

Consultation

Administration of the Green Gas Levy

Publication date:	5 July 2021	Contact:	Megan Cupid, Policy Manager
		Team:	Policy, Delivery & Schemes
Response deadline:	13 August 2021	Email:	Future.HeatPolicy@ofgem.gov.uk

We are consulting on our proposed administration of the Green Gas Levy (GGL), which is expected to launch in autumn 2021. We welcome responses from anyone with an interest in the GGL, such as gas suppliers and biomethane producers, as well as from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We may publish the non-confidential responses we receive alongside a decision on next steps on our website at [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

© Crown copyright 2021

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at: 10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Table of Contents

Table of Contents	3
Executive summary	4
1. Introduction	6
Green Gas Levy	13
2. Data submission	15
3. Levy payments	17
4. Exemption for suppliers providing 95 - 100% green gas	20
5. Credit cover	24
6. Mutualisation	35
7. Former Scheme Suppliers	37
8. Enforcement	38
9. Public reporting	39
10. Additional Questions	42
11. Appendices	43
Appendix 1 – List of consultation questions	44
Appendix 2 – Privacy notice on consultations	45

Executive summary

Ofgem has been named by the Department for Business, Energy and Industrial Strategy (BEIS) as the intended administrator of the Green Gas Support Scheme (GGSS) and associated Green Gas Levy (GGL). BEIS consulted on the proposed policy, and issued the subsequent government response, in March 2021¹. This consultation sets out proposals on aspects of our planned administration of the GGL in order to inform work to develop this in preparation for scheme launch. We have described the government position where needed to add context to the aspects we are consulting on, however for an outline of the full policy the government response should be referred to.

We have published a separate consultation on our proposals for our administration of the GGSS, which is running in parallel with this consultation.

The **Green Gas Levy** will be placed on licensed gas suppliers and will fund the Green Gas Support Scheme. Payments will be collected quarterly, with the first payment being collected in the first quarter of 2022/23.

Obligated suppliers will be required to submit **quarterly data** (section 2) indicating the total number of meter points served daily, and we propose how we will validate this data before calculating **levy payments** due (section 3). We will use the levy rate to be published annually by BEIS, and meter point data, to calculate payments due and invoice suppliers.

The scheme regulations will allow gas suppliers who will be providing 95% or more certified green gas over the full year to be exempt from the levy. There will be an upfront **provisional exemption** process before each financial year, during which we will require evidence to be provided to support our determination of provisional exemption. Following the end of each financial year the scheme regulations will require suppliers to evidence the supply of green gas and be granted **exemption** (section 4).

Credit cover (section 5) will be required from all obligated suppliers to enable draw down of funds should they miss a payment. This will be required to be in place before the start of each quarter, and we have proposed an indicative timeframe within which suppliers will be required to put this in place. Suppliers will be able to provide cash credit cover and/or a letter of credit. We

¹ <https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat>

propose to provide a template letter of credit to be used. If providing cash credit cover, suppliers will receive the return of any excess credit cover held, and interest, annually in March. We also set out a proposal for handling extra-ordinary requests for the return of excess credit cover in each of the other quarters. We propose that should a supplier have both cash credit cover and a letter of credit cover lodged, in routine circumstances we will draw down on cash credit cover first.

Should a supplier default on a levy payment and there is insufficient credit cover draw down to cover the fully payment, we will be required to carry out a **mutualisation** process (section 6). This will require non defaulting suppliers to pay a share of the outstanding sum to cover the shortfall. We have set out the timeframes within which we expect to be able to require mutualisation payments if they are required.

We are considering our approach to enforcement for the levy and will provide further information on this in due course, which may include a public consultation. This will include the preparation of a penalty policy statement (section 8).

Ofgem will be required to publish a public register to enable **public reporting** (section 9) of scheme suppliers who have failed to meet their obligations for the levy. We have provided proposals on how we plan to publish this information including additionally within our Supplier Performance Report which reports supplier compliance on the other environmental, energy efficiency and social programmes that we administer.

We have posed an **additional question** (section 10) relating to circumstances where there may be some suppliers who serve a low volume of meter points and may therefore be required to provide credit cover and payments for low values which may cost less than the administration costs associated with them. We will be required to administer the levy as set out in the regulations; however, we invite views on how we might help to reduce the administrative burden for suppliers serving a low number of meter points.

1. Introduction

What are we consulting on?

- 1.1 In March 2021, the Department for Business, Energy and Industrial Strategy (BEIS) issued the "Future Support for Low Carbon Heat & The Green Gas Levy: Government response to consultations"² on the proposed Green Gas Support Scheme (GGSS) and associated Green Gas Levy (GGL). The "Future Support for Low Carbon Heat"³ and the "Proposals for a green gas levy"⁴ consultations closed on 7 July 2020 and 2 November 2020, respectively. In this document we refer to the government response on the Green Gas Support Scheme and the Green Gas Levy as 'the government response'.
- 1.2 Both the GGSS and the GGL are scheduled to launch in autumn 2021. The GGSS is intended to encourage the deployment of new anaerobic digestion (AD) biomethane plants in order to increase the proportion of green gas in the gas grid. The GGSS will be funded through the GGL, which will require all licensed fossil fuel gas suppliers in Great Britain, excluding those who supply 95% or more from non-fossil fuel sources, to pay a levy based on the number of meter points they serve. **We have published a separate consultation on our proposals for our administration of the GGSS, which is running in parallel with this consultation.**
- 1.3 In this consultation on the GGL we have presented a summary of the government position within each section, under the heading 'summary of government position'. Here we summarise the relevant contents of the government response and our understanding of the proposed regulations. Once the regulations come into force, we will consider whether further stakeholder engagement is required.
- 1.4 Where we have summarised the government position, this is for the purposes of providing context to aspects of scheme administration that we are consulting on, and is not intended to be, nor is it, a full indication of the full levy policy. For more details and

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970565/green-gas-levy-future-support-low-carbon-heat-govt-response.pdf

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888736/future-support-for-low-carbon-heat-consultation.pdf

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919901/consultation-green-gas-levy.pdf

a more extensive outline on the government position, readers should refer to the government response.

- 1.5 We have presented our proposals on how we propose administer the GGL under the heading 'proposed administrative approach', and highlighted these in orange. We are only consulting on these parts.
- 1.6 The scheme regulations will not have been published during the consultation period, but we are consulting at this stage in order to help provide industry with time to prepare for the new scheme and levy. We are aiming to engage with stakeholders during and after the consultation period, in order to keep them informed and to ensure the deliverability of the GGL.
- 1.7 In addition to this published consultation we are also planning two stakeholder engagement events where we will introduce sections of the consultation and invite comment and feedback on these. These are planned to focus on the GGSS and GGL, and are scheduled to take place between 19 and 30 July 2021. Details of how to register for these events can be found on our website.
- 1.8 We are also working on designing the digital services⁵ for both the GGSS and the GGL, according to the 14 Government Digital Service (GDS)⁶ service standards. We have been engaging with gas suppliers and potential GGSS users throughout this process as part of user research and usability testing sessions.
- 1.9 Both services are following a user centred and digital first approach, with the aim to streamline processes wherever possible. This includes looking at options to automate certain aspects of the services, reduce touch points and providing the ability for users to communicate with us online. We are working using an agile approach with the aim to deliver a minimum viable service and further iterate and provide continuous improvement based on user feedback and prioritisation exercises. Furthermore, our digital services will comply with WCAG 2.1 accessibility guidelines so they are accessible to people with disabilities or access needs.

⁵ <https://gds.blog.gov.uk/2018/04/04/what-do-we-mean-when-we-talk-about-services/>

⁶ <https://www.gov.uk/government/organisations/government-digital-service>

	Discovery	Alpha	Private Beta	Public Beta (Go live)
GGSS	Completed Nov 2020	Completed April 2021	In progress	November 2021
GGL	Completed March 2021	In progress	Starts September 2021	TBC

1.10 On the GGL, we are currently working on the alpha⁷ phase, where we are testing various ideas and assumptions and also running prototypes by suppliers who sign up for sessions. Gas suppliers will be obligated under the levy and now is their chance to have their say and provide their input into how we can design the digital service to be user centred and streamlined.

1.11 If you would like to be part of our research, please send an email to Future.Heat@Ofgem.gov.uk, specifying whether you are interested in the GGSS or GGL.

Related publications

1.12 Some useful links are provided below:

- [BEIS 'Future Support for Low Carbon Heat' consultation](#)
- [BEIS Green Gas Levy consultation](#)
- [Future Support for Low Carbon Heat & the Green Gas Levy: Government response to consultations](#)

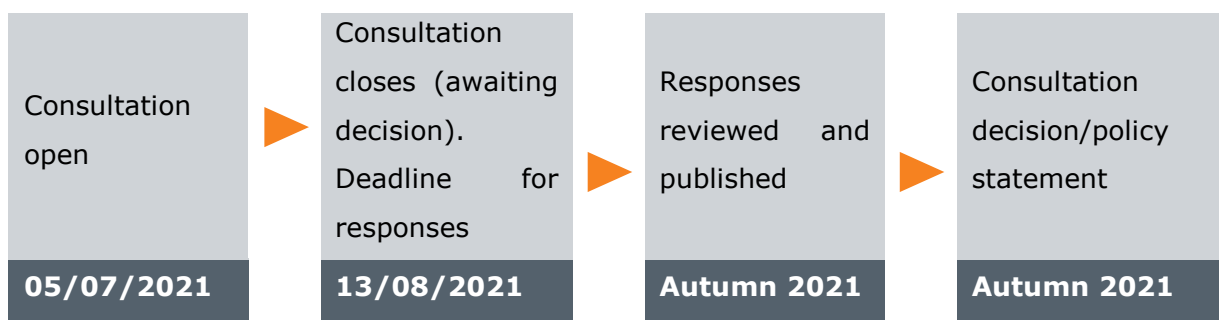
⁷ <https://www.gov.uk/service-manual/agile-delivery/how-the-alpha-phase-works>

Consultation stages

1.13 This consultation outlines our proposed administration of the GGL.

1.14 The consultation will be open for 6 weeks, and will close on 13 August 2021.

Figure 1: Consultation stages



1.15 During the consultation period (Summer 2021), we will organise stakeholder events in order to help participants, suppliers and all relevant parties engage with the GGSS and GGL. We will be also updating our website and other platforms regularly to include any upcoming events and/or news.

1.16 This consultation deals with our administration of the pending GGSS Regulations 2021. The Government has set out its intentions in its Government response, which has informed those regulations, but in the unlikely event that there are minor changes between this consultation and when the regulations are laid in Parliament, and we deem those differences to have a material impact the administration of the scheme, we will consider whether further stakeholder engagement is necessary.

1.17 As soon as the consultation closes, we will start analysing responses and drafting guidance, which will be published in autumn 2021.

How to respond

1.18 We want to hear from anyone interested in this consultation. Please send your response using the consultation feedback template which is available on our website.

Should you have any further questions, please contact the person or team named on the front page of this document.

- 1.19 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.20 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.21 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.22 If the information you give in your response contains personal data under the General Data Protection Regulation 2016/379 (UK GDPR) and domestic legislation on data protection, the Gas and Electricity Markets Authority will be the data controller for the purposes of UK GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.
- 1.23 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

- 1.24 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
- a. Do you have any comments about the overall process of this consultation?

- b. Do you have any comments about its tone and content?
- c. Was it easy to read and understand? Or could it have been better written?
- d. Were its conclusions balanced?
- e. Did it make reasoned recommendations for improvement?
- f. Any further comments?

