

Offtaker of Last Resort (OLR)

Annual Report – April 2025 to March 2026

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This is the Offtaker of Last Resort (OLR) annual report. As administrator of the OLR scheme, our duties require us to publish a report on the scheme annually. This annual report covers activity on the scheme between 1 April 2025 and 31 March 2026.

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Introduction

The Offtaker of Last Resort (OLR) scheme was introduced on 1 October 2015 by the Department of Energy & Climate Change (DECC).¹ The scheme is designed to help eligible Contracts for Difference (CfD) generators by providing an alternative route to the market for their electricity. It is intended as a last resort to help generators when they cannot obtain a power purchase agreement through the usual routes. The OLR scheme achieves this by facilitating a Backstop Power Purchase Agreement (BPPA) between the generator and a supplier via a competitive auction process.

By providing a credible backstop route to market, the scheme is intended to support confidence in renewable investment and encourage competition in the power purchase agreement market. It remains a genuine last-resort mechanism, with any agreement entered into at a specified discount to the market reference price.

Roles and responsibilities

The scheme depends on government, Ofgem, eligible generators and licensed suppliers carrying out distinct but connected responsibilities:

Government: DESNZ is responsible for the policy and overall scheme framework, including the terms of the BPPA.

Ofgem: We administer the scheme in accordance with the policy framework set by DESNZ. Our responsibilities include assessing the eligibility of generators and their applications to the scheme, running OLR auctions, determining mandatory suppliers and administering the relevant levelisation arrangements.

Eligible generators: Eligible CfD generators may apply to use the scheme when they cannot secure a suitable power purchase agreement through normal commercial routes.

¹ The responsibilities of the Department of Energy & Climate Change (DECC) were assumed by the Department for Business, Energy & Industrial Strategy (BEIS) in 2016. As of February 2023, the Department for Energy Security and Net Zero (DESNZ) assumed responsibility for the OLR scheme.

Mandatory suppliers: Suppliers determined by Ofgem as mandatory OLR suppliers must participate in an OLR auction when required.

Other licensed suppliers: Other qualifying licensed suppliers may participate in an auction, while all licensed suppliers are subject to the applicable levelisation arrangements.

As part of our statutory responsibilities, we have produced this report covering activity on the scheme for the 2025 to 2026 reporting year (1 April 2025 to 31 March 2026). For further information and guidance on the OLR scheme, please refer to our website.²

Updates

No applications were received and no BPPAs were entered into during the reporting year. Our work therefore focused on maintaining operational readiness, testing the end-to-end process and determining the suppliers required to participate in any OLR auction held during the relevant period.

Dry run

Although the scheme has not received an application since it was introduced, Ofgem must remain ready to respond within the required timescales if an eligible generator applies. We therefore periodically test the end-to-end application and auction process. Following the end of the reporting year, in May 2026, we completed a dry run using a simulated expression of interest and supporting eligibility information. We assessed the simulated application and ran a practice BPPA auction through our online auction portal, following the standards, controls and timelines that would apply to a live case. The exercise tested the end-to-end process and provided assurance that the core application and auction arrangements could be activated when required. It also helped Ofgem and participating stakeholders maintain a shared understanding of the process. The next dry run is due to take place in 2028.

² [Further information on the OLR scheme](https://www.ofgem.gov.uk/environmental-and-social-schemes/offtaker-last-resort-olr) <<https://www.ofgem.gov.uk/environmental-and-social-schemes/offtaker-last-resort-olr>>

Mandatory licensed suppliers

Each year we determine which suppliers are to be mandatory OLR suppliers based on whether they meet the relevant criteria. A supplier is determined as a mandatory supplier if they, and any affiliate supply licences of theirs, supplied 6% or more of all the electricity supplied to customers in Great Britain during the applicable OLR year. We are required to make these determinations by 1 September each year. Mandatory suppliers must bid in any OLR auction held during the relevant scheme year. Other licensed suppliers may also participate, subject to the applicable scheme requirements. Where a BPPA is awarded, any costs or profits are shared across licensed suppliers through the scheme's levelisation arrangements. This ensures that the costs of providing a BPPA are distributed fairly across licensed suppliers according to their share of the electricity supply market.

For the 2025 to 2026 period, we determined that the following suppliers were mandatory suppliers:

- British Gas Trading Ltd
- EDF Energy Customers Plc
- E.ON Next Energy Ltd
- Npower Commercial Gas Ltd
- Octopus Energy Ltd
- ScottishPower Energy Retail Ltd
- Drax Energy Solutions

While no eligible generators sought support through the scheme during the reporting year, the OLR scheme remains an important safeguard for maintaining routes to market for eligible renewable generators. We will continue to maintain the arrangements and capability needed to administer the scheme effectively, working with DESNZ and industry participants to ensure it can be activated promptly should support be required.