



Making a positive difference
for energy consumers

To: Domestic electricity
suppliers, consumer
representatives and other
interested parties

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Date: 7 August 2014

Dear Colleague,

Decision to modify the standard conditions of the electricity supply licence in order to enable the delivery of the Government Electricity Rebate.

This letter notifies stakeholders of the decision by the Gas and Electricity Markets Authority (the Authority) to modify the standard conditions of the electricity supply licence by inserting new standard licence condition 25D (SLC 25D). This condition will enable the delivery of the Government Electricity Rebate (the rebate).

The new condition requires licensees to comply with a direction issued by the Secretary of State (SoS), directing suppliers to pay a £12 rebate to each of their eligible domestic electricity customers in the autumns of 2014 and 2015. SLC 25D also requires licensees to provide the Authority or the SoS with information relevant to compliance with the direction.

On 24 June 2014, the Authority issued a statutory consultation on this proposed licence modification. The full detail and rationale for this policy are set out in the June consultation¹ and our April policy consultation.²

Respondents to the statutory consultation generally supported our proposals and the drafting of SLC 25D. We therefore consider that no amendment is needed to the licence drafting.

We will finalise the guidance on rebate reporting requirements, a draft of which has been shared with suppliers at workshops in July and August 2014. Following considerations of stakeholders' views, we aim to issue the finalised guidance in late August.

Barring any appeal, the licence modification will have effect from 3 October 2014. The SoS can then issue the direction so that rebates can begin to be paid.

In Annex 1, we summarise stakeholders' representations to our statutory consultation and our views. In Annex 2, we set out our decision.

¹ Ofgem, [Statutory consultation on the modification of standard conditions of electricity supply licences to enable the delivery of the Government Electricity Rebate](#), 24 June 2014.

² Ofgem, [Open letter consultation on the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate](#), 28 April 2014.

The Authority's decision

After considering the representations made, the Authority has decided to proceed with the modifications to the licence conditions proposed in the 24 June 2014 consultation for the reasons set out in paragraph 6 of the attached decision. The modifications will take effect on and from 00:00 on Friday 3 October 2014.

This decision and the modifications have also been published on the Ofgem website.

If you have any questions about this letter, please contact Barry Coughlan at ger@ofgem.gov.uk or on 020 7901 7000.

Yours sincerely,

Neil Barnes
Associate Partner, Retail Markets

Annex 1: Responses to statutory consultation

We received seven responses to our statutory consultation, from suppliers and a trade association.³ They generally welcomed the introduction of the licence condition and said it provides a clear framework for the delivery of the rebate. They did not raise significant concerns with the drafting of the licence condition. Respondents also appreciated the clarifications we gave in the June consultation on certain aspects of the rebate (eg exceptions, interaction of the rebate with other licence conditions). Some stakeholders, however, raised points of clarification on the drafting, and requested further information about certain aspects of the policy. We address these in more detail below.

Compliance monitoring and audit processes

Some respondents were concerned that there was a risk of duplicating the information to be transmitted to us or the SoS as part of compliance monitoring. More widely, they requested that the audit process be kept as simple as possible. On these points, we would like to reassure stakeholders that we are working closely with the Department for Energy and Climate Change (DECC) to minimise the administrative burden on suppliers. We will aim to avoid duplication of reporting requirements and to keep information transmission as close as possible to suppliers' business-as-usual practices.

One stakeholder said that the audit process should only begin at the end of the scheme. We would like to confirm that, as specified in the draft guidance on the rebate shared with suppliers at workshops in July and August 2014, the audit process will typically take place after the end of each scheme year. Nevertheless, we may arrange audits outside this period if we need to.

One respondent wanted clarification on whether 25D.2 limits the information suppliers should send to us or the SoS. For the avoidance of doubt, we clarify that SLC 25D.2 and 25D.3 allow us to request information from suppliers for assessing their compliance with the condition. It also provides a corresponding duty upon suppliers to provide such information. The guidance on the rebate, which we are currently discussing with suppliers, will provide a detailed list of the information that we will request.

