

## Green Gas Levy Guidance v2.0

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This guidance sets out Ofgem’s procedures for administering the Green Gas Levy (GGL) under the Green Gas Support Scheme Regulations 2021. The GGL funds the Green Gas Support Scheme (GGSS) by placing obligations on all licensed fossil fuel gas suppliers in Great Britain to pay a levy. Suppliers who supply 95% or more certified biomethane within a scheme year may be exempt from some requirements of the levy.

Within this document we set out what obligations suppliers are subject to as well as how to meet them. It also sets out our supplier compliance framework, and the powers we may use to encourage compliance with the scheme’s requirements.

This guidance is for new, current, and former licensed gas suppliers. Our administration of the associated GGSS is outlined in a separate document. This document has been specifically created for the Green Gas Support Scheme Regulations 2021. It is for guidance only and is not intended to be a legal guide. Suppliers should seek their own legal and technical advice in relation to their obligations under the Green Gas Support Scheme Regulations 2021. Further, this document does not anticipate every scenario which may arise. If a scenario arises which is not addressed in this guidance, we will adopt an approach consistent with the relevant legislation. Any additional guidance we publish will be available on our website. Separate guidance has been published relating to participation in the Green Gas Support Scheme.

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## 1. Introduction

### GGL overview

- 1.1. The Green Gas Levy (GGL) places an obligation on all licensed fossil fuel gas suppliers in Great Britain to pay a quarterly levy which will be calculated based on the number of meter points they serve. Obligated suppliers are required to submit quarterly meter point data and must also lodge credit cover in the form of cash credit cover and/or an acceptable letter of credit to help ensure funds are collected in a timely manner and to reduce the likelihood of mutualisation events being required.
- 1.2. The levy is set annually by the Secretary of State for Business, Energy and Industrial Strategy and the obligation period runs from 1 April to 31 March. The first levy payment was required in the first quarter of 2022/23. These payments will be used to fund payments made for eligible biomethane injection into the gas grid through the Green Gas Support Scheme (GGSS).
- 1.3. In March 2021, the Department for Business, Energy and Industrial Strategy (BEIS) published their “Future Support for Low Carbon Heat & The Green Gas Levy: Government response to consultations” document setting out policy decisions for the GGSS and associated GGL.
- 1.4. Ofgem (on behalf of the Gas and Electricity Markets Authority) is the administrator of the GGSS and the GGL. We administer the GGL in line with the Green Gas Support Scheme Regulations 2021, which came into force on 30 November 2021. The levy places an obligation on suppliers at a licence level, so suppliers are obligated to ensure that each of their obligations are met specifically for each gas supply licence that they hold. Ofgem scheme administration costs are recovered from the levy.

### GGL guidance

- 1.5. This guidance outlines Ofgem’s administration of the GGL. This includes detail of the obligations for new, current, and former licensed gas suppliers.
- 1.6. This guidance is primarily for licensed gas suppliers, but associated industries and organisations, consumer groups and the public sector may also benefit from this document. The GGSS Regulations place a duty on Ofgem to publish procedural

guidance to scheme suppliers (for the levy, and to applicants and participants for the GGSS) in connection with the administration of the Scheme.<sup>1</sup>

- 1.7. The GGSS Regulations 2021 refer to a supplier who is obligated to pay the levy as a scheme supplier. A scheme supplier is defined within the regulations, with reference to the Energy Act 2008, as a licensed gas supplier who is a “fossil fuel supplier”. Section 100(3) of the Energy Act 2008 defines a fossil fuel supplier as a person who supplies fossil fuel to consumers for the purpose of generating heat.<sup>2</sup>
- 1.8. There may be suppliers who believe they have licences that should not be obligated to pay the levy, due to them not falling within the definition of fossil fuel supplier. If you think this applies to you, please contact us providing details of this to [GGLcompliance@ofgem.gov.uk](mailto:GGLcompliance@ofgem.gov.uk).
- 1.9. This guidance was first published for comment on 18 November 2021. We have taken an approach of releasing procedural guidance in phases, to engage with suppliers early and provide guidance on areas where early insight might be needed.
- 1.10. This guidance does not claim to anticipate every scenario that may arise. Where a scenario arises that is not addressed in this guidance, we will adopt an approach that is consistent with the relevant legislation. Any additional guidance we publish will be available on our website.
- 1.11. It is the responsibility of each supplier to understand the requirements of the GGSS Regulations and how they apply. This guidance may be used by a new, current, or former supplier but is not intended to be a definitive guide or to provide legal advice. Suppliers are responsible for ensuring that they, and anyone acting on their behalf, comply with the applicable requirements of the law. Should a supplier fail to make a required payment by the deadline required, or comply with other obligations of the levy, we will take compliance action. We also have a framework of enforcement powers that we may use if a supplier fails to fulfil their levy obligations.
- 1.12. This guidance represents our approach to matters concerning the general administration of the levy in accordance with the current Regulations. Where there are

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<sup>1</sup> [GGSS Regulations 2021](#), Regulation 63(1)

<sup>2</sup> GGSS Regulations 2021, Regulation 38(1), and [Energy Act 2008](#), Regulation 100(3)

future changes to the Regulations we will reconsider and revise our administrative arrangements accordingly.

## **Ofgem's role**

1.13. The Green Gas Support Scheme Regulations 2021<sup>3</sup> describe our powers and functions for the GGL and GGSS. For supplier compliance, those functions include but are not limited to:

- Publishing procedural guidance to scheme suppliers and an annual scheme schedule setting out an administrative timetable (see paragraph 1.14 below)
- Validating and calculating, quarterly, supplier meter point data, credit cover requirements and levy payments due.
- Monitoring and administering compliance with the requirements of the Regulations

## **Annual Scheme Schedule**

1.14. In addition to guidance, we are required to publish a scheme schedule in advance of each year, by 1 February. The annual scheme schedule sets out an administrative timetable for each year, and provides suppliers with advance notice of key dates including when:

- Meter point data must be confirmed by all suppliers
- Notifications will be issued by us confirming the value of levy payments due
- Levy payments must be paid by scheme suppliers
- Notification must be provided by a supplier expecting to be provisionally exempt in the next scheme year

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<sup>3</sup> GGSS Regulations 2021



- 1.15. We may if necessary, amend some of these dates (those described as variable within the regulations<sup>4</sup>) and amend the scheme schedule after it has been published. If we do so, we must provide one month's notice of any change.
- 1.16. The annual scheme schedule for each year can be found on the [suppliers tab of our Green Gas Support Scheme and Green Gas Levy website page](#).

## Personal Data

- 1.17. Ofgem will process all personal data collected in accordance with the retained EU law version of the General Data Protection Regulation 2016/679 (UK GDPR) and the Data Protection Act 2018. Ofgem uses the personal data collected to perform its statutory functions and may share this information with other organisations in line with Ofgem's scheme administration functions. For more information on how we process personal data on the GGSS and GGL please refer to our [privacy notice](#).

## Related publications and useful links

- [Green Gas Levy enforcement guidelines and statement in respect of penalties](#) (Ofgem, April 2022)
- [Green Gas Levy Default Register](#) (Ofgem, first published March 2022, will be updated as required – see paragraph 6.22)
- [Annual Scheme Schedule](#) (Ofgem, January 2022 and due subsequent years before 1 February) (Ofgem, January 2022 and due subsequent years before 1 February)
- [Green gas levy rates, underlying-variables and mutualisation threshold](#) (BEIS, 30 November 2021<sup>5</sup>, and due to be published in subsequent years by 31 December)

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<sup>4</sup> GGSS Regulations 2021, Regulation 63(4).

<sup>5</sup> BEIS may, as a result of a review, increase or decrease the published levy rate for scheme years 1 and 2 provided that such increase or decrease is published by the Secretary of State by 1 March 2022 (GGSS Regulations 2021, Regulation 39(3)).

- [The Green Gas Support Scheme Regulations 2021](#) (Government, November 2021)
- [Consultation response on Ofgem’s administration of the Green Gas Levy](#) (Ofgem, November 2021)
- [Final Stage Impact Assessment: Green Gas Support Scheme and Green Gas Levy](#) (BEIS, September 2021)
- [Consultation on Ofgem's Administration of the Green Gas Levy](#) (Ofgem, July 2021)
- [Future Support for Low Carbon Heat and the Green Gas Levy: Government response to consultations](#) (BEIS, March 2021)
- [Consultation on a Green Gas Levy - BEIS consultation](#) (BEIS, September 2020)
- [Future support for low carbon heat - BEIS consultation](#) (BEIS, April 2020)

## Queries and further information

- 1.18. For further information on Ofgem’s administration of the GGL please visit our webpage on Ofgem’s website: <https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy>
- 1.19. Queries relating to administration of the levy should be directed to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk).
- 1.20. If you have any feedback on our guidance please send this to [future.heatpolicy@ofgem.gov.uk](mailto:future.heatpolicy@ofgem.gov.uk).
- 1.21. We take a zero tolerance approach to fraud, if anyone has any concerns about suspected fraud this can be reported by emailing us at [counterfraud@ofgem.gov.uk](mailto:counterfraud@ofgem.gov.uk). Also see our website and paragraph 6.31 of this guidance document for more details relating to suspected fraud and whistleblowing.

## 2. Supplier contact requirements

### Section summary

It is important that we know who to contact within your organisation about the levy obligation and the various actions that we will require you to complete (eg meter point data confirmation, credit cover provision and levy payments). It is a supplier's responsibility to ensure we have the correct contact details. This includes a responsibility to let us know immediately if any appointed contacts change to ensure that only the correct contacts receive information from us and only the correct individuals are able to contact us in relation to administration of the levy.

- 2.1. We need to contact suppliers for several purposes associated with the administration of the levy, and it is important that we know who we should contact for different circumstances.
- 2.2. It is the responsibility of each supplier to ensure that the correct contact details are provided for each gas supply licence that they hold for the roles identified in the table below (Table 1), and that the information we hold for in relation to this remains up to date. If a supplier contact changes, the authorised signatory should contact us by e-mail at [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) as soon as possible to provide updated details. This is important to ensure that only the correct contacts receive information from us, and only the correct individuals are able to contact us in relation to administration of the levy.
- 2.3. We instructed every gas supplier to provide these contact details through a Request for Information that we issued in November 2021 in preparation for the launch of the scheme. We need these details to enable us to fulfil our duties in delivering the administration of the levy and suppliers were obliged to provide this information in a timely and accurate manner in the form requested.<sup>6</sup> This is to ensure that your organisation can respond in an efficient and timely manner to requirements of the levy and should help to avoid missed deadlines and non-compliance. If you have not received our original request for any reason, if the details change, or if you have been granted a new supply licence, please email us at [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk).

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<sup>6</sup> GGSS Regulations 2021, Regulation 47(1) and Regulation 64.

- 2.4. We require confirmation of a Responsible Officer for each licence. This is either a director of the licensed gas supplier within the meaning of section 250 of the companies act 2005(a) or if there is no person falling into this category, then a person exercising management control.<sup>7</sup> The responsible officer is required to complete a letter of authorisation to delegate responsibility for three roles. Further information relating to what each role will be required to do is detailed in the table below.
- 2.5. We will use these role designations to determine who to contact about day-to-day levy administration and who to grant access to on the digital service to undertake tasks, such as verification of data. Each of the levy obligations must be fulfilled for each individual gas supply licence.
- 2.6. We recommend that suppliers [sign up to receive alerts relating to updates on environmental schemes on our website](#).
- 2.7. If you have queries associated with the levy, we encourage you to refer to this guidance in the first instance. However, for any further queries, email us at [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk).

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<sup>7</sup> GGSS Regulations 2021, Regulation 38(15)(f).

**Table 1.** Contact details for each role that are required for each licence a supplier holds.

Contact	Role
<b>Authorised signatory contact</b>	<p>A named person against a gas supply licence who will:</p> <ul style="list-style-type: none"> <li>• receive any specific notifications and correspondence with regards to the levy such as key updates to the scheme and compliance issues</li> <li>• receive all notifications from the levy service that include, but are not limited to, obligations due, and outstanding</li> <li>• be able to update any levy related contact information for the licences for which they are assigned as the 'responsible person'</li> <li>• inform us of any licence changes (eg new acquisitions)</li> <li>• be able to perform all actions relating to meeting levy obligations, the digital service related to (but not limited to) data submissions, credit cover requirements or levy payments due</li> <li>• Request return of excess credit cover in exceptional circumstances</li> </ul>
<b>Lead contact for provision of meter point data</b>	<p>Contact for each gas supply licence who will:</p> <ul style="list-style-type: none"> <li>• receive all notifications with regards to quarterly data submissions which include, but are not limited to, submissions due, or submissions outstanding</li> <li>• be the first contact in case of query against data submissions</li> <li>• be able to view and approve meter point data for the applicable period</li> <li>• add correspondence regarding any data discrepancy</li> <li>• raise a query</li> </ul>
<b>Lead finance contact</b>	<p>Contact assigned against a gas supply licence who will:</p> <ul style="list-style-type: none"> <li>• receive all notifications with regards to credit cover and levy payments which include, but are not limited to, payment due, invoices, credit or payment outstanding</li> <li>• be the first contact in case of query against credit cover and levy payments</li> <li>• be able to view invoices</li> <li>• raise a query</li> <li>• Request return of excess credit cover in exceptional circumstances</li> </ul>

### 3. Submission of meter point data

#### Section summary

All licenced suppliers, including those granted with a provisional exemption, are required to submit meter point data quarterly for each gas supply licence they hold. The data relates to the number of meter points the supplier has served on each day of the previous quarter.

#### Introduction to meter point submission

- 3.1. At the start of each quarter, all licensed suppliers are required to submit the cumulative total number of meter points (sum of Meter Point Reference Numbers (MPRNs)) they served (ie that were in their portfolio) for each day of the previous quarter for each gas supply licence that they held during that period.<sup>8</sup> There is a worked example of how to calculate this detailed below paragraph 3.7 in Table 2. This data 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.
- 3.2. It is the supplier's responsibility to confirm accurate meter point data for each licence within the timeframes we set out in the published scheme schedule for the year. The dates by which suppliers must submit or verify their meter point data will be specified in the scheme schedule and published on our website.
- 3.3. If a supplier does not submit their daily meter point data by the deadline specified, we will determine the number of meter points served by that supplier for each day of the preceding quarter without the supplier's input.<sup>9</sup> We may use third party data to support this determination. A failure to submit the required data will be reported on the scheme default register and other compliance or enforcement action may be taken (see chapters 6 and 7).

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<sup>8</sup> GGSS Regulations 2021, Regulation 48.

<sup>9</sup> GGSS Regulations 2021, Regulation 48(5).

## Calculating cumulative total number of meter points

3.4. The meter point data required each quarter is the cumulative total, for each individual licence, of the number of meter points within the supplier's portfolio on each day of the previous complete quarter. Meter points referred to within the Green Gas Support Scheme Regulations 2021 and this guidance are those that meet the definition of supply meter points in the Uniform Network Code Transportation Principal Document and therefore have a meter point reference number (MPRN) assigned.<sup>10</sup>

3.5. Meter point data submitted must:

- Be submitted for each individual licence separately
- Include all domestic and non-domestic supply meter points served by the supplier within their portfolio and therefore have an MPRN assigned (and are not shipper sites)
- Include all supply meter points with a live status (capable of passing gas)
- Include isolated, capped or clamped supply meter points allocated to the supplier, but excluding unregistered sites
- Exclude meters that have been removed from the data from the date that their status ceases to be "live".
- Include supply meter points in England, Wales and Scotland
- Count twin stream sites which have multiple meters attached to one supply meter point as one meter point for each supply meter point
- Count individual shared supply points as one supply meter point for each of the applicable supplier short codes.

