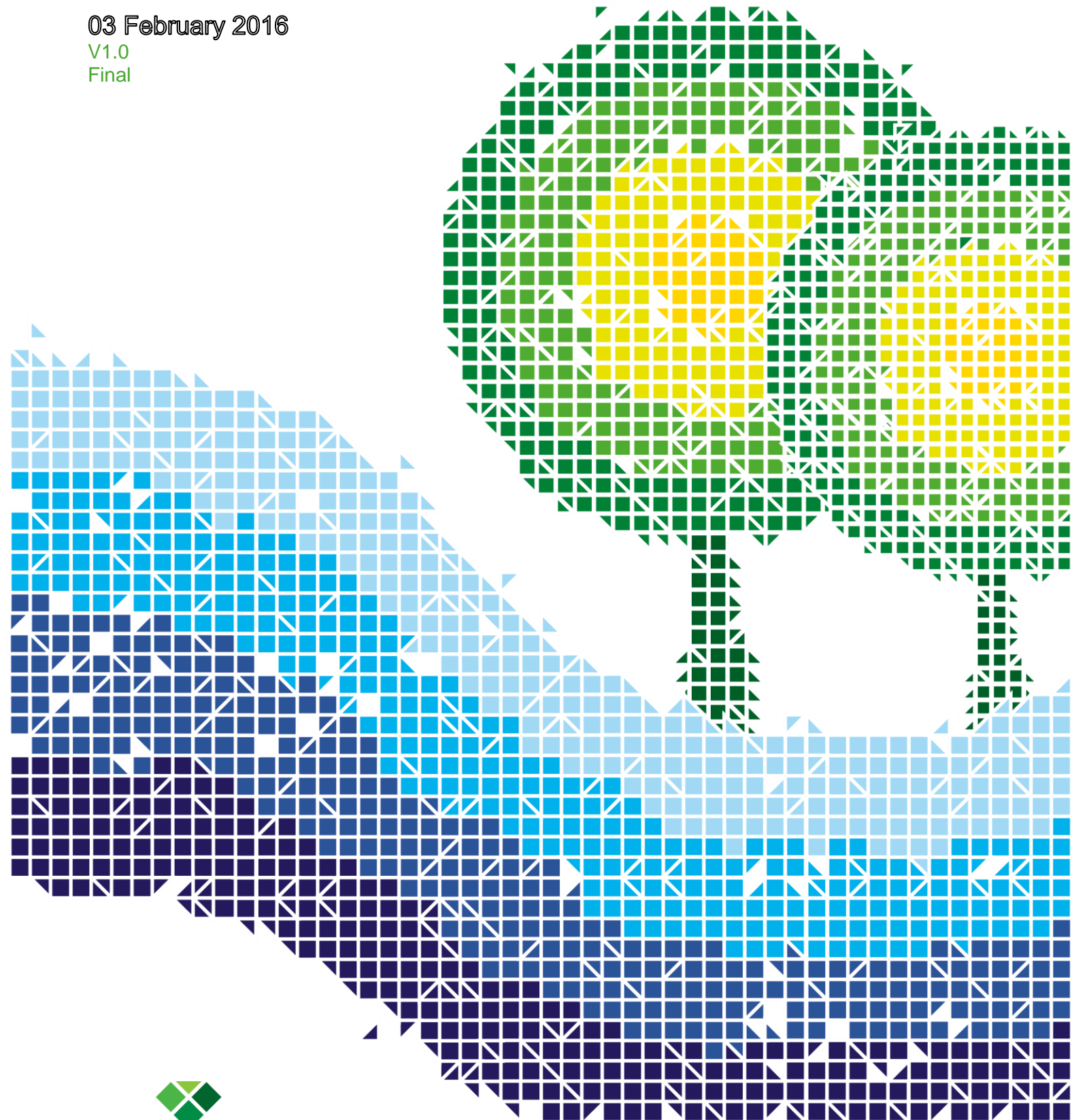


Stage 2 Consultation on 'MCS equivalence' for the Domestic Renewable Heat Incentive Scheme

03 February 2016

V1.0

Final



Gemserve



Table of Contents

1. Responses to Consultation Questions.....	3
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Dear Sir or Madam

Gemserv welcomes the opportunity to respond to the Ofgem's '*Stage 2 Consultation on MCS equivalence for the Domestic Renewable Heat Incentive Scheme*'.

Gemserv is a specialist energy, utility and environmental consultancy service provider. We have extensive experience in the microgeneration space, and in particular as administrator for the Microgeneration Certification Scheme (MCS). We understand and have a deep working appreciation of market assurance, industry standards and the importance these play in support of consumer protection and public confidence in the renewables sector.