1.25 Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

1.26 You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations).


Notifications

Would you like to be kept up to date with *Domestic supplier-customer communications rulebook reforms*? subscribe to notifications: !

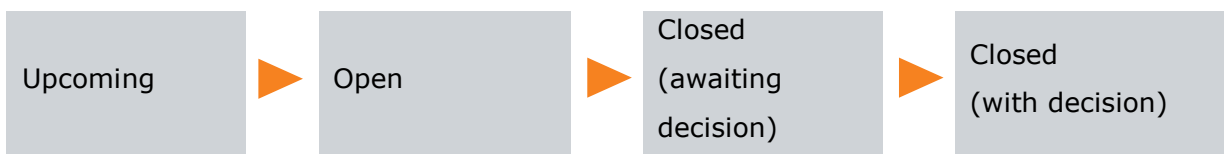
Email *

CAPTCHA

Check the box below to verify you're human

I'm not a robot  reCAPTCHA
Privacy - Terms

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:



Green Gas Levy

Section summary

The Green Gas Levy will be placed on all licensed fossil fuel gas suppliers in Great Britain, excluding those who supply 95% or more from non-fossil fuel sources. Levy payments will be collected quarterly, with the first payment being collected in the first quarter of Financial Year 2022/23. The amount each supplier must pay will be determined using meter point supply data provided to us by suppliers. The first part of this section (section 2) sets out how we intend to administer the submission of this data.

We will be responsible for notifying suppliers of their levy obligations and collecting payments, and section 3 sets out how we intend to inform suppliers of their obligation and manage payments.

Licensed suppliers who supply at least 95% certified biomethane will be excluded from the levy. There will be a process whereby suppliers who believe they will be exempt from the levy may apply to us for a provisional exemption ahead of a scheme year. They will then be required to provide evidence, in the form of retired green gas certificates, that they have met the exemption requirements for the year. Section 4 sets out how we intend to administer this exemption.

All obligated suppliers will be required to provide credit cover to ensure that levy payments and any mutualisation contributions are paid in the event of a supplier defaulting on their payments or paying late. Section 5 explains the requirements and how we will require credit cover to be provided.

In the event that a supplier fails to pay a levy payment and has insufficient credit cover to make up the shortfall, we will be required by the regulations to carry out a mutualisation exercise. Section 6 sets out the timings we propose implementing for the mutualisation process.

There will be quarterly actions that we require suppliers to complete in a timely manner to enable Ofgem to collect the levy and secure the funds to be able to pay GGSS scheme participants. To provide advance notice to suppliers of deadlines, Ofgem will be required to publish a scheme schedule before 1 February each year.

The schedule will include details of any remaining timelines for the current financial year, and a full schedule of timings and deadlines for the next financial year.

2. Data submission

Questions in this section

1. Do you have any comments on the first proposal on data collection methods? Do you have any further suggestions for how data collection could be improved?
2. Do you have any comments on the alternative proposal that Ofgem could collect data from a third-party and require suppliers to validate this?

Summary of government position

- 2.1 At the start of each quarter, obligated licensed gas suppliers will be required to submit the total number of meter points (sum of Meter Point Reference Numbers (MPRNs)) they served for each day of the previous quarter⁸. This will be used by us to calculate each supplier's levy obligation for that quarter, as well as the following quarter's credit cover requirement. It will be the supplier's responsibility to provide accurate and timely daily meter point data, and the exact dates by which suppliers must submit their meter point data will be specified in the scheme schedule.
- 2.2 If a supplier does not provide their daily meter point data by the deadline specified, we will need to estimate the number of meter points served by that supplier for each day of the preceding quarter using third-party data.

Proposed administrative approach

- 2.3 We are exploring two options in relation to accessing and validating meter point data.
- 2.4 The first approach would require suppliers to provide the number of meter points they serve daily through a dedicated register. We may verify this data against independent data provided by a third party, and where significant discrepancies are identified we may request further information in order to resolve any conflicts.

⁸ For the first year of the scheme, suppliers will instead be required to provide us with the total number of meter points supplied for the previous year.

2.5 We are also exploring whether it would be feasible to take an alternative approach whereby we obtain suppliers' meter point data from a third party and require suppliers to verify this and confirm whether the figure is accurate.

Questions:

- 1. Do you have any comments on the first proposal on data collection methods? Do you have any further suggestions for how data collection could be improved?**
- 2. Do you have any comments on the alternative proposal that Ofgem could collect data from a third-party and require suppliers to validate this?**

3. Levy payments

Summary of government position

- 3.1 Ahead of each scheme year, BEIS will calculate and publish the levy rate in a pence per meter per day format, using the methodology set out in the GGSS regulations.
- 3.2 We will use the published levy rate and the daily meter point data provided by suppliers after the relevant quarter has concluded (see section 2), to calculate the amount payable by each supplier for each quarter, using the following formula:

$$LR \times M$$

where

- LR is the levy rate for that scheme year and
 - M is the total meter point data for the previous quarter (provided by suppliers)⁹
- 3.3 After calculating the levy payment, we will send an invoice to suppliers which will specify:
- the levy amount suppliers are obliged to pay
 - how it is calculated
 - how it must be paid
 - the date by which the amount is required to be paid, which will be no less than 14 days after the invoice was issued

