

Citizens Advice Response to Consultation on the proposals for a Green Gas Levy

November 2020



Introduction

Citizens Advice welcomes the opportunity to respond to this important consultation on the proposals for a Green Gas Levy.

Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. There are 23,000 trained, trusted and knowledgeable volunteers across England and Wales. Last year we advised over 130,000 people and over 25,000 people saved money because of our advice. We also offer specialist support to the people who need our help the most through the Extra Help Unit, where last year we helped over 9,000 people.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

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Response

1. Do you agree with our rationale for applying the levy to all suppliers of gas into the grid (apart from those that supply green gas exclusively)? Yes/No. Please provide evidence to support your response.

Yes, we agree with this rationale. We agree that the levy should apply to all gas suppliers to avoid any market distortion and to ensure a level playing field across gas suppliers. Small suppliers should not be exempt from the levy.

2. Do you agree with our rationale for proposing that the Green Gas Levy be charged on a per meter per day basis, according to gas supplier meter points served? Yes/No. Please provide evidence to support your response.

No, we do not agree with the rationale for the proposals for the Green Gas Levy to be charged on a per meter per day basis according to gas supplier meter points. This proposal would set a risky precedent for future flat rate cost levies in which domestic consumers would be bearing a disproportionate share of costs and signals to improve energy efficiency would be dulled. The rationale does not address the issues that this levy needs to be fair for all gas consumers, cost reflective in terms of gas usage and provide the right signals for the environmental policy landscape needed to achieve net zero. The arguments for delaying the introduction of a volumetric until 2024/25 at the earliest are unconvincing.

A volumetric approach for this levy is needed to address these issues in which suppliers would be levied according to the amount of gas supplied to their customers. We urge BEIS to reconsider their rationale and implement a volumetric approach from the start of the levy which is still 18 months away with sufficient time for suppliers to prepare and overcome any implementation issues. At the very least we would like to see BEIS accelerate the time in which they intend to switch the levy from a per meter point approach to a volumetric. This currently is not planned until 2024/2025 at the earliest which will be two years after the levy starts and three and a half years from the time of this consultation, we think this is more than enough time for BEIS to tackle implementation issues especially as many of these are already overcome with volumetric based levies used in the electricity sector.

If implemented as proposed, this would be the first flat cost levy applied to the gas system to fund a decarbonisation measure in which all users, including domestic consumers, would pay the same. Although the analysis undertaken by BEIS predicts an initial relatively low levy of £1.40 in the first year, with a prediction of a peak of £6.90 in 2028, we believe that by implementing a flat rate cost levy a precedent will

be set. This will make it easier to justify future flat rate cost recovery, for example future decarbonisation levies and potentially push further inequitable and unfair costs onto consumer gas bills. It is hard to find any examples of an energy policy cost recovery mechanism materially changing following its introduction, and we consider there is a high risk that a methodology intended as a temporary measure may become enduring.

At the moment, most of the costs associated with decarbonisation policies are recovered through electricity bills. There are arguments that this provides a disincentive to the electrification of heating and that moving some of these costs onto gas bills may be necessary to achieve that aim. We are concerned that if a per meter approach is adopted for the Green Gas Levy, justified on the basis of volumetric charging is too difficult, that there is a risk that further gas levies may also be on a per meter basis. That would be hugely regressive.

The collective impact of more flat rate charges compared to volumetric charges will undoubtedly result in significantly higher costs to domestic consumers' gas bills. The impact assessment for the green gas levy alone shows the per meter point approach would result in an increase of up to £6.90 at its peak for the average household. Whilst this seems relatively low compared to annual energy bills, this would have significant impacts on those already in fuel poverty struggling to pay bills, and who are regularly self-rationing and self-disconnecting. Our research from 2018 showed that 140,000 people using prepayment meters are 'self-disconnecting' each year because they could not afford to top up¹. Further flat rate levies such as the proposed approach could push more consumers into similar situations.

The impact assessment showed that for one type of volumetric approach calculation the average household could at the estimated peak pay £5.10 opposed to £6.90 when using a meter per meter approach. The difference in cost for approach for the average household bill may not seem significant at £1.80 per year but over aggregate flat rate charges these would add up. The impact assessment also only includes one of the three methods of calculating a volumetric approach out of the three potential ways identified. It would be beneficial to understand how these three methods would change the distributional impact of the charge.

The meter point approach suggested by BEIS isn't equitable, it isn't cost reflective, and it dampens signals to decarbonise. In the consultation document BEIS sets out that where possible the levy should 'be equitable and proportionate for all bill payers', but the proposed approach does not pass that test. This approach is not equitable because it would result in every consumer paying the same regardless of their usage or their ability to pay. There are some notable distortions, for example a studio flat will be paying the same levy as a large manufacturing facility. The ability to pay of the user is not taken into account at all. While there will be some exceptions to this rule, for example some consumers on low income will also be

¹ Citizens Advice, [Switched On](#), 2018.

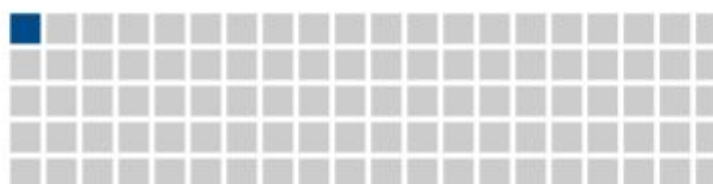
high usage households, it is generally the case that consumption increases with income. The approach suggested by BEIS would be regressive and would place more of the burden on the poorest in society.

In the analysis undertaken in the consultation document BEIS suggests the proposed approach “equates to approximately 1% of the expected average household gas bill in 2028, whilst for a small non-domestic consumer (consuming 140 MWh per annum), this equates to a bill increase from the levy of less than 0.5%, with this falling further for larger consumers”. This does not reflect an equitable split of costs between different users of the system.

In addition, the per meter point approach is not cost reflective as it appears to largely put the burden of decarbonising the gas system on domestic consumers. There are ~24million domestic gas meter consumers in Great Britain². In comparison there are 278,000 of non domestic gas meters in the country³. The ratio between the two suggests that this policy will overwhelmingly be paid for by household consumers despite a large proportion of gas consumption being by non domestic. Domestic meter points consumer 319,999 GWh of gas whereas non domestic meter points consumer 188,290 GWh of gas⁴. This means on average a non domestic meter uses a considerably higher amount of gas than the average domestic meter and therefore a per meter approach does not account for this. This is reflected below in Figure 1, in which domestic meters and use are represented in grey whilst non-domestic meters and use are blue. A volumetric approach would help to provide a more cost reflective approach in which those that use more would pay more.

Figure 1: Businesses account for a large portion of gas use

Businesses represent only **1%** of all meters



But account for **37%** of annual gas use



We recognise that there may be groups of consumers that could be affected more so than others if a volumetric approach was to be used. For example those in fuel

² BEIS, [Regional and local authority gas consumption statistics](#), 2019.

³ BEIS, [Regional and local authority gas consumption statistics](#), 2019.

⁴ BEIS, [Regional and local authority gas consumption statistics](#), 2019.

poverty with particularly poorly insulated homes or those for those with health conditions which results in higher gas usage and bills not because they can necessarily afford to use more. However if the levy was split more fairly across all users through a volumetric approach we would expect the overall impact on these consumers would be less than the current proposals. We would also expect to see the needs of these consumers being helped through targeted support schemes like the Warm Home Discount, and further governmental support given for energy efficiency schemes.

Furthermore, the meter point approach dampens signals to decarbonise because it means that everyone pays the same regardless of the amount of gas they consume. There is therefore no incentive to consume less, and it creates a perverse cross-subsidy where those who pollute least cross-subsidise those who pollute most. We recognise that consumers will need to contribute to decarbonisation to achieve net zero and we support this, however it needs to be implemented in a fair and transparent manner across all users. A per meter point approach does not provide any motivation for behaviour change to reduce gas consumption and decrease carbon emissions especially from those who are responsible for higher emissions. If the levy is to be implemented using this approach it sets a precedent that future levies to subsidise decarbonisation should be paid equally by all regardless of impact on the environment.

It is mentioned in the consultation document that BEIS intends to move to a volumetric levy in 2024/2025, or as soon as possible thereafter. The issues the document raises with a volumetric approach will therefore need to be overcome for implementation either now or before 2024. We encourage BEIS to spend time looking at these issues to find solutions now rather than down the line. In terms of processes and systems these will need to be changed in 2024/2025 if a volumetric approach is implemented and are likely to create additional disruption and an administrative and cost burden on suppliers than if a volumetric approach was used from the start of the levy's life. We would expect that suppliers would need to employ staff to help with the implementation of the scheme regardless of the type of approach used for the levy.

In response to points raised around timing for feasibility preventing the implementation of a volumetric approach it is not the domestic consumer's fault that there is a shorter time frame left to implement an approach for the levy than BEIS would like. The argument of using a per meter point approach because it is quicker and easier to implement is not one that considers fairness or the distributional impact across all users. This argument is unconvincing when there is still 18 months until the proposed levy will be implemented. Suppliers will need to make the necessary adjustments to their processes and systems regardless of which approach is taken. There could potentially be further costs from changing the approach in, or after, 2024/2025 and it would be useful if BEIS could quantify the

potential impacts for suppliers having to set up two approaches for the life of the levy.

The rationale also raises issues for feasibility for a volumetric approach such as settlement data being incomplete, however there are direct equivalents used in electricity and volumetric schemes are widely used there for example the Renewables Obligation, Feed in Tariff and Contracts for Difference. The electricity sector experiences the same level of risk when using estimated reads for consumption. The problems suggested by BEIS are not only a gas sector issue but have been resolved in electricity.⁵ Where there are errors in settlement data, BEIS have not provided any evidence to suggest that they would be substantive and asymmetric. If they are relatively limited and symmetric - i.e. that the likelihood of under-estimation and over-estimation of consumption are broadly similar - it seems quite possible that errors may roughly balance out across suppliers' portfolios. Suppliers are used to managing forecasting risk in a whole range of areas, from wholesale costs through to other policy costs, and have flexibility to account for any under or over recovery in one period by modifying their pricing in subsequent periods.

Finally, in a time of a global pandemic where the economic health of the country is uncertain and is likely to have long term implications for years to come the introduction of a flat charge is unfair to those who are struggling. Domestic consumers in aggregate would be paying significantly more proportionally than other users of gas. Many more people are dealing with affordability issues than ever before, and from our research in September we estimated that 6 million UK adults have fallen behind on at least one household bill during the pandemic, including 2.8 million on their energy bills⁶.

We would like to be able to better understand the longer term strategy BEIS has for the levy and biomethane industry. For example, would the levy result in the green gas industry being fully matured and therefore no further subsidies would be expected for support post the period for this levy. The end of the levy's life could potentially be in the late 2030s and the final year potentially 2040/2041, therefore we are keen to know if BEIS has thought about what the gas system may look like then and how the levy could possibly work in the future gas system. The number of domestic consumers using gas domestically could be significantly lower by the late 2030s and therefore the base of those that could pay the levy could be reduced⁷.

⁵ For example, you highlight that 'One issue of using suppliers' actual consumption data is that, for certain meter points, it can take up to three years to receive consumption data. This could result in a long settlement tail and suppliers' levy costs would probably require multiple and frequent reconciliations that would likely be complex and administratively burdensome.' But the equivalent timescale in electricity settlement is similar, at 28 months (where a Trading Dispute has been raised), and these challenges have been overcome for electricity levies.

⁶ Citizens Advice, [Excess Debs: Who has fallen behind their household bills from coronavirus](#), September 2020.

⁷ The Committee on Climate Change, [UK housing: Fit for the future?](#) 2019.

3. Do you agree that the steps outlined above to provide notice to suppliers ahead of the first levy collection, and the notice period for subsequent years, are sufficient? Yes/No. Please provide evidence to support your response.

No response provided.

4. Do you agree with our proposed methodology for calculating the pence per meter per day levy rate? Yes/No. Please provide evidence to support your response.

No response provided.

5. What are your views on how underspend should be managed? Please provide evidence to support your response.

We think that any underspend should be deducted from a future year or period's levy rather than refunded directly to suppliers. If this approach is adopted it is more likely that the underspend would be passed through to consumers such as through the use of reduced future tariffs. As it is assumed that all costs for the levy to suppliers will be passed onto consumers it is only fair they receive the benefit when there is underspend. We expect it would be unlikely that suppliers would refund consumers in arrears.

Alternatively, any underspend could be returned to customers in vulnerable situations, such as through the Warm Home Discount fund. This would in turn benefit those most struggling to pay their energy bills. We acknowledge that underspend could vary greatly each year and therefore might not be ideal to use it to fund a new scheme.

6. Do you agree with our rationale for proposing that levy payments should be made quarterly? Yes/No. Please provide evidence to support your response.

Yes, we support the proposal for levy payments to be made quarterly. Quarterly payments are preferred to yearly payments, which carry a higher risk of mutualisation in the event of supplier failures.

We agree that an increased frequency of collection allows for a more rapid response to non-payment issues. In our report last year, *Picking up the Pieces*⁸, we highlighted the large costs that arise from unpaid bills for the Renewable Obligation. This is paid on an annual basis which means very large costs can accrue. Other schemes, like the Feed In Tariff are paid for quarterly, which reduces the level of debt that can be built up by suppliers.

⁸ Citizens Advice, *Picking up the Pieces*, 2019.

BEIS may also want to consider the use of monthly payments, as used in the newest schemes (Contracts for Difference and the Capacity Market) administered by the Low Carbon Contracts Company. However, there needs to be a consideration of Ofgem's administrative capacity and the administrative burden this could place upon all involved.

7. Do you agree with our proposal that gas suppliers should provide quarterly meter point data to Ofgem to inform quarterly levy payment calculations? Yes/No. Please provide information about the availability of meter point data and the formats that it could be provided in.

No response provided.

8. Do you agree with the assumptions made and the costs set out for suppliers of familiarisation with the regulations and administration in the accompanying Impact Assessment (to be published during the consultation period)? Yes/No. Please provide additional information on any other costs to business associated with the Green Gas Levy that have not been discussed that should be considered (e.g. engagement with customers and changes to billing systems).

We agree with the assumptions made that gas suppliers will pass on costs to their customers the same way as the charges are set and that the current trends in gas consumption continue for the duration of the scheme.

However as detailed in Question 12, we think further costs could be modelled to show the impacts of tiering on consumer bills. The analysis could also be clearer as in all four options presented in the impact assessment, the average bill increase for average consumers stays at 1% for each option - this does not acknowledge that there is a difference between £6.90 and £5.10.

We would like to see the costs for changing the methodology for the volumetric approach to the system as these have not been costed. The impact assessment identifies three different ways a volumetric approach could be achieved but uses only one of them to show the distributional impacts on bills for different users. It would be beneficial to understand the merits of each methodology and fully understand the distributional impact of each calculation.

Furthermore, there is a lack of costing information around the potential costs to changing the levy from a per meter approach to a volumetric approach in 2024/2025. We would expect this would require two rounds of new systems and processes for the implementation of two different approaches - one for the introduction of the scheme and one for the change in 2024/2025. We expected this to be presented in the impact assessment as an option. There is an assumption that volumetric implementation costs are higher than a per meter approach but the impacts of changing from a per meter approach to a volumetric is not included.

Engagement costs have not been included in the impact assessment and it would be beneficial to understand how these changes will be communicated to consumers.

9. Do you agree with the proposal to require all suppliers to secure credit cover? Yes/No. Please provide evidence to support your response.

No response provided.

10. Do you agree with the forms of credit cover that we are proposing could be provided by suppliers? Yes/No. If not, what alternatives would you recommend that could also be drawn upon quickly?

No response provided.

11. Do you agree that credit cover should be lodged on a quarterly basis, (if there is not already sufficient cover in place), in order to cover the upcoming quarterly levy payment? Yes/No. Please provide evidence to support your response.

No response provided.

12. Do you agree with our proposal for a flat rate charge for the levy, without tiering, as part of a per meter point levy ?

No, we do not agree. As stated in our answer to Question 2 we think a volumetric approach needs to be implemented for the levy. If it is decided that this cannot be implemented at launch, we would like to see it implemented as soon as possible to ensure the levy is fairer. If there is a transition period when a per meter approach is used, this should be used with a tiering approach to make it more cost reflective and fairer for consumers. The impact assessment states that administrative burdens would be created using tiers but fails to acknowledge the unfairness burdened to consumers when tiers are not used.

The impact assessment shows the difference in average household bills between a per meter approach with and without tiers would be a difference of 10p if option 1b is used and 40p if option 1c is used in the peak in 2028 (difference between option 1a and 1b/1c). The differences in distributional impacts on different groups of both tiered options are demonstrated in Table 1. For both tiered options in the impact assessment (1b and 1c) the average annual household bill at peak year pays a higher percentage increase than other users like medium and large businesses.

For example in 1b the average household experiences a 1% increase in annual bill whilst large business users only experience a less than 0.5% increase. We do not understand why BEIS has only used modelling for a tier system in which domestic consumers pay a higher percentage of their annual bill compared to other users of gas. If modelling was reversed and large users were always paying the higher

percentage increase in bills as opposed to households there may be higher cost savings from using a tiered approach.

Table 1: The percentage of annual bill increases on the different groups in the impact assessment based on the peak year of the levy in 2028.

	Percentage increase on annual bill for different users		
Tiered option for a per meter approach	Average household	Medium businesses (consume over 140 MW/year)	Large businesses (consume over 1,400 MW/year)
1b	1%	Up to 1%	<0.5%
1c	1%	Up to 1%	Up to 1%

As noted in Question 2, adding a flat rate charge to bills sets a precedent for future flat rate levies, which we are concerned about given its regressive implications. This tiering analysis shows a potential of a 40p difference in an approach where tiering is used, however we think this could be higher if further modelling was undertaken in which all other users were tiered to pay (on average) a 1% increase in their annual bills.

13. What are your views on the impact that the Green Gas Levy could have on billpayers? Please provide evidence to support your response.

As stated in Question 2, the per meter point approach will see everyone pay the same regardless of their ability to pay and their level of gas usage. We are supportive of consumers paying for decarbonisation but in a way that is fair for all users of gas. A per meter point approach will unfairly burden consumers, especially those that are already in fuel poverty and struggling to pay their bills across all utilities, not only energy.

Future increases on bills could collectively push more and more people into vulnerable situations who would have previously not been. The impact assessment showed that for one type of volumetric approach calculation the average household could at the estimated peak pay £5.10 opposed to £6.90 when using a meter per meter approach. The difference in cost for approach for the average household bill may not seem significant at £1.80 per year but for many people already in energy debt this could cause further detriment. This could be families who are already living close to the edge of fuel poverty or who are struggling with energy debt. In 2018, we helped more than 43,000 people with energy debt

problems and around half of these people had a long term health condition or disability.

The use of averages may also not reflect the true savings for many through the use of a volumetric levy opposed to a per meter point approach. For example those customers using less than the average amount of gas, on a volumetric levy would also pay less than £5.10 in levy contribution, it is possible their contribution could be significantly less. However those using less gas than the average consumer on a per meter point approach would still need to pay £6.90 towards the levy, regardless of their efforts to reduce their gas bill. Therefore cost savings between the two could be more significant for people who have a lower gas usage.

Energy is already a large cost for many, often taking up as much as 10% of household income⁹. Bill increases are likely to push those already struggling into further difficulties with many people 'self-ratoning' and 'self-disconnecting' as a result. This has huge detrimental effects on people's mental and physical health as highlighted in our report, *Switched On*¹⁰. Those households who are forced to 'self-disconnect' often include a child or a person with a long-term health condition.

The introduction of a flat rate levy sets a precedent for the introduction of future levies with policy costs being paid for disproportionately by domestic consumers and the burden of this falling on consumers in vulnerable situations. This levy should not be assessed as an isolated increase on bills for consumers but in a wider context of collective future increases on energy bills which could quickly and easily total to a significant amount. As set out by Sustainability First when outlining what a fair energy system looks like, there is a 'need to look at the full picture, taking account of the cumulative distributional impacts of the wide array of changes set out above and how they will feed through into end-use tariffs'¹¹.

As outlined in Question 2, the current economic climate and pandemic means that many people are struggling with affordability issues more than ever before. People are dealing with unemployment and financial hardship whilst also spending more time at home which is likely to increase energy bills this winter¹². Ofgem have recognised the need to bear down on energy bills in comments alongside their decision to reduce the energy price cap¹³. In our research in September we estimated that 6 million UK adults have fallen behind on at least one household bill during the pandemic, including 2.8 million on their energy bills¹⁴. The levy will also impact on microbusinesses that could find themselves in vulnerable situations, with

⁹ Ofgem, [Energy spend as a percentage of total household expenditure](#), 2018.

¹⁰ Citizens Advice, [Switched On](#), 2018.

¹¹ Sustainability First, [What does a fair energy system look like](#), 2019.

¹² The Guardian, [Working from home in the UK over winter](#), 2020.

¹³ Ofgem, [Winter price cap falls](#), 2020.

¹⁴ Citizens Advice, [Excess Debs: Who has fallen behind their household bills from coronavirus](#), September 2020.

many already struggling with debts because of the economic pressures as a result of the pandemic¹⁵.

There is an uncertainty as to what the future will look like when this levy starts in 2022 and many people could be considerably in a worse situation than they are now. A volumetric approach which takes into account the users ability to pay could help to alleviate some of the financial impacts of this levy.

14. Do you agree with the proposed approach to budget control and financial management? Yes/No. Please provide evidence to support your response, including any views on the proposed change to the quarterly meter reading submission process for biomethane producers.

No response provided.

15. Do you agree that the backdated payments proposal will provide the necessary certainty for biomethane developers to proceed with applying to the Green Gas Support Scheme during the gap in funding availability? Yes/No. Please provide evidence to support your response.

No response provided.

16. Do you agree with the proposed mutualisation process? Yes/No. If not, what alternative mechanism would you propose?

Yes, we agree with the approach and believe the proposed mitigations such as credit cover and relatively frequent payment schedule make it less likely that mutualisation will be needed and that the sums that are mutualised will be lower.

17. Do you agree with the proposal that Ofgem may report and publish information on non-compliance and enforcement action? Yes/No. Please provide evidence to support your response.

Yes, we agree with the proposals and the reasoning Ofgem provides. We support the reporting for non-compliance as this is done for the Renewables Obligation and for the Feed in Tariff for transparency and reputational regulation. The publication of non-payment is a very useful tool for the industry and Ofgem should ensure this is done in a timely manner.

18. Do you have any views on how reporting can be used to best contribute to compliance with scheme obligations?

No response provided.

¹⁵ Citizens Advice, [Microbusiness Protections are a significant improvement](#), July 2020.

19. Do you agree with the proposed approach of applying interest to late payments? Yes/No. Please provide evidence to support your response.

No response provided.

20. Do you agree with the proposed range of interest applied to late payments? Yes/No. Do you have any views on the appropriate rate of interest to mitigate against late payments?

No response provided.

21. Do you agree with the proposed approach for Ofgem to issue financial penalties, including the proposed maximum limit? Yes/No. Please provide evidence to support your response.

Yes, we agree that Ofgem should be able to issue financial penalties and we agree that the maximum limit (of 10%) should be in line with other schemes Ofgem administers. We also agree with Ofgem's approach to use discretion and to decide the level of penalty to apply on a case-by-case basis, which will be proportional to the nature and severity of the case, and the circumstances of the supplier. When imposing financial penalties on suppliers with little or no turnover Ofgem should ensure that the penalty imposed would not push a supplier out of the market.

22. What do you consider the maximum fine should be where a gas supplier has either a low turnover or no turnover at all? Please provide evidence to support your response.

When imposing financial penalties on suppliers with little or no turnover Ofgem should ensure that the penalty imposed would not push a supplier out of the market. This would have substantial detrimental implications for consumers.

23. Do you have any views regarding the pursuance of debts through the courts by Ofgem?

We think it would be best if Ofgem developed mechanisms to use as a penalty for debts before the pursuance of debt is undertaken through the courts. We agree that Ofgem should be able to obtain information from suppliers to inform Ofgem's enforcement decisions and think Ofgem's suggestions of enforcement steps are fair including setting out in a formal notice or order, the action that a supplier is required to take to remedy the non-compliance, and further potential enforcement action that will follow if the supplier remains non-compliant. It is reasonable for the regulator to collect debts but other reasonable collection mechanisms should be used first with the pursuance through the courts as a last resort.

24. Do you agree with more closely aligning levy costs with consumption through a volumetric approach, as the scheme develops? Yes/No. Please provide evidence to support your response.

No, as stated in our response to Question 2 we think a volumetric approach should be implemented from the start of the levy, not as the scheme develops. If this is decided against then we would urge that the transition period to a volumetric levy is as short as possible to reduce the burden to consumers.

We urge BEIS to provide more detail on why they do not intend on changing to a volumetric levy until 2024/2025. That is at a minimum 3 and a half years away from present time to the potential implementation of a levy change. We are unable to find detailed arguments as to why a volumetric change would require this length of time frame for implementation. This makes it difficult to understand the rationale behind the need for this delay. It is also disappointing that costs were not included in the impact assessment of transitioning to a different approach during the lifetime of the levy.

25. Which of the three options set out above would be the most suitable for designing a volumetric levy? We would welcome views on how to overcome any of the issues with those approaches that have been identified.

It is unclear from the proposal as to which of the three options would provide the most accurate result in relation to gas consumption and levy payment. We are disappointed that all three have not been used in the impact assessment which would have provided further details about the distributional impacts of these.

26. Are there any feasible alternatives to the proposals set out in this chapter for achieving a levy that is proportionate to gas volumes? Yes/No. Please provide evidence to support your response.

Yes, as answered in Question 2 we think a volumetric approach is a feasible solution. As stated in our previous answer it has been possible to implement volumetric levies in the electricity sector in which the problems raised by BEIS in this consultation document have been resolved. If settlement data changes during the reconciliation process, suppliers are able to over or under recover in subsequent pricing periods¹⁶. Suppliers are used to forecasting and managing volume risk, including in relation to existing volumetric levies. We believe that BEIS

¹⁶ Subject to remaining compliant with the energy price cap, in relation to default tariff customers.

can learn from volumetric levies in the electricity sector for the implementation of this levy.

In Question 2 we have also suggested ways that BEIS could overcome other issues with feasibility, there is still 18 months until spring 2022 when the levy will be implemented to overcome these issues. Given the time period left until the levy would be implemented we think there is sufficient time for suppliers to prepare their systems and processes for a volumetric approach including administrative activities.

27. How could we ensure that a volumetric levy is designed in a way that promotes a competitive gas supply market and minimises costs, administrative burden, and other impacts on suppliers?

No response provided.