



Holders of Gas Supply and Electricity Supply Licences, consumers and their representatives and other interested parties

Promoting choice and value for all gas and electricity customers

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Date: 14 January 2011

Dear Colleagues,

INTRODUCTION OF STANDARD LICENCE CONDITION 21A TO PROVIDE AN ANNUAL STATEMENT OF SUPPLY TO CRC ENERGY EFFICIENCY SCHEME PARTICIPANTS

In November 2010 Ofgem published a consultation on the introduction of standard licence condition 21A for gas and electricity supply licences (ref 144/10). This licence modification was proposed to implement a requirement of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme Order for licensed electricity suppliers to provide an annual statement of supply to participants of the CRC scheme.

The statutory consultation on the proposed modification closed on 23 December.¹ We received six responses from supply licencees and did not receive any statutory objections from relevant parties. We are proceeding with the modifications and are issuing directions to notify relevant licensees of the introduction of standard licence condition 21A to the gas and electricity supply licences. These will take effect on 31 March 2011.

When we consulted in November, we also published revised guidance to provide information to relevant licensees on the requirements of the licence condition. In their responses to the consultation several suppliers gave feedback on the revised guidance. The two main points raised were:

1. An annual statement of supply based on 'best fit' of 12 months of metered supply information would be better for participants than a statement covering the exact period 1 April to 31 March. This is because the latter would in many instances involve estimating consumption from actual meter readings for supply periods which did not coincide exactly with the start or end of the CRC year. If periods of estimated supply cumulatively cover six months or more participants could be penalised with 10 percent uplift by the Environment Agency.
2. The revisions to the guidance at this late stage might mean some suppliers find it difficult to implement the new licence condition in a suitable and timely way. One supplier suggested that it would be reasonable to defer the implementation of the condition by a year.

We understand the issues that can arise for CRC participants when estimated consumption is used for the annual statement. However, we cannot guarantee that the 'best fit'

¹ Responses to the consultation are available from Ofgem's website.

approach would meet the strict legal requirements of the CRC Order and the licence condition. The requirement and implementation timetable is a matter of government policy it is not within Ofgem's gift to delay the implementation of the licence condition.

Some suppliers also had some detailed questions seeking further clarification about how they should comply with the licence condition in certain circumstances. We have added a 'Frequently Asked Questions' appendix to the guidance document to provide further information on the matters raised.

Please contact Anna Kulhavy (anna.kulhavy@ofgem.gov.uk or 0207 901 7390) should you have any queries.

Yours faithfully,

Sarah Harrison
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