

Ofgem
9 Millbank,
London,
SW1P 3GE
26 June 2010



Dear Charles

Re: Ofgem's costs for administering the Renewables Obligation (RO)

Cornwall Energy welcomes the opportunity to respond to the consultation on the regulator's costs for administering the RO.

This response represents our own views only, but it reflects sentiments of our discussions with smaller suppliers through the Energy Supplier Forum. We also closely track activity of Roc administration through our reports on Roc issue and forecasts, and the views we have heard from many smaller generators who subscribe to these services have also been taken into account in our comments.

In the brief consultation letter the forecast for the total cost of administration of the RO in 2010-11 (CP9) is stated as £2,084,000. Administration costs in 2008-09 (CP7) were £988,500, and therefore these have more than doubled in two years. While there is high-level comment on the primary reasons for this change, there is little by way of detail or substantiation, and this deficiency needs to be addressed.

We understand the 2009-10 (CP8) costs are not yet available, but a more detailed cost breakdown than that given to date is obviously needed to allow participants to better understand the current baseline and the reasons for this huge increase. Given that we are now nearly three months after the end of the relevant period, it is not acceptable that no data is provided.

The consultation reports the various duties that Ofgem will undertake in administering the RO. It would have been useful to have the estimated costs for each of these duties for the 2010-11 period. We believe it would be useful also to have a breakdown of costs by standard accounting headings (staff, IT, overheads etc.).

We believe that if Ofgem E-serve is to carry out these service provider roles such as administering the RO without competitive tendering, there needs to be a much clearer governance framework to engage stakeholders and funders, and there should also be increased accountability for performance. Combined with providing detailed costs by activity and cost type, establishment of appropriate governance should give market participants the opportunity to put forward what may be useful recommendations on how service could be improved over time.

With the introduction of the Feed-in Tariff scheme in April 2010, it is likely that some costs will be shared between the RO and FiTs, for instance overhead costs and support systems. Again we believe it would be

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useful to have the costs of the different support mechanisms identified separately. They should also be incentives to ensure costs are shared where possible as suppliers now see Ofgem's direct costs of both activities (through reduced recycling monies and levelisation respectively).

The consultation letter states that the overall costs of administration will be recovered in September each year from money paid into the buy-out fund. These costs are covered in effect by Roc holders and we therefore believe it would be fitting for suppliers, including smaller participants with whom we work, to have more say in budget setting, better information and more transparency of E-serve's activities, and involvement in the setting of appropriate performance metrics. As matters stand the arrangements in place fall well short of good governance and the better regulation aspirations to which Ofgem says it aspires.

Please let me know if you require any further comment or clarification.

Kind regards

A handwritten signature in blue ink that reads "Nigel Cornwall". Below the signature is a long, sweeping horizontal line that ends in a small arrowhead pointing to the right.

Nigel Cornwall

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