

Consultation Response

Monday 2nd November 2020



Consultation on a Green Gas Levy

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has seven organisational divisions - Utility Networks, the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Manufacturers of Equipment for Heat Networks Association, the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC) and the Gas Vehicles Network (GVN).

The Energy and Utilities Alliance (EUA) is a company limited by guarantee and registered in England. Company number: 10461234, VAT number: 254 3805 07, registered address: Camden House, 201 Warwick Road, Kenilworth, Warwickshire, CV8 1TH.

1. Do you agree with our rationale for applying the levy to all suppliers of gas into the grid (apart from those that supply green gas exclusively)? Yes/No. Please provide evidence to support your response.

Yes, we agree with the rationale and scope of the levy as outlined in the consultation document.

2. Do you agree with our rationale for proposing that the Green Gas Levy be charged on a per meter per day basis, according to gas supplier meter points served? Yes/No. Please provide evidence to support your response.

Yes, we agree with this approach as it would be simple for suppliers to implement.

3. Do you agree that the steps outlined above to provide notice to suppliers ahead of the first levy collection, and the notice period for subsequent years, are sufficient? Yes/No. Please provide evidence to support your response.

Yes, we believe that six months will give sufficient notice to suppliers but we would question why subsequent rates will be announced only three months in advance of them being charged. If six months' notice can be given of the initial levy amount then going forward, surely suppliers could receive at least an indication of the likely rise or fall in the levy six months in advance.

4. Do you agree with our proposed methodology for calculating the pence per meter per day levy rate? Yes/No. Please provide evidence to support your response.

Yes, we agree that linking the levy rate to the budget of the Green Gas Support Scheme and the meter points is a sensible approach.

5. What are your views on how underspend should be managed? Please provide evidence to support your response.

We feel that the best approach would be to take a previous year's underspend into account when setting the levy for the following year. This would reduce the administrative burden of the levy and remove the need for suppliers to refund their customers at the end of the year.

6. Do you agree with our rationale for proposing that levy payments should be made quarterly? Yes/No. Please provide evidence to support your response.

Yes, we agree that quarterly payments would provide a fair balance and would avoid the cash flow issues which could arise from requiring annual payments.

7. Do you agree with our proposal that gas suppliers should provide quarterly meter point data to Ofgem to inform quarterly levy payment calculations? Yes/No. Please provide information about the availability of meter point data and the formats that it could be provided in.

Yes, if the levy is to be charged quarterly, it follows that quarterly meter point data should be submitted by suppliers.

8. Do you agree with the assumptions made and the costs set out for suppliers of familiarisation with the regulations and administration in the accompanying Impact Assessment (to be published during the consultation period)? Yes/No. Please provide additional information on any other costs to business associated with the Green Gas Levy that have not been discussed that should be considered (e.g. engagement with customers and changes to billing systems).

We have no comment to make.

9. Do you agree with the proposal to require all suppliers to secure credit cover? Yes/No. Please provide evidence to support your response.

No, we feel that this would represent an unnecessary burden on suppliers. We believe that the additional powers for Ofgem to police non-compliance would be sufficient to ensure the smooth running of the scheme, as has been the case for other schemes administered by Ofgem.

10. Do you agree with the forms of credit cover that we are proposing could be provided by suppliers? Yes/No. If not, what alternatives would you recommend that could also be drawn upon quickly?

Please see our answer to question 9.

11. Do you agree that credit cover should be lodged on a quarterly basis, (if there is not already sufficient cover in place), in order to cover the upcoming quarterly levy payment? Yes/No. Please provide evidence to support your response.

Please see our answer to question 9.

12. Do you agree with our proposal for a flat rate charge for the levy, without tiering, as part of a per meter point levy design? Yes/No. Please provide evidence to support your response

In light of the small savings that could be expected from introducing a tiered system, we support a flat rate being introduced for this levy. However, should it become apparent that costs are rising faster than anticipated and the levy is exacerbating issues with fuel poverty, we would ask that the Government look at providing additional support through existing fuel poverty alleviation schemes such as the Warm Home Discount Scheme.

13. What are your views on the impact that the Green Gas Levy could have on billpayers? Please provide evidence to support your response.

We expect that the impact on billpayers will be minimal despite the levy being based on gas consumed. This should avoid any disproportionate impact on vulnerable consumers, however, we would ask that the Government take into account any changes to this situation which could arise from an unforeseen increase in the budget for the Green Gas Support Scheme or from other levies or charges on gas bills.