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<sup>10</sup> GGSS Regulations 2021, Regulation 2, [Uniform Network Code Section G](#)

- 3.6. If a supplier has been appointed a Supplier of Last Resort (SoLR) for a gas company that has ceased to trade, they should include meter points transferred to them as part of the SoLR process within the total number of meter points reported. Meter points should be reported from the day that they are transferred to the SoLR. We understand that a shipper must report these changes to Xoserve, and that there is usually a lag of a few days before the information is updated within the Xoserve data systems and that the data is retrospectively updated. If there is a discrepancy at any time between the data we ask you to confirm and your total meter point data (including SoLR meter points), please notify us of this through the meter point verification process.
- 3.7. For further guidance, you'll find a worked example for how to calculate totals for daily meter point data below in Table 2.



**Table 2. Example of how to calculate total meter point days.**

At the start of Quarter 1 in April (in a standard year), the total meter point data required will be from Quarter 4 from the previous financial year (January, February, and March).

Time period	No of meter points served on each day	Calculation for that period	Total meter point days served for specified period
January 1 - 20 (20 days)	25,000	25,000 x 20 days	500,000
January 21 - 31 (11 days)	25,500	25,500 x 11 days	280,500
<b>Whole of January</b>			<b>780,500</b>
February 1 - 10 (10 days)	24,500	24,500 x 10 days	245,000
February 11 - 20 (10 days)	30,000	30,000 x 10 days	300,000
February 21 - 28 (8 days)	30,500	30,500 x 8 days	244,000
<b>Whole of February</b>			<b>789,000</b>
March 1 - 10 (10 days)	30,500	30,500 x 10 days	305,000
March 11 - 20 (10 days)	30,000	30,000 x 10 days	300,000
March 21 - 31 (11 days)	31,000	31,000 x 11 days	341,000
<b>Whole of March</b>			<b>946,000</b>
<b>Whole of Quarter 4 (January – March)</b>			<b>2,515,500</b>

## How meter point data must be submitted

- 3.8. Ofgem will endeavour to routinely obtain meter point data each quarter for every supplier licence from Xoserve (the designated Central Data Services Provider for Great Britain's gas supply), and ask all suppliers (including any with provisional exemption) to confirm that the data is correct. We will do this by asking suppliers to review the data for the licences that they hold and confirm whether it is correct, or to indicate if there is a difference in the data (see paragraph 3.16 on validation of meter point data / resolving differences in data below).

- 3.9. We have developed a digital service which suppliers need to access to verify the provided meter point data. Suppliers will be contacted by email by the date indicated within the annual scheme schedule to prompt them to confirm their meter point data.
- 3.10. There may be instances when we need to instead request meter point data from suppliers, especially in the first few quarters following scheme launch. If we do this, we will confirm the specific format that the data must be provided in. We will then review the submission once it has been returned, and contact suppliers if there are any queries.
- 3.11. Should it not be possible for us to access or provide third party data for suppliers to verify at any point throughout the scheme, suppliers will be obligated to provide meter point data.
- 3.12. We expect suppliers to keep their own record of meter point data, which we may audit for accuracy at any time to ensure that supplier meter point data confirmations are correct.

## **Timeframes for submission of meter point data**

- 3.13. Deadlines for meter point submission or verification are set out within the separately published annual scheme schedule. We expect to request data no later than 7 working days after the start of each quarter, and to require suppliers to submit or verify their meter point data within 5 working days of our request being issued.
- 3.14. Due to the levy obligation starting in November 2021, but the first payment being collected five months later in Quarter 1 of 2022/2023, the first two meter point data requests differed, as detailed further below, from the standard process which are set out in paragraph 3.1 and 3.4. The timing of the first two meter point data requests and the period for which the data was for were, as follows:
- First request: for meter point data covering 31 August 2021 – 31 December 2021. We requested this on 7 February 2022.

- Second request: for meter point data covering 30 November 2021 - 31 March 2022.<sup>11</sup> We requested this is on 11 April 2022.

3.15. It is imperative that suppliers submit or verify meter point data by the deadline indicated in the scheme schedule. A failure to submit or verify data, as required, will be considered a non-compliance against scheme requirements and may result in compliance and/or enforcement action (see chapters 6 and 7 for further details relating to compliance and enforcement).

## **Validation of meter point data / resolving differences in data**

- 3.16. If you disagree with the meter point data we ask you to verify, you must provide us with the rationale and/or evidence as soon as possible and no later than the deadline for confirming the meter point data. If differing meter point data is submitted without a rationale or supporting evidence, we will not be able to consider this. In circumstances where we have requested data to be submitted by suppliers, should we have a query on what has been provided we will require you to provide further information or evidence promptly.
- 3.17. Any meter point queries need to be resolved promptly, to enable the data to be used to determine the levy payment obligation (or in the instance of the first meter point data request the value of credit cover due). We will work constructively with suppliers in relation to any discrepancies. However, should the matter remain unresolved due to unsatisfactory levels of supplier engagement, or should it not be resolved before we are required to prepare invoices for levy payments due (or credit cover due in the first instance), Ofgem will be required to determine the meter point data to then determine the levy payment obligation. We expect suppliers to keep their own meter point data records, and we may also carry out further checks to provide assurance that suppliers are complying with the scheme requirements in relation to this.

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<sup>11</sup> GGSS Regulations 2021, Regulation 48(1).

## 4. Providing credit cover

### Section summary

Suppliers obligated to pay the levy must lodge credit cover for each gas supply licence that they hold in the form of either cash credit cover and/or by lodging a valid letter of credit (in line with guidance below) to help ensure funds are collected in a timely manner and to reduce the likelihood of mutualisation events being required. We will notify each supplier to indicate what their credit cover requirement is ahead of each quarter, and whether they need to lodge additional cover at the end of each quarter. Suppliers must lodge their required cover in the form set out in guidance.

### Introduction to credit cover

- 4.1. All suppliers, except those that have been granted provisional exemption (see chapter 8), are required to lodge credit cover for each gas supply licence that they hold. Credit cover must be in place for each quarter by the dates indicated in the annual scheme schedule, for the period starting 1 April 2022, and following this, for each subsequent quarter.<sup>12</sup>
- 4.2. Cash credit cover and letters of credit that meet the requirements (as set out in paragraphs starting from 4.16 and 4.19 below) are acceptable forms of credit cover. Once in place, suppliers' credit cover may be drawn down on by Ofgem in instances where a supplier fails to pay whole or part of a levy or mutualisation payment by the relevant due date. Credit cover will remain in place for the duration of each quarter and a supplier may elect to provide credit cover in respect of multiple quarters upfront. The level of a supplier's credit cover that remains lodged, following their levy payment and any mutualisation payments necessary, will be taken into consideration in confirming whether additional credit cover needs to be lodged in the following quarter. This will be done when we confirm suppliers' quarterly credit cover requirements in advance of each quarter. Please refer to the annual scheme schedule for specific dates for this exercise.

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<sup>12</sup> GGSS Regulations 2021, Regulation 42.

- 4.3. There will be an annual process for the return of excess cash credit cover that is lodged, though we will consider returns outside of this process in exceptional circumstances (see paragraph 4.46 below).<sup>13</sup>
- 4.4. Suppliers may use the amendment process for letters of credit to adjust the level of cover provided in subsequent quarters and/or to extend the expiry date of the letter of credit to cover subsequent quarter(s). The process for such amendments is set out from paragraph 4.29.

## How credit cover will be calculated

### Quarterly process

- 4.5. During the last month of each quarter, we will confirm a supplier's credit cover requirement for the following quarter for each gas supply licence. As part of this notification, we will indicate whether a supplier's existing credit cover levels are sufficient to meet their updated credit cover requirement, or whether additional credit cover will need to be lodged. This includes consideration of any remaining credit cover in the form of a letter of credit previously provided and which remains valid until at least the date falling 28 days after the end of the upcoming quarter. The date this notification will be sent is indicated within the separately published annual scheme schedule.
- 4.6. The credit cover requirement will be calculated by Ofgem, using the calculation provided within the regulations<sup>14</sup> as follows:

$$LR \times (M \times 1.15)$$

where:

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<sup>13</sup> GGSS Regulations 2021, Regulation 45.

<sup>14</sup> GGSS Regulations 2021, Regulation 41.

- LR is the levy rate for the scheme year in which the previous quarter fell<sup>15</sup> – as credit cover is being requested in advance of the quarter this will be the levy rate for the month within which credit cover is being requested.
- M is meter point data that was provided and used to calculate the previous levy payment - described within the regulations as the quarter beginning six months before the start of the quarter that the credit cover is being provided for. The exception to this was for the first credit cover requirement for Quarter 1 2022/23 which was lodged in Quarter 4 of 2021/22 and calculated using data from the period 31 August 2021 to 31 December 2021.

- 4.7. Table 3 below provides an illustration of which levy rate and meter point data will be used for each quarter's credit cover provision and when it will be requested.
- 4.8. Credit cover must be lodged by the date indicated on the notification. This deadline will also be detailed in the scheme schedule for advance notice. The scheme schedule will allow at least 14 calendar days for the cover to be lodged from the date the request was made, and we will endeavour to consider the number of working days when setting the deadline (the statutory minimum is 14 calendar days).
- 4.9. If a supplier intends to amend their previously provided letter of credit so that it may continue to serve as credit cover for an upcoming quarter(s) (see paragraph 4.29 below), the amended letter of credit must be approved by the issuing bank by the deadline for credit cover. The amended letter of credit must also be provided to Ofgem as specified in the notification and scheme schedule referred to in paragraph **Error! Reference source not found..**
- 4.10. Suppliers will have the necessary data and information to understand how the credit cover requirement is calculated in advance of the calculation, so will have the opportunity to anticipate their requirement and pro-actively plan to lodge this in advance of a notification.
- 4.11. We will send a notification regarding credit cover to all suppliers (except provisionally exempt suppliers) regardless of whether additional credit cover needs to be lodged for the next quarter. In instances where the credit cover requirement is the same or less

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<sup>15</sup> [Green Gas Levy rates published by BEIS.](#)

than the level of credit cover lodged (whether as cash or as the available balance on an undrawn or partially drawn letter of credit) no further action is required from the supplier and the notification should be treated as 'for information'. See also paragraph 4.46 relating to return of excess credit cover.

- 4.12. There will be an annual process for the return of excess cash credit cover, and a process for the discretionary return of credit cover (see paragraph 4.46 below). The process for amending letters of credit is set out from paragraph 4.29.
- 4.13. When calculating the credit cover required for a new licensee for the first time, we will use a modified calculation to enable a full quarters' credit cover to be requested. See paragraph 9.5 relating to new scheme suppliers for more details.

**Table 3. Calculation of credit cover in standard year (note Q1, 2022/2023 was different).**

This table is to aid understanding of the process and for suppliers to be able to anticipate their obligations. Ofgem will calculate credit cover requirements and notify suppliers of these before any credit cover is due to be lodged.

	<b>Q1 credit cover (April to June)</b>	<b>Q2 credit cover (July to September)</b>	<b>Q3 credit cover (October to December)</b>	<b>Q4 credit cover (January to March)</b>
<b>Timing</b>	Lodged in March (end of Q4 of previous year)	Lodged in June (end of Q1)	Lodged in September (end of Q2)	Lodged in December (end of Q3)
<b>Meter Point Data</b>	Calculated using meter point data from Q3 of previous year (October to December)	Calculated using meter point data from Q4 (January - March)	Calculated using meter point data from Q1 (April to June)	Calculated using meter point data from Q2 (July to September)
<b>Levy Rate</b>	Using levy rate applicable for Q4 of previous year	Using levy rate applicable for current year	Using levy rate applicable for current year	Using levy rate applicable for current year

## Types of credit cover

4.14. A supplier may lodge credit cover in either or both of the following forms:

- A cash payment into the specified Ofgem nominated bank account for credit cover<sup>16</sup>
- A letter of credit from a bank which meets the requirements set out below<sup>17</sup> in paragraphs 4.19 to 4.25

4.15. No other forms of credit cover, such as parent company guarantees, are acceptable under the scheme.

## Cash credit cover

4.16. For cash credit cover we will require that:

- Payments are made by electronic transfer to the specific credit cover Ofgem bank account before the deadline specified within the scheme schedule. We will advise each relevant supplier of the bank account details to be used within the request for credit cover to be lodged
- Payments must be made using the payment reference indicated within the notification of credit cover requirements to enable easy identification of the payment made
- Suppliers confirm that cash credit cover has been paid by logging onto the GGL system and selecting the correct option to indicate the type/s and value of credit cover provided (or that it was not required).

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<sup>16</sup> GGSS Regulations 2021, Regulation 42.

<sup>17</sup> GGSS Regulations 2021, Regulation 43.



4.17. Lodging of cash credit cover will be taken as an agreement for the funds:

- To be held by Ofgem either:
  - until the end of the scheme
  - a supplier ceases to be an obligated supplier
  - until a letter of credit is lodged instead which covers the full credit cover obligation (see paragraph 4.46 for guidance on return of excess credit cover annually and for the process for return of excess cash credit cover in exceptional circumstances).
  - until excess credit cover is returned (see paragraphs 4.46 of the guidance)
- To be drawn down, as set out in paragraph 6.1 of the guidance, from the next working day after the payment due date, should a levy payment or mutualisation payment not be fully made by the date required.

4.18. Suppliers will always be responsible for ensuring appropriate levels of credit cover are in place to meet their obligations. We have a quarterly process in place but suppliers will be able to lodge credit cover for a longer period, for example, if suppliers expect the meter point numbers they serve on a specific licence not to fluctuate between quarters. If credit cover requirements increase in value or we need to draw down on credit cover, suppliers will need to lodge additional credit cover irrespective of whether they have intended to submit credit cover for a longer period.

## Letters of credit

4.19. Where a supplier chooses to meet their credit cover obligation by lodging a letter of credit from a bank or other financial institution, this must be lodged separately for each supply licence. A letter of credit must meet the following criteria to be accepted:<sup>18</sup>

- Issued by a bank, financial institution or person<sup>19</sup> that holds the required credit rating thresholds (see table Suitable Credit Rating)
- Valid for at least the quarter to which it relates and 28 calendar days immediately following the end of that quarter. If a supplier has elected to use a letter of credit to meet its credit cover obligations across multiple quarters, this letter of credit must be valid until at least 28 calendar days immediately following the end of the last of those quarters. It is important to note that credit cover obligations may vary between quarters and, if a supplier's credit cover obligations increase in subsequent quarters (or if we have drawn down on the letter of credit), suppliers will be required to provide additional credit cover for the balance.
- Indicates that Ofgem is the beneficiary
- Cover (if required in combination with cash credit cover) is at least the value of credit cover required as stipulated by Ofgem, noting this could be higher than the required amount (see paragraph 4.24 below)
- Be set out using the letter of credit template<sup>20</sup> at Appendix 1 and terms provided. Suppliers should note that drafting instructions have been indicated by asterisks in the footnotes to the template for the letter of credit to assist suppliers with preparing the form of letter of credit for issue by their bank
- Include our levy payment bank account details (for the account in to which levy payments are requested to be made, not the account into which we request cash

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<sup>18</sup> GGSS Regulations 2021, Regulation 43(3).

