

# **Draft Principles for the application of pari-passu recovery of Green Deal charges and arrears across industry (V2)**

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## **Introduction**

1. This document sets out Energy Suppliers' high-level view on the principles that should govern the pari-passu methodology for apportionment of funds when partial repayment of outstanding Green Deal and energy debts occurs.

## **Context**

2. Financiers require certainty over how monies will be recovered on their behalf and suppliers need certainty on how the pari passu principles will be regulated under any Green Deal governance.
3. It is also important that the cost of administering pari-passu within the Green Deal is minimised in order to ensure that energy customers' bills, Green Deal customers' repayments and the cost of capital is kept to a minimum.
4. The best way to achieve certainty while ensuring that costs are minimised is through a principles based approach to implementing pari-passu. The principles that should govern how pari-passu should be applied are set out below.

## ***Principles for the application of pari-passu***

- I. Payments to financiers are on cleared funds only.
- II. Pari passu should only be applied in a partial payment scenario.
- III. Pari passu is based on the billed payment amount for the relevant billing period.
- IV. Where there is no billed payment amount, calculation is on the basis of account balance.
- V. In relation to arrears, suppliers can apply monies received to the oldest debt first (based on discrete pari passu calculations for each of the relevant billing periods).