14. Do you agree with the proposed approach to budget control and financial management? Yes/No. Please provide evidence to support your response, including any views on the proposed change to the quarterly meter reading submission process for biomethane producers.

Yes, we agree with the approach set out in the consultation document.

15. Do you agree that the backdated payments proposal will provide the necessary certainty for biomethane developers to proceed with applying to the Green Gas Support Scheme during the gap in funding availability? Yes/No. Please provide evidence to support your response.

Yes, we agree. The biomethane industry is developing rapidly and this growth needs to be supported as quickly as possible. We agreed with the vast majority of the proposals for the Green Gas Support Scheme when it was consulted on so we support its commencement leveraging backdated payments.

16. Do you agree with the proposed mutualisation process? Yes/No. If not, what alternative mechanism would you propose?

Yes, we do agree with the proposed approach for recovering unpaid levy charges although we hope that a mutualisation event would only be used as a last resort where there is no realistic prospect of a defaulting supplier meeting their obligations in the foreseeable future; in the meantime, the shortfall in the scheme should be covered by the Government.

17. Do you agree with the proposal that Ofgem may report and publish information on non-compliance and enforcement action? Yes/No. Please provide evidence to support your response.

Yes, we agree with the proposal to enable Ofgem to publicly report non-compliance. This levy will fund the decarbonisation of the gas grid which will be one of the key priorities for energy policy in the coming years so it will be vital for there to be a level playing field for all suppliers when it comes to the Green Gas Levy.

18. Do you have any views on how reporting can be used to best contribute to compliance with scheme obligations?

We believe that Ofgem should report on non-compliance and any action taken to tackle this on an annual basis as part of a general update on the progress of the levy.

19. Do agree with the proposed approach of applying interest to late payments? Yes/No. Please provide evidence to support your response.

Yes, we strongly support this approach as it should act as a powerful disincentive to non-payment of the levy.

20. Do you agree with the proposed range of interest applied to late payments? Yes/No. Do you have any views on the appropriate rate of interest to mitigate against late payments?

Yes, we agree with the proposed range given that it is in line with other government schemes.

21. Do you agree with the proposed approach for Ofgem to issue financial penalties, including the proposed maximum limit? Yes/No. Please provide evidence to support your response.

Yes, for the same reasons given in our response to question 19.

22. What do you consider the maximum fine should be where a gas supplier has either a low turnover or no turnover at all? Please provide evidence to support your response.

We would suggest that the maximum fine is calculated on a case-by-case basis and be based on a quantifiable measure such as the supplier's market share or number of customers. This would avoid a blunt maximum figure which could be a disproportionate penalty for a small supplier but also of little concern for a larger supplier.

23. Do you have any views regarding the pursuance of debts through the courts by Ofgem?

In the case of exceptional instances of non-compliance, Ofgem should have this option available to pursue debt.

24. Do you agree with more closely aligning levy costs with consumption through a volumetric approach, as the scheme develops? Yes/No. Please provide evidence to support your response.

Yes, we agree with this proposal and believe that a volumetric approach should be used as soon as practically possible. This would make the levy far more reflective of actual gas usage which should be beneficial to suppliers and consumers, as long as consideration is given to vulnerable consumers and energy intensive industries.

25. Which of the three options set out above would be the most suitable for designing a volumetric levy? We would welcome views on how to overcome any of the issues with those approaches that have been identified.

We feel that basing the levy on Supply Meter Annual Quantities would strike the right balance between reflecting consumer usage and collecting an appropriate amount across all suppliers. We feel that option 1 would require regular adjustments to account for lags in reporting as well as year-on-year variations which is not conducive to a scheme which is simple to administer and take part in. Option 2 would not take account of changes in consumers' circumstances which could lead to significant over or undercharging. We believe that discrepancies arising under option 3 would be less pronounced as adjustments are made more frequently.

26. Are there any feasible alternatives to the proposals set out in this chapter for achieving a levy that is proportionate to gas volumes? Yes/No. Please provide evidence to support your response.

We have no comment to make.

27. How could we ensure that a volumetric levy is designed in a way that promotes a competitive gas supply market and minimises costs, administrative burden, and other impacts on suppliers?

Reducing the need for frequent reconciliations will be important, as will reducing the level of reporting which suppliers need to carry out.