We are supportive of the Government's objective to encourage competition in the renewable technology market and welcome its efforts to provide clarity and transparency to prospective certification scheme owners. However, this Stage 2 consultation raises a number of questions on the potential impacts of these requirements on the microgeneration market, considering that this is a relatively nascent market with limited ability to absorb additional costs. In responding to the consultation, we draw upon three key aspects:

- Equivalence schemes risk greater confusion amongst market participants. To ensure consistency and reduce additional costs on installers, Certification Bodies and consumers, there should be recognition of equivalence between schemes.
- The prescriptive approach to requirements for equivalence promote a duplication in effort and costs between MCS and any new scheme. This approach does not facilitate simplification or innovation in the market and could create unintended market barriers.
- Promotion of competition must not lead to a 'race to the bottom', an inability for certification schemes to enforce standards effectively, or a dilution of participation/resourcing across multiple certification schemes that ultimately undermines their sustainability. Existing and new customers of microgeneration technologies require confidence that standards will be maintained and enforced and that, access to and availability of, ongoing support can be provided.

Since its inception in 2008, the design and requirements of MCS have evolved, where elements of the Scheme go beyond the ISO/IEC 17067 and ISO/IEC 17065 frameworks. Ofgem must therefore determine to what extent 'equivalence' means 'sameness' – recognising that prescriptive equivalence may create little room for differentiation or innovation, and an imbalance between MCS and other schemes in their ability to determine the development of standards. Whether this is a positive approach for the industry's development remains unclear.

Given the development and the importance of this consultation to the microgeneration sector, I will contact you for a meeting to expand upon aspects that impact upon the sustainability of the microgeneration sector.

Yours faithfully
Jessica Tull
MCS Delivery Manager



1. RESPONSES TO CONSULTATION QUESTIONS

QUESTION 1: THE SCHEME REQUIREMENTS

A. IN YOUR OPINION, ARE THE PROPOSED SCHEME REQUIREMENTS [OUTLINED IN SECTION 5] SUFFICIENT TO ENSURE THAT AN EQUIVALENT SCHEME IS SET UP APPROPRIATELY? IF NOT, PLEASE EXPLAIN YOUR ANSWER.

Gemserv agrees that ISO/IEC 17065 and ISO/IEC 17067 provide a reasonable and impartial baseline for assessing scheme equivalence to MCS. Utilising these frameworks will provide confidence to consumers, regulators and industry that any new certification scheme adequately conforms to a set of specified and internationally recognised requirements.

ISO frameworks, including the guidelines of ISO/IEC 17067, are provided in such a way that could allow for wide interpretation. As such, it is critical that in reviewing equivalence, Ofgem establishes a more defined assessment criteria that builds on the ISO frameworks to evaluate a new scheme's governance structures, standards and procedures, installer competency and consumer protection measures. This includes ensuring open engagement with stakeholders (specified under both ISO/IEC 17067 and ISO/IEC 17065), as MCS experiences illustrate the importance of thorough stakeholder engagement in the successful development of scheme standards. Adequate industry engagement and transparency in processes, including in the Scheme's governance arrangements, are central to ensuring standard development is pragmatic, comprehensive and proportional for industry. Any new scheme would need to demonstrate it sufficiently meets the MCS level of stakeholder engagement.

We recommend that Ofgem establishes minimum requirements for both technology standards – so that performance standards are not subject to a 'race to the bottom' – as well as for consumer protection measures, including proper complaint handling procedures, insurance protections, and provisions for alternate dispute resolution.

B. IN YOUR OPINION, DO THE 'FUNDAMENTALS' OF A CERTIFICATION SCHEME AS DEFINED IN ISO/IEC 17067 CONTAIN ANY REQUIREMENTS THAT ARE NOT NECESSARY FOR EQUIVALENCE TO MCS? IF SO, PLEASE EXPLAIN YOUR ANSWER AND PROVIDE EXAMPLES.

Gemserv assess that the fundamentals of a certification scheme as defined by ISO/IEC 17067 are all necessary for equivalence to MCS. The MCS was established under the guidelines of ISO/IEC 17067, so any reduction of elements of ISO 17067 could invite challenge towards those claiming MCS equivalence.

MCS has evolved significantly over the course of the last eight years and elements of the design of the Scheme may be perceived by industry as in excess of the ISO/IEC 17067 requirements. As such, in the interest of reducing 'red tape', Ofgem would benefit from conducting a gap analysis between the requirements of MCS and ISO/IEC 17067 to determine whether requiring conformity with ISO/IEC 17067 alone would mean that 'equivalence' to MCS could still be achieved and if so, whether this approach provided any benefit to new entrants.