<sup>19</sup> GGSS Regulations 2021, Regulation 43(3)(a)

<sup>20</sup> GGSS Regulations 2021, Regulation 43(3)(d).

credit cover to be paid) to Section 4 of the letter of credit's 'form of demand' in schedule 1 of the template before sending it to your bank.

- 4.20. All relevant fields must be completed within the template letter of credit and these are highlighted for ease of identification in the template at appendix 1. These include Clause 5(a) relating to the delivery of demand, and the provision of an e-mail address. However, we will accept "n/a" if a fax number is not available. Suppliers should liaise with their bank issuing the letter of credit to complete the highlighted fields in the header of the form of demand at schedule 1 of the template letter of credit.
- 4.21. Letters of credit should preferably be provided as a digital document (eg PDF) from the bank or financial institution. If this is not possible, suppliers should scan the document and send it to Ofgem by email. We reserve the right to request the hard copy of a scanned document. Letters of credit should not be amended to mark them for the attention of an individual or the Green Gas Levy Compliance team. If submitting a physical copy as well, a cover letter or note may be included to mark the letter of credit for the attention of the Green Gas Levy Compliance team and/or the address on the envelope should be marked for the attention of the Green Gas Levy Compliance team.
- 4.22. Letters of credit will be assessed by Ofgem to ensure that they meet the requirements of the scheme. This will include verifying that they lodge the minimum level of cover as indicated on the request for credit cover, cover the required period, are in the same format and terms of the template provided and provide the information as required within the template (see Appendix 1).
- 4.23. Letters of credit must be submitted by email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) before the date indicated within the scheme schedule, and on the request that we make for credit cover. This may be updated as the digital service is developed.
- 4.24. Suppliers will be able to take a longer term approach and lodge a letter of credit for up to one full scheme year, and for a higher value, for example, to anticipate any potential growth in business or to reduce the level of quarterly administration required. If a supplier adopts this approach, the letter will still be required to meet the criteria for each quarter as detailed above. If at any point the available credit (total value indicated on letter, less any drawn down funds) on the letter of credit does not cover the full credit cover requirement, additional credit cover will need to be lodged.

- 4.25. It is important to note that we may draw down on any letter of credit provided by a supplier which has not expired at that time if we need to do so, as directed by the scheme regulations (see paragraph **Error! Reference source not found.** below for further details), provided that we deliver a demand in accordance with the terms of the letter of credit.

## **Obligation to monitor the credit rating of the bank or financial institution providing letter of credit**

- 4.26. A supplier who has lodged a letter of credit is obligated to monitor the rating of the issuer.<sup>21</sup> These benchmarks are detailed in in the GGSS Regulations.<sup>22</sup> Should the ratings of the bank or financial institution fall below the required levels as set out in Table 4 below), the letter of credit will no longer be an acceptable letter of credit 14 days after this change. We may at any time, should the circumstances arise requiring it, give notice to indicate that alternative credit ratings will be considered appropriate. If we do this, these will remain in force until we withdraw the notice.<sup>23</sup>
- 4.27. Should the credit rating of the bank or financial institution providing the letter of credit fall below the required levels suppliers must:
- Notify us of this fact as soon as is reasonably practicable by sending an email to <mailto:GGL.compliance@ofgem.gov.uk>
  - Lodge alternative credit cover within 14 days of the credit rating falling below the required level. This may be a letter of credit meeting the requirements set out in guidance, cash credit cover or a combination of both.
- 4.28. Ofgem may draw down on a letter of credit that no longer meets the scheme requirements due to a change in the credit rating of the providing bank or financial institution if a payment is not made by the deadline and alternative credit cover has not yet been lodged.<sup>24</sup>

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<sup>21</sup> GGSS Regulations 2021, Regulation 46(b).

<sup>22</sup> GGSS Regulations 2021, Regulation 43(5).

<sup>23</sup> GGSS Regulations 2021, Regulation 43(7).

<sup>24</sup> GGSS Regulations 2021, Regulation 55(6).

**Table 4: Suitable Credit Ratings as set out in the levy regulations**

Suitable Credit Rating
<p>A person holds a required credit rating if that person has been assessed by:</p> <p>(a) Fitch Ratings as having a short term debt rating of "F1" or better,</p> <p>(b) Moody's as having—</p> <p>(i) a short term debt rating of "P-1" or better, or</p> <p>(ii) a long term debt rating of "A3" or better, or</p> <p>(c) Standard and Poor's as having a short term debt rating of "A-1" or better.</p> <p>"Fitch Ratings" means Fitch Ratings Limited (registered company number 01316230).</p> <p>"Moody's" means the corporation known as Moody's Investors Service Inc. incorporated in the US State of Delaware with the file number 0577904.</p> <p>"Standard and Poor's" means the corporation known as Standard &amp; Poor's Financial Services LLC. incorporated in the US State of Delaware with the file number 4621989.</p>

## Amending letters of credit

4.29. Suppliers may request to amend an existing letter of credit to:

- Extend the duration of the letter of credit, so that it remains valid for a longer period of time, which may be for an additional one or more quarters; and/or
- Amend the amount of credit cover provided by the letter of credit. This may include (but is not limited to):
  - increasing the amount of credit cover, for example following a draw down having been made under the letter of credit, or providing for a larger credit cover obligation for an upcoming quarter; or
  - reducing the value of credit cover to respond to a lower credit cover obligation than previously due to the levy rate or meter points served having decreased.

4.30. During each quarter there will be two distinct four working day time windows (as published in the scheme schedule) in which a supplier can request to amend their existing letter of credit depending on the nature of the amendment required, as follows:

(a) for extending the duration of credit cover and/or increasing the credit cover amount, this four day window will start on the date we confirm credit cover requirements for the upcoming quarter (see deadline dates published in the scheme schedule); and

(b) for reducing the amount of credit cover, the four working day window will be in the first month of the next quarter, the exact dates will vary for each quarter - see dates published in the scheme schedule.

4.31. For the avoidance of doubt, the maximum amount of an amended letter of credit at the time of issue will be the maximum amount indicated on that amended letter of credit, regardless of whether we have drawn credit cover down from the previous version of the letter. For example if a letter of credit for £100,000 had been provided and £50,000 had been drawn down against it, there will be £50,000 credit remaining on the letter that has not been drawn down. If that same letter of credit is then amended and the value remains at £100,000 the value of undrawn credit against the letter will be £100,000 again.

#### **Timeframes for amending Letters of Credit to increase credit cover amount or extend duration**

4.32. As indicated above, a supplier may only submit a request to amend a letter of credit in order to increase the duration or value of the letter during a four working day period starting on the date by which Ofgem confirms credit cover requirement for the upcoming quarter (as published in the scheme schedule).

4.33. This is to allow Ofgem sufficient time to review the amendment request and assess whether the amended letter of credit continues to meet the requirements of the scheme. It is also important that suppliers factor in sufficient time to comply with the requirements of the bank or financial institution providing the letter of credit.

- 4.34. Any requests to amend a letter of credit after the end of this four day period, may not be accepted by Ofgem.
- 4.35. The amended letter of credit must be provided to Ofgem before the deadline to provide credit cover (see scheme schedule).
- 4.36. If the amendment process cannot be completed before the deadline for providing credit cover specified in the scheme schedule, or if the request is rejected by Ofgem, the supplier will need to provide alternative credit cover for the upcoming quarter. This may include having to provide cash credit cover instead of or as well as a letter of credit.

#### **Timeframes for amending Letters of Credit: to reduce the credit cover value**

- 4.37. As indicated above, a supplier may only submit a request to amend a letter of credit in order to reduce the value of it (to a value not below the current quarter's credit cover requirement) within a four working day period in the first month of the next quarter (with deadlines adjusted for working days - see dates published in the scheme schedule).
- 4.38. A separate, time window is needed to reduce the value of a letter of credit, as each letter of credit provided as credit cover in respect of a particular quarter should be valid until at least 28 days following the end of that quarter. Therefore if a supplier has provided a letter of credit covering multiple quarters and the credit cover requirement in one of those quarters is a lower value than was required for the previous quarter, the letter of credit should not be reduced in value until at least 28 days have passed since the end of the quarter for which the higher credit cover amount was required. For example, if a letter of credit was provided for two quarters e.g. Quarter 1 and Quarter 2, and the credit cover amount required for Quarter 2 is lower than had been required for Quarter 1, the value of credit cover should not be reduced before the 28th day of Quarter 2 otherwise the supplier would be in breach of its credit cover requirements for Quarter 1.
- 4.39. Any supplier whose credit cover requirement will be reduced in an upcoming quarter, and who wishes to reduce the value of a letter of credit that was previously provided, must ensure in the first instance that they have provided adequate credit cover for that next quarter by the date specified in the annual scheme schedule. Therefore the existing letter of credit must be already of a duration that remains valid for the upcoming quarter, or, the supplier must have requested and successfully amended the

existing letter of credit to extend its duration so that it remains valid for the upcoming quarter. The supplier will then be able to submit a request within the relevant window to amend the letter of credit to reduce the value (see dates within annual scheme schedule). Alternatively, if the duration of the supplier's existing letter of credit means that it will only be valid for the current quarter (including the required 28 days after the end of the current quarter), it may be more efficient for that supplier to apply for and lodge a new letter of credit for the upcoming quarter and to let the existing letter of credit expire after the end of the current quarter.

4.40. Any requests to amend a letter of credit after the end of this four day period, may not be accepted by Ofgem.

4.41. The amended letter of credit to reduce credit cover must be provided to Ofgem before the deadline for this type of amendment as indicated in the scheme schedule.

#### **Process for requesting any amendment to a letter of credit**

4.42. An amendment request form is included in schedule 2 of the letter of credit template at Appendix 1. All relevant fields must be completed within the form of amendment request, these are highlighted for ease of identification in the template. The template also specifies the documents which should accompany each amendment request and suppliers should note that every amendment request must be countersigned by Ofgem before it may be submitted by the supplier to its issuing bank for issuance. See Figure 1 for an illustration of the process for amending letters of credit.

4.43. If Ofgem countersigns an amendment request and if the provider of the letter of credit approves the amendments, the provider of the letter of credit will issue the amended letter of credit. The amendments shall take effect from the date of issue of the amended letter of credit, and the amended letter of credit shall replace the original letter of credit.

4.44. Suppliers should liaise with their issuing bank to ensure, if possible, that the amended letter of credit is issued with the same reference number as the original letter of credit (or alternatively with a reference number which is based on or clearly tracks back to the reference number of the original letter of credit).

4.45. Ofgem will not consider an amended letter of credit to have been lodged as credit cover until Ofgem has received it and confirmed it meets the criteria to be an acceptable letter of credit. Suppliers should note the requirements set out in

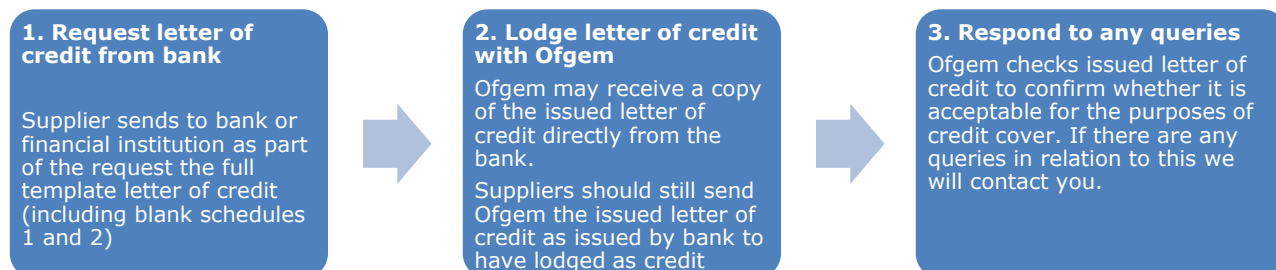


paragraph **Error! Reference source not found.** apply both to amended letters of credit and each amended letter of credit must be submitted by email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) before the relevant deadline for providing credit cover specified in the scheme schedule.

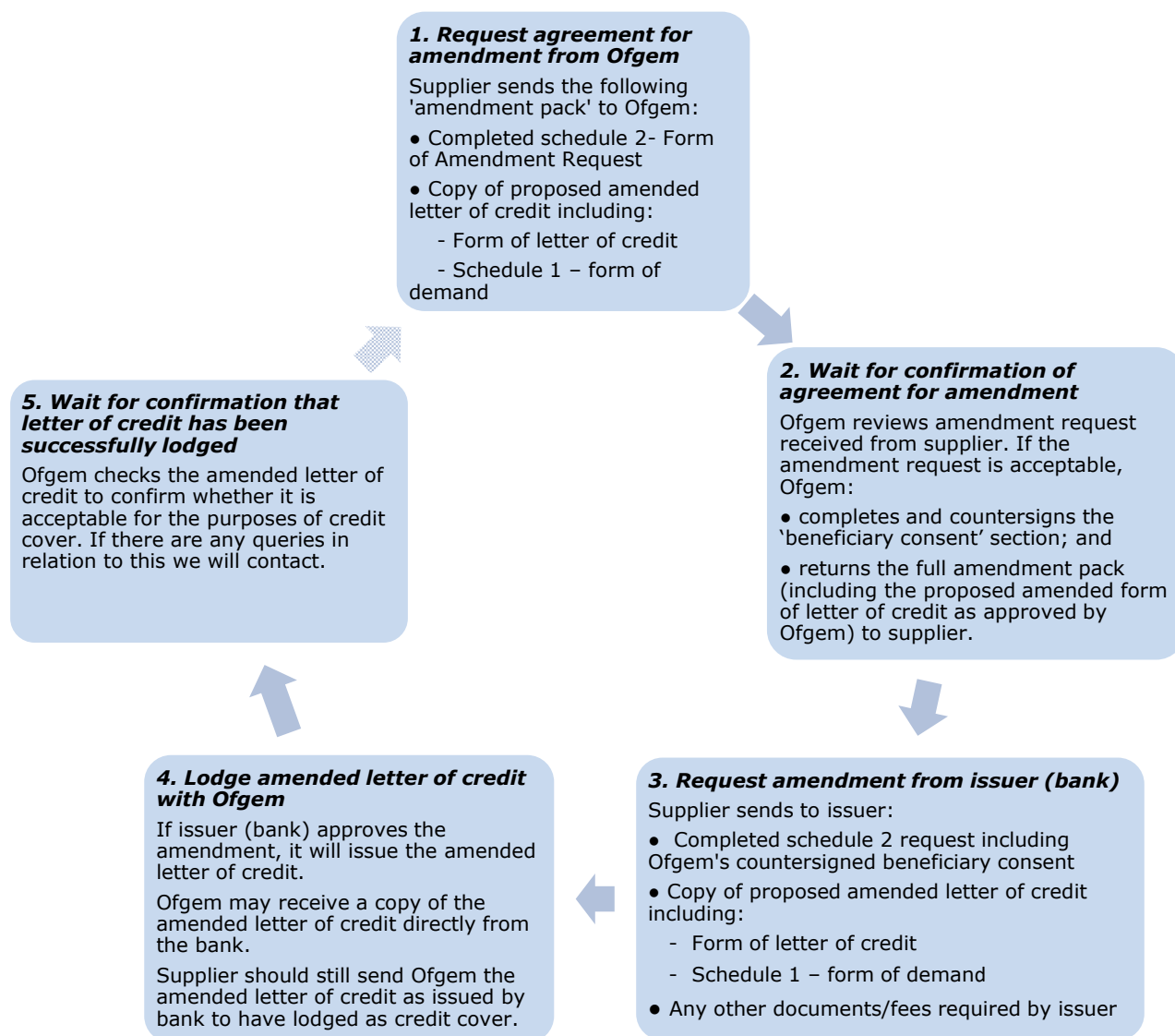
**Figure 1. Summary of process for requesting amendment to a letter of credit.**

Figure 1 provides a summary of the process to request an amendment to a letter of credit, and which parts of the template in Appendix 1 are needed to either lodge a new letter of credit or to progress an amendment to an existing letter already lodged.

