

Government Electricity Rebate: Guidance for Licensed Electricity Suppliers [version 1.1]

Guidance

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Overview:

This document explains:-

- how we will perform our role in relation to the administration of the Government Electricity Rebate (GER) scheme.
- what licenced electricity suppliers will need to do to comply with new standard licence condition (SLC) 25D, and the related Direction from the Secretary of State (the Direction) and;
- how we will interpret various provisions of the GER scheme as outlined in the Secretary of State (SoS) Direction and associated policy documents.

Standard licence condition 25D and the Direction issued by the SoS provide the framework for delivering the Government Electricity Rebate scheme. This document provides guidance for licenced electricity suppliers to help them understand their obligations and to administer them in line with the GER scheme.

