

Dale Vince  
Ecotricity Group Limited  
Unicorn House  
7 Russell Street  
Stroud  
Gloucestershire  
GL5 3AX

Date: 02 July 2014

Cc: Holly Tomlinson

Dear Mr Vince

### **Request for derogation – Electric Vehicle Discount**

This letter sets out the Authority's decision to grant The Renewable Energy Company Limited (the "Licensee") a temporary derogation from paragraph 4 of Standard Licence Condition (SLC) 22B of the electricity supply licence in respect of its proposed electric vehicle (EV) discount (the "Electricity Vehicle Discount").

The Direction is attached. This will be published and shall remain in force until 03 July 2016, unless revoked earlier or varied in writing by the Authority. 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.<sup>1</sup>

### **Background to Derogation Request**

Paragraph 4 of SLC 22B prohibits licensed electricity suppliers from using any Discount which is: (i) pounds sterling or any currency of any other country; (ii) capable of being directly redeemed (rather than sold) 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 (rather than incorporated within) a Unit Rate or Standing Charge by a Domestic Customer. Consequently, licensed suppliers are prohibited from providing any cash discount other than those expressly excluded from the prohibition in SLC 22B (including Dual Fuel Discounts and Online Account Management Discounts).

Paragraph 36 of SLC 22B also provides that the Authority may issue directions 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 Licensee currently offers two tariffs: a Green Electricity tariff and a Green Electricity + Car tariff. The Green Electricity tariff is a standard evergreen tariff open to all domestic customers. The Green Electricity + Car tariff has a lower unit rate and is open only to domestic customers who own an EV which is registered to their Domestic Premises.

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<sup>1</sup> Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in SLC 1 of the electricity and gas supply licences.

The Authority received a request from the Licensee on 13 February 2014 for a derogation from paragraph 4 of SLC 22B. This derogation would allow the Licensee to offer a single tariff to all its domestic customers and an annual cash discount to customers who own an EV registered to their Domestic Premises. The Licensee submitted that this will further mitigate some of the cost implications of owning an EV and add to the incentives to promote EV uptake in the UK. It will also allow the Licensee to treat all customers equally in relation to their normal household electricity consumption.

### **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 Electric Vehicle Discount would likely be minimal, given the limited number of eligible customers and the relatively small number of EV users in the UK;
2. EV customers are likely to benefit from having a single tariff which will eliminate the burden of switching tariffs if they no longer own an EV and would be consistent with our objective to make the market simpler for consumers; and
3. eligible consumers with low levels of electricity consumption will benefit from receiving the full Electric Vehicle Discount as the amount paid would no longer depend on their level of consumption.

Therefore, the Authority grants the Licensee a temporary derogation from paragraph 4 of SLC 22B in respect of the Electric Vehicle Discount with effect from the date of, and subject to the terms of, the attached Direction.

For the avoidance of doubt, the attached Direction does not relieve the Licensee from complying with other SLCs that apply in relation to the Electric Vehicle Discount. This includes the requirements that Discounts are made available to new and existing customers; are included in the calculations of the Tariff Comparison Rate (TCR) and Estimated Annual Costs (or Personal Projection); and are specified in the Tariff Information Label (TIL). Where the eligibility for the Electric Vehicle Discount is unknown, customers must be provided with TCRs and TILs indicating both options available to them.

If you would like to discuss any aspects of this letter, please contact Jibirila Leinyuy on 0207 901 7000 or [RetailMarket.Review@ofgem.gov.uk](mailto:RetailMarket.Review@ofgem.gov.uk).

Yours sincerely,

**Neil Barnes**  
**Associate Partner, Retail Markets**

The Company Secretary  
The Renewable Energy Company Limited  
Unicorn House  
7 Russell Street  
Stroud  
Gloucestershire  
GL5 3AX

**Direction issued to The Renewable Energy Company Limited (company number 3043412) 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 – Electric Vehicle Discount**

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 The Renewable Energy Company Limited, trading as Ecotricity (company number 3043412; the "**Licensee**").
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in SLC 1 of the Licence.
3. 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.
4. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 02 July 2014.
5. 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 6 of this Direction, permitted to use the Electric Vehicle Discount (as defined below) in connection with its Tariffs, notwithstanding the general prohibition against certain Discounts contained in paragraph 4 of SLC 22B.
6. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority.
7. For the purposes of this Direction, the term "**Electric Vehicle Discount**" means a Discount which is:
  - a. only available to Domestic Customers of the Licensee who are the registered owner of an electric vehicle which is registered to the Domestic Customer's Domestic Premises;
  - b. of a precise monetary amount that is Continuously Applied on a daily basis;
  - c. offered and available with all the licensee's Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
  - d. subject to the same terms and conditions throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
  - e. of the same monetary amount throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
  - f. not expressed as a percentage; and
  - g. subject to paragraph 22B.24, only presented as a monetary amount in pounds sterling per year.

8. This Direction shall take immediate effect and shall remain in force until 03 July 2016, unless revoked earlier or varied in writing by the Authority.

Dated: 02 July 2014

**Neil Barnes**

**Associate Partner, Retail Markets**

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