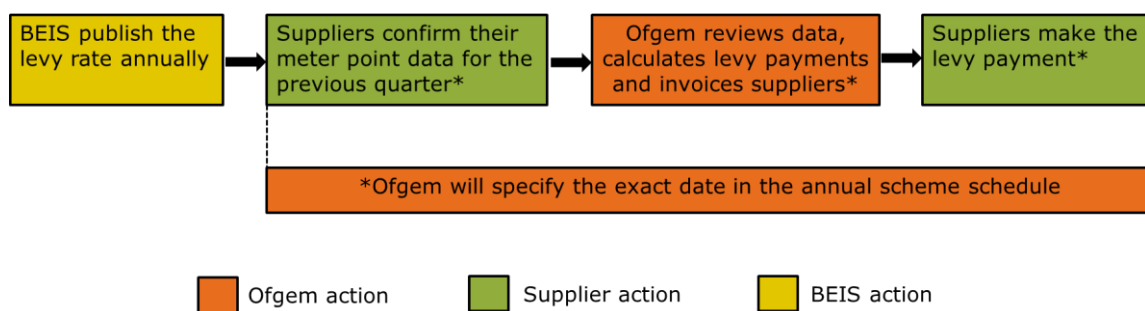
⁹ in relation to the quarter beginning with 1st April 2022, M is the sum of the meter point data for a scheme supplier for each day of the period beginning 30 November 2021 and ending 31 March 2022

- details of what will happen if the amount is not paid, in relation to interest on late payments and draw down of credit cover
- Where a supplier fails to pay their levy payment obligation in full by the relevant deadline, which will be specified in the invoice/notice, late payments interest will accrue on a daily basis, from the day the payment was required, until the outstanding payment is made. Late payment interest will be set at eight per cent above the Bank of England base rate

3.4 If a supplier fails to pay the outstanding levy payment, we will draw down on that supplier’s credit cover (see section 5). If the supplier has insufficient credit cover to meet the outstanding balance, a mutualisation process may be triggered (see section 6).

3.5 Suppliers will be required to notify us as soon as possible if any of the information provided to calculate the quarterly levy payment was incorrect.

Figure 2: Indicative flowchart for suppliers’ data submission and levy payments quarterly process



Proposed administrative approach

3.6 Suppliers will be required to make levy payments to Ofgem's nominated bank account by the date specified by us, (which, in line with the regulations, will be no less than 14 days after the invoice has been issued). We may also implement a confirmation mechanism where the supplier could be required to confirm receipt of the invoice.

4. Exemption for suppliers providing 95 - 100% green gas

Question in this section

3. Do you have any comments on the proposed list of information required to support a notification that a supplier is likely to be an exempt supplier? Is there any additional information that you believe will help support a notification?

Summary of government position

- 4.1 As set out in the government response, licensed gas suppliers whose total gas supplied during a scheme year includes at least 95% certified green gas (certified biomethane), will be exempt from paying the levy for that year.
- 4.2 The regulations will set out an annual process whereby suppliers may apply for provisional exemption ahead of a scheme year, if they expect to supply at least 95% certified biomethane during that scheme year. If the provisional exemption is granted, that supplier will not be charged the levy for that year or be included in any mutualisation rounds. This will be followed by a year-end process whereby suppliers will be required to provide evidence, in the form of retired certificates issued under an approved certification scheme, that at least 95% of the gas they supplied during the scheme year was certified biomethane. If they are unable to provide evidence of this, they will be required to make backdated levy payments. A list of approved certification schemes will be published and maintained by BEIS.

Upfront mechanism for provisional exemption

- 4.3 Suppliers who believe that they are likely to be an exempt supplier for a forthcoming scheme year must notify us ahead of that scheme year and by a date specified in the scheme schedule. The notification must be supported by:
 - any information we may request to support their notification and
 - written confirmation from a responsible officer that the information provided is correct

Proposed administrative approach

4.4 The requirements for supporting information will be set out in guidance, and we propose that this may include, but not be limited to:

- Copies of Gas Purchase Agreements (GPAs) for the relevant scheme year
- Any contractual agreements related to the purchase or trading of green gas certificates that are separate to the above
- Evidenced detail on the volume of gas supplied in the previous years, and the proportion of gas certified as green within that supply volume
- A letter of intent from the supplier signed by a responsible person, stating that the supplier intends to be a green gas supplier for the duration of that scheme year

4.5 Suppliers will also be required to provide us with the number of meter points currently served, and the number of meter points they expect to serve in that scheme year.

Summary of government position

4.6 After receiving a notification, we will make a determination as to whether the supplier should be provisionally exempt. To assist this, we may instruct, or request the supplier to instruct, an auditor to assess the information provided, and prepare a report. The requirements for this report will be set out in guidance. The purpose of the report will be to assess the accuracy of the information provided and the likelihood that the supplier will supply more than 95% certified biomethane for the relevant scheme year.

4.7 Where we determine that the gas supplier should be granted provisionally exempt status for the following scheme year, a notification will be issued stating that the supplier is a provisionally exempt supplier for that scheme year. The supplier (referred to as a 'provisionally exempt supplier') will not be required to make any payments or provide credit cover during the relevant scheme year. Provisionally exempt suppliers will continue to have some obligations which will include provision of meter point data quarterly. We will retain the power to commence or continue enforcement action in respect to any non-compliance that occurred in years other than the year they are

provisionally exempt, and for other obligations that still apply during provisional exemption.

- 4.8 If we determine that the gas supplier will not be an exempt supplier in relation to the relevant scheme year, that supplier will be subject to all requirements as set out in regulations, and the notification will inform them of that.

Proposed administrative approach

- 4.9 We propose that we may provide a 'minded to' indication of the intended determination on whether a supplier should be provisionally exempt. This will offer the supplier who has made the application an opportunity to challenge our determination if they disagree and provide further clarification and/or information if required before the final decision is made.

