

From: Triton Power <Mick Farr>

To: Retail Price Regulation <Retailpriceregulation@ofgem.gov.uk>

Subject: Ofgem Retail Price Regulation Response

Dear Sir/Madam

I am writing in response to your letter of 15th January regarding Ofgem's approach to Capacity Market allowance in the Default Tariff Cap for the upcoming second cap period. It is government policy to re-establish the capacity mechanism payments and the imminent reinstatement of collection of CM Supplier Charge. This is supported by recent statements by Clair Perry.

I am concerned that despite this clear intention by Government, Ofgem believes there is not 'sufficient confidence' that suppliers will have to pay the CM Supplier Charge, and that Ofgem has not stated their exact requirement as to what would provide sufficient confidence. BIES has been clear that a decision from the Commission will not be forthcoming by Ofgem's price cap setting deadline. However, BEIS has consulted on reinstating supplier payments to the ESC and ourselves and Vitol have raised BSC modification P378 to use the BSC to collect funds. It therefore seems highly probable that the resumption of CM funds, via some means, will recommence around March. These proposed routes to allow suppliers to collect CM levies may give Ofgem "confidence" that suppliers will shortly be asked to provide funds ready to plan for the reinstatement of the CM in an orderly manner, even if CM payments remain suspended for some months.

Ofgem also do not seem to give due consideration to the impact on customers if they do not facilitate the collection of the CM levy. Were either of the recollection routes outlined by BEIS or the BSC mod to come in, then these suppliers will suddenly be liable for costs that they cannot bill to customers. Either Ofgem will have to suddenly adjust the cap and allow for some back billing, or they will have to put in a higher CM rate to allow the supplier to play catch-up. If Ofgem were not to make an interim change, the next cap period would see the customers, some of whom may be vulnerable, face far larger bills. For lower income customers "spreading the cost" is a good way to manage their utility bills.

CM providers have made it clear to Ofgem and BEIS that the collection of CM levies by suppliers as quickly as possible is vital because: it will help boost investor confidence in the generation sector; and will facilitate an orderly return to the CM with back payments to CM providers, in line with Government policy. Ofgem will be well aware how many suppliers have defaulted in recent months and the sudden reintroduction of the CM, with back payments could see more suppliers unable to finance their businesses. The defaults create further costs for customers with the mutualisation arrangements. Ofgem should therefore have a duty to protect customers by supporting market developments that will deliver government policy; including encouraging all suppliers to plan for the reinstatement of the CM.

We understand it is the intention of BEIS to reinstate collection of CM Supplier Charges either via the ESC or P378 (which Ofgem agreed was urgent and the BSC Panel has supported) prior to the second price cap period therefore we urge you to consider the following -

- Accept the statements of Government relating to the intent to reinstate collection of CM Supplier Charges as providing 'sufficient confidence'.
- In the absence of 'sufficient confidence' until a potentially later deadline maintain the current arrangements and inclusion of the CM Supplier Charge element.
- Issue an interim price cap should circumstances dictate.

In our opinion it is reasonable to make minor changes to the established timeline for the price cap notification on the basis that the suspension of the CM arrangements were not expected. We feel that this will protect consumers from a potential price shock when CM state-aid approval has been reinstated, provide more stability to the market and help to rebuild investor confidence in the sector. Furthermore, Ofgem has the power to ensure that were the CM not reinstated that the suppliers return the cash to customers, either directly or via a reduced price cap in future periods.



Mick Farr

President and Chief Operating Officer

Saltend Cogeneration Company Ltd

Saltend, Hedon Road, Hull. HU12 8GA - UK

www.tritonpower.co.uk

Registered Office: Saltend Power Station, Saltend
Chemicals Park,
Hedon Road, Hull, East Riding Of Yorkshire, England,
HU12 8GA.

Registered in England & Wales. Registered No:
03274929