



Making a positive difference
for energy consumers

Juliet Davenport
Chief Executive

Good Energy Limited
Monkton Reach
Monkton Hill
Chippenham
Wiltshire
SN15 1EE

Cc: Chris Welby, Policy &
Regulatory Affairs Director

Date: 15 January 2014

Dear Ms Davenport

Direction issued to Good Energy Limited (company number 3899612) by the Gas and Electricity Markets Authority (the "Authority") pursuant to paragraph 36 of Standard Licence Condition 22B (Restrictions on Tariff numbers and Tariff simplification) of the electricity supply licence – Delabole Local Tariff

Further to our letter to you dated 23 December 2013, this letter sets out the Authority's decision to grant Good Energy Limited (the "Licensee") a temporary derogation from paragraph 4 of Standard Licence Condition (SLC) 22B of the electricity supply licence in respect of any windfall payments payable in accordance with the terms of the Delabole Local Tariff, a copy of which Chris Welby provided to the Authority by email on 15 November 2013 (the "Delabole Local Tariff").

The Direction is attached. This will be published and shall remain in force until 16 January 2016 unless revoked earlier or varied in writing by the Authority. We envisage carrying out additional policy development work in this area, which may include consultation, in the near future. Any change in circumstances relevant to the derogation must be reported to the Authority as soon as possible.

This letter constitutes the Notice under section 49A of the Electricity Act 1989 of the reasons for the Authority's decision to issue the attached Direction.

Background to Derogation Request

SLC 22B prohibits licensees from using any Discount which is: (i) pounds sterling or any currency of any other country; (ii) capable of being directly redeemed for pounds sterling or any currency of any other country; (iii) in any way applied to a Unit Rate or Standing Charge; or (iv) in any way capable of being applied to a Unit Rate or Standing Charge by a Domestic Customer. Consequently, licensed suppliers are prohibited from providing any cash discount other than those of a type expressly excluded from the prohibition in SLC 22B (including Dual Fuel Discounts and Online Account Management Discounts) with effect from 31 December 2013.¹

¹ Capitalised terms in this paragraph have the meaning given to them in SLC 1 of the Electricity Supply licence.

SLC 22B also provides that the Authority may grant derogations relieving a licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.

The Authority received a request from the Licensee on 24 October 2013 for a derogation from paragraph 4 of SLC 22B in respect of the Delabole Local Tariff. The Licensee's Delabole Local Tariff provides for a windfall payment to be made to eligible customers located within a particular region if the Delabole Wind Farm generation site exceeds forecasted output. Such a windfall payment would constitute a cash discount, which without a licence derogation would be prohibited under paragraph 4 of SLC 22B.

On 23 December 2013 the Authority advised the Licensee that it intended to grant the Licensee a temporary derogation from paragraph 4 of SLC 22B in respect of the Delabole Local Tariff.

The Authority's Decision

Having regard to our principal objective and statutory duties, including our duty to consider the need to contribute to the achievement of sustainable development, we consider based on the information submitted by the Licensee that:

1. the impact on consumers as a whole as a result of granting a temporary derogation in respect of the Delabole Local Tariff would likely be minimal, given the limited number of eligible customers (currently less than 500 customers out of the Licensee's 35,000 electricity customer base); and
2. in granting a temporary derogation in respect of the Delabole Local Tariff, any potential detrimental impacts on consumers would likely be outweighed by the social and environmental benefits associated with such a scheme that has local/community benefits.

Therefore, the Authority grants the Licensee a temporary derogation from paragraph 4 of SLC 22B of the Licensee's electricity supply licence in respect of the Delabole Local Tariff with effect from the date of, and subject to the terms of, the attached Direction. For the avoidance of doubt, the attached Direction applies to the Delabole Local Tariff only and does not apply to any other local tariff schemes relating to generation sites other than the Delabole generation site (or any similar tariff schemes) operated by the Licensee at present or in future. Separate derogation requests would have to be submitted for any other future local schemes.

If you would like to discuss any aspects of this letter, please contact Jibirila Leinyuy on 0203 263 9624 or Jibirila.leinyuy@ofgem.gov.uk.

Yours sincerely,

Maxine Frerk
Partner, Retail Markets and Research

The Company Secretary
Good Energy Limited
Monkton Reach
Monkton Hill
Chippenham
Wiltshire
SN15 1EE

Direction issued to Good Energy Limited by the Gas and Electricity Markets Authority pursuant to paragraph 36 of Standard Licence Condition 22B (Restrictions on Tariff numbers and Tariff simplification) of the electricity supply licence – Delabole Local Tariff

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to paragraph 36 of Standard Licence Condition (SLC) 22B of the electricity supply licence (the "Licence") granted under section 6(1)(d) of the Electricity Act 1989 to Good Energy Limited (company number 3899612; the "Licensee").
2. Paragraph 36 of SLC 22B provides that the Authority may issue directions relieving the Licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.
3. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 15 January 2014.
4. The Authority hereby directs, pursuant to paragraph 36 of SLC 22B, that the Licensee is, on a temporary basis and subject to the Licensee's continuing compliance with the condition in paragraph 5 of this Direction, relieved of its obligations under paragraph 4 of SLC 22B in respect of any windfall payments payable in accordance with the terms of the Licensee's Delabole Local Tariff, a copy of which the Licensee provided to the Authority by email on 15 November 2013 (the "Delabole Local Tariff"). For the avoidance of doubt, this Direction applies to the Delabole Local Tariff only and does not apply to any other local tariff schemes relating to generation sites other than the Delabole generation site (or any similar tariff schemes) operated by the Licensee at present or in future.
5. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority.
6. This Direction shall take immediate effect and shall remain in effect until 16 January 2016 or until such other time as the Authority shall revoke or vary the Direction in writing.

Dated: 15 January 2014

Maxine Frerk
Partner, Retail Markets and Research

Signed on behalf of the Authority and authorised for that purpose.