

Date: 15 January 2010

RFI Team
Office of Renewable Energy Deployment
Department of Energy and Climate Change
3-8 Whitehall Place
LONDON
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Re: Consultation on proposal to modify electricity supply licence conditions for the purpose of introducing the Feed-In Tariff Scheme

Consumer Focus campaigns for a fair deal on behalf of consumers. We do this through research, policy, analysis, lobbying and by working with policy makers, providers and others who can make a difference to consumers' lives. We have a special remit to represent the interests of disadvantaged and vulnerable consumers.

This letter sets out Consumer Focus' response to the 'Consultation on proposal to modify electricity supply licence conditions for the purpose of introducing the Feed-In Tariff Scheme' issued by DECC on 18 December 2009. We welcome the aspects of the conditions that have addressed the concerns we raised in our response to the Consultation on Renewable Electricity Financial Incentives 2009, including:

- Definition of 'Site' should facilitate the development of community-owned installations while prevent gaming by larger developers
- Part 1:2.2.1 and 9.1.3 will protect of consumers' right to switch both supply and export

We also welcome the following conditions, but with reservations:

- Part 1:2.1 drives payment to owners of installations rather than occupiers of sites. This should enable economies of scale, with owners operating across multiple sites with benefits shared with Site owners (dependent on tariff levels). We want to see households protected in these arrangements. We believe that this does not need to be reflected in the definition of a FIT Generator; but should be addressed through the MCS accreditation process, or related accreditation of energy services providers, to ensure consumers get a fair deal
- Part 1:6 provides for accreditation of installations that are not using an MCS-FITs Technology, including Migrated ROO Generators. We are concerned that this process has not been communicated to the Migrated group, particularly interim installations, given the deadlines set out in the 2009 REFI consultation. We therefore ask that DECC or Ofgem update this group on progress, including a commitment to enable existing installations to apply for entry into the scheme from its start date
- Part 1:8.2 gives Generators the option to switch between the FIT Export Payment or negotiate a price on the open market. The condition needs to specify what Export Tariff

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is payable to a Generator that switches to the open market but then chooses to return to a guaranteed price. Is their initial Export Tariff valid through their Eligible Period, or can they only take up the Export Tariff for new Generators? We support the former, to avoid issues related to inflation and because this is the amount budgeted for the installation by the Generator and the Authority

- Part 1:11.2.4 requires checking of meter readings at least once every two years to reduce errors and abuse of the system. Accuracy will improve with the installation of smart meters, nevertheless we believe this condition should include the need to check meter readings at the end of the Eligibility Period

The following elements are cause for concern:

- Definition of 'Complaints Procedure' – Any complaints procedure must also enable a FITs Generator and FITs Licensee to complain about any action taken by the Authority (the scheme administrator) in relation to the handling of their or their customer's Application or FITs Agreement
- Definition of 'Eligibility Date' – A level of discretion is needed in part (a) of this definition to protect generators who are incorrectly advised by suppliers, the Authority or the FITs licensee; in case of process failures by the Authority, the FITs licensee or the notification process between the two parties; failures in the ICT infrastructure that will support the applications process; or other failures outside the generators' control. We are concerned that generators could lose out due to failures by others, particularly in the early days of this scheme
- Part 1: 7.1 – A time limit must be applied for the entry of a Mandatory FITs Licensee into a FITs Agreement. Any delays (which are more likely in a new system such as this) will pass costs and other risks on to generators. Generators must have confidence in the scheme and this is best communicated through a prompt and clear agreement between the parties. Where there is likely to be a significant time lapse between the application and commissioning date it would be helpful for a draft to be produced to assure the generator of their eligibility subject to relevant conditions. We therefore want this paragraph to either set a time limit or require the Authority to set and enforce a time limit. In turn, the Authority must take generators' needs into account when setting this time limit.

We have a number of concerns in relation to the overall governance and administration of the scheme. It is difficult to tell from the wording of the proposed licence condition what impact, if any, there will be on the relevant industry codes, including the Balancing and Settlement Code (BSC). Industry will need to assess the detail once known and if necessary make appropriate modifications to codes. Time needs to be allowed for this modification process.

We are also concerned about the administrative costs of the scheme. We note that Elexon, the Balancing and Settlement Code Company for Great Britain, has raised concerns in their response that there are potentially significant areas of overlap with the existing Balancing and Settlement Code that could cause duplication of effort and problems with data. While we are not experts in this area we are concerned that if accurate this could result in unnecessary costs being passed on to the consumer. We expect the scheme to be operated in a cost efficient and effective manner and that processes will be aligned with and not duplicate existing industry governance.

We hope that DECC and Ofgem will thoroughly investigate the potential impacts of changes to supply licences and the introduction of the FIT scheme on industry changes.

We understand that Elexon has put a proposal to the RFI Team¹ and that they support the proposal for alignment of processes and maximising efficiency through a competitive procurement process for the role of scheme administrator. A proper procurement process is a sensible approach as it will ensure value for money. It is disappointing that it seems the Government has already decided that the scheme operation will sit with the market regulator, Ofgem. While we do not want to see any delays to the commencement of the scheme we also believe a thorough procurement process is important, with interim arrangements used as appropriate to ensure early adopters do not lose out.

Yours faithfully,

Liz Lainé
Senior Policy Advocate

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http://www.elexon.co.uk/documents/consultations/decc_consultation_on_modifying_electricity_supply/elexon_response_decc_fit_consultation_v1.0.pdf

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