

Revised guidance on providing an annual statement of supply to CRC Energy Efficiency Scheme participants

Consultation

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Contact: Edmund Ward
Team: New Scheme Development
Tel: 020 7901 7168
Email: edmund.ward@ofgem.gov.uk

Overview:

The Environment Agency administers the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment). It is a mandatory scheme to improve energy efficiency in large public and private sector organisations. The CRC Energy Efficiency Scheme Order 2010 requires licensed gas and electricity suppliers to provide an annual statement of gas and electricity supply to participants of the CRC scheme.

Ofgem is consulting on modifications to the guidance published on 14 January 2011. These modifications include a new paragraph (2.13) regarding actual and estimated statements of supply. This outlines a requirement for the statement of supply to include an indication as to which of the supplies are actual and which are estimated. The supplier may choose the manner in which this indication is presented.

This Consultation document comprises the proposed final Guidance, updating the current version published in January 2011. Chapter One is unchanged, and Chapter Two includes proposed changes as indicated at the start of the Chapter.

Context

The CRC Energy Efficiency Scheme began in April 2010 and is a mandatory scheme to encourage large private and public sector organisations to improve energy efficiency and reduce carbon dioxide emissions.

- The Environment Agency administers the CRC on behalf of the Department for Energy and Climate Change and the Welsh Ministers, and the Scottish Environment Protection Agency (SEPA) on behalf of the Scottish Ministers.
- The CRC Energy Efficiency Scheme Order 2010 (the "Order") requires licensed gas and electricity suppliers to provide an annual statement on gas and electricity supply to participants of the CRC from 1 April 2010.
- Following discussion with CRC participants and energy suppliers, the CRC Administrator has identified a need for greater clarity in the format of data that is provided, and for greater clarity from suppliers on which energy supplies are estimated versus actual as per the CRC Regulations. Ofgem is therefore consulting to seek stakeholder input on these points, prior to issuing a revised Guidance document.
- Ofgem's involvement in the CRC is in line with its corporate objective to contribute to the achievement of a low carbon energy sector

Associated documents

- The current guidance on providing an annual statement of supply to CRC Energy Efficiency Scheme participants, 14 January 2011 is available at: http://www.ofgem.gov.uk/Sustainability/Environment/Policy/Documents1/CRC_Final_guidance_Jan_2011.pdf
- The CRC Energy Efficiency Scheme Order 2010 can be viewed at www.opsi.gov.uk
- The Environment Agency and the Scottish Environment Protection Agency administers the CRC. Guidance for Participants of the CRC is available at www.environment-agency.gov.uk

Contents

1. Introduction	4
Background	4
CRC Energy Efficiency Scheme Order 2010	4
Supply licence condition 21A	5
2. Guidance	6
Process and timing for providing the annual statement of supply	6
Content of the annual statement of supply	7
Appendices	10
Appendix 1 - Consultation Response and Questions	11
Appendix 2 - Glossary	13
Appendix 3 - Feedback Questionnaire	14

1. Introduction

Chapter Summary

This Chapter would comprise Chapter One of the revised guidance.

It provides an overview of how this guidance relates to CRC, and the role it plays in setting out guidelines to licensed gas and electricity suppliers. It also includes excerpts from the CRC Energy Efficiency Scheme Order 2010 and supply license condition 21A.

Background

- 1.1. The CRC Energy Efficiency Scheme began in April 2010 and is a mandatory scheme to improve energy efficiency in large public and private organisations. The CRC Energy Efficiency Scheme Order 2010 (the "Order") requires licensed gas and electricity suppliers to provide an annual statement on gas and electricity supply to participants of the CRC from 1 April 2010. The purpose of this statement of supply is to help CRC participants to report their consumption to the Environment Agency each year.
- 1.2. The Environment Agency administers the CRC on behalf of the Department for Energy and Climate Change and the Welsh Ministers, and the Scottish Environment Protection Agency (SEPA) on behalf of the Scottish Ministers. This role includes providing guidance to participants of the CRC on reporting and compliance.
- 1.3. This document sets out guidelines, and is not intended to be legally binding in itself. Rather, it is intended to assist the relevant licensees to interpret the requirements of the licence condition as defined by the Order.

CRC Energy Efficiency Scheme Order 2010

- 1.4. The relevant section of the CRC Energy Efficiency Scheme Order 2010 is below:

"Information on electricity and gas supplied from authorised suppliers holding a licence

63.—(1) A participant may request in writing the following information from those authorised suppliers of electricity or gas which hold a licence to make such a supply—

- (a) the amount of electricity or gas supplied to the participant in the year in which the request is made; and*
- (b) how much, if any, of that supply has been estimated by the supplier and the period to which such an estimate relates.*

(2) Where such an authorised supplier receives such a request, the supplier must reply in writing within 6 weeks of the end of the year of the phase to which the information relates."