**To lodge a new letter of credit**



**To request an amendment to letter of credit already lodged**



## Return of excess credit cover

- 4.46. Should the total number of meter points that a supplier serves on a specific licence reduce, the level of credit cover required for subsequent quarters will reduce accordingly. This may result in Ofgem holding more credit cover than is required for a supplier. Where this occurs, we will inform the supplier as part of the notification referenced in paragraph 4.5 that their credit cover requirement is less than their existing credit cover.<sup>25</sup>
- 4.47. There is an annual process for the return of excess cash credit cover to all applicable suppliers, which will occur each year in March. In exceptional circumstances, suppliers may also request, once per year, the return of cash credit cover in either June, September, or December.<sup>26</sup> Ofgem will consider these requests on a case by case basis. In addition, suppliers will be able to lodge alternative cover and request the return of a letter of credit which exceeds the credit cover requirement.
- 4.48. Excess cash credit cover in either circumstance may only be returned where:<sup>27</sup>
- the supplier is not in breach of any requirements to pay levy payments, lodge 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

Further criteria apply about the return of excess credit cover in exceptional circumstances as set out in the paragraph 4.52 below.

- 4.49. Excess credit cover will be paid into the supplier's verified bank account. We will contact suppliers and ask them to provide evidence to verify their bank account details relating to this before making a payment.

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<sup>25</sup> GGSS Regulations 2021, Regulation 42(5).

<sup>26</sup> GGSS Regulations 2021, Regulation 45(2)(b).

<sup>27</sup> GGSS Regulations 2021, Regulation 45(3).

### **Standard process for the return of excess cash credit cover**

- 4.50. Excess cash credit cover held by Ofgem in March each year will be returned to suppliers by 31 March. This repayment will occur as part of the same transaction which will be undertaken to return any interest earned on cash credit cover (see paragraph 4.60 for further detail on this process). This repayment is dependent on the supplier not being in breach of any other GGL payment obligations, and this transaction not reducing the level of credit cover lodged to below the requirement for the next quarter (see paragraph 4.48 above).
- 4.51. We will send a notification in March each year, starting in March 2023, to all suppliers who have lodged cash credit cover within the past year to confirm:
- the value of any interest earned on the cash credit cover to be returned
  - the value of any excess credit cover to be returned
  - the total sum to be returned
  - confirmation of the date the return will occur

### **Return of excess cash credit cover in exceptional circumstances**

- 4.52. If a supplier wishes to request the return of excess credit cover in June, September, or December for exceptional circumstances, this must be done by the specified deadline set out within the scheme schedule. The return of credit cover is not guaranteed where these requests are made and we have discretion to determine whether the return should be made. This repayment is also dependent on the circumstances as set out in paragraph 4.48 above.
- 4.53. These requests must also:
- be made in the period before the deadline specified in the published scheme schedule
  - indicate the value of excess credit cover being requested to be returned
  - provide a reason for the request
  - be submitted by either the authorised signatory or finance contact.
- 4.54. Suppliers must make a request for the return of excess cash credit cover in exceptional circumstances by sending an email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk).

4.55. For administrative efficiency purposes, to limit the number of excess credit cover returns necessary within the year:

- The number of returns of excess credit cover (in addition to any March returns) are restricted to once per year per supplier licence either in June, September, or December.
- The sum requested to be returned by a supplier in exceptional circumstances must be greater than the de minimis threshold for return of funds which is £250. This is to ensure that the administrative cost of returning the funds does not exceed the value of the funds.

4.56. Ofgem will review any requests that are made for the return of funds and will make a decision, which will then be set out in an e-mail to the supplier detailing:

- confirmation that the funds will be returned, including the amount returned and details of how that value was calculated, or
- a notification that the request has been declined and the reasons why.

4.57. Should a supplier request the return of funds for a higher value than it is possible to return then we may action a return of a lower amount if it is feasible to do so.

#### **Process for return of a letter of credit**

4.58. We have introduced a process enabling suppliers to submit an amended letter of credit (see from paragraph 4.29 above) and we would encourage suppliers to use that process in the first instance if a change is needed to a letter of credit. However, there may be circumstances where a supplier needs to request the return of a letter of credit. These may include (but are not limited to) a change of the supplier's bank which previously provided the letter of credit or because the supplier needs to lodge cash credit cover instead. This process applies where a supplier has provided a letter of credit to cover more than one quarter's obligation and where there is at least a further quarter's obligation met by the letter of credit already lodged.

4.59. To request the return of a letter of credit suppliers must:

- Lodge alternative credit cover (either a letter of credit and/or cash credit cover) to meet or exceed the quarterly credit cover requirement, by the date specified

within the scheme schedule for credit cover provision following the procedures set out for the provision of credit cover.

- Notify us by email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) that alternative credit cover has been lodged and request that this replaces the already lodged letter of credit.
- Following necessary checks to confirm that the new letter of credit and/or cash credit cover provided meets the requirements of the scheme and the credit cover value required, we will:
  - Write to the bank or financial institution issuing the letter of credit to be relinquished confirming that the bank or financial institution is released from its obligations under that letter and the original letter of credit is being relinquished.
  - Confirm to the supplier that we have received the alternative credit cover and that the letter of credit previously provided has been relinquished.

## **Repayment of interest on credit cover (annual process)**

4.60. Cash credit cover whilst held in our bank account is not expected to incur significant levels of interest as it will be held in a government bank account. Any interest earned and received will be paid back to suppliers at the end of each scheme year starting in March 2023.<sup>28</sup>

4.61. To streamline our processes, we will pay suppliers any interest earned and received on cash credit cover at the same time as any excess cash credit cover is returned at the end of each scheme year, every March. We will only return interest that has been received into the cash credit cover bank account at that time, therefore interest for funds held in March will be paid the following year as part of that year's process in the following March.

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<sup>28</sup> GGSS Regulations 2021, Regulation 44.

- 4.62. We will provide information to suppliers to provide a breakdown on the sum that is refunded. This will be part of a notification on the return of any excess credit cover held (see paragraph 4.46).

## 5. Making Levy Payments

### Section summary

This chapter provides information on how quarterly levy payments are calculated, how we will inform suppliers of payments due and how these must be made. We will calculate suppliers' levy payments quarterly, and then send a notification, informing them of their quarterly levy obligation which must be fulfilled by the relevant dates specified in the scheme timetable. Should a payment not be received in our account by the deadline, late payment interest will be charged.

### How payments are calculated

- 5.1. Each year, BEIS will calculate and publish on their website the levy rate in a pence per meter point per day format for the upcoming scheme year. For the first and second scheme years (30 November 2021 to 31 March 2022, and 1 April 2022 to 31 March 2023, respectively) the levy rate was published on 30 November 2021. For the subsequent scheme years (from 1 April 2023 onwards) the levy rate will be published by 31 December in the preceding scheme year.
- 5.2. Further information on how BEIS calculate the levy rate for each scheme year is available on [the BEIS website page: Green Gas Levy \(GGL\): rates, underlying variables, mutualisation threshold](#) and in the [GGSS Regulations 2021](#).<sup>29</sup>
- 5.3. We are responsible for calculating suppliers' quarterly payments accurately.

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<sup>29</sup> GGSS Regulations 2021, Regulation 39.



- 5.4. To calculate the amount payable by each supplier per licence, for each quarter we will use the published levy rate and the daily meter point data suppliers submitted (see chapter 3), as follows:<sup>30</sup>

$$\mathbf{LR \times M}$$

where:

- LR is the levy rate for the scheme year in which the previous quarter fell
  - M is the sum of the meter point data for the scheme supplier for each day of the previous quarter
- 5.5. The first payment due in Quarter 1 of 2022/2023 was calculated using data from two quarters (30 November 2021 to 31 March 2022) and therefore the timeframe defined in “M” above for which the meter point data is for was different to future standard quarters. For the purposes of the calculation set out at paragraph 5.4, for Quarter 1 2022/23, M was the cumulative 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. The levy rate used was the levy rate for 2021/2022.
- 5.6. In relation to the second quarter of the second scheme year (quarter beginning with 1 July 2022) and subsequent quarters, for the purposes of the calculation set out at 5.4, M was the cumulative sum of the meter point data for a scheme supplier for each day of the previous quarter. The second payment due in Quarter 2 of 2022/2023 was calculated using the levy rate for 2022/23.

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<sup>30</sup> GGSS Regulations 2021, Regulation 40(1).

## Invoicing

5.7. After calculating the levy payment, we will issue a notice in the form of an email and invoice to obligated suppliers which will specify:<sup>31</sup>

- the amount payable by the supplier
- how it was calculated
- how it must be paid
- the date by which the amount is required to be paid, which will be no less than 14 calendar days after the invoice was issued
- details of what will happen if the amount is not paid. Depending on the circumstances, this may include interest on late payments, credit cover draw down, or, if necessary, financial penalties and pursuance of debt through the courts.

5.8. We may require confirmation of receipt of invoices from suppliers, but we will indicate whether this is required when we send the invoice.

5.9. Suppliers must make their levy payment by the deadline specified in the annually published scheme schedule and confirmed on the invoice to not be in breach of their obligations.

5.10. Suppliers must inform us by email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk), if they believe that any of the information provided to calculate the quarterly levy payment was incorrect.

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<sup>31</sup> GGSS Regulations 2021, Regulations 40(2) and 40(3).

## How to make levy payments

- 5.11. It is a supplier's responsibility to ensure that the payment is made in adequate time to account for any time taken by the bank to process and transfer the payment into the Ofgem bank account.<sup>32</sup> If the payment deadline is missed, the payment will be subject to late payment interest<sup>33</sup> (see paragraph 5.15) and credit cover draw down (paragraph 6.1), and enforcement action may be taken (see chapter 7).
- 5.12. Levy payments must be made by electronic payment into the specified Ofgem bank account as specified on the invoice before the deadline specified within the scheme schedule and invoice. This will be within no less than 14 calendar days after the invoice issue date. If we change our account details, we will inform you of this in writing.
- 5.13. Payment of the levy must be made using the payment reference included on the invoice to enable tracking of the payment.
- 5.14. We will require notification that the levy payment has been paid. Suppliers should send an email confirming that a payment has been made, specifying the relevant licence that the payment relates to, to [GGL.compliance@Ofgem.gov.uk](mailto:GGL.compliance@Ofgem.gov.uk).

## Late payment interest

- 5.15. If a supplier fails to pay either a levy obligation or mutualisation payment in full by the relevant deadline as specified in the invoice, late payment interest will be applied daily from the day the payment was required until the outstanding payment is made or credit cover is drawn down.<sup>34</sup> The rate of late payment interest is 8% per annum over the Bank of England base rate.<sup>35</sup>

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<sup>32</sup> GGSS Regulations 2021, Regulation 40(5).

<sup>33</sup> GGSS Regulations 2021, Regulation 54.

<sup>34</sup> GGSS Regulations 2021, Regulation 54(1).

<sup>35</sup> GGSS Regulations 2021, Regulations 54(2) and 54(3).

5.16. Late payment interest must also be paid should a supplier fail to make the following other types of payments by the date they are due: <sup>36</sup>

- A backdated levy payment
- financial penalty
- outstanding amount in relation to becoming a former scheme supplier

## Calculation and payment of late interest

**5.17.** If a supplier is required to pay late payment interest, this will be calculated by Ofgem in line with the process set out below. We will then either send the supplier an e-mail confirming the amount to be paid and an invoice for late payment interest, or if drawing down on credit cover for a missed payment, also draw down the late payment interest.

5.18. Late payment interest is calculated as detailed below:

$$\text{Daily interest} = \text{amount owed} \times \text{interest rate} / 365$$

$$\text{Total interest due} = \text{daily interest} \times \text{no of days late}$$

5.19. For example: on a sum of £10,000 due, to be paid 3 days late, with an interest rate of 8% plus a bank of England base rate of 3.5% this would be:

$$\text{Daily interest:} = 10,000 \times 11.5\% / 365 = \text{£}3.15$$

$$\text{Total interest} = \text{£}3.15 \times 3 = \text{£}9.45$$

$$\text{Total sum to pay: } \text{£}10,009.45$$

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<sup>36</sup> GGSS Regulations 2021, Regulation 54 (1)(a)

- 5.20. If the Bank of England base rate has changed during the period late payment interest is for, the interest will be calculated taking this into account by carrying out multiple separate calculations and combining the totals.

## 6. Compliance

### Section summary

Should a payment not be received in our account by the deadline, late payment interest will be charged. Should a supplier fail to make a required payment by the deadline required, or comply with other obligations of the levy, we will take compliance action. Details of what compliance action we may take and when is detailed in this section.

### Credit cover draw down

- 6.1. 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.<sup>37</sup> It is imperative that we can draw down credit cover promptly to ensure that funds are collected in sufficient time to be used to pay scheme participants. For this reason there is no grace period between the payment due date and the draw down of credit cover. Credit cover drawn down for a missed or incomplete levy payment or mutualisation payment will be treated as funds for that payment.<sup>38</sup> Late payment interest will be applied if appropriate to any funds drawn down by credit cover (see paragraph 5.15 on late payment interest above).<sup>39</sup> The event of having missed a levy payment will be reported on the default register (see paragraph 6.22 below) even if credit cover is drawn down to cover this.<sup>40</sup>
- 6.2. If it is necessary to draw down on a supplier's credit cover, we will send a notification by email to confirm 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 drawn down.<sup>41</sup>
- 6.3. Where we draw down on credit cover for levy payments, it is expected that suppliers' credit cover will be returned to appropriate levels as part of the standard quarterly credit cover request process. However, if we draw down on a supplier's credit cover for

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<sup>37</sup> GGSS Regulations 2021, Regulation 55(2).

<sup>38</sup> GGSS Regulations 2021, Regulation 55(1).

<sup>39</sup> GGSS Regulations 2021, Regulation 54(1).

<sup>40</sup> GGSS Regulations 2021, Regulation 59.

<sup>41</sup> GGSS Regulations 2021, Regulation 55(3).

a mutualisation payment, and that takes it below the required level, we will confirm the amount the supplier must lodge within 14 calendar days to ensure that their existing credit cover is not less than the credit cover requirement for that quarter<sup>42</sup>. This is to ensure that adequate credit cover is lodged before the next levy payment is due. This is due to the fact that mutualisation payments may need to be made after a request has been made for the next quarters' credit cover.

- 6.4. Should a supplier lodge both cash credit cover and a letter of credit, in routine circumstances we will 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.