Drafting of the SLC

Some respondents wanted more clarity on three areas covered by SLC 25D.

One stakeholder saw a potential inconsistency between the definition of Domestic Customer in SLC 25D.6 and that in the SoS' draft direction. We confirm that the two documents are aligned, and SLC 25D.6 should be interpreted in line with our definition of a Domestic Customer in SLC 1. We are working closely with DECC to ensure the SoS' direction and the guidance on the rebate are consistent with the licence condition.

One stakeholder asked whether letters and vouchers are included in the definition of 'information' in paragraphs (c) and (d) of SLC 25D.6. We confirm that we consider letters and vouchers as forms of communications compliant with paragraphs (c) and (d) of SLC 25D.6. Therefore, we see no need to amend the licence drafting.

One stakeholder asked whether the rebate should be included in the Tariff Information Label (TIL) in accordance with SLC 31B. We consider that the rebate should not be included in the TIL. The TIL is a tool that helps consumers to understand the main features of their tariff and the tariffs available in the market. Our view is that the rebate is not a characteristic of a tariff, but a compensation paid by government. Its inclusion in the TIL may potentially mislead customers when they compare tariffs. This approach is consistent with the treatment of the Warm Home Discount, another government-related scheme, which is not included in the TIL.

³ Responses are published on the [Consultation](#) section of our website.

Other issues raised

Some stakeholders wanted clarification on certain details of the policy, such as the treatment of exceptions, the eligibility criteria, the choice of the qualifying date, the compensation of implementation costs and the reimbursement process. As noted in our statutory consultation, we encourage stakeholders to share these concerns with DECC, given that the details for delivering the rebate will be contained in the direction that the SoS will issue.

One stakeholder asked whether the definition of the rebate in SLC 25D.6 should include a reference to Value Added Tax (VAT). We note that this point has been specifically addressed by the policy document published by DECC, and do not intend to specify the treatment of VAT in the licence condition.⁴

One stakeholder wanted clarity on the reason why SLC 25D does not contain detailed formatting requirements for bills. The SLC does not include any specific formatting requirements for bills because we want to minimise the changes suppliers need to make to their billing systems, and therefore the implementation costs of the rebate. As specified in our June consultation, we expect suppliers to add a separate line item to their bills with a short description to ensure consumers are aware they have received the rebate.

⁴ See the section "Dealing with VAT" in Chapter 5 of DECC, [Consultation on delivering a £12 rebate to domestic electricity consumers](#), 19 June 2014.

Annex 2

To: All holders of an electricity supply licence who are relevant licence holders for the purposes of section 11A(10) of the Electricity Act 1989

**Electricity Act 1989
Sections 11A and 49A**

NOTICE UNDER SECTION 11A OF THE ELECTRICITY ACT 1989

MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY SUPPLY LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 6 OF THE ELECTRICITY ACT 1989

AND NOTICE OF REASONS FOR THE DECISION TO MODIFY STANDARD CONDITIONS OF ELECTRICITY SUPPLY LICENCES UNDER SECTION 49A OF THE ELECTRICITY ACT 1989

Whereas –

1. Each of the companies to whom this document is addressed (a “Licence Holder”) has been granted (or is otherwise treated as having been granted) a Licence under section 6(1)(d) of the Electricity Act 1989 (“the Act”).

2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority (“the Authority”) gave notice on 24 June 2014 (“the Notice”) that it proposed to modify the standard licence conditions of electricity supply licence by inserting a new standard licence condition 25D and requiring any representations to the modification to be made on or before 25 July 2014.

3. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.

4. Prior to the close of the consultation period in respect of the Notice, the Authority received seven responses. All non-confidential responses have been placed on the Ofgem website.⁵ Our responses to these comments are set out in Annex 1.

5. The Authority has carefully considered all representations received in relation to the proposed modifications and has decided to proceed with all the modifications proposed in the Notice.