Supply licence condition 21A

1.5. The wording of the supply licence condition is as follows:

"Condition 21A: Provision of the annual statement of supply to participants of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

21A.1 *Where a participant requests in writing for it to do so, a licensee must provide in Writing the information specified in paragraph 1.2 within 6 weeks of the end of the Year of the Phase to which the information relates.*

21A.2 *The information referred to in paragraph 1.1 is:*

(a) the amount of electricity [or gas] supplied (in kWh) by the licensee to the participant in the year in which the request is made;

(b) how much (in kWh), if any, of the electricity [or gas] supply has been estimated by the licensee, and the period to which such an estimate relates;

(c) the premises to which the supply was made;

(d) the Meter Point Administration Number (MPAN) [Meter Point Reference Number (MPRN)] of the Electricity [or Gas] Meter that measured any such supply.

21A.3 *The Authority may issue, and may from time to time revise, guidance regarding the interpretation of this licence condition."*

21A.4 *In this condition:*

"Participant" has the same meaning as that set out in Article 3 of the CRC Energy Efficiency Scheme Order 2010 (S.I. 2010/768)

"Phase" has the same meaning as that set out in Articles 2 and 3 of the CRC Energy Efficiency Scheme Order 2010 (S.I. 2010/768)."

"Year" has the same meaning as that set out in Article 3 of the CRC Energy Efficiency Scheme Order 2010 (S.I. 2010/768)

2. Guidance

Chapter Summary

This Chapter would comprise Chapter Two of the proposed revised guidance.

It sets out guidelines to licensed gas and electricity suppliers. It incorporates proposed amendments on which Ofgem is seeking comments. These amendments and questions are set out in the Consultation question box below.

We have also made minor text changes, including adopting a common nomenclature to refer to the CRC “participant”, where “participant” has the same meaning as that set out in Article 3 of the CRC Energy Efficiency Scheme Order 2010 (S.I. 2010/768).


Question box

Question 1: We are proposing the addition of a sentence to end of paragraph numbered 2.4: “The availability of this option should be made clear to the participant.” We would welcome any comments on this proposed addition.

Question 2: We are proposing the addition of a new paragraph now numbered 2.13. This would indicate that the statement of supply should include an indication to the participant as to which of the supplies are actual and which estimated as defined in the CRC Order. We would welcome any comments on this proposed addition.

Process and timing for providing the annual statement of supply

- 2.1. We encourage suppliers to develop and follow a defined process for managing requests from CRC participants and collating annual statements of supply. Suppliers are encouraged to inform participants about this process. This will ensure that participants understand how and when to submit their request and the information they will need to give suppliers to meet their request.
- 2.2. In addition, it may also be helpful if suppliers provide participants with some background on how the information in the annual supply statement is compiled. Participants might find this useful as they are responsible for the information reported to the CRC administrator.
- 2.3. The request for a statement can be made, and the statement itself sent, by letter or by electronic communication, as defined in the supply licence condition.



Revised guidance on providing an annual statement of supply to CRC Energy Efficiency Scheme participants

- 2.4. The statement should be provided in a protected or locked format (such as a PDF). In addition, the statement can also be provided in another format of use to the participant such as in Excel format, within an on-line account or a Comma Separated Variable (CSV) format, where this will be requested by the participant. The availability of this option should be made clear to the participant.
- 2.5. Each CRC year runs from 1 April to 31 March. Participants can request an annual statement for the CRC year from their gas and electricity supplier by 31 March each year. Suppliers are required to provide the annual statement within six weeks of the end of the CRC year; therefore suppliers need to provide the statement to participants by 12 May each year, if they receive a request on or before the end of the CRC year.
- 2.6. “The year in which the request is made” refers to the CRC year, i.e. 1 April to 31 March. Therefore, participants should be expected to request a statement of supply by 31 March each year. If a participant fails to submit the request on time, the supplier is encouraged to provide that participant with a statement of supply, as soon as they are able.
- 2.7. Under the CRC Energy Efficiency Scheme Order, suppliers are not required to provide data for supply before 1 April 2010. However, if an organisation requests information to help them determine whether they qualify for CRC, such as whether they had any half hourly meters in the qualification year, the supplier is encouraged to provide that information.
- 2.8. Participants of the CRC are expected to gather consumption information about all of their sites and subsidiaries. Where a supplier considers it necessary, it may ask a participant to provide evidence, such as a letter of authorisation, that the premises for which a statement of supply is requested is indeed a subsidiary or site of theirs.
- 2.9. A third party, such as a consultant, can request a statement of supply on behalf of a CRC participant. The supplier should request a letter of authorisation from the participant before giving the statement of supply to a third party.

Content of the annual statement of supply

- 2.10. Under the Order, participants are legally entitled to ask their electricity or gas supplier at any time before 31 March for information on the amount of electricity or gas supplied to them in the CRC year in which the request is made. The licence condition requires suppliers to provide the annual statement of supply within six weeks of 31 March.
- 2.11. The statement of supply should set out how much electricity or gas was supplied to the participant over the CRC year. The report should state whether

the gas or electricity supplied was actual, i.e. based on a meter reading, or an estimate. If some gas or electricity supplied to the participant was estimated then the statement should separately identify the estimated amount of gas and electricity supplied.

