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Ofgem

Submitted via email to: RECompliance@ofgem.gov.uk

27 March 2020

Dear Russell

Payments Received after Renewables Obligation (RO) Late Payment Deadline of 31 October

I am writing in response to Ofgem's open letter of 13 March on its approach to redistributing payments received after the RO late payment deadline of 31 October.

It is important to recognise that sums received after the late payment deadline are fundamentally different to late payment funds, as the latter reduces the amount of mutualisation and the former do not. Energy UK, therefore, welcomes Ofgem's consideration of this issue, and supports its proposed Option 1 which we agree will deliver a fairer outcome than the current process.

We believe that there is a strong case for adopting the approach in which redistribution of payments received after the late payment deadline occurs in a manner similar to the burden of mutualisation payments. The proposed Option 1 is a more equitable approach than Option 2, and also better follows the spirit of the Order, which requires mutualisation payments to be calculated net of late payments.

Even without the approach of Option 2 the RO mechanism as a whole still carries a clear incentive for suppliers to meet compliance through the purchase of ROCs as it presents a lesser financial burden than the buyout fund. Rather than presenting an incentive for compliance, Option 2 would be perceived as a penalty on suppliers that have not presented ROCs due to the non-compliance of other suppliers, i.e. those who paid after the late payment deadline. This is something that suppliers cannot forecast for within their original strategies for the RO.

We would welcome some clarity as to the timing Ofgem is expecting of any redistribution of payments received after the late payments deadline, and would suggest that they are redistributed as soon as possible to minimise unnecessary financial burdens upon suppliers across the market.

I hope that Energy UK's views are found useful, and I would be happy to discuss any of the points made above in further detail with Ofgem or any other interested party if it would be beneficial. Please contact me directly on 020 7747 2931 or at steve.kirkwood@energy-uk.org.uk.

Yours sincerely

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