6. The Authority’s reason for making the licence modification is to ensure that the payment of the Government Electricity Rebate (as described in the accompanying letter) to eligible domestic customers by all electricity suppliers is made in a transparent manner and to minimise the risk of material distortions of competition in the sector. Further details of the reason for the licence modification have been published by the Authority in:

- our statutory consultation on the modification of standard conditions of electricity supply licences to enable the delivery of the Government Electricity Rebate;⁶ and
- our open letter consultation on the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate.⁷

7. The effects of the proposed modification are described in the documents referred to in paragraph 6 of this Notice. In summary, the proposed modification requires electricity

⁵ Responses are published on the [Consultation](#) section of our website.

⁶ Ofgem, [Statutory consultation on the modification of standard conditions of electricity supply licences to enable the delivery of the Government Electricity Rebate](#), 24 June 2014.

⁷ Ofgem, [Open letter consultation on the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate](#), 28 April 2014.

supply licensees to: (i) comply with a direction issued by the Secretary of State to pay a twelve pounds government-funded rebate to each of their domestic electricity customers in the autumns of 2014 and 2015; and (ii) provide the Authority or Secretary of State with specified information relevant to the licensee's compliance with such a direction.

8. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules⁸ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification direction. The meaning of "relevant licence holder" is set out in section 11A(10) of the Act.

Now therefore

In accordance with the powers contained in section 11A(1)(b) of the Act, the Authority hereby modifies the standard licence conditions for all electricity supply licences in the manner specified in the attached Schedule 1. This decision will take effect on and from 00:00 on Friday 3 October 2014. This document constitutes notice of the reasons for the decision to modify the electricity supply licences as required by section 49A of the Act.

The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of

.....
Neil Barnes
Associate Partner, Retail Markets
Ofgem

Duly authorised on behalf of the
Gas and Electricity Markets Authority

7 August 2014



⁸ The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the Competition and Markets Authority.

SCHEDULE 1

MODIFICATIONS PURSUANT TO SECTION 11A OF THE ELECTRICITY ACT 1989 OF THE STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCE GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(d) OF THE ELECTRICITY ACT 1989.

Insertion of new standard condition 25D

The text set out below in red is to be inserted after existing standard condition 25C of the electricity supply licence.

Standard Condition 25D. Power to direct payment of rebates to Domestic Customers

25D.1 The licensee must comply with any direction relating to Relevant Matters for Standard Condition 25D which, following consultation and subject to the Secretary of State's duty to have regard to the Statutory Considerations, the Secretary of State may issue and may from time to time revise (following further consultation).

25D.2 The licensee must provide the Authority or the Secretary of State with information specified by the Authority or Secretary of State in relation to matters that it or he reasonably considers are relevant to the licensee's compliance with any direction issued pursuant to paragraph 25D.1.

25D.3 The Authority or Secretary of State may direct the licensee to comply with paragraph 25D.2 by providing to the Authority or the Secretary of State information:

- (a) in a particular form or medium by a particular date;
- (b) in a particular form or medium at such reoccurring intervals of time as the Authority or Secretary of State considers appropriate; and
- (c) of any description specified by the Authority or the Secretary of State, including any documents, accounts, estimates, returns, records or reports and data of any kind, whether or not prepared specifically at the request of the Authority or the Secretary of State.

25D.4 The licensee is not required to comply with paragraph 25D.2 if it could not be compelled to produce or give the information in evidence in civil proceedings before a court.

25D.5 This condition will cease to have effect from and including the date five years after this condition becomes effective.

Definitions for condition

25D.6 For the purposes of this condition:

"Relevant Matters for Standard Condition 25D" means:

- (a) a requirement to deliver a Government Electricity Rebate to a Domestic Customer;
- (b) the time and manner in which a Government Electricity Rebate is to be delivered to a Domestic Customer;
- (c) a requirement to display or provide any information relating to a Government Electricity Rebate on or with a Bill or statement of account; and

(d) the format of any information relating to a Government Electricity Rebate which must be displayed on or provided with a Bill or statement of account.

“Government Electricity Rebate” means, in respect of any eligible Domestic Customer, up to two annual rebates equal to twelve pounds sterling per calendar year which the Secretary of State may in accordance with this condition direct the licensee to deliver to a Domestic Customer.

