Newcastle energy firm Green Supplier collapsed with major debts, report shows

Green Supplier Limited collapsed owing more than £42m to creditors, having failed to make a profit during two years of trading, documents have revealed.

Newcastle based Green Supplier Limited become the fifth energy supplier to go out of business in a month in September, as rocketing gas prices put massive pressure on the sector. Many more suppliers have since followed.

The firm, which had around 180 staff at its Newcastle city centre base at The Core at its peak, called in business advisors Alvarez & Marsal before falling into administration, with Ofgem later moving its 255,000 gas and electricity customers across to new supplier Shell.

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In a statement released by the firm, Green rejected suggestions from Business Secretary Kwasi Kwarteng that it was guilty of “bad business practices” and said instead that it had been a victim of unprecedented conditions in the energy market and “several other factors outside of Green’s control”.

Now a statement of administrators’ proposals has been published, laying bare the company’s debts, and the chain of events that led to its collapse.

Estimated assets available for preferential creditors totals £22.229m and the estimated deficiency for non-preferential creditors is £20.698m.

Debts include £42.77m to unsecured trade creditors, a £50,000 Barclays Bounce Bank loan and £32,000 owed to an unsecured landlord creditor.

Natural Gas Ltd is owed £3.77m, Energylinx Ltd £1.024m, more than £2m to National Grid. Meanwhile, Ofgem is also owed more than £20m in Renewable Obligation payments.

The company was incorporated on November 1 2017 with the name Virginia Energy Limited, changing to Green Energy Supply Limited in February 2019 and then to Green Supplier Limited on August 16, 2019.

The documents state that the company "was loss making during the period since trading began in FY19, making cumulative losses prior to administration in the region of £19.4m which appear to have been largely funded through working capital."

In their joint report, administrators Jonny Marston, Paul Berkovi and Mark Firmin of Alvarez & Marsal Europe LLP said a number of employees had left the company in the period leading up to the firm's transfer to a Supplier of Last Resort, and that it had 72 employees at the time of their appointment in September.

They said just six redundancies were made and a large number of employees were retained to assist with the final billing process. A number of staff have subsequently left business of their own volition but the remaining 35 employees continue to be retained.

The report outlines how the firm faced various challenges in the months preceding the administration appointment, including the sharp increase in wholesale energy prices.

The firm also owed sums to Ofgem for Renewables Obligation (RO), which calls for all power suppliers to show they have sourced a certain amount of electricity from renewable sources by sending in RO certificates (ROCs). If they don't have enough certificates, firms have to make up the shortfall.

The report says: “The volatility of both gas and electricity wholesale energy prices in the UK, which have remained at unprecedented high levels, and the differential between wholesale energy prices and the regulatory pricing cap have together created cash pressure for many energy suppliers in the market.

“Reported reasons for the unprecedented price volatility include both an increase in global demand due to prolonged cold spells in both Europe and Asia and the restarting of many global economies following the Covid-19 pandemic lockdowns, coupled with shortages in supply of gas and renewable energy in the UK following lower than average production from offshore wind farms.

“These market factors had a significant impact on the company’s cash position, resulting in a forecast cash requirement in the second half of the calendar year following payment of its

annual Renewables Obligation Certificates liability due on August 31 2021.”

As additional funding could not be injected into the business before the end of August, directors advised Ofgem they would be deferring payment of its ROC liability of £9.9m until the late payment deadline of October 31.

The directors had been exploring options, including new wholesale relationships, private equity investment, a sale of the customer book and other equity investment, engaging with interested parties over a period of five weeks.

But on September 16, “the remaining interested parties confirmed that, due to the current nature of the market and increasing wholesale prices, they were not willing or able to provide

any funding or investment to the company”, and the administration process began.

Based on current estimates, administrarors estate that preferential creditors – which include HMRC – should receive a dividend of 100p in the pound, and that unsecured creditors should receive a

dividend, but how much they will get remains uncertain.

They conclude: “We have yet to determine the amount of this due to the uncertainty surrounding asset realisations, costs and quantum of claims, but we will do so when we have completed the realisation of assets and the payment of associated costs.”

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