the market functions, we believe that they should be assessed against the principles of better regulation. We believe many of the requirements in the codes which over prescribe the way an outcome is delivered, and therefore prevent better ways of delivering the outcome. For example, many of the codes still do not recognise small scale export or make it over complex to manage. As a result many small scale generators do not have export meters and spill onto the network, which means they cannot be incentivised to export to their supplier.

As mentioned above, we believe a streamlining of the number of code and code administrators would reduce costs and make working with the codes more efficient.

Finally, If Ofgem proceeds with a move to principle based regulation (PBR), then industry codes should be subject, where possible, to the same approach. At the very least we should avoid moving to PBR in licence by moving current licence conditions into the codes.

I hope you find this response useful. If you have any questions or require clarification, please do not hesitate to contact me.

Kind regards,



Chris Welby

Policy & Regulatory Affairs Director