“Statutory Considerations” means the principal objective and duties set out in sections 3A to 3C of the Electricity Act 1989.

SCHEDULE 2

LIST OF RELEVANT LICENCE HOLDERS⁹

Addito Supply Limited	ICS Energy Limited
Altitude Energy Supply Limited	IPM Energy Retail Limited
AMRECS LLC	Iresa Limited
Angel Energy Limited	Jetstream Energy Supply Limited
Axis Telecom Limited	KAL-Energy Limited
AXPO UK Limited	Kensington Power Limited
Barbican Power Limited	Krave Management Limited
BES Commercial Electricity Limited	Loco2 Energy Supply Ltd.
Better Business Energy Limited	Lourdes Associates Limited
Better Energy Supply Limited	MA Energy Limited
BizzEnergy Limited	Marble Power Limited
Blizzard Utilities Limited	Morgan Stanley Capital Group Inc
BP Energy Europe Limited	MVV Environment Services Limited
Brilliant Energy Limited	Nationwide Electricity Limited
British Energy Direct Limited	NEAS Energy A/S
British Gas Trading Limited	Neas Energy Limited
Co-Operative Energy Limited	Npower Direct Limited
Corona Energy Retail 5 Limited	Npower Limited
Coulomb Energy Supply Limited	Npower Northern Limited

⁹ Ofgem, [List of all electricity licensees with registered or service addresses](#), 25 July 2014.

Crown Oil Limited	Npower Northern Supply Limited
Danske Commodities A/S	Npower Yorkshire Limited
Dong Energy Power Sales UK Limited	Npower Yorkshire Supply Limited
Donnington Energy Limited	Open4Energy Limited
Dorex UK Ltd	Opus Energy (Corporate) Limited
Dual Energy Direct Limited	Opus Energy Limited
E.ON Energy Solutions Limited	Opus Energy Renewables Limited
E.ON UK Plc	OVO Electricity Limited
Eco Green Management Limited	Paddington Power Limited
Economy Energy Supply Limited	Pan-Utility Limited
Economy Energy Trading Limited	Power4All Limited
Economy Power Limited	R Electrics Limited
Ecotrade Solutions Limited	Regent Power Limited
EDF Energy Customers Plc	Reuben Power Supply Limited
Effortless Energy Ltd.	S. C. Isramart SRL
Electricity Direct (UK) Limited	Scottish Power Energy Retail Limited
Electricity Plus Supply Limited	SEEBOARD Energy Limited
Emexconsult Limited	Simply Electricity Limited
Eneco Energy Trade BV	Sirocco Energy Supply Limited
Energy Coop Limited	Smart Electricity Limited
Energy Data Company Limited	Smarter Eco Energy Ltd
EPG Energy Limited	Smartest Energy Limited
Epower Supply Limited	South Wales Electricity Limited
ETUL Limited	Spark Energy Supply Limited
Europa Energy Supply Limited	SSE Energy Supply Limited
Extra Energy Supply Limited	Statkraft Markets GmbH
F & S Energy Limited	Supply Energy Limited
Farmoor Energy Limited	Symbio Energy Solutions LLP
First Utility Limited	Team Gas and Electricity Limited

Flow Energy Limited	The Nuclear Decommissioning Authority
Gazprom Marketing & Trading Retail Limited	The Renewable Energy Company Limited
GDF Suez Marketing Limited	Total Gas & Power Limited
GNERGY Limited	Tradelink Solutions Limited
Good Energy Limited	UK Healthcare Corporation Limited
Green Energy Limited	Universal Bioenergy Limited
Haven Power Limited	Utilita Energy Limited
Holborn Energy Limited	Utility Partnership Limited
Home Counties Energy Plc	Uttily plc
Hudson Energy Supply UK Limited	Vattenfall Energy Trading GmbH
I Supply Electricity 2 Limited	Vavu Power Limited
I Supply Electricity Limited	Wilton Energy Limited
I Supply Energy Limited	Winnington Networks Limited