



Administration of the Green Gas Levy consultation – E.ON Response

Thank you for the opportunity to comment on Ofgem's proposed administration of the Green Gas Levy (GGL). Please see below our comments on each of the questions raised in this consultation.

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?

Our preference would be to attain data from a third-party service provider. Initially this may be the CDSP (Xoserve), prior to being handed over to the Central Switching Service(CSS), when it goes live.

It would be unnecessary and inefficient to request suppliers provide the data on an individual basis, however, we would support a model which allows a supplier the opportunity to challenge data provided by a third party such as the CDSP and/or CSS. We would suggest that the level of effort suppliers place on checking third-party data is at the discretion of each supplier: a scheme that requires a full data check despite the involvement of a competent third party would be unduly onerous as it would mean that the data is being pulled twice.

Using a third party would also help to ensure consistency in the data selection approach versus the risk of suppliers interpreting the criteria differently.

Should the requirement be placed on suppliers (which, to stress, we disagree with) Ofgem would need to set out clear inclusion and exclusion rules. For example, would isolated and/or capped/clamped meters be included? How would unregistered and/or shipperless sites be treated? Would new connection sites be included where an MPXN has been set up but a meter is not yet onsite? Again, this points towards our preferred approach of the role being carried out by a third-party central service provider (CDSP or CSS) as it'll ensure a single interpretation is applied consistently across the market.

We would also welcome more general guidance on the provision of management information. We have interpreted that metering data would be required for each day of the previous quarter, i.e. approximately 90 lines including each total. Should suppliers be required to submit data or be able to challenge, we recommend standard templates to populate with clear instructions, which would mitigate the risk of different interpretation.

We have interpreted that Ofgem will be using the financial year calendar, rather than calendar year. It would be helpful if this can be confirmed.

We would also welcome clarity on the requirements needed for the first year of the scheme: would Ofgem require daily totals for 365 days, or would it just need daily totals from when the scheme goes live to the new financial year, i.e. October 2021 to March 2022?

In conclusion, our preference would be to use a third party service provider to lead on the provision of the data, with an optional check process in place for suppliers to challenge data and escalate any concerns.

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 would be supportive of Ofgem collecting data from a third party such as the CSDP and/or CSS with the option for suppliers to challenge and/or validate: mandatory validation would lead to a duplication of work with both suppliers and CDSP/CSS retrieving the data.

Utilizing CDSP/CSS could mitigate against individual submission errors as well as any administrative costs associated with missing and/or late submissions.

Using central data sets to calculate meter points is already proven to work effectively. Examples include the Retail Energy Code and SPAA (departing).

Should the scheme eventually become volumetric a review of data collection would be needed in case CDSP/CSS are unable to perform this task should these organisations principally manage data at a meter rather than volume level.

Should an individual supplier submission approach be taken Ofgem would need to consider reconciliations for any incorrect submissions.

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?

No comment at this stage.

4. From your experience of providing credit cover for other purposes previously, do you anticipate any difficulties in being able to obtain the issue of a letter of credit that would meet the criteria requested and in the timeframes required? If there are concerns or there have been previous issues please provide evidence of this within your response.

We would recommend that Ofgem is as flexible as possible with options available for lodging credit. We request that letters of credit can be provided by other institutions such as a Parent Company (Parent Company Guarantee). This is already the case with other schemes such as the Capacity Market¹ as well as transportation credit cover.

We were disappointed to receive feedback during the webinar that a Parent Company Guarantee option will not be available so would urge for this to be re-considered.

We suggest that those organisations that have an good external credit rating should be given some free credit. Some organisations are more financially stable, and this should be considered rather than applying a one-size fits all approach.

Should a letter of credit be required a period of 14 days to turn it around would be challenging. We would ask Ofgem to look at letters of credit covering longer periods (>3 months) to make this element less onerous.

We recommend that organisations with more than one supply licence are able to group the credit requirement together and thus have one credit agreement in place (rather than multiple ones covering different licences).

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,

¹ [Working practice to highlight the process of lodging credit cover. \(emrsettlement.co.uk\)](http://emrsettlement.co.uk)



and the proposed de minimis threshold for returns? If you disagree, please provide alternative suggestions, including any evidence, to support your response

We agree with the proposal, which will have a non-discretionary return of funds in March each year, as well as a discretionary return of funds in quarters 1-3 each year.

We agree to a de-minimis threshold in place. However, we would expect any sums to be recorded so they could either be returned later by aggregating to other credits or used to contribute to future credit requirements should meter points increase.

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.

As mentioned above, we recommend that an option to use a Parent Company Guarantee is offered. This would be more efficient than using a bank guarantee for some organisations. We also recommend an option of lodging credit at a group rather than individual licence level.

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 agree with notice as soon as possible and a period of 7-21 days appears reasonable. We would request that a longer period is offered to suppliers to make a mutualisation payment, as it is hoped that this will be a “non-standard” occurrence.

Mutualisation should be across all suppliers and Ofgem could consider a late payment penalty for any suppliers not paying within the required timescales.

At a policy level we are concerned by further mutualisation costs being pushed to prudent suppliers; it is an unfair “punishment”. We would expect the cost of mutualisation to be considered within the price cap review in addition to the underlying cost of the scheme, i.e. the cap should take into account the levy rate plus contingency for mutualisation events.

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.

This sounds reasonable but suppliers should have an opportunity to challenge to ensure reporting is accurate. It should also be guaranteed that there cannot be any misinterpretation of supplier performance.

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 would request that Ofgem assesses ways to reduce the administrative burden for all suppliers, not just those who are serving a low number of customers. As we have set out this could be achieved by using a third party to submit metering data with an optional supplier validation process in place.



We would welcome credit arrangements that cover a whole year but this would need to be done in a way to maintain minimal exposure to supplier default; possibly this could be achieved by lodging a higher level of credit versus a quarterly model.

We would request that there is consistency on payment windows; for example, the consultation states 14 days for payment of invoices but 10 working days for mutualisation payments. Although the same (assuming no bank holidays) we would recommend use of the same language for both with our preference being 10 working days, noting the turnaround time for a letter of credit is ambitious.

As a final comment/observation, we believe that it is very important that the levy rate is set as soon as possible before the start of the scheme. Doing that would minimize the risk of any commercial contracts to be inaccurately priced.