### **Receipt of late payment after credit cover draw down**

- 6.5. Should a payment be received after credit cover has been drawn down, the payment will be returned to the supplier. The supplier's information will still be published on the default register (see paragraph 6.22 below).

## **Mutualisation process**

### **How and when mutualisation is triggered**

- 6.6. Should a supplier default on a levy payment and have insufficient credit cover in place to cover the full payment obligation, we are required to carry out a mutualisation process 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.<sup>43</sup>
- 6.7. A mutualisation process will only occur where the total levy shortfall is greater than the estimated cost of Ofgem carrying out the mutualisation process.<sup>44</sup> This threshold will be set ahead of each scheme year and published by BEIS alongside the levy rate.

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<sup>42</sup> GGSS Regulations 2021, Regulation 42(3)(c)

<sup>43</sup> GGSS Regulations 2021, Regulation 56.

<sup>44</sup> GGSS Regulations 2021, Regulation 55(4).

- 6.8. Where the threshold is not exceeded, mutualisation will not be triggered and the shortfall will be accounted for through headroom built into the levy. If the threshold is exceeded, then we will be required to carry out a mutualisation process.
- 6.9. If mutualisation is triggered, we expect to issue a mutualisation notice between 7 and 21 calendar days after a levy payment was due, requesting the relevant mutualisation payment from suppliers. The timeframes will vary depending on the circumstances associated with the shortfall and credit cover draw down processes.
- 6.10. Scheme suppliers will have no more than 10 working days to make a mutualisation payment from the date at which the mutualisation notice is issued by us.

### **Calculation and notification of mutualisation amounts due**

- 6.11. If a mutualisation process is triggered, we will calculate the amount each non-defaulting obligated supplier will be required to pay. This amount will be calculated by apportioning the total amount to be mutualised between all the non-defaulting obligated suppliers, using the total number of meter points they served, from the quarter in which the shortfall occurred.<sup>45</sup>
- 6.12. We will issue a mutualisation notice to each non defaulting scheme supplier setting out the total mutualisation amount, the amount the specific non-defaulting supplier is required to pay, and the date by which the payment is to be made.<sup>46</sup> Suppliers who make a late payment or whose credit cover has been drawn down to make a payment will also be obligated to pay mutualisation payments.
- 6.13. Provisionally exempt suppliers will not be obligated by a mutualisation notice to make a mutualisation payment. However, should they fail to provide evidence of levy exemption post-scheme year they will be required to make backdated mutualisation payments (see paragraph 8.42 for further details).
- 6.14. If a supplier's licence is revoked or they cease to be a scheme supplier before we have determined that it is liable to make a mutualisation payment, then that supplier will not be treated as a scheme supplier for the purposes of the mutualisation process. If,

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<sup>45</sup> GGSS Regulations 2021, Regulation 56(7).

<sup>46</sup> GGSS Regulations 2021, Regulation 56(5)(b).



however, a supplier has its licence revoked after we have determined that they are liable to make a payment as part of a mutualisation exercise, then that supplier will remain subject to that liability.

### **How to make a mutualisation payment**

- 6.15. Payments should be made by electronic transfer to the specified Ofgem bank account indicated on the notice. Suppliers should ensure the correct payment amount is received in the account specified in the mutualisation notice, by the due date.
- 6.16. Suppliers should use the payment reference indicated on the mutualisation notice when making the payment to enable the payment to be tracked.
- 6.17. Should a supplier fail to pay a mutualisation payment by the due date stated in the notice, late payment interest will be charged, and that supplier's credit cover will be drawn down (see above paragraph 6.1 on credit cover for more details relating to this, and late payment interest paragraph 5.15).<sup>47</sup>

### **Receipt of late payment and return of mutualisation payment**

- 6.18. If we receive a late payment before we have issued mutualisation notices then we will recalculate the total mutualisation required, and each supplier's amount due.<sup>48</sup>
- 6.19. If we receive an unpaid amount from a defaulting scheme supplier after mutualisation payments have been requested, non-defaulting suppliers will still need to complete their mutualisation payments. We will redistribute the funds received through late payment plus any associated interest received, among scheme suppliers who have made their mutualisation payments in a timely manner.<sup>49</sup>
- 6.20. When doing so we will also send a notification to relevant suppliers to confirm the details of this redistribution.
- 6.21. Defaulting scheme suppliers who pay an outstanding amount before we issue the mutualisation payment notices will be treated as non-defaulting scheme suppliers for

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<sup>47</sup> GGSS Regulations 2021, Regulations 54(1) and 55(1)(a)(ii).

<sup>48</sup> GGSS Regulations 2021, Regulation 56(9).

<sup>49</sup> GGSS Regulations 2021, Regulation 56(10).

the purposes of mutualisation and will be required to contribute towards the mutualisation<sup>50</sup> (this will not exempt them from any compliance or enforcement action).

## Reporting on the default register

6.22. Should a supplier fail to fully meet certain obligations by the deadline, we are required to publish this information on the [default register](#).<sup>51</sup>

6.23. We will publish information as soon as practicable relating to suppliers who have, by the relevant and specified timeframes, failed to: <sup>52</sup>

- make a full quarterly levy payment
- lodge full or additional credit cover
- make a full mutualisation payment

6.24. On the default register we will publish information about the non-compliant suppliers, including:

- their name
- the nature of the non-compliance (which obligation they failed to meet)
- if an outstanding payment was subsequently made, the date on which the payment was made
- if they have failed to pay any interest due
- any financial penalty that was imposed

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<sup>50</sup> GGSS Regulations 2021, Regulation 56 (9)(b).

<sup>51</sup> GGSS Regulations 2021, Regulation 59(1)

<sup>52</sup> GGSS Regulations 2021, Regulation 59(2).

- any other information in relation to a scheme supplier's compliance with the GGSS Regulations that we deem appropriate. For example, if a supplier fails to provide meter point data in addition to failing to make a quarterly levy payment.

6.25. Where a payment is subsequently made after public reporting, the information reported will remain as listed for at least one year, but will be updated to reflect that the payment has been received late.

6.26. For suppliers who have been identified as exempt suppliers after being reported on the default register, we will update their information on the register to reflect this change.<sup>53</sup>

6.27. We are required to keep any published information on the register for at least one year.<sup>54</sup>

### **Supplier Performance report (SPR)**

6.28. Ofgem's [Supplier Performance Report](#) (SPR) provides information on supplier non-compliance across the environmental, energy efficiency and social programme schemes we administer. The SPR aims to increase transparency of the delivery and administration of government schemes to ensure we promote consumer interests. The SPR is updated every six months, and the incidents remain published for up to four years.

6.29. The format of reporting non-compliance for the levy on the SPR will follow the existing SPR report format, and the same processes will be followed.<sup>55</sup> These include contacting a supplier should there be a proposed listing on the SPR to inform them and providing details of the incident, to give the supplier the opportunity to review that specific entry.

6.30. Incidents of non-compliances are given a score based on the severity of impact, ranging from 1 (lowest impact) to 4 (highest impact).

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<sup>53</sup> GGSS Regulations 2021, Regulation 59(3).

<sup>54</sup> GGSS Regulations 2021, Regulation 59(4).

<sup>55</sup> [Supplier performance report: Information for suppliers](#) and [changes to the publication template and frequency of publication](#)

## Fraud and whistleblowing

- 6.31. Ofgem takes a zero-tolerance approach to fraud. We have a dedicated Counter Fraud function that undertakes activity to detect, prevent and deter fraudulent activity on the environmental schemes that we deliver.
- 6.32. Irrespective of any action we may take in relation to non-compliance, there may be instances where we uncover evidence of possible criminal conduct such as fraud. In such cases, based on the nature of the information we hold, we may refer the case to law enforcement agencies for investigation.
- 6.33. If anyone has concerns about suspected fraud, they will be able to report it to Ofgem by:
- emailing us at [counterfraud@ofgem.gov.uk](mailto:counterfraud@ofgem.gov.uk) or
  - calling us on 0207 901 7373 where they will be invited to leave a voice message. If we require further information in order to consider the concern, we will call them back.
- 6.34. Our website page [Counter fraud for environmental and social programmes](#) provides further information on what we do if we suspect fraud and what information we need you to provide if you are reporting a suspected fraud.
- 6.35. If anyone has concerns about wrongdoing within where they work, or they work within the energy sector or are involved in the delivery of one of our environmental or social programmes, they can contact our whistleblowing desk by emailing us at [whistle@ofgem.gov.uk](mailto:whistle@ofgem.gov.uk) or calling us on 0207 901 7121. Our website page on [Whistleblowing](#) contains further information relating to this.

## 7. Enforcement

### Section summary

We have a framework of enforcement powers that we may use if a supplier fails to fulfil their levy obligations. These are outlined at a high level in this section. We have issued enforcement guidelines and a statement in respect of penalties separately.

### Overview of enforcement powers

- 7.1. Should a supplier fail to fulfil their levy obligations, we will generally, seek to engage with the supplier to bring them into compliance in the first instance. The framework set out in the GGSS Regulations enables us to take enforcement action to address any such non-compliance. Details of the enforcement action that we can take are set out below and will be exercised by Ofgem in line with the regulations. We have published further guidelines regarding our enforcement powers, together with a statement of our penalty policy, separately<sup>56</sup>.
- 7.2. Where we reasonably believe that it is likely that a supplier will fail to pay their quarterly levy payment, levy credit payment,<sup>57</sup> a backdated levy payment or mutualisation payment we can serve an anticipated default notice.<sup>58</sup> We can also serve an enforcement notice where we are satisfied that the supplier has failed to pay a quarterly levy payment, levy credit payment, any additional credit cover, a backdated levy payment, a mutualisation payment or interest<sup>59</sup> or where the scheme supplier has failed to comply with any of its other obligations.<sup>60</sup>
- 7.3. In addition, where a supplier has knowingly supplied false or misleading information,<sup>61</sup> or failed to comply with any of its other obligations imposed under the regulations,<sup>62</sup> we may impose a financial penalty.<sup>63</sup> We also have the ability to recover unpaid

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<sup>56</sup> [Green Gas Levy Enforcement Guidelines and Statement in Respect of Penalties](#)

<sup>57</sup> GGSS Regulations 2021, Regulation 42(3)(b) and (c).

<sup>58</sup> GGSS Regulations 2021, Regulation 52.

<sup>59</sup> GGSS Regulations 2021, Regulation 53.

<sup>60</sup> GGSS Regulations 2021, Parts 7, 8 or 9.

<sup>61</sup> GGSS Regulations 2021, Regulation 57(1)(a).

<sup>62</sup> GGSS Regulations 2021, Parts 7, 8 or 9.

<sup>63</sup> GGSS Regulations 2021, Regulation 57.

amounts as civil debt if not paid by the due date, including any outstanding quarterly levy payments, levy credit payments, mutualisation payments or financial penalty.<sup>64</sup>

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<sup>64</sup> GGSS Regulations 2021, Regulation 58.

## 8. Levy exemption

### Section summary

This chapter provides information on how suppliers of at least 95% green gas can be exempted from paying the levy. Before each scheme year, suppliers may submit evidence to Ofgem demonstrating the likelihood that they will be providing at least 95% green gas in that scheme year and Ofgem will determine whether that supplier should be provisionally exempt based on that evidence. Provisionally exempt suppliers will not have to pay the levy or lodge credit cover during the scheme year. Further, certain provisions within the regulations will not apply to them. However, this is subject to the proviso that, at scheme year end, provisionally exempt suppliers must demonstrate that they have actually supplied at least 95% green gas in the scheme year. If they cannot demonstrate this, they will no longer be exempt from the levy and will be required to make backdated levy payments.

After each scheme year, suppliers will be able to submit evidence of their green gas supply levels for that scheme year to confirm their exemption status. Ofgem will make a final determination regarding which suppliers are exempt for that scheme year.

### Pre-scheme year notification and provisional exemption

- 8.1. Licensed suppliers who can evidence that it is likely that they will supply at least 95% certified green gas in the next scheme year may be provisionally exempted from paying the levy for that year.<sup>65</sup> For the purposes of this exemption, “green gas” means biomethane produced by anaerobic digestion for injection into the GB gas grid. Such biomethane must be certified by an approved certification scheme. See paragraph 8.21 below for further details.
- 8.2. We understand there may be other reasons why suppliers believe they may be exempt from the levy – see paragraph 1.8 above for more details.
- 8.3. Once granted, provisional exemption will apply for the scheme year during which a supplier is provisionally exempt. For example, if a supplier is granted provisional

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<sup>65</sup> GGSS Regulations 2021, Regulation 38.

exemption in their first scheme year, they will be provisionally exempt from paying the levy in quarters 1 to 4 of that scheme year.

- 8.4. A supplier who was provisionally exempt for the previous scheme year will be required to apply again for a further provisional exemption for the next scheme year. If they do not obtain a further provisional exemption, they will be required to make a levy payment from quarter 1 of the new scheme year onwards. This payment will be calculated using meter point data from quarter 4 of the previous scheme year, i.e. the scheme year for which they were provisionally exempt.

### **Pre-scheme year notification**

- 8.5. Suppliers that intend to, and believe it is likely that they will supply at least 95% green gas in the subsequent scheme year must notify Ofgem by the required date in the scheme schedule.<sup>66</sup>

- 8.6. The notification must be provided in the following form:

- A declaration letter (see below and Appendix 2) from the supplier signed by a responsible officer (director or a person exercising management control) providing:<sup>67</sup>
  - A notification from the supplier indicating that they consider it likely they will be an exempt supplier in relation to the next year
  - Confirmation that the supplier intends to be a >95% green gas supplier (supplier of certified biomethane) for the duration of that scheme year; and
  - Confirmation that the evidence provided (see list below) is correct.
  - Confirmation of agreement that any certified biomethane certificate related information provided to Ofgem can be shared with the relevant certification body for the purposes of verifying accuracy

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<sup>66</sup> GGSS Regulations 2021, Regulation 38(3)(a)(ii).

<sup>67</sup> GGSS Regulations 2021, Regulation 38(3)(c).



8.7. Evidence to support the notification, which must be at least one of the below types of evidence, but may also be supported by supplementary evidence:

- Copies of Gas Purchase Agreements (GPAs) for the relevant scheme year - these should be for the full year if available
- 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; or
- Evidence of the size of the portfolio of green gas certificates held by the supplier from an approved certification scheme (see paragraph 8.21 for further details).

8.8. Alongside the notification, suppliers must also provide the total number of meter points they served on a single day in the four weeks prior to the date that the notification is submitted, and the maximum total number of meter points expected to be served on any day within each month of the next scheme year.

8.9. Suppliers must submit this notification and associated evidence via email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) by 11:59pm on the relevant date specified in the scheme schedule for that year.<sup>68</sup> A declaration letter that suppliers must use for this notification can be found at Appendix 2.

8.10. After receiving a notification, Ofgem will make a determination as to whether the supplier should be provisionally exempt by no later than 31 October in the scheme year that their notification was received. To assist this, Ofgem may instruct, or request the supplier to instruct, a person who is not connected to the supplier to consider the information provided and prepare a report (an “assurance report”). The purpose of the assurance 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.<sup>69</sup>

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<sup>68</sup> GGSS Regulations 2021, Regulation 38(3)(a)(ii).

<sup>69</sup> GGSS Regulations 2021, Regulation 38(4).

