

Barry Coughlan
Retail Markets Policy
Ofgem
9 Millbank
London
SW1P 3GE

Tuesday 27th May 2014

Dear Barry,

Open letter consultation on the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate

Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's open letter consultation on the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate (GER). This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Energy UK agrees with Ofgem's proposal to amend the electricity supply standard licence conditions (SLC) to facilitate the delivery of the GER. While we would not normally expect the licence to be used in this way, as noted by Ofgem in the open letter there does not appear to be a viable alternative in this instance.

It is, however, difficult to provide Ofgem with more detailed comments on the GER and its proposed approach at this time. Industry will be better placed to address such questions following the publication of DECC's consultation on the proposed content of the Secretary of State's Direction. It would have been beneficial had both documents been published together, to allow industry and interested stakeholders to fully consider the GER and identify any unintended consequences.

Energy UK
Charles House
5-11 Regent Street
London SW1Y 4LR

T 020 7930 9390
www.energy-uk.org.uk
t @EnergyUKcomms

With this in mind, Energy UK has limited its comments to Ofgem's proposed role and responsibilities and the drafting of SLC 25D.

Ofgem's role and responsibilities

It is important that Ofgem's approach to monitoring compliance with SLC 25D and the Secretary of State's Direction is both proportionate and flexible. Ofgem must remain mindful that licensees will incur implementation costs in delivering the rebate to their customers, costs which in turn will have an impact on consumers' bills, including the bills of vulnerable and fuel poor households. The administration burden placed on licensees should, therefore, not be such that they are unable to deliver the GER in an effective and efficient manner to domestic electricity customers.

With this in mind, Ofgem need to acknowledge the constrained timetables all parties will be working within to begin paying the GER this autumn. We note that Ofgem expect the new licence condition to take effect from this October, such that the Secretary of State's Direction can be published and rebates start to be paid later that month. This for example, would offer little time for licensees to submit pre-implementation notifications for approval by Ofgem, as suggested in the consultation document.

It is also important that Ofgem recognise that licensees are already taking forward a large volume of changes to systems and processes this year to support programmes like smart metering, quicker switching and the Energy Companies Obligation.

SLC 25D

Energy UK broadly agrees with the proposed drafting of SLC 25D. We would, however, like to take this opportunity to raise the following concerns and seek further clarification from Ofgem:

- **SLC 25D.5** - Ofgem should ensure SLC 25D's sunset clause (SLC 25D.5) reflects the current policy intent of the GER and is set at two, not five years. No clear policy rationale has been presented by Ofgem or DECC to support a sunset clause of five years. As noted by Ofgem in the consultation document, should Government deem it appropriate to continue to fund the cost of certain environmental scheme costs from general taxation beyond 2015, an enduring mechanism for achieving this should be developed by DECC. SLC 25D must not set a precedent for the delivery of government policy in the future.
- **SLC 25D.6 Relevant Matters for Standard Condition 25D** - We would encourage Ofgem to review the inclusion of point (d) in its definition of 'Relevant Matters for Standard Condition 25D'. As currently drafted point (d) would allow the Secretary of State's Direction to prescribe the format of any information relating to a GER which must be displayed on or provided with a bill or statement of account. Energy UK agrees with the inclusion of point (c) in the definition of 'Relevant Matters for Standard Condition 25D' to ensure customers are provided with information about the GER on or with a bill or statement of account. However, it is important to consider the existing design differences in licensees' bills and statements and the short timescales that will be involved in making any design changes for the autumn. We, therefore, believe the actual format of any information provided is best left to the discretion of the individual licensee. It is also worth noting that many licensees have only recently completed the process of redesigning their bills and statements to comply with the Retail Market Review (RMR) and ensure they are clear and easy for customers to understand.

- **SLC 25D, discounts and compensation payments** - We would welcome further clarification from Ofgem on whether the SLC 25D is strictly consistent with the RMR licence conditions that came into effect at the end of 2013. In particular, that the provision of this rebate is consistent with the restrictions on providing discounts and compensation payments as set out in SLC 1 and 22B.
- **SLC 25D.6 GER and Value Added Tax** - For the purposes of SLC 25D it is not clear whether the £12 value of the 'Government Electricity Rebate' is inclusive or exclusive of Value Added Tax (VAT). Ofgem should clarify the VAT status of the GER in the final drafting of SLC 25D.
- **SLC 25D and Personal Projections** – We would welcome clarification from Ofgem that the GER is not to be included in the calculation of Personal Projections.

I hope you find our comments helpful, should you require any more information please do not hesitate to contact me directly on 020 7747 2965 or at daniel.alchin@energy-uk.org.uk. Energy UK and our members are always willing to discuss with Ofgem ways in which we can work together for the benefit of consumers and the industry.

Yours sincerely

Dan Alchin
Policy and External Relations Manager