

**The Company Secretary**

The Renewable Energy Company Limited (Ecotricity)

Lion House

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19 August 2024

Dear Sir/ Madam,

**Conclusion from our compliance assessment of SLC 28AD.25 and 28AD.24  
(Renewable Tariff Exemption from the default tariff cap) via the Request for  
Information (RFI) for period 1 April 2022 to 31 March 2023**

We issued the first cap derogations annual monitoring RFI on 31 October, for the period covering 1 April 2022 to 31 March 2023, to assess compliance<sup>1</sup> with SLC28AD.25 and SLC28AD.24<sup>2</sup> under section 3 (2) (b) of the Domestic Gas and Electricity (Tariff Cap) Act 2018, which enables the Licensee to charge independently from the maximum rates set by the default tariff cap for the Standard Variable Tariffs ("SVTs") for which the Renewable Energy Company Limited (Ecotricity) applied for a derogation.

This letter sets out the conclusion of our assessment based on the RFI for the following Ecotricity tariffs, which were granted a derogation in 2019:

- Green Electricity (Single and Multi-Rate)
- Green Electricity (E7)

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/introduction-annual-monitoring-requirements-derogated-renewable-standard-variable-tariffs-default-tariff-cap>

<sup>2</sup> Paragraph 25 of the SLC 28AD ("SLC 28AD.25") of the Electricity Supply Licence and paragraph 24 of the SLC 28AD ("SLC 28AD.24") of the Gas Supply Licence provides that the Authority may issue directions relieving the Licensee of its obligations to comply with standard condition 28AD to such extent and subject to such conditions as the Authority may direct.

- Green Electricity+EV (Single and Multi-Rate)
- Green Electricity+EV (E7)
- Green Gas

A description of the background information on derogations from the default tariff cap, along with our methodology used to support issuing the Licensee's existing enduring derogation, are set out in our 2019 Decision<sup>3</sup> to grant enduring derogations to Ecotricity's tariffs.

Based on the RFI for period 1 April 2022 to 31 March 2023, we have assessed whether the Licensee's enduring derogation should continue by considering the data submitted via the RFI about Ecotricity's current derogated tariffs (as listed above) and further evidence provided by the Licensee via subsequent engagement.

The Licensee must demonstrate that the relevant tariff continues to meet the following outcomes as set out in our Guidance<sup>4</sup>:

- Outcome 1: the tariff is an SVT that consumers have chosen to be on.
- Outcome 2: by consumers being on the tariff, support is given to renewables to an extent that is materially greater than that which is brought about as result of subsidies, obligations or other mandatory mechanisms.
- Outcome 3: the cost to the Licensee of supplying electricity/gas by virtue of the particular tariff relating to that Evergreen Supply Contract is materially greater than the Relevant Maximum Charge (as those terms are defined under SLC 28AD) for reasons that are directly attributable to the support that the tariff provides to the generation of electricity / production of gas from renewable sources.

We have set out our assessment in respect of each outcome below.

## **Outcome 1**

The Licensee evidenced this outcome by providing terms and conditions, which demonstrated that the tariffs have no end date and therefore meet the requirements of a SVT as defined in the Act. We are satisfied that this evidence is sufficient to demonstrate that Outcome 1 is met for the compliance period under review for all listed tariffs.

<sup>3</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2019/08/renewable\\_derogation\\_letter\\_ecotricity.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2019/08/renewable_derogation_letter_ecotricity.pdf)

<sup>4</sup> [Guidance: Derogation requests for renewable tariffs from the default tariff cap | Ofgem](#)

## **Outcome 2**

The Licensee provided evidence of the activities it carried out in support of renewables, including evidence of a number of Power Purchase Agreements (PPA), Gas Purchase Agreements (GPA) and investment in new renewable generation. The Licensee has demonstrated support for the generation of renewable electricity across a diverse set of projects, in addition to supporting “green gas” generation. We have concluded that the Licensee adequately demonstrate that the conditions of Outcome 2 are met for its derogated tariffs.

## **Outcome 3**

The Licensee provided detailed data on their costs including renewable costs, and the customer and consumption profile of the relevant tariffs. We have excluded certain costs from the analysis since, although they do not directly support renewables, they are incurred as a result of support to net zero as a whole, in a wider context.

The renewable costs included the costs of the activities detailed in the Guidance. These costs include: PPA/GPA costs below those included in the price cap, costs related to having contractual relationships with small scale generators, costs for forecasting and imbalance related to renewables, Renewable Energy Guarantee of Origin (REGO) certificates and Green Gas Certificates.

We are satisfied the licensee has met the conditions of this outcome. We will continue to assess that the Licensee has satisfied the requirements of the three outcomes to be eligible for a derogation for these tariffs through the ongoing annual cap derogations monitoring RFI process.

We consider that our assessment for period 1 April 2022 to 31 March 2023 relates to the particular tariffs ‘Green Electricity (Single and Multi-Rate)’, ‘Green Electricity (E7)’, ‘Green Electricity+EV (Single and Multi-Rate)’, ‘Green Electricity+EV (E7)’ and ‘Green Gas’ and that any future tariffs would be considered on a case-by-case basis to determine whether they meet the conditions required to be eligible for a derogation. In addition, we emphasise that any change of circumstances relevant to the derogation must be reported to the Gas and Electricity Markets Authority as soon as possible.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Dan Norton'.

**Dan Norton**

Deputy Director, Pricing Strategy

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