
Methodology note for reporting Green Gas Support Scheme subsidies

Methodology Note

This is an explanatory note on the methodology used to calculate the *maximum estimate* of subsidy awarded under the Green Gas Support Scheme (GGSS) to a registered participant over the lifetime of the scheme to comply with the transparency reporting obligations under the Subsidy Control Act 2022¹.

Transparency requirement to report GGSS subsidies

1. Under the Subsidy Control Act 2022 (SCA22), Ofgem as the public authority awarding the GGSS subsidies is required to report the GGSS subsidy awards on the subsidy database **within 3 months** of the confirmation of the decision to grant the subsidy, which is the date when a registration is approved. The subsidy database is maintained by the Department for Business and Trade².
2. When an accurate figure for a subsidy award is not known at point of awarding subsidy, the Statutory Guidance for the UK Subsidy Control Regime³ requires us to provide a reasonable estimate of the “maximum value” of the subsidy to be reported on the subsidy database.
3. At the time a participant is registered on GGSS, the total actual subsidy award that the participant will receive over the lifetime of the scheme is unknown. This will depend on a number of factors including, but not limited to:
 - the production factor at which the plant operates,

¹ [Subsidy Control Act 2022](#)

² [GOV.UK - Public user search page](#)

³ [Statutory Guidance for the UK Subsidy Control Regime](#)

- the quantity of external heat applied to the biomethane production process,
- the volume of propane added to the biomethane,
- the volume of biomethane the participant chooses to claim against GGSS, or on other schemes such as the Renewable Transport Fuel Obligation (RTFO).

Calculating maximum estimate of GGSS subsidy awards

4. The below formula is a simple representation of the calculations we use to estimate the maximum subsidy award for a participant over the 15 years of the scheme.

$$\text{Maximum estimate of subsidy award} = \sum_{t=1}^n V \times T \times I \times D$$

- **V** is the maximum volume in kWh of biomethane a participant can inject in a year based on the relevant Network Entry Agreement. This will not exceed 250GWh of biomethane
 - **T** is the applicable tariff in pence per kWh stated on the Tariff Guarantee Notice. Tier 1 tariff rates will be used for first 60,000MWh of biomethane, tier 2 tariff rates will be used for next 40,000MWh of biomethane, and tier 3 tariff rates will be used for the next 150,000 MWh of biomethane.
 - **I** is the inflation adjustment factor - see 5(ii) below for more details
 - **D** is the discount factor to account for the time value of money, where $D = 1/(1+r)^n$ - see 5(vii) below for more details
 - **n** = 16 years (The subsidy is paid up to 15 years from tariff start date. The 16th year included here is to account for the lagged effect of the final quarter to factor in discounting) - see 5(viii) below for more details
5. We use the following simplifying assumptions and principles in the calculation of the *maximum estimate* of GGSS subsidy awards for a registered plant:
- i. Each year the registered plant injects biomethane equal to the amount of Maximum Initial Capacity (MIC) notified to them at registration.

There is no ramp up in production with a 100% production factor assumed for all quarters of all years

- ii. The applicable tariff rates are adjusted for inflation on 1 April of each year using the CPI forecasts as published by Office for Budget Responsibility⁴, and then 2% thereafter. The CPI forecasts used will be the latest published at the time of calculation.
- iii. The biomethane volume per m³ is converted to kWh using a conversion factor of 10kWh/m³, matching the value set out in the Green Gas Support Scheme Regulations 2021 (GGSS Regulations), used to calculate an applicant's budget allocation. The registered plant will inject all biomethane produced into the gas grid and the participant will claim payment for all the eligible biomethane injected under GGSS
- iv. The plant will not add propane to biomethane produced, will not supply additional heat to anaerobic digesters to produce biogas, and will not supply additional heat to the biomethane production process
- v. The registered plant remains compliant with all ongoing obligations and is not subject to any payment deductions
- vi. A discount rate is applied on the annual estimates of maximum subsidy awards to account for the time value of money in future periods as stipulated in the Statutory Guidance for the UK Subsidy Control Regime⁵
- vii. A lag of one quarter is assumed between when biomethane is injected and when payments are made. This means that payment for the last quarter of the 15th year is assumed to be paid in the first quarter of the 16th year

⁴ [Publications - Office for Budget Responsibility](#). See the medium-term forecasts

⁵ [Statutory Guidance for the UK Subsidy Control Regime](#)

Updates to estimates

6. At the end of the scheme, the maximum estimate subsidy award reported on the subsidy database will be updated with the actual amount of subsidy awarded to the participant. Should a participant exit the scheme before the 15 years, then the maximum subsidy award reported will also be updated with the actual subsidy amount received by the participant for the duration that the participant was on the scheme.
7. When there are “material changes” to the registration that would impact the maximum estimate of subsidy awarded to a recipient we will update the subsidy database accordingly. Examples of “material changes” include, but are not limited to, when a participant has “additional capacity” approved that leads to an increase in the maximum estimate of subsidy award or when there is a change in ownership.

Disclaimer

8. Ofgem is reporting the maximum estimate of GGSS subsidy awards for the sole purpose of discharging its obligations under the SCA22. The actual total subsidy payments received by participants is likely to be different from the estimate reported on the subsidy database due to the variable factors detailed in this note. The maximum estimate of a subsidy award reported on the subsidy database is in no way an assurance to any participant as to future payments and is not intended to give a participant any expectation that they would receive this amount as total payment. Actual payments that a participant receives under the GGSS will be calculated as set out in the GGSS Regulations based on eligible biomethane injected which satisfies all scheme requirements and where a participant has met all its ongoing obligations.⁶

⁶ The GGSS Regulations, Part 3 to Part 5.