## Confirmation of provisional exemption

- 8.11. Where Ofgem determines that the 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 lodge credit cover during the relevant scheme year. Provisionally exempt suppliers will continue to have some obligations, as set out in regulations, including those in relation to the yearly green gas exemption mechanism, the provision of meter point data, and the provision of any other information or compliance with such other requirements that Ofgem may request in its role as scheme administrator. However, this is subject to the proviso that, at scheme year end, provisionally exempt suppliers must demonstrate that they have actually supplied at least 95% green gas in the scheme year. If they cannot demonstrate this, they will no longer be exempt from the levy and will be required to make backdated levy payments. Ofgem 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.<sup>70</sup>
- 8.12. The GGSS Regulations require a supplier seeking exemption to provide us with any information we may request in support of their notification of expected exemption.<sup>71</sup> If it transpires that any of the information submitted as part of the pre-scheme year notification was knowingly false or misleading, we have the power to take further action, which includes fines of up to 10% of the scheme supplier's relevant turnover.<sup>72</sup>
- 8.13. Where we intend to determine that a supplier will not be provisionally exempt, we will provide a 'minded to' notice. This will confirm our 'minded to' decision to decline the granting of provisional exemption. We will state the reason and provide a period of 10 working days within which to make representations to this notification. We expect a representation from a supplier to provide further evidence.
- 8.14. If we receive a representation from a supplier within 10 working days of having issued a 'minded to' notice we will assess this and reach a final determination. Supplier

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<sup>70</sup> GGSS Regulations 2021, Regulation 38(6).

<sup>71</sup> GGSS Regulations 2021, Regulation 38(3)(b).

<sup>72</sup> GGSS Regulations 2021, Regulation 57(1) and (2).

representations should provide any further evidence not already provided to support the position that the supplier should be provisionally exempt.

- 8.15. Once we have made our decision following a 'minded to' notice we will confirm the final decision to the supplier. If, following our assessment of any additional information received from a representation, the decision is not to grant provisional exemption, we'll confirm our determination and provide the reason for it.
- 8.16. If Ofgem determines that the supplier will not be a provisionally 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.<sup>73</sup>
- 8.17. If, during a relevant scheme year, a provisionally exempt supplier determines that they will not be exempt, we encourage them to notify us of this fact as early as possible by sending an email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk).
- 8.18. If a supplier expects to be exempt for the current/previous year but was not granted provisional exemption for that year, we encourage them to notify us of this fact as early as possible by sending an e-mail to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) They will still also be required to provide a notification and evidence by 1 July as detailed below.

## Post scheme year notification and exemption

- 8.19. The regulations require scheme suppliers who supplied at least 95% certified biomethane during a scheme year to notify Ofgem of this by 1 July following the end of that scheme year. This includes provisionally exempt suppliers and those who did not have provisionally exempt status in the relevant scheme year.<sup>74</sup>
- 8.20. Suppliers that were provisionally exempt but did not supply at least 95% certified biomethane during that scheme year must also notify Ofgem of this by 1 July following the end of that scheme year. This will be required first in July 2023.<sup>75</sup>

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<sup>73</sup> GGSS Regulations 2021, Regulation 38(7).

<sup>74</sup> GGSS Regulations 2021, Regulation 38(8).

<sup>75</sup> GGSS Regulations 2021, Regulation 38(9).

- 8.21. Suppliers will be required to provide evidence, in the form of retired green gas certificates, that at least 95% of the gas supplied in that scheme year was certified biomethane. The certificates must have been issued under a BEIS approved certification scheme and should show that the biomethane was injected in Great Britain within the relevant scheme year. Suppliers will also be required to provide gas supply volume data for each day of the relevant scheme year.
- 8.22. BEIS are responsible for publishing and maintaining a list of approved certification schemes that suppliers may submit retired green gas certificates from for the purposes of proving their green gas supply levels.<sup>76</sup> This list can be found on their website: [Exemptions from the Green Gas Levy \(GGL\): approved biomethane certification schemes](#).

### **Post scheme year notification**

- 8.23. Suppliers that were either provisionally exempt or have supplied at least 95% green gas in the previous scheme year must send a notification to Ofgem by 1 July.
- 8.24. The notification must be provided in the following form:
- A declaration letter (see below and Appendix 3) from the supplier signed by a responsible officer (director or a person exercising management control) providing notification that at least 95% of the total gas they supplied during the previous year was green gas
  - Confirmation that the evidence provided (see below) is correct
  - Confirmation of agreement that the certified biomethane certificate information provided to Ofgem can be shared with the relevant certification body for the purposes of verifying accuracy

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<sup>76</sup> GGSS Regulations 2021, Regulation 38(14).

8.25. Evidence to support the notification must be provided as follows:

- Summary spreadsheet of certificates to detail:
  - volume
  - date injected
  - date certificate retired
  - certificate reference number/s
- Digital copies of all relevant retirement certificates relevant to the whole year
- Summary spreadsheet which lists supply volumes for each month, and another spreadsheet which lists this for each day of the previous year.
- Screenshots from an appropriate system showing data evidencing gas supply volumes supplied
- Gas supply data and screenshots should be taken from 14 May (or if this falls at a weekend, the next working day after 14 May i.e. 15 or 16 May)

8.26. A supplier who was granted provisional exemption for the previous scheme year, but did not supply at least 95% green gas in that year should submit the information set out above, but with an adaptation to the declaration letter to indicate the actual percentage of green gas that has been provided. The declaration should also contain an additional section to explain the reasons why the supplier has not provided 95% or more green gas.

8.27. Suppliers must submit this notification and associated evidence via email to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) by 11:59pm on 1 July<sup>77</sup> following that scheme year. A declaration letter that suppliers must use for this notification can be found at Appendix 3.

8.28. After receiving a notification, Ofgem will make a determination as to whether the supplier should be exempt by no later than the date indicated in the annual scheme schedule<sup>78</sup>.

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<sup>77</sup> GGSS Regulations 2021, Regulation 38(8) and 38(9)

<sup>78</sup> GGSS Regulations 2021, Regulation 38(8)

### **Confirmation of exemption**

- 8.29. We will issue a notification stating whether a supplier has been determined to be exempt for the previous scheme year.
- 8.30. We may need to request additional information from a supplier in order to make a determination <sup>79</sup>. If it transpires that any of the information submitted as part of the exemption notification or evidence was knowingly false or misleading, we have the power to take further action, which includes fines of up to 10% of the scheme supplier's relevant turnover.<sup>80</sup> As part of our review we may check details of the retirement certificates provided with the relevant biomethane certification body.
- 8.31. Where we intend to determine that a supplier will not be exempt, we will provide a 'minded to' notice. This will confirm our 'minded to' decision to decline the granting of exemption. We will state the reason and provide a period of 10 working days within which to make representations to this notification. We expect a representation from a supplier to provide further evidence.
- 8.32. If we receive a representation from a supplier within 10 working days of having issued a 'minded to' notice we will assess this and reach a final determination. Supplier representations should provide any further evidence not already provided to support the position that the supplier should be exempt.
- 8.33. Once we have made our decision following a 'minded to' notice we will confirm the final decision to the supplier. If, following our assessment of any additional information received from a representation the decision is not to grant exemption, we'll confirm our determination and provide the reason for it.

### **Post-year determination outcome scenarios**

- 8.34. We will issue a notification to the supplier stating whether they are an exempt supplier or not in relation to that scheme year.<sup>81</sup>

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<sup>79</sup> GGSS Regulations 2021, Regulation 47(1) and (2), Regulation 38(9)(b)

<sup>80</sup> GGSS Regulations 2021, Regulation 57(1) and (2).

<sup>81</sup> GGSS Regulations 2021, Regulation 38(10)(b), 38(11) .

8.35. Suppliers who were provisionally exempt in relation to the relevant scheme year that are determined by Ofgem to be exempt do not need to take any further action in relation to that scheme year. See Figure 2 for more information.

### **Non-provisionally exempt suppliers determined to be exempt**

8.36. Suppliers who were not provisionally exempt suppliers in relation to a scheme year but are subsequently able to provide evidence that they supplied at least 95% certified biomethane during that scheme year, will be considered exempt suppliers and will be refunded for the levy payments and any contributions to mutualisation exercises made in that year.<sup>82</sup> Refund payments will be made using the funds collected from suppliers through routine quarterly levy payments. It should be noted that suppliers are obliged to notify us of expected exemption ahead of a new scheme year (see paragraph 8.5 above), and therefore we would expect this scenario to occur only in extraordinary circumstances such as a new supplier joining the market mid-way through a year. See Figure 2 for more information.

8.37. Within 30 days after the day on which the notification referred to in paragraph 8.23 was given, Ofgem will:<sup>83</sup>

- Calculate and notify the supplier of the amount of any levy exemption refund payment which that supplier is entitled to in relation to that scheme year.
- Pay the levy exemption refund payment to the supplier.
- Discontinue any compliance and enforcement action in relation to any breaches of the regulations by the supplier which occurred in relation to that scheme year. This does not include any breaches in relation to the notification that the supplier was likely to supply at least 95% green gas in that scheme year, the provision of meter point data, or the provision of any other information or compliance with such other requirements that Ofgem may request in its role as scheme administrator.

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<sup>82</sup> GGSS Regulations 2021, Regulation 50.

<sup>83</sup> GGSS Regulations 2021, Regulation 50(2).

8.38. To calculate the amount owed as an exemption refund as a result of this determination, we will use the following methodology:<sup>84</sup>

$$\mathbf{RP = (Q + C + M + R + IA) - ID}$$

where:

- RP is the amount of the levy exemption refund payment in relation to that scheme year,
- Q is the sum of any quarterly levy payments paid by the supplier to us in relation to that scheme year,
- C is the lesser of—
  - the sum of any levy credit payments paid by the supplier to us in relation to that scheme year, and
  - the amount by which the supplier's existing credit cover exceeds their credit cover requirement for the quarter in which the levy exemption refund payment is made,
- M is the sum of any mutualisation payments paid by the supplier to us in relation to that scheme year, less any amount paid to the supplier as a result of a late payment by a defaulting scheme supplier in any mutualisation process carried out in that scheme year,
- R is the sum of any amounts recovered by us from the supplier in relation to that scheme year under any enforcement notice or penalty notice, or as a result of any civil action, and including any interest so recovered, but excluding any amounts recovered from the supplier in relation to a breach of regulations regarding the notification submitted by the supplier that they were likely to be a 95%+ green gas supplier in that scheme year.

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<sup>84</sup> GGSS Regulations 2021, Regulation 50(3).



- IA is the sum of—
  - any interest accrued on quarterly levy payments paid by the supplier in relation to that scheme year while in Ofgem’s government bank account, and
  - any interest accrued on levy credit payments paid by the supplier in relation to that scheme year while in Ofgem’s government bank account,
- ID is the sum of any interest accrued on levy credit payments distributed by us to the supplier in relation to that scheme year.

8.39. If we have drawn down on an exempt supplier’s existing credit cover against a letter of credit in relation to that scheme year, Ofgem must repay the amount drawn down to the person who provided that letter of credit.<sup>85</sup>

#### **How Ofgem will make an exemption refund payment**

8.40. Exemption refund payments will be made by electronic transfer to the verified supplier bank account details that we hold for that licence. This bank account will need to have been verified by providing evidence detailing the company name, sort code and account number and be from a source such as a bank statement, or letter from the bank. We will provide further guidance on how to provide this.

8.41. Ofgem will confirm the payment reference to be used when making the refund within the notification given to the supplier in relation to this.

#### **Provisionally exempt suppliers determined not to be exempt**

8.42. If Ofgem determines that a provisionally exempt supplier has provided less than 95% certified biomethane gas as a proportion of their total supply, that supplier will not be considered exempt in relation to that scheme year and will be invoiced for a backdated levy payment.<sup>86</sup> See Figure 2 for more information.

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<sup>85</sup> GGSS Regulations 2021, Regulation 50(4).

<sup>86</sup> GGSS Regulations 2021, Regulation 49.

8.43. Within 30 days after the day on which the notification referred to in paragraph 8.23 was given, Ofgem will calculate and notify the supplier of the backdated levy payment that the supplier must make in relation to that scheme year, the date by which that payment must be made, and details of how that payment must be made.<sup>87</sup>

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<sup>87</sup> GGSS Regulations 2021, Regulation 49(2).

8.44. To calculate the amount owed by a supplier as a backdated levy payment as a result of this determination, we will use the following methodology:<sup>88</sup>

$$\mathbf{BP = (M_e \times LR) + (P_m - RP_m)}$$

where:

- BP is the backdated levy payment amount,
- $M_e$  is the sum of the supplier's meter point data for each day of that scheme year,
- LR is the levy rate for that scheme year<sup>89</sup>,
- $P_m$ <sup>90</sup> is the sum of any amounts the supplier would have been required to contribute in any mutualisation processes carried out in that scheme year, had they not been a provisionally exempt scheme supplier, calculated as follows:

$$\mathbf{PDA \times (PMPS \div PTMPS)}$$

where:

- PDA is the total mutualisation amount in relation to that mutualisation process,
- PMPS is the sum of the meter point data for the supplier for each day of the quarter preceding the quarter in which the mutualisation notices were given to scheme suppliers,

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<sup>88</sup> GGSS Regulations 2021, Regulation 49(3).

<sup>89</sup> The levy payment for Quarter 1 of each year is calculated using the levy rate from the previous scheme year (regulation 40(1)(a)). Therefore we will calculate ( $M_e \times LR$ ) using the sum of meter point days for Quarter 1 and the levy rate from the previous year, and then the sum of meter point days for Quarters 2-4 and the levy rate for that year, and add these together.

<sup>90</sup> We will calculate " $P_m$ " and " $RP_m$ " and then " $P_m$ " minus " $RP_m$ " separately for each mutualisation event that occurred during the year to enable total meter point data relevant to that mutualisation event to be used. These will then be added together to provide the value for (" $P_m$ " minus " $RP_m$ ") in the backdated payment calculation.

- PTMPS is the sum of the meter point data, for all non-defaulting scheme suppliers apart from the supplier, for each day of the quarter preceding the quarter in which the mutualisation notices were given to scheme suppliers,
- $RP_m^{91}$  is the sum of any amounts the supplier would have been paid as a result of a late payment by a defaulting scheme supplier in any mutualisation process carried out in that scheme year, had they not been a provisionally exempt scheme supplier, calculated as follows:

$$RP_m = (PSU \div PAU) \times PAR$$

where:

- PSU is the mutualisation amount which the supplier would have been required to pay in respect of the relevant default,
- PAU is the total amount of mutualisation payments which were required to be paid by all non-defaulting scheme suppliers in respect of the relevant default,
- PAR is the total amount, including any interest payment, recovered from the defaulting scheme supplier in relation to the relevant default.

8.45. Any received backdated payment will become part of the levy fund held by Ofgem, and any surplus or deficit will be accounted for as part of the existing processes for year end.

### **How to make a backdated levy payment**

8.46. Payments should be made by electronic transfer to the specified Ofgem bank account indicated on the invoice. Suppliers should ensure the correct payment amount is received in the account specified in the backdated payment invoice, by the due date.

8.47. Suppliers should use the payment reference as indicated on the invoice.

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<sup>91</sup> See footnote 90 which relates to both the value  $P_m$  and  $RP_m$

8.48. Should a supplier fail to pay a backdated levy payment by the due date stated in the notice, late payment interest will be charged, and further action may be taken (see paragraph 5.15 on late payment interest for more details relating to this).<sup>92</sup> It should be noted that late or non-payments will not result in a mutualisation event as that payment will not be considered part of the standard quarterly process.

