

Consultation questions

The British Hydropower Association [BHA] is the leading trade membership association solely representing the interests of the UK hydropower industry (from micro to large scale, including tidal range) and its associated stakeholders in the wider community, both in the UK and overseas.

1. Do you agree with the Government's proposal to link the mutualisation threshold to the cost of the scheme?

Please click in the relevant box:

Agree

Disagree

Unsure/Don't know

No comment

Please explain your reasoning in the box below:

The British Hydropower Association [BHA] disagree with this proposal.

There is no obvious reason why a low mutualisation threshold is a problem – or why from the perspective of a ROC accredited generator, why uplifting is desirable.

It is true that collecting mutualisation payments imposes a small additional cost on suppliers which they start paying a year after the original date of payment, but this is a function of the scheme. Why should generators accept that 1% of the money for the ROC scheme will be written off?

The logic that writing this off represents a fairer distribution of risk between generators and suppliers is unclear.

It's not suppliers who pay for the RO scheme, but their customers through their bills.

The reality is that, in recent years many suppliers in have offered tariffs below the cost of supply which has resulted in some customers enjoying artificially cheap electricity, but suppliers losing money. Eventually they have simply run of money and entered administration, often when faced with the annual Renewable Obligation bill and then placed the costs of unpaid obligations on industry.

This is a failure of the government and Ofgem to regulate the electricity industry. It's unclear why generators should share more of the risk that suppliers undertake because generators do not benefit from that behaviour.

It is also unfair to consider past history, when the number of defaulting suppliers was low to non-existent, therefore mutualisation was not triggered.

There was therefore no real balance of risk because suppliers paid their bills. In past few years however, this has stopped being the case and this proposal seems to accept that reducing generator revenue is easier than trying to resolve that problem.

In recent years we have seen a sustained attack on generator revenues generators which have included LECs, Triad payments and BSUOS payments. There have been unsustainably and unjustifiably high increases in business rates for hydro generators as well as increased SEPA annual charges.

It is totally unclear to the BHA why generators should constantly be targeted in this manner in order to subsidise a small section of consumers who are not paying a realistic price for electricity.

2. How and to what extent does the Government's proposal impact any existing commercial arrangements that might exist for the supply or sale of ROCs?

Please explain your thoughts in the box below:

Both proposals will reduce the value of ROCs.

If a supplier knows they will potentially receive 1% less from ROCs submitted to Ofgem, because either mutualisation is unlikely to be triggered, or the triggering amount is explicitly written off, they will pay less for them.

Some suppliers may attempt to calculate this based on how many suppliers have entered administration or are perceived to be in difficulty.

Other suppliers will simply model on the assumption that the full 1% will be lost and therefore pay approximately 55p less per ROC.

While in absolute terms the figures may be low, the principle that renewable subsidies are not protected, and when placed under threat are just to be written off, will have an impact on asset values and potentially, banking covenants.

It could also undermine confidence in other government schemes who could see their own revenues cut repetitively.

3. Do you agree with the Government's proposal to implement the new mutualisation arrangements in respect of the 2021/22 obligation year?

Please click in the relevant box:

Agree

Disagree

Unsure/Don't know

No comment

Please explain your reasoning in the box below:

Due to disagreeing with the change, the BHA also disagree with bringing this change in for the 2021/22.