Question:

- 3. Do you have any comments on the proposed list of information required to support a notification that a supplier is likely to be an exempt supplier? Is there any additional information that you believe will help support a notification?**

End of Year Mechanism

Summary of government position

- 4.10 The regulations will require scheme suppliers who supplied at least 95% certified biomethane during that scheme year to notify us of this by 1 July following the end of the scheme year. This will include provisionally exempt suppliers and those who did not have provisionally exempt status. Suppliers will be required to provide evidence, in the form of retired green gas certificates issued under a BEIS approved certification scheme, that at least 95% of the gas supplied in that scheme year was certified biomethane.
- 4.11 Having made a determination, we will issue a notification to the supplier stating whether they were an exempt supplier or not in relation to that scheme year. Suppliers who were not provisionally exempt suppliers in relation to a scheme year, but were

subsequently able to provide evidence that they supplied at least 95% certified biomethane during that scheme year, will be considered exempt suppliers and may be refunded for the levy payments and any contributions to mutualisation exercises made in that year. If we determine that a provisionally exempt supplier has provided less than 95% certified biomethane gas as a proportion of their total supply, we will calculate the level of backdated payments to be made for the relevant scheme year using any methodology set out in the regulations and specify the date by which payment must be made.

5. Credit cover

Questions in this section

4. From your experience of providing credit cover for other purposes previously, do you anticipate any difficulties in being able to obtain the issue of a letter of credit that would meet the criteria requested and in the timeframes required? If there are concerns or there have been previous issues please provide evidence of this within your response.
5. Do you agree or disagree with Ofgem's proposed approach to the discretionary return of excess credit cover in quarters 1-3 each year, including limiting requests to once per year, and the proposed de minimis threshold for returns? If you disagree, please provide alternative suggestions, including any evidence, to support your response
6. From your experience of providing credit cover for other purposes do you have any feedback on any of the aspects proposed which could be made more efficient or easier to administer for either Ofgem or suppliers? Please provide evidence to support your response.

Summary of government position

- 5.1 The GGSS regulations will require all scheme suppliers to lodge credit cover, as part of a supplier's obligation to pay the levy, which can be drawn down by us in instances where a supplier does not make a levy or mutualisation payment in full by the relevant due date. There will be a quarterly process to confirm credit cover requirements and to verify that the level of required credit cover is always lodged.

Quarterly process for credit cover provision

Summary of government position

- 5.2 Ahead of the start of each quarter we will calculate each scheme supplier's credit cover requirement for the forthcoming quarter using the meter point data provided earlier within the quarter, and the formula published by BEIS within the regulations.
- 5.3 We will be required to notify a supplier of their credit cover requirement no later than 21 calendar days' in advance of each quarter. The date suppliers must pay their credit cover requirement is no less than 14 calendar days after the date on which the

notification is issued by us, and no later than seven days before the start of the forthcoming quarter.

Forms of credit cover

Summary of government position

5.4 The two acceptable forms of credit cover will be:

- A cash payment into an Ofgem nominated bank account, which will be returned at the end of the scheme if not drawn upon
- A letter of credit from a bank which meets the minimum credit rating requirement

Cash credit cover

Proposed administrative approach

5.5 For cash credit cover we will require that:

- Payment is made to the specified Ofgem nominated bank account before or by the deadline specified
- Any payment references that will be specified in guidance or in the credit cover notification must be used to enable easy identification of the payment made

5.6 Provision of cash credit cover will be taken as an agreement for the funds provided:

- To be held by us in the format as set out in guidance and
- For this to be drawn down upon, as set out in guidance, from the next working day should a levy payment or mutualisation payment not be fully made by the date required

- 5.7 Where a supplier provides cash credit cover, they must also provide details of the bank account to which funds should be returned at the end of the scheme, and to which any excess funds or interest should be paid each March.
- 5.8 We may also request that suppliers provide a separate notification that the cash credit cover has been paid, and if so will set out in our guidance the format within which this should be provided.

Letters of credit

Summary of government position

- 5.9 Where a supplier chooses to meet their credit cover obligation through a letter of credit from a bank, this must be provided to us to enable the drawdown of funds from the issuing bank should the supplier fail to meet their levy obligations.
- 5.10 Recognising that suppliers may want to take different approaches to credit cover depending on their circumstances, suppliers will be able to take a longer term approach and provide a letter of credit for up to one full scheme year, and for a higher value (to anticipate any potential growth in service), in order to reduce the level of quarterly administration required – if this is done the letter will still be required to meet the criteria for each quarter as detailed below. This approach will not apply to cash credit cover.
- 5.11 The GGSS regulations will set requirements on letters of credit which will need to be met in order to be acceptable. A letter of credit will be acceptable where it is:
- Issued by a bank that holds the required credit rating thresholds (see table *Suitable Credit Rating* below)
 - Valid for at least the quarter to which it relates and the four weeks immediately following the end of that quarter
 - Issued on such terms as Ofgem determines are appropriate, and

- Issued in such form as Ofgem may specify

Proposed administrative approach

5.12 We propose that letters of credit must also meet the following requirements:

- Indicate that Ofgem is the beneficiary
- Cover (if required in combination with cash credit cover) at least the value of credit cover required - this could be higher than the required amount if intended to cover more than one quarter's obligation. However in a future quarter if the letter of credit does not cover the full credit cover requirement, additional credit cover will need to be lodged to supplement this in either of credit cover (cash or new letter of credit).
- Be set out in accordance with any Ofgem guidance provided on the manner in which any payment under letter of credit is to be made. We propose to issue a template in guidance, to be used in order for a letter of credit to be accepted as valid. Additional details likely to be specified in guidance include timeframes required for payment and to which bank account.

5.13 Letters of credit will be assessed by us to ensure that they meet the requirements of the scheme – this will include to verify that they provide the correct level of cover, contain the information needed to meet the requirements set out in the regulations and guidance and are in the required format (a template will be provided).

Bank Credit Rating

5.14 A supplier who has provided a letter of credit will be responsible for monitoring the rating of the issuing bank. Should the ratings of the bank fall below the required level, the letter of credit will cease to constitute an acceptable letter credit from fourteenth day after the day on which the bank ceased to hold that rating, and the supplier must provide cash credit cover within 14 days to bring the level of credit cover lodged to the required level. Should it be required we will be still able to draw down on a letter of credit that no longer meets the accepted bank credit rating until alternative cover has been provided.