#### **Former scheme suppliers and exemption**

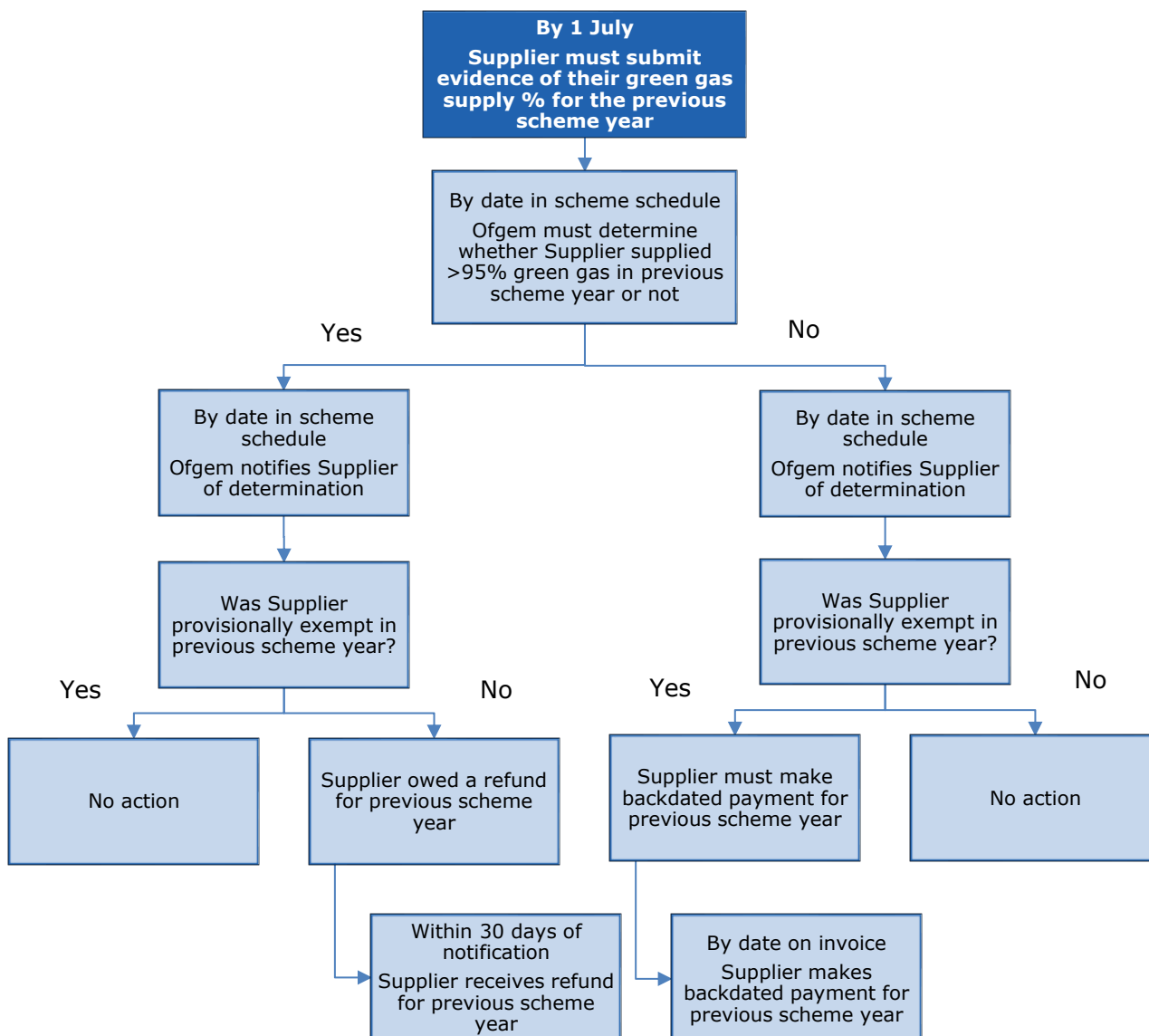
8.49. Please see paragraph 9.15 for further information on how this exemption mechanism works when a supplier ceases to be a scheme supplier.

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<sup>92</sup> GGSS Regulations 2021, Part 10.

**Figure 2 – Flow diagram of post-year exemption process and outcomes for a supplier from April 2023 onwards.**

This diagram illustrates the process for suppliers providing evidence of having provided 95% or more green gas after a full scheme year has concluded, and the determination of whether they are exempt from the levy. This will be first applicable from April 2023.



## 9. Other aspects of our administration

### Section summary

This chapter summarises some additional information relating to scheme administration. This includes on how to query or challenge a decision. New suppliers, suppliers with new licences and suppliers exiting the market are obligated to contact us. New suppliers or those with new licences must contact us as early as possible. Former scheme suppliers must advise us of this within 3 days if the supplier becomes insolvent or ceases to hold a licence, or in any other case within 14 calendar days. Former scheme suppliers are obligated to meet their levy payment obligations up to the date when they ceased to be obligated.

### How to query or challenge a decision

- 9.1. If you have a query or would like to challenge a decision we made, please contact us via email on [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk) and our compliance team will assist you.

### New suppliers and new licences

- 9.2. Suppliers newly joining the gas market who have or will shortly receive a gas supply licence, or an existing supplier who gains a new licence should contact us as early as possible to ensure we have your correct details lodged by emailing us at [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk). This will enable you to be made aware of your obligations as early as possible, and ensure we have details of the correct people to contact. It will also enable any system logins to be established in advance.
- 9.3. New suppliers will not be required to lodge credit cover for the quarter in which they become a new scheme supplier. We will calculate their first credit cover requirement for the first full quarter after the one in which they become a scheme supplier.<sup>93</sup>
- 9.4. Credit cover requirements for the next quarter are routinely calculated at the end of a quarter, using meter point data from the previous complete quarter. As the supplier will be new, they will be unlikely to have a full quarters' data set, and therefore the meter point data used to determine their credit cover requirement will be calculated by

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<sup>93</sup> GGSS Regulations 2021, Regulation 41(2).

using meter point data that is available and multiplying this up to a quarters' equivalence as set out in the calculation below.

- 9.5. Calculation used for new suppliers to determine meter points for first credit cover requirement:<sup>94</sup>

Meter point data to be used in credit cover requirement calculation	=	Sum of meter point data for the supplier that is available	X	No of days in first quarter ----- No of days in first quarter in which meter point data is available
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## Former suppliers

- 9.6. Former scheme suppliers will be liable to pay the levy up to the day on which they ceased to be an obligated supplier. If you become a former scheme supplier, we will need a notification from you providing information to enable us to calculate your final levy payment. Following this we will draw down against lodged credit cover and repay any outstanding cash credit cover held and/or relinquish a letter of credit if lodged with us.

### Letting us know you are no longer a scheme supplier

- 9.7. A supplier who ceases to be a scheme supplier (eg due to market exit) and is no longer obligated to comply with the levy must notify of us of this fact by email<sup>95</sup> to [GGL.compliance@ofgem.gov.uk](mailto:GGL.compliance@ofgem.gov.uk).

- 9.8. The notification must be sent to us:<sup>96</sup>

- Within 3 days of a supplier ceasing to be a scheme supplier as they cease to hold a gas supply licence or are due to becoming insolvent

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<sup>94</sup> GGSS Regulations 2021, Regulation 41(2)(b).

<sup>95</sup> GGSS Regulations 2021, Regulation 51(2).

<sup>96</sup> GGSS Regulations 2021, Regulation 51(3).



- Within 14 days in any other case of a supplier ceasing to be a supplier

9.9. The following information must be included within the notification:<sup>97</sup>

- The date on which they ceased to be a scheme supplier
- The reason they ceased to be a scheme supplier
- Their meter point data for each day of the final quarter
- Any other information we may need and request

### **Calculation and payment of final quarterly levy payment**

9.10. If a former scheme supplier has not provided us with meter point data for their final obligated quarter, we will be required to determine this using third party data.<sup>98</sup>

9.11. Unless we have done so through routine quarterly levy payment requests, we will calculate the final levy payment due. We will use the usual levy payment calculation, substituting a full quarters meter point data for the meter point data from the last incomplete quarter as detailed in the calculation below.<sup>99</sup>

$$\begin{array}{ccccc} \text{Final levy} & & & & \\ \text{payment due} & = & \text{Levy rate for} & \times & \text{accumulated total daily} \\ & & \text{scheme year} & & \text{meter point data from} \\ & & \text{relevant to} & & \text{final quarter} \\ & & \text{final quarter} & & \end{array}$$

9.12. The regulations governing the scheme require us to draw down on any credit cover in place in the first instance to secure the final levy payment.<sup>100</sup> Early and active engagement with Ofgem by former scheme suppliers is encouraged in these circumstances, particularly where credit cover is lodged in the form of a letter of

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<sup>97</sup> GGSS Regulations 2021, Regulation 51(2).

<sup>98</sup> GGSS Regulations 2021, Regulation 51(5).

<sup>99</sup> GGSS Regulations 2021, Regulation 51(6).

<sup>100</sup> GGSS Regulations 2021, Regulation 51(7)(d).

credit. Should there not be adequate credit cover lodged, we will request that the outstanding sum is paid within 14 calendar days.

9.13. We will send a notification confirming the final levy payment which will detail:<sup>101</sup>

- The amount due
- The amount of existing credit cover lodged
- The amount by which the credit cover exceeds to the amount due, or if there is inadequate credit cover lodged, the amount that remains to be paid
- The date on which we will draw down credit cover for the last payment
- The date on which, if there is an outstanding sum, this must be received. This will be the earliest of either within 14 calendar days of the notification or by the next date on which the quarterly levy payments will be due.
- Details of the bank account into which electronic payment should be made.
- A reminder that compliance and enforcement action may be taken should a payment not be made by the required deadline. (see compliance and enforcement chapters 6 and 7).

9.14. If there is an excess amount of cash credit cover lodged, we will return this as soon as reasonably practicable after credit cover has been drawn down. We will also return any interest that has been earned on the cash credit cover whilst it was held in our bank account at this time too rather than as part of the annual process<sup>102</sup> If the supplier before ceasing to be a supplier was liable to pay or entitled to receive a payment for another reason such as relating to mutualisation, they will still be liable to pay this and/or receive any sum due.<sup>103</sup>

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<sup>101</sup> GGSS Regulations 2021, Regulation 51(7).

<sup>102</sup> GGSS Regulations 2021, Regulation 51(9).

<sup>103</sup> GGSS Regulations 2021, Regulation 51(10).

### **Former scheme suppliers: exemption for last year**

9.15. The scheme rules associated with provisional exemption and exemption continue to apply to former scheme suppliers for the preceding scheme year.<sup>104</sup>

9.16. The rules apply for a former scheme supplier's final, incomplete scheme year as though it were a full scheme year with adaptations as follows:<sup>105</sup>

- if a supplier provided 95% or more certified biomethane in their final incomplete year they must provide evidence of this as detailed in the exemption section, but within three months of the supplier ceasing to be a scheme supplier (instead of by 1 July).
- We will review the evidence and confirm whether the supplier is exempt for that year within 30 days of receiving the notification and information required (instead of by the date within the scheme schedule).
- Should a supplier have been granted provisional exemption but does not provide adequate evidence to enable us to be granted exemption, we will confirm the supplier is not exempt for that year within 30 days of the notification having been received.

9.17. Should a supplier have been granted provisionally exemption but be determined not to be an exempt supplier for their final year, they will be required to make a backdated levy payment.<sup>106</sup>

9.18. If a supplier was not provisionally exempt and has paid the levy during their final year but is confirmed as being exempt in their final year, they will be entitled to a levy exemption refund payment. This will apply in the same way as a full year refund payment due to exemption, with adaptation that the refund applies to the final part year.<sup>107</sup>

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<sup>104</sup> GGSS Regulations 2021, Regulation 51(11).

<sup>105</sup> GGSS Regulations 2021, Regulation 51(11)(b).

<sup>106</sup> GGSS Regulations 2021, Regulation 51(12).

<sup>107</sup> GGSS Regulations 2021, Regulation 51(13).

## Appendices

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## Appendix 1 – Template: letter of credit

The below template sets out the required format of the letter of credit.<sup>108</sup> Please refer to guidance in paragraph 4.19 to 4.25 on how to submit letters of credit to ensure letters of credit are acceptable, including that all relevant fields are completed. The letter of credit should preferably be provided as a digital document.

### Form of Letter of Credit

This annex provides the form of letter of credit to be provided in respect of a scheme supplier's credit cover requirements under The Green Gas Support Scheme Regulations 2021.

To: Gas and Electricity Markets Authority  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU  
(the "**Beneficiary**")

[ ] 20[ ]

### Irrevocable Standby Letter of Credit no.[ ]

At the request of [ ] (the "**Applicant**"), [ ] (the "**Issuer**") issues this irrevocable standby letter of credit ("**Letter of Credit**") in your favour as Beneficiary in respect of the Applicant's credit cover requirements pursuant the Regulations (defined below) on the following terms and conditions:

#### 1. Definitions

In this Letter of Credit:

"**Amendment Request**" means a request in the form set out in schedule 2 to this Letter of Credit accompanied by the documentation specified in that form;

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London;

"**Demand**" means a demand for a payment by the Beneficiary pursuant to this Letter of Credit in the form set out in schedule 1 to this Letter of Credit;

"**Expiry Date**" means [ ];

"**Maximum Amount**" means [ ]; and

"**Regulations**" means The Green Gas Support Scheme Regulations 2021.

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<sup>108</sup> See GGSS Regulations 2021, regulation 43(3)(d) relating to the form of the letter of credit.

## 2. Issuer's agreement

- (a) The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuer a duly completed Demand. A Demand must be received by the Issuer by no later than [ ]\* p.m. (London time) on the Expiry Date.
- (b) Subject to the terms of this Letter of Credit, the Issuer unconditionally and irrevocably undertakes to the Beneficiary that it will promptly, and in any event within three Business Days of receipt by it of a Demand:
  - i. pay to the Beneficiary the amount demanded to the account specified in that Demand; or
  - ii. notify the Beneficiary that a complying presentation has not been made, specifying the reasons upon which such notice of dishonour is based.
- (c) A presentation may be made for less than the Maximum Amount and more than one presentation may be made.
- (d) The Issuer will not be obliged to make a payment under this Letter of Credit if as a result the aggregate of all payments made by it under this Letter of Credit would exceed the Maximum Amount.

## 3. Expiry

- (a) The Issuer will be released from its obligations under this Letter of Credit on the date (if any) notified by the Beneficiary to the Issuer as the date upon which the obligations of the Issuer under this Letter of Credit are released.
- (b) Unless previously released under paragraph **Error! Reference source not found.**, on 23:59 (London time) on the Expiry Date the obligations of the Issuer under this Letter of Credit will cease with no further liability on the part of the Issuer except for any Demand validly presented under the Letter of Credit prior to the Expiry Date that remains unpaid.
- (c) When the Issuer is no longer under any further obligations under this Letter of Credit, the Beneficiary shall return the original of this Letter of Credit to the Issuer.

## 4. Payments

All payments under this Letter of Credit shall be made in pounds sterling and for value on the due date to the account of the Beneficiary as specified in the Demand.