QUESTION 2. ASSESSMENT PANEL

A. IN YOUR OPINION, ARE THE TERMS OF REFERENCE FOR THE ASSESSMENT PANEL [OUTLINED IN APPENDIX 2] APPROPRIATE AND SUFFICIENT? IF NOT, PLEASE EXPLAIN YOUR ANSWER.

Gemserv assesses that the Assessment Panel Terms of Reference are broadly appropriate.

We would suggest that under 'Roles and Responsibilities of the Assessment Panel' it is made clearer that the Panel should assess particular design elements of the new scheme, including the proposed composition for governance arrangements, complaints and compliance arrangements, consumer protection processes and methodologies for the provision of data to Ofgem in support of the incentive schemes. Each of these items are important for ensuring a credible and workable equivalent scheme is achieved.

Based on the Terms of Reference and assessment processes, as the Terms are currently documented, industry is likely to require further guidance from Ofgem as to what constitutes 'proof of ongoing maintenance of equivalence'. It would be beneficial for Ofgem to provide further guidance on how, and by whom, ongoing maintenance of equivalence will be monitored and assessed.

B. IN YOUR OPINION WHAT QUALIFICATION, EXPERIENCE OR ORGANISATIONAL REPRESENTATION WOULD SUITABLY QUALIFY SOMEONE TO BE A REPRESENTATIVE ON THIS PANEL? PLEASE EXPLAIN YOUR ANSWER.

Ideally the Assessment Panel should consist of individuals who are objective and independent to the schemes, both existing and prospective. Gemserv recognises that given the nature of the assessment process, alongside the scope and reach of the MCS scheme, identifying individuals with objectivity and independence, as well as the required depth of knowledge, will be challenging. On the assumption that potential conflicts could be overcome, we would suggest the Panel consist of those with:

- Technical expertise relevant to the technology/technologies, through practical experience and/or trade associations;
- Experience in the European Committees, particularly those involved with the development of relevant European Standards;
- Expertise in the design, regulatory and legal elements of establishing certification schemes; and
- Consumer protection expertise.



QUESTION 3: THE ASSESSMENT PROCESS

A. IN YOUR OPINION, WILL THE PROPOSED ASSESSMENT PROCESS [OUTLINED IN SECTION 6] ENABLE OFGEM TO ROBUSTLY ASSESS SCHEME EQUIVALENCY TO MCS? IF NOT, PLEASE EXPLAIN YOUR ANSWER.

Gemserv considers that the assessment process appears to be comprehensive enough for Ofgem to determine equivalence to MCS.

However, whilst we recognise the requirement of providing a mechanism by which consumers may trigger the assessment process, we are concerned that this approach could expose consumers to risk. Under this 'Route A' it is possible that an individual could trigger the process before a scheme is ready to, or has undergone, the necessary assessment with UKAS. By allowing consumers to trigger the process, there is a possibility that this could expose consumers to opportunists who are mis-selling, delay consumers from receiving RHI payments for extended periods of time, or leave consumers out of pocket should the scheme's equivalence be rejected. Ofgem should consider how consumers, particularly those classified as vulnerable consumers, are adequately protected.

In addition, by requiring that a portfolio of installations exist for physical assessment prior to recognition of equivalence, Ofgem are requiring prospective scheme owners to establish pilot programmes via associated or spin-off installation companies through which they may then conduct the installations. Such an approach requires companies to dedicate a substantive amount of capital upfront – not only for the development of the processes and standards, but also for them to absorb the risks associated with these initial installations – all without guarantee of scheme equivalence. This potentially high cost and high risk upfront may act as an unintended or perceived barrier to entry, which could hinder achieving the objective of introducing more competition into the market.

B. IN YOUR OPINION, DOES THE PROPOSED ASSESSMENT PROCESS [OUTLINED IN SECTION 6] CONTAIN ANY ADDITIONAL STAGES THAT ARE NOT NECESSARY FOR ASSESSING EQUIVALENCY TO MCS? IF SO, PLEASE EXPLAIN YOUR ANSWER AND PROVIDE EXAMPLES.

Gemserv do not assess any of the proposed assessment stages to be unnecessary for assessing equivalence.



I Change History

VERSION	STATUS	ISSUE DATE	AUTHOR	COMMENTS
0.1	Draft	3 February 2016	Jessica Tull	Draft for review
1.0	Final	3 February 2016	Jessica Tull	Final version

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