Suitable Credit Rating

A person holds a required credit rating if that person has been assessed by:

- (a) Fitch Ratings as having a short term debt rating of "F1" or,
- (b) Moody's as having—
 - (i) a short term debt rating of "P-1" or better, or
 - (ii) a long term debt rating of "A3" or better, or
- (c) Standard and Poor's as having a short term debt rating of "A-1" or better.

"Fitch Ratings" means Fitch Ratings Limited (registered company number 01316230).

"Moody's" means the corporation known as Moody's Investors Service Inc. incorporated in the US State of Delaware with the file number 0577904.

"Standard and Poor's" means the corporation known as Standard & Poor's Financial Services LLC. incorporated in the US State of Delaware with the file number 4621989.

Question

- 4. From your experience of providing credit cover for other purposes previously, do you anticipate any difficulties in being able to obtain cash cover or a letter of credit that would meet the requirements and in the timeframes required? Please provide evidence to support your response.**

Return of cash credit cover & payment of interest

Summary of government position

- 5.15 At the end of the scheme, cash credit cover will be returned to the bank account specified by the supplier for that purpose.
- 5.16 There are also additional circumstances where cash credit cover and any interest accrued will be returned to suppliers as set out below.

Return of excess cash credit cover held

Summary of government position

5.17 Should the total number of meter points that a supplier serves reduce significantly, the level of cash credit cover required will reduce accordingly. This may result in Ofgem holding more cash credit cover than is required for a supplier. Where this occurs, we will inform the supplier as part of the notification referenced in paragraph 5.3 that their credit cover requirement is less than their existing credit cover. We will be required return excess credit cover each year in March, but will also have the discretion to consider requests for return of excess credit cover in June, September and December. The supplier will then be able to request repayment of the excess credit cover by a deadline specified in the scheme schedule.

5.18 Excess credit cover will only be returned where:

- the supplier is not in breach of any requirements to pay levy payments, provide credit cover, backdated levy payments or mutualisation payments and
- the excess sum if returned will not reduce the sum of credit cover lodged below the level required for the next quarter

Proposed administrative approach

5.19 For the annual process of returning excess credit cover in March, we propose that we will aim to return excess credit cover to suppliers by 31 March. This will enable the transaction to be made at the same time as the return of interest earned on cash credit cover (see interest earned on credit cover section below).

5.20 In addition to the annual process of returning excess credit cover in March, the regulations will allow for suppliers to request the return of excess credit cover in June, September and/or December. A request for the return of excess credit cover will need to be provided in a form specified by us and must indicate the amount of excess credit cover being requested and the reason for the request. We will set out deadlines for making such requests in the scheme schedule.

- 5.21 In the instances of suppliers requesting their excess credit cover be returned once per quarter the return of credit cover is not guaranteed and we will have discretion to determine whether the return should be made.
- 5.22 Suppliers who need to submit a request for return of excess funds in June, September or December will be asked to submit a request for the return of excess credit cover:
- In the period of time before the deadline specified in the published scheme schedule. This may be the fifth working day after a notification of credit cover requirements has been sent
 - In the form that Ofgem specify. This may be by e-mail to a specified e-mail address, using a defined subject heading
 - Indicating the value of excess credit cover being requested to be returned
 - Providing a reason for the request
- 5.23 For administrative efficiency purposes, in order to limit the number of excess credit cover returns necessary within the year, we propose to:
- Restrict the number of returns of excess credit cover (in addition to any March returns) to once per year per supplier either in June, September or December. As previously noted, we would still have discretion whether to return any excess cover in addition to the March returns.
 - That the sum that is requested to be returned by a supplier must be greater than the proposed de minimis threshold for return of funds of £250. This is to ensure that the administrative cost of returning the funds does not exceed the value of the funds.
- 5.24 Where we return funds to suppliers, we will also send a notification confirming the value of the funds returned and providing details of how the value of the returned funds was calculated.

Summary of government position

5.25 On receipt of a request for excess credit cover in June, September or December, we will review the request to ensure that:

- It falls within the criteria set out above
- The supplier is not in breach of any requirements to pay levy payments, a backdated payment, provide credit cover or mutualisation payments
- The sum requested if returned will not reduce the sum of credit cover lodged below the level required for the next quarter.

Proposed administrative approach

5.26 We propose to return excess credit cover to suppliers by the date specified in the published scheme schedule. We propose to send a notification to suppliers confirming the value of the funds returned. Should we need to return less funds than requested such as for reasons set out above, we will provide details of how the value of the returned funds has been calculated.

Question:

- 5. Do you agree or disagree with Ofgem’s proposed approach to the discretionary return of excess credit cover in quarters 1-3 each year, including limiting requests to once per year, and the proposed de minimis threshold for returns? If you disagree, please provide alternative suggestions, including any evidence, to support your response**

Interest on cash credit cover

Summary of government position

5.27 Cash credit cover is not expected to incur significant levels of interest as it will be held in a government bank account, however any interest will be paid back to suppliers at the end of each scheme year starting in March 2023.

Proposed administrative approach

- 5.28 In order to streamline our processes, we propose to pay suppliers any interest earned on cash credit cover at the same time as any excess credit cover is returned at the end of each scheme year, every March. Ofgem will only return interest that has been received into the cash credit cover bank account and no interest will be transferred to suppliers in anticipation of such interest payments being received.
- 5.29 We will provide information to suppliers so that they can be clear of the breakdown on the sum that is refunded.

Cash Credit cover: Former scheme suppliers & provisionally exempt suppliers

Summary of government position

- 5.30 Should a supplier cease to be a licensed gas supplier, any cash credit cover held by us, and associated interest accrued that has been received into the Ofgem account, will be repaid to the supplier as soon as is reasonably practicable after any payments that are due have been made.

