ENERGY
RETAIL
Association

ERA considerations on governance of Green Deal systems required to meet Energy Supplier's mandated function

4 August 2011

1. Introduction

1.1 This note sets out Energy Suppliers' views on governance of cross-industry systems that are required in order meet their function as mandated collection agent of Green Deal monies. At this stage the systems that energy suppliers envisage being required in order to allow them to fulfil this function are a Green Deal Central Charge Database and a payment remittance and data interface between Energy Suppliers and Green Deal Financiers.

2. Scope of this note

2.1 This note relates only to those elements of governance that will impact on Suppliers meeting their mandated requirements under the Energy Bill 2011 to bill for and collect Green Deal monies and to forward on monies to Green Deal Providers, or to financiers who have had the right to receive Green Deal monies assigned to them by Green Deal Providers. It does not refer to any systems that may be required or utilised by Energy Suppliers in their capacity as Green Deal Providers.

3. Considerations shaping thinking on governance

3.1 Energy Suppliers would like the following considerations to shape any decision on governance of Green Deal systems relating to suppliers' fulfilment of their mandated Green Deal function:

a) It will both cost more and take longer to form a new governance vehicle.
b) Utilising existing mechanisms would mean that governance mechanisms, funding mechanisms, and secretariat functions are already in place.
c) Any solution must be actionable within a short timeframe given the proposed October 2012 launch date for the Green Deal.
d) Need to ensure that all possible scenarios are catered for within the governance of the Green Deal.
e) There will need to be a way to ensure that Green Deal Providers and Financiers uphold the provisions and standards outlined in any energy industry code used to govern the Green Deal.
f) The binding of other parties, such as Green Deal Providers and Financiers to service level agreements that reflect the provisions in any energy industry governance could be through a Green Deal multiparty agreement.
g) Could explore non-energy supplier parties joining specific Green Deal schedules or protocols that are added to any pre-exiting energy industry code.
h) Given that Green Deal charges will be collected from the electricity bill it makes sense to utilise electricity industry governance.

4. Considerations on specific governance mechanisms

The Master Registration Agreement

4.1 The Master Registration Agreement (MRA) currently provides a governance mechanism to manage the processes established between electricity suppliers and distribution companies to enable electricity suppliers to transfer customers.

The MRA as a governance vehicle for the Green Deal

4.2 It is felt that the MRA has the following advantages and disadvantages as a governance vehicle for the Green Deal.

Advantages of the MRA

- All licenced electricity suppliers are parties to the MRA.
- There is already a mechanism that determines suppliers' contributions to fund the MRA.
- Because a customer's ability to change supplier is the main reason that industry wide Green Deal systems are required, the MRA – which exists to facilitate change of supply - could be a natural place for Green Deal Governance to sit.
- Allows for meter point orientated administration.

Disadvantages of the MRA

- It is not a consumer facing document.

How use of the MRA would work

4.3 In order to be able to incorporate Green Deal into the MRA there would have to be changes to the Master Registration Agreement itself.

4.4 DECC would first need to provide MRA with the *vires* to allow the MRA Executive Committee to raise the changes to the code through secondary legislation.

4.5 Following such legislation, or potentially following some kind of memorandum of understanding from DECC in advance of the required legislation being passed, the MRA Executive Committee would have to raise changes to the MRA.

4.6 At the same time as the MRA changes are being raised, a procurement process could get underway to procure Green Deal services.

4.8 It is not possible to go into further detail in relation to exactly how an MRA role in governance would work until there is more clarity around the system architecture. This includes any determination on its role alongside or in concert with any Green Deal multiparty agreement.

The Balancing and Settlement Code (BSC)

4.9 The BSC is concerned with interactions between traders, generators and suppliers in the context of power trading.

4.10 The activities governed by the BSC are of little relevance to the Green Deal. It may, therefore, be difficult to accommodate the Green Deal logically within the preexisting governance and administration arrangements.

4.11 The make-up of the membership of the BSC may also inhibit its ability to play a part in the Green Deal. Traders and generators that form part of the BSC membership may argue against Green Deal's inclusion. Distribution Network Operators are involved with the BSC but a lot less so than with the MRA and Distribution Connection and Use of System Agreement (DCUSA).

4.12 If the BSC were to be used to govern the Green Deal there would still need to be amendments to the MRA, whereas if the MRA were to be used there would be no need to amend the BSC. The requirement for both codes to be altered could add extra expense and complication.

The Distribution Connection and Use of System Agreement (DCUSA)

4.13 DCUSA is a multi-party contract between the licensed electricity distributors, suppliers and generators of Great Britain. It is concerned with the use of the electricity distribution systems to transport electricity.

4.14 Although all suppliers and distributors are signatories to DCUSA the code is focused on supply connection issues and distribution charging, neither of which are relevant to the Green Deal.

4.15 If DCUSA was to be used as the Green Deal governance vehicle the MRA would still need to be significantly amended as this includes the governance regarding supplier switching. The need to make alterations to two codes would result in greater costs and complexity in managing the changes to governance to support the Green Deal.

5. Facilitation of governance options

5.1 Given that final decisions on governance will need to wait until the system architecture is in place it will be necessary to ensure that government provides for maximum flexibility in terms of the changes that can be made to industry codes.