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Drafting note to assist Supplier:

\* The cut-off time will be informed by the Issuer. If the Issuer does not dictate a time, please specify 23:59.

## 5. Delivery of Demand

- (a) Each Demand shall be in writing and may be made by [letter, fax or email]\* and must be received in legible form by the Issuer at its address and by the particular department or officer (if any) as follows:

Attention: [ ]  
Address: [ ]  
Fax: [ ]  
Email: [ ]

- (b) The Beneficiary shall not be required to deliver the original of this Letter of Credit when presenting a Demand.

## 6. Amendment

- (a) This Letter of Credit may be amended by delivery of an Amendment Request.
- (b) A Letter of Credit may only be amended pursuant to this clause if:
- i. the prior written consent of the Beneficiary is obtained and delivered to the Issuer as part of the Amendment Request;
  - ii. all conditions to the Beneficiary's consent to the Amendment Request are complied with; and
  - iii. the Amendment Request is delivered to and approved by the Issuer prior to [ ]\*\* (London time) on the then applicable Expiry Date (before any extension has taken effect).

## 7. Assignment

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

## 8. ISP 98

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590.

## 9. Governing Law

This Letter of Credit and any non-contractual obligations arising out of or in connection with it are governed by English law.

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Drafting notes to assist Supplier:

\* This may be subject to change depending on the methods of delivery that are acceptable to the Issuer. Note that delivery of a demand by SWIFT will not be acceptable to the Beneficiary.

\*\* This must match the time specified in paragraph 2(a) above.

10. **Jurisdiction**

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit (including a dispute relating to any non-contractual obligation arising out of or in connection with this Letter of Credit).

Yours faithfully,

	Authorised Signatory	Authorised Signatory
Signature:		
First Name:		
Surname:		
Position:		

For

[Issuer]

**as Issuer**



## Schedule 1 – Form of Demand

To: [ ] as **Issuer**

Date: [ ]

Dear Sirs

**Demand under Irrevocable Standby Letter of Credit reference [ ] issued in favour of the Gas and Electricity Markets Authority originally issued [ ]\* [as amended [from time to time, most recently] with effect from [ ]]\*\* (the "Letter of Credit")**

1. We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Demand.
2. [**Option 1:** We certify that [ ] (the **Applicant**) has failed to comply with its [levy / mutualisation]\*\*\* payment obligations pursuant to regulation [40 / 56]\*\*\*\* of the Regulations and that the sum of £[ ] is due and remains unpaid. / **Option 2:** We certify that [ ] (the Applicant) has, pursuant to regulation 51 of the Regulations, ceased to be a scheme supplier with the effect that the sum of £[ ] is due.]\*\*\*\*\*
3. We therefore demand payment of the sum of £[ ].
4. Payment should be made to the following account:  
Name: [ ]  
Account Number: [ ]  
Bank: [ ]
5. We confirm that the date of this Demand is not later than the Expiry Date.

---

Highlighted fields in header to be completed by Issuer at the time of issuing the letter of credit (unless the field is not applicable).

Supplier to complete highlighted fields in sections 2 (applicant name) and 4 (using account details provided by Ofgem, see paragraph 4.19 of the Green Gas Levy Guidance).

Drafting notes to assist the Beneficiary when completing a demand:

- \* If not already completed by the Issuer at the time of issuing the letter of credit, please complete the original date of the Letter of Credit and the reference number provided.
- \*\* To the extent that the Letter of Credit was previously amended and if not already completed by the Issuer at the time of issuing the amended letter of credit, please include the amendment date and, to the extent that the Letter of Credit has been amended more than once, please include the additional language "from time to time, most recently" before specifying the most recent amendment date.
- \*\*\* Select as appropriate for the applicable failure to comply.
- \*\*\*\* Select as appropriate for the applicable failure to comply.
- \*\*\*\*\* Please delete the option that does not apply.

Yours faithfully

	Authorised Signatory	Authorised Signatory
Signature:		
First Name:		
Surname:		
Position:		

For Gas and Electricity Markets Authority

**as Beneficiary**

## Schedule 2 – Form of Amendment Request

To: [ ] as **Issuer**

Date: [ ]

Dear Sirs

**Amendment request ("Amendment Request") to Irrevocable Standby Letter of Credit reference [ ] issued in favour of the Gas and Electricity Markets Authority (the "Letter of Credit")**

1. We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Amendment Request.
2. We request that the following definition[s] in the Letter of Credit [is/are] amended as follows:
  - a. the **"Expiry Date"** shall become [ ]; and/or
  - b. the **"Maximum Amount"** shall become [ ]\*,(the **"Requested Amendment"**).
3. We enclose:
  - a. a copy of the proposed form of updated Letter of Credit incorporating the Requested Amendment; and
  - b. the Beneficiary's countersignature to this Amendment Request confirming its consent to the Requested Amendment.
4. We certify that the Letter of Credit (as amended pursuant to the Amendment Request) will not expire before the date falling at least 4 weeks after the end of the last quarter for which it provides credit cover as required by regulation 43(3)(b) of the Regulations.
5. We confirm that the date of this Amendment Request is not later than the Expiry Date.

Please confirm your agreement to the Requested Amendment by signing and returning the enclosed copy of this Amendment Request.

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Drafting note to assist Supplier:

\* Select and complete or delete as appropriate for the amendment(s) requested. If only one amendment option is required (e.g. the Expiry Date is to be extended, but the Maximum Amount is to remain unchanged), the option that is not required may be deleted. If no amendment is being made to a particular term, then the original definition will continue to apply.

Yours faithfully

	Authorised Signatory	Authorised Signatory
Signature:		
First Name:		
Surname:		
Position:		

For [ ]

**as Applicant**

**Beneficiary consent**

We consent to the Requested Amendment subject to the following conditions:

1. the Requested Amendment becomes effective no later than [ ]\*; and/or
2. a copy of the amended form of letter of credit must be delivered to us immediately upon issue[; and/or
3. [to the extent that the Requested Amendment seeks to reduce the Maximum Amount, the Requested Amendment does not become effective before [ ]\*\* and or]
4. [ ].\*\*\*

	Authorised Signatory	Authorised Signatory
Signature:		
First Name:		
Surname:		
Position:		
Date Signed:		

For Gas and Electricity Markets Authority

**as Beneficiary**

The footnotes on this page are to explain the Beneficiary's consent conditions.

\* The date specified here will be the earlier of (a) the then existing Expiry Date of the letter of credit (as described in paragraph 6(b)(iii) of the form of letter of credit) and (b) the deadline for provision of credit cover for the upcoming quarter as specified in the scheme schedule.

\*\* The date specified here will be the date that is 28 days after the end of the quarter for which a higher credit cover amount was required.

\*\*\* Beneficiary may specify any additional conditions to its consent as it considers necessary.

[ **ON COPY** ]

To: Gas and Electricity Markets Authority as **Beneficiary**

Cc: [ ] as **Applicant**

Date: [ ]\*

We approve the Requested Amendment, which shall take effect as of the date stated above. A copy of the Letter of Credit incorporating the Requested Amendment is enclosed.

	Authorised Signatory	Authorised Signatory
Signature:		
First Name:		
Surname:		
Position:		

For [ ]

**as Issuer**

Enc.: Updated Letter of Credit incorporating Requested Amendment

\_\_\_\_\_

\* Date only to be inserted by the last of the signatories signing for the Issuer.

## Appendix 2 – Declaration letter for provisional exemption

[COMPANY HEADED PAPER]

[DATE]

To [OFGEM],

Please consider this letter as written notification that [SUPPLIER] considers it likely that we will be an exempt supplier from the Green Gas Levy in relation to the scheme year beginning on 1 April [YEAR]. **If applicable:** Please note that this notification is made in relation to [SUPPLIER LICENCE].

I can confirm that [SUPPLIER] intends to supply at least 95% green gas (ie certified biomethane) for the period between 1 April [YEAR] and 31 March [YEAR].

In support of this notification, I attach the following evidence, which I confirm to be correct to the best of my knowledge:

- [EVIDENCE 1]
- [EVIDENCE 2]
- [ETC]

I also confirm that [SUPPLIER] expects to be able to provide evidence of our green gas supply proportions for [SCHEME YEAR] after the scheme year ends. We will do this by presenting retired green gas certificates from a certification scheme approved for this purpose by BEIS, for biomethane injected in Great Britain in that scheme year, alongside gas supply volumes for the same period.

We provide authorisation for Ofgem to share details of any certified biomethane certificate related information provided as part of this exemption claim, with the relevant BEIS approved certification schemes for the purposes of verifying the accuracy as part of a three-party communication (Ofgem, supplier and certification body) to resolve any queries regarding any certification evidence provided.

Yours faithfully,

[SIGNATURE]

[NAME AND JOB TITLE OF RESPONSIBLE OFFICER OF SUPPLIER]<sup>109</sup>

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<sup>109</sup> The signatory is confirming that they are duly authorised as required to act as a responsible officer

## Appendix 3 – Declaration letter for exemption

[COMPANY HEADED PAPER]

[DATE]

To [OFGEM],

Please consider this letter as written notification from [SUPPLIER] that at least 95% of the gas supplied by us in the scheme year beginning on 1 April [YEAR] was certified biomethane from an approved certification scheme. We have done this by retiring green gas certificates from a certification scheme approved for this purpose by BEIS, for biomethane injected in Great Britain in that scheme year, which in total is at least 95% of the volume of the gas supply volumes for the same period.

**If applicable:** Please note that this notification is made in relation to [SUPPLIER LICENCE].

In support of this notification, I attach the following evidence, which I confirm to be correct to the best of my knowledge:

- Summary spreadsheet of retired certificates providing detail of the volume, date injected, certificate reference numbers and date these were retired
- Copies of all relevant retirement certificates
- Summary spreadsheets providing volumes of gas supplied for each month and each day
- Screenshots taken on 14 May (or next working day after this) from an appropriate system showing volumes of gas supplied for each month.

If requested by Ofgem we are able to provide copies of the original certificates that have been retired referenced above. We provide authorisation for Ofgem to share details of the certified biomethane certificates provided as part of this exemption claim, with the relevant BEIS approved certification schemes for the purposes of verifying the accuracy as part of a three-party communication (Ofgem, supplier and certification body) to resolve any queries regarding the certification evidence provided.

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for the licensed supplier. See GGSS Regulations 2021, Regulation 38(15)(f) for the definition of a “responsible officer”.



Yours faithfully,

[SIGNATURE]

[NAME AND JOB TITLE OF RESPONSIBLE OFFICER OF SUPPLIER]<sup>110</sup>

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<sup>110</sup> The signatory is confirming that they are duly authorised as required to act as a responsible officer for the licensed supplier. See GGSS Regulations 2021, Regulation 38(15)(f) for the definition of a “responsible officer”.

## Appendix 4 – Glossary

### A

#### ASSURANCE REPORT

A report referred to within the GGSS Regulations which Ofgem may require from a gas supplier, to determine any provisional exemption from the levy. The assurance report referred to in this context, will 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. This report must be conducted by a person who is not connected to the supplier.

### C

#### CERTIFIED BIOMETHANE

In relation to the gas supplied in a scheme year, this term refers to the biomethane injected in that scheme year, the supply of which is certified under an approved certification scheme. Schemes are approved by BEIS, see their website for more details of approved schemes.<sup>111</sup>

#### CREDIT COVER

Credit cover means the amount provided by the scheme suppliers in the form of cash credit cover and/or a valid letter of credit. The purpose of credit cover is to ensure that funds are collected in a timely manner and reduce the likelihood of mutualisation events being required. If a supplier fails to meet their quarterly obligations by the relevant due date, Ofgem must draw down on their credit cover.

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<sup>111</sup> BEIS web page: [Exemptions from the Green Gas Levy \(GGL\): approved biomethane certification schemes](#)

## **D**

### DEFAULT REGISTER

The default register is a public register published on our website. If a scheme supplier fails to meet certain obligations by the deadline, we are required by the GGSS Regulations to publish certain information about such a default on the GGL default register. The default register will contain information such as the supplier's name, the obligation they failed to meet by the required deadline, and any financial penalty that was imposed.

## **E**

### EXEMPT SUPPLIER

Exempt suppliers are those suppliers who supplied at least 95% certified biomethane for a specified scheme year and have been notified by Ofgem that they are exempt from paying the levy and any other associated payments in relation to that year.

### EXCESS CASH CREDIT COVER

Excess cash credit cover refers to credit cover lodged by suppliers in the form of cash which exceeds their required level of credit cover at the time that their credit cover requirement is calculated and notified to the supplier. There is an annual process to return this to all applicable suppliers.

## **F**

### FORMER SCHEME SUPPLIER

A scheme supplier who ceases to be a scheme supplier, other than by virtue of becoming exempt supplier. A former scheme supplier is obligated to pay the levy obligation for the quarter preceding their final quarter and their final quarter.

## **L**

### LETTER OF CREDIT

A letter of credit is a document sent from a bank or financial institute that guarantees that the recipient will be able to access funds should a supplier default and not make a required payment in full by the time required. A letter of credit can be lodged by suppliers to meet all or part of their credit cover requirement, subject to the criteria as set out in regulation and guidance.

### LEVY RATE

The levy rate is a factor used to determine suppliers' quarterly payment in conjunction with total meter point days data. The Secretary of State calculates and publishes the levy rate expressed in pence per meter point per day on a yearly basis. Ofgem then uses the levy rate to calculate credit cover requirements and quarterly levy payments payable by scheme suppliers.

## **M**

### METER POINT DATA

Meter point data refers to the cumulative total number of meter points served by gas suppliers, for each individual licence within their portfolio, on any given day within the specified time period. May also be referred to as total meter point days.

### MUTUALISATION

A process where suppliers, who have met their levy obligation, are required to pay an additional sum to cover any shortfall caused by supplier(s) failing to make a levy payment and having insufficient credit cover in place to cover the full payment obligation.

## **P**

### PROVISIONALLY EXEMPT SUPPLIER

Provisionally exempt suppliers are those licensed suppliers who Ofgem has determined are likely to supply at least 95% certified biomethane in the next scheme year, based on evidence submitted by those suppliers. Provisionally exempt suppliers will not be required to

make levy payments or lodge credit cover for that scheme year and will not be required to comply with several other scheme requirements.

## **Q**

### **QUARTERLY LEVY PAYMENT**

Suppliers (except those provisionally exempt) are required to meet their quarterly levy obligation by making a quarterly payment by the relevant dates specified in the scheme timetable. The quarterly levy payment is calculated using meter point data and the levy rate.

## **R**

### **RESPONSIBLE OFFICER**

The responsible officer is either a director of the licensed gas supplier within the meaning of section 250 of the companies act 2005(a) or, if there is no person falling into this category, a person exercising management control. The responsible officer is required to complete a letter of authorisation to delegate responsibility for three roles specified in Table 1.

## **S**

### **SCHEME SCHEDULE**

The scheme schedule is an administrative timetable published by Ofgem annually before 1 February each year, which sets out key timeframes for suppliers' obligations.

### **SCHEME SUPPLIER**

A licensed gas supplier who is a fossil fuel supplier and is required to comply with all scheme requirements such as to pay quarterly levy payments, provide credit cover and make any mutualisation payments if needed. Exempt or provisionally exempt suppliers are not considered as scheme suppliers for the purposes for example of levy payments and credit cover, and there are some regulations for scheme suppliers which still apply to exempt and provisionally exempt suppliers.