Proposed administrative approach

- 5.31 If a supplier becomes provisionally exempt for the next financial year and is therefore no longer liable to maintain credit cover for the next year, they may request the return of their un-used cash credit cover after all obligations for levy payments and mutualisation payments have been met.

Credit cover draw down

Summary of government position

- 5.32 Where a supplier fails to fully pay a levy or mutualisation payment, we will start the process to draw down on their credit cover no earlier than the next working day after the payment was due.
- 5.33 If it is necessary to draw down on a supplier's credit cover we will send notification that draw down has occurred, including details of the amount and form of credit cover (credit payment and/or letter of credit) that has been, or will be, drawn down.
- 5.34 Should the amount of a supplier's existing credit cover be reduced as a result of a draw down to pay the whole or any part of a mutualisation payment they will be required to within 14 days pay the amount necessary to ensure that their existing credit cover is not less than the credit cover requirement for that quarter.

Proposed administrative approach

- 5.35 Should a supplier lodge both cash credit cover and a letter of credit, in routine circumstances we propose to draw down on cash credit cover first, followed by a letter of credit for any remaining shortfall in liability. However, in circumstances such as a supplier exiting the market we may at our discretion draw down on a letter of credit first.

Question:

- 6. From your experience of providing credit cover for other purposes do you have any feedback on any of the aspects proposed which could be made more efficient or easier to administer for either Ofgem or suppliers? Please provide evidence to support your response.**

6. Mutualisation

Question in this section

7. Do you agree or disagree with the proposed timings for making a mutualisation payment? If you disagree, please provide alternative suggestions, including any evidence, to support your response

Summary of government position

- 6.1 Where a supplier defaults on a levy payment, and ~~has~~ funds recovered through credit cover draw down are insufficient to cover their full levy payment due, we will be required to carry out a mutualisation process after the levy payment due date to make up the shortfall in levy payments. The mutualisation process will require those suppliers who have met their levy obligation to pay an additional sum to cover any shortfall.
- 6.2 A mutualisation process will only occur where the total levy shortfall is greater than the estimated cost to Ofgem of carrying out the mutualisation process. This threshold will be set ahead of each scheme year, and published by BEIS alongside the levy rate.
- 6.3 Where the threshold is not exceeded, mutualisation will not be triggered and the shortfall will be accounted for through headroom built into the levy.

Calculation of mutualisation amount and payment

Summary of government position

- 6.4 When the mutualisation process is triggered, we will calculate the total amount to be mutualised (the sum of the unpaid amounts to be recovered). The amount each non-defaulting supplier will be required to pay will be calculated by apportioning the total amount to be mutualised between all the non-defaulting suppliers, in proportion to the number of meter point days each supplier served, taken from the meter point day value used to determine their obligation for the relevant quarter in which the shortfall occurred.

- 6.5 Once the amounts have been calculated, we will provide a notice (a “mutualisation notice”) to each scheme supplier setting out the amount due from non-defaulting suppliers and the date by which the payment is to be made. A mutualisation notice may not be issued earlier than 7 days after the date the quarterly levy payment was due.
- 6.6 Should a supplier fail to pay a mutualisation payment by the due date stated in the notice that supplier’s credit cover will be drawn down – see above section on credit cover for more details relating to this.

Proposed administrative approach

- 6.7 We expect to be able to issue any mutualisation notices needed within a period of 7 to 21 days after a levy payment was due. The timeframes will vary to allow an adequate period of time to draw down on available credit cover – the drawdown of which may vary in duration depending on the type of cover provided. Scheme suppliers will have no more than 10 working days to make a mutualisation payment from the date at which the invoice is issued by us.

Question:

- 7. Do you agree or disagree with the proposed timings for making a mutualisation payment? If you disagree, please provide alternative suggestions, including any evidence, to support your response**

7. Former Scheme Suppliers

Summary of government position

- 7.1 Should a supplier cease to be a licensed gas supplier, they will be required within 14 days of this, to notify Ofgem and provide further details including the date they ceased to be a scheme supplier and provide meter point data for each day of their final quarter. In circumstances such as insolvency suppliers will be required to notify Ofgem of this within 3 working days.
- 7.2 Ofgem will be required to calculate and notify the supplier of the final quarterly levy payment due. If data is not provided Ofgem will determine the number of meter points served. Suppliers will be required to make the payment within 14 days of the notification, or if sooner, the next date within which quarterly levy payments are due.
- 7.3 Should the payment not be made Ofgem will begin steps to draw down credit cover.
- 7.4 When the final levy payment has been made, any remaining cash credit cover will be repaid to the supplier.

8. Enforcement

Government position

- 8.1 The levy policy will provide powers to enable action to be taken if necessary to address non-compliance with the levy obligations. Within the government response BEIS set out proposals for late interest payment, financial penalties and pursuance of debt through the courts.

Proposed administrative approach

- 8.2 We are currently considering our approach to enforcement for the GGL. We will provide further information as to our intentions in due course and this may include a public consultation. We will also be preparing a penalty policy statement to be published and used for the GGL.

9. Public reporting

Question in this section

8. Do you agree or disagree with the proposal to include compliance with the Green Gas Levy in the Supplier Performance Report, and to use the same scoring methodology as used for other schemes? If not, please provide any other suggestions.

Summary of government position

- 9.1 Ofgem will be required to publish and maintain a public register of scheme suppliers who have failed to meet their obligations under the scheme, including quarterly levy payments, mutualisation payments, and interest on levy payments or provision of sufficient credit cover, within the specified timeframes.
- 9.2 The register will be updated, as soon as practicable, with details of those scheme suppliers who have failed to meet their key obligations including providing credit cover and making levy payments. Where a payment is subsequently made after public reporting and the defaulting supplier's obligation is met, the information reported will remain but it will be updated to state that the non-payment has been made, the breach has been rectified, and the supplier is no longer in default.
- 9.3 The details we will publish on the register will include, but will not be limited to:
- The name of the scheme supplier
 - The nature of the non-compliance
 - If an outstanding payment was subsequently made, the date on which the payment was made
 - Any financial penalty that was imposed
 - Any other relevant information
- 9.4 In addition Ofgem will be required to publish quarterly reports on the scheme's activity which will include reporting on at least two levy metrics (see Section 16 of the GGSS consultation for further details).

Proposed administrative approach

- 9.5 The register will be published in a format that meets government accessibility guidance. The data will be presented in both aggregated and supplier-level formats, and may include commentary. We propose keeping the information on our website for a period of 5 years.
- 9.6 The information may be summarised in an annual report on the operation of the Green Gas Support Scheme and Green Gas Levy.
- 9.7 We also maintain the Supplier Performance Report (SPR)¹⁰, a public report that provides information on supplier compliance across the environmental, energy efficiency and social programmes schemes that we administer. This is published every six months.
- 9.8 The SPR records non-compliance such as suppliers failing to provide data by the date specified in legislation, providing incorrect data, or failing to make payments. Incidents of non-compliances are given a score based on the severity of impact, ranging from 1 (lowest impact) to 4 (highest impact).
- 9.9 Where a non-compliance incident occurs, the scheme compliance team will determine whether it should be added to the SPR. The supplier will be informed about the details of the incident they propose to add, which will give a supplier an opportunity to review the specific SPR entry. After the initial notification that we have recorded an incident on the SPR, the supplier will be able to make representations to us if they disagree with either the non-compliance incident itself or the score/categorisation. Further guidance on the process for publishing incidents on the SPR and how we score non-compliance can be found in our 'Guidance for Suppliers'¹¹
- 9.10 We propose that supplier compliance with the Green Gas Levy will also be reported on the SPR, in line with the other schemes we administer.

¹⁰ <https://www.ofgem.gov.uk/environmental-programmes/environmental-programmes-ofgem-s-role-and-delivery-performance/environmental-programmes-supplier-performance-report>

¹¹ https://www.ofgem.gov.uk/system/files/docs/2018/05/supplier_performance_report_information_for_suppliers.pdf

Question:

- 8. Do you agree or disagree with the proposal to include compliance with the Green Gas Levy in the Supplier Performance Report, and to use the same scoring methodology as used for other schemes? If not, please provide any other suggestions.**

10. Additional Questions

Low meter point supply numbers/low value interactions

Question in this section

9. Are there any ways that we can help reduce the administrative burden for suppliers who are serving a low number of meter points, while ensuring that Ofgem and suppliers meet their obligations as will be set out within the regulations? Please provide evidence to support your response.

Proposed administrative approach

- 10.1 At launch, the levy will be calculated using a per meter point served approach, although this is subject to the intended transition to a volumetric levy design as soon as possible. The government response indicated that at peak the levy is forecast to be approximately £4.70 per meter point per year for domestic energy customers. Should a supplier serve just a few meter points this may result in an obligation to provide credit cover, levy payments and possibly mutualisation payments that are low value and could cost less than the administrative costs associated with providing them.
- 10.2 We will be required to administer the levy according to the obligations set out in regulations, and we will not be able to treat suppliers preferentially. However, there may be ways that suppliers will be able to reduce the level of administration necessary to meet their obligation, for example by providing letters of credit valid for a whole year rather than on a quarterly basis.

Question:

9. **Are there any ways that we can help reduce the administrative burden for suppliers who are serving a low number of meter points, while ensuring that Ofgem and suppliers meet their obligations as will be set out within the regulations? Please provide evidence to support your response.**

11. Appendices

Index

Appendix	Name of appendix	Page no.
1	Summary list of consultation questions	44
2	Privacy notice on consultations	45

Appendix 1 – List of consultation questions

1. Do you have any comments on the first proposal on data collection methods? Do you have any further suggestions for how data collection could be improved?
2. Do you have any comments on the alternative proposal that Ofgem could collect data from a third-party and require suppliers to validate this?
3. Do you have any comments on the proposed list of information required to support a notification that a supplier is likely to be an exempt supplier? Is there any additional information that you believe will help support a notification?
4. From your experience of providing credit cover for other purposes previously, do you anticipate any difficulties in being able to obtain the issue of a letter of credit that would meet the criteria requested and in the timeframes required? If there are concerns or there have been previous issues please provide evidence of this within your response.
5. Do you agree or disagree with Ofgem’s proposed approach to the discretionary return of excess credit cover in quarters 1-3 each year, including limiting requests to once per year, and the proposed de minimis threshold for returns? If you disagree, please provide alternative suggestions, including any evidence, to support your response
6. From your experience of providing credit cover for other purposes do you have any feedback on any of the aspects proposed which could be made more efficient or easier to administer for either Ofgem or suppliers? Please provide evidence to support your response.
7. Do you agree or disagree with the proposed timings for making a mutualisation payment? If you disagree, please provide alternative suggestions, including any evidence, to support your response
8. Do you agree or disagree with the proposal to include compliance with the Green Gas Levy in the Supplier Performance Report, and to use the same scoring methodology as used for other schemes? If not, please provide any other suggestions.
9. Are there any ways that we can help reduce the administrative burden for suppliers who are serving a low number of meter points, while ensuring that Ofgem and suppliers meet their obligations as will be set out within the regulations? Please provide evidence to support your response.

Appendix 2 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (UK GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the UK GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

3. With whom we will be sharing your personal data

Your personal data may be shared with other government departments such as BEIS or Department for Transport, to reach a wider audience for the stated purpose of the consultation. We may publish your response to our consultation on our website. If your response includes personal information we may publish your response as is, unless you tell us you wish to have any names on the document redacted.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for up to 1 year before review after the programme been completed

5. Your rights

- The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to: know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

9. More information For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".