

# BEIS call for evidence on changes to the Renewables Obligation mutualisation arrangements

## Energy UK Response

19<sup>th</sup> January 2021

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies, right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering over 80% of both the UK's power generation and energy supply for the 28 million UK homes as well as businesses.

The energy industry invests £13bn annually, delivers £31bn in gross value added on top of the £95bn in economic activity through its supply chain and interaction with other sectors, and supports 738,000 jobs in every corner of the country.

### Response

Energy UK welcomes the opportunity to respond to the BEIS call for evidence on changes to the Renewables Obligation (RO) mutualisation arrangements.

There are a range of views on the proposal across Energy UK's membership with several suppliers in support of the proposals and several generators in disagreement. These differing views are understandable and to be expected in response to proposals to shift risk from one part of the sector to another. Energy UK refers BEIS to the individual responses of our members for detailed arguments both for and against the proposal. We do, nonetheless wish to communicate two high-level views for consideration, as previously highlighted in our response to the linked consultation.

#### **1. Energy UK does not believe the proposal addresses the underlying issue of supplier default payments**

Energy UK believes that the proposal to require only the amount in excess of the threshold to be mutualised does not solve the underlying issue of increased RO payment defaults caused by poor financial management by some suppliers and ultimately their market exit. We believe that ultimately this is an issue which BEIS and Ofgem need to work together to address, for the benefit of both consumers and the market. Options previously proposed by Energy UK members include via Ofgem's ongoing Supplier Licensing Review and/or by reviewing RO payment timetables. Energy UK is aware that Ofgem is due to publish a consultation on prescriptive measures as part of the next phase of the Supplier Licensing Review, given the context of the current challenges in the market we call for this consultation to be published as soon as possible.

#### **2. Risk of undermining the principle of regulatory stability**

Energy UK is also concerned about the impact the proposal would have against the principle of regulatory stability for closed support schemes. Energy UK believes in the importance of regulatory

stability, especially for closed support schemes and is concerned about the impact that undermining the principle may have on investor perception of current and future policy development. We understand that the benefit of hindsight will at times reveal potential improvements to existing regulations. However, we believe that as a principle, regulatory changes, especially to closed schemes, should only occur where there is a compelling reason for that change.

**Should you have any questions regarding this consultation response then please do not hesitate to get in touch with Philip McNally at Energy UK at [philip.mcnally@energy-uk.org.uk](mailto:philip.mcnally@energy-uk.org.uk) or on 020 7024 7633.**