



Megan Cupid
Ofgem
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Emailed to: future.heatpolicy@ofgem.gov.uk

9th August 2021

Dear Megan,

Response to Administration of the Green Gas Levy (GGL) Consultation

Drax Group plc (Drax) owns two retail businesses, Haven Power and Opus Energy, which together supply renewable electricity and gas to over 350,000 business premises. Drax also owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8.3 million homes across the UK. This is a joint response on behalf of Haven Power and Opus Energy and is non-confidential.

We're broadly supportive of Ofgem's proposed approach for the administration of the Green Gas Levy. However, there are opportunities to reduce the complexity of the proposed arrangements:

- The alternative data collection approach, where Ofgem obtains daily meter point data from an independent source (such as Xoserve and Elexon), will benefit both Ofgem and Suppliers, as it would improve the consistency and reliability of data used to calculate levy payments and reduce administrative resource and cost.
- Extending the payment terms for mutualisation invoices to no less than 14 days from the invoice date would be more proportionate and consistent with standard invoicing practices.

Our response to the specific consultation questions is appended. If you would like to discuss our response in more detail, please do not hesitate to get in touch.

Yours sincerely,

Matt Young

Group Head of Regulation
Drax Group plc



Appendix – Consultation Questions

Question 1: Do you have any comments on the first proposal on data collection methods? Do you have any further suggestions for how data collection could be improved? and Question 2: Do you have any comments on the alternative proposal that Ofgem could collect data from a third-party and require suppliers to validate this?

We do not believe it is efficient to require Suppliers to provide the number of meter points served daily. We believe it would be more economical for Ofgem to collect the data directly from an independent source(s), and allow Suppliers to dispute it if deemed inaccurate. We therefore support the alternative proposal, as this will avoid the administrative burden and cost of Suppliers needing to develop and test new reports to meet the requirements. Instead, Ofgem would receive a more reliable and uniform dataset rather than many and varied Supplier submissions.

Question 3: Do you have any comments on the proposed list of information required to support a notification that a supplier is likely to be an exempt supplier? Is there any additional information that you believe will help support a notification?

We have no views on this question.

Question 4: From your experience of providing credit cover for other purposes previously, do you anticipate any difficulties in being able to obtain cash cover or a letter of credit that would meet the requirements and, in the timeframes, required? Please provide evidence to support your response.

We don't anticipate having any issues meeting the proposed credit cover provision requirements. However, as outlined in our answer to Question 6, we believe Ofgem should expand the acceptable forms of credit cover to include approved insurance products such as surety bonds, as these offer the same level of comfort in a more cost-effective way.

Question 5: Do you agree or disagree with Ofgem's proposed approach to the discretionary return of excess credit cover in quarters 1-3 each year, including limiting requests to once per year, and the proposed de minimis threshold for returns? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

We have no views on this question.

Question 6: From your experience of providing credit cover for other purposes do you have any feedback on any of the aspects proposed which could be made more efficient or easier to administer for either Ofgem or suppliers? Please provide evidence to support your response.



Whilst cash payments and letters of credit are commonly used forms of credit cover, there are equally effective cheaper alternatives including approved insurance products (e.g. performance bonds or surety bonds), where a suitable rating agency – i.e. one that has a rating equivalent to that required of a bank when providing a letter of credit – can issue bonds in return for payment (as permitted in the *Balancing and Settlement Code*). We therefore recommend that Ofgem expands the acceptable forms of credit cover to include approved insurance products.

Question 7: Do you agree or disagree with the proposed timings for making a mutualisation payment? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

We disagree with the proposal for Suppliers to have no more than 10 days to make a mutualisation payment, particularly as Ofgem has not outlined a clear logic for the reduced payment terms. We believe that Suppliers should be afforded no less than 14 days to pay from the date the invoice is issued. That approach would be more proportionate and consistent with standard invoicing practice.

Question 8: Do you agree or disagree with the proposal to include compliance with the Green Gas Levy in the Supplier Performance Report, and to use the same scoring methodology as used for other schemes? If not, please provide any other suggestions.

We agree that the Green Gas Levy should be included in the Supplier Performance Report but note that this risks creating an imbalance between suppliers encumbered with different scheme obligations, i.e., it may unduly penalise dual-fuel Suppliers as it risks them being cited more than Suppliers who serve electricity customers only. One approach to address that risk could be to establish a gas-only report which would include instances of non-compliance under the Green Gas Levy scheme.

Question 9: Are there any ways that we can help reduce the administrative burden for suppliers who are serving a low number of meter points, while ensuring that Ofgem and suppliers meet their obligations as will be set out within the regulations? Please provide evidence to support your response.

We have no views on this question.