- 2.12. It is unlikely that the timing of suppliers' cycles for reading participants' meters and billing for supply will match exactly the CRC year, 1 April to 31 March. In such instances suppliers will need to collate and compile the statement of gas and electricity supply for the CRC year as required by the licence condition. We understand there are options for doing this. For this reason, we think that suppliers are best placed to determine and adopt the most practical method to meet the licence condition requirements given the specifics of their information systems and billing procedures. As noted above, we encourage suppliers to inform participants about their methodology for compiling the annual statement in such circumstances so that participants understand the data they are reporting to the administrator of the CRC. This will also improve transparency for participants should there be differences between the annual statement and billing information because of differences in timing.
- 2.13. The statement of supply should include an indication to the participant as to which of the supplies are actual and which estimated as defined in the CRC Order. How this is done is up to the supplier, but the indication should be clear. For electricity and gas supplies where there are at least two meter readings a minimum of six months apart and these readings are during the same scheme year (1 April to the following 31 March), it is considered as an actual supply for CRC purposes, and the whole year is treated as actual. All other electricity and gas supplies are considered as estimated supplies. A meter reading does not need to meet the supplier's validation criteria for billing to count as a reading for CRC purposes.
- 2.14. There may also be instances when a supplier cannot provide a complete statement of supply for the entire CRC year 1 April to 31 March. For example, there could be time periods within the CRC year when supply information cannot be provided or estimated by the supplier owing to: an incomplete billing cycle, a dispute on the account, where meters are being changed, or where the supplier is awaiting a closing meter reading as part of the change of supplier process. A meter reading given by a participant may also be considered as an estimate by a supplier (for example, if the reading has not gone through or passed a validation process a supplier may consider it to be an estimate provided that this is deemed reasonable by the supplier). In such instances, the supplier should provide an incomplete statement of supply covering only the periods within the CRC year for which they can provide actual or estimated information. The participant will have to estimate their consumption for periods not covered in the supply statement in accordance with guidance issued by the Environment Agency for participants.
- 2.15. There may be instances where discrepancies are later found between an estimate given in a statement of supply and actual supply. Where this

happens it is not necessary for suppliers to retrospectively amend a statement of supply nor is it necessary to reconcile any discrepancies in the following year's statement of supply.

- 2.16. The Order and guidance for CRC participants published by the Environment Agency state that where bills are estimated there is a 10% uplift added to the estimation. This uplift occurs where the estimated billing period covers six months or more of the annual reporting year. Suppliers should not add this 10% to their estimation; this is the role of the Environment Agency as administrators once the participant reports their supply.
- 2.17. Suppliers can decide how to display the information, but must ensure it is clearly presented and accurate.
- 2.18. In cases where a participant has a contract to buy electricity using ex-power station or grid supply point pricing, the annual statement should detail the electricity or gas supply as billed to the participant. However, some of the electricity to participants on these contracts might be lost through distribution and transmission and, therefore, the amount of electricity billed would be more than the customer received through the meter. The energy statement or an associated letter sent to participants on such contracts should advise the participant to refer to guidance for CRC participants published by the Environment Agency. This explains how CRC participants should adjust the billed data for electricity supplied to account for electricity lost through distribution / transmission networks.

Appendices

Index

Appendix	Name of Appendix	Page Number
1	Consultation Response and Questions	11
2	Glossary	13
3	Feedback Questionnaire	14

Appendix 1 - Consultation Response and Questions

1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of each chapter heading and which are replicated below.

1.3. Responses should be received by 19 April 2012 and should be sent to:

Edmund Ward
New Scheme Development
Ofgem, 9 Millbank, London SW1P 3GE
0207 901 7168
edmund.ward@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. We shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Having considered the responses to this consultation, we intend to revise the Guidance document, and reissue in order to provide suppliers with updated Guidance for reporting on the 2011-2012 CRC year. Any questions on this document should, in the first instance, be directed to:

Edmund Ward
New Scheme Development
Ofgem, 9 Millbank, London SW1P 3GE
0207 901 7168
edmund.ward@ofgem.gov.uk

CONSULTATION QUESTIONS: Chapter Two

Question 1: We are proposing the addition of a sentence to end of paragraph numbered 2.4: "The availability of this option should be made clear to the participant." We would welcome any comments on this proposed addition.

Question 2: We are proposing the addition of a new paragraph now numbered 2.13. This would indicate that the statement of supply should include an indication to the participant as to which of the supplies are actual and which estimated as defined in the CRC Order. We would welcome any comments on this proposed addition.

Appendix 2 - Glossary

A

Authority

The Gas and Electricity Markets Authority ('GEMA') established under section 1 of the Utilities Act 2000.

S

Standard Gas Supply Conditions

Gas Supply Licence Conditions issued by GEMA as at 1 October 2010.

Standard Electricity Supply Conditions

Electricity Supply Licence Conditions issued by GEMA as at 1 October 2010.

Appendix 3 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

Andrew MacFaul
Consultation Co-ordinator
Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk