



Department
of Energy &
Climate Change

Exemption for Energy Intensive Industries

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Aims

- Provide information on the mechanics of the billing data option.
- Seek views on:
 - Costs and providing the rebate;
 - Other issues (integrity and accuracy; and fit for purpose).

Key questions:

- Are the design, timeframes and costs reasonable?
- Is the billing data option still fit for purpose?
- Is it preferable for the exemption model to work across all levy designs?



General overview of billing data option

- Eligibility assessed by BIS, with eligible EIs notifying their supplier of their exemption percentage.
- Suppliers notify Counterparty of EI name, site, exemption percentage and MPAN, with the rebate applying from the date of notification.
- Suppliers invoice EIs throughout the year according to their normal process
- At the end of the supplier obligation period (March), suppliers aggregate the electricity supplied to each EI throughout the year.
 - Information provided 28 days after period end (end of April).
- Counterparty calculates the rebate due to supplier during reconciliation process (May).
- Rebate credited reserve fund requirement for following obligation period which is due on 1 July.



Costs and providing the rebate

- The billing data option is designed to work under a unit rate fixed model.
 - Unlikely to work effectively under other levy rate models i.e. variable rate levy.
- Suppliers pay the supplier obligation on all electricity and receive a rebate at the end of the year for any exempt electricity.
- The rebate is dependent on the balance of the reserve fund at year end.

Questions:

- What are the costs to suppliers for receiving the rebate at the end of the year? Would this erode the exemption passed onto EIs?
- Are the costs to suppliers higher under this option than the costs under the additional BMU option?
- If there is not enough money in the reserve fund at the end of the year to meet the rebate due to suppliers in full, is it appropriate that the rebate to suppliers is prorated? Would suppliers incorporate a risk premium on the basis the rebate is not guaranteed?
- How would suppliers pass through the rebate – direct to EIs or through tariffs?



Other issues

- Accuracy and integrity
 - No opportunity for suppliers to correct discrepancies – reserve fund reconciles annually.
- Fit for purpose
 - limited flexibility to apply across different levy designs compared to A.BMU option.
 - Potential for additional sectors to be eligible in the future.

Questions:

- Is it appropriate that there is no opportunity to correct discrepancies in data?
- Is the billing data option still 'fit for purpose' or is it preferable to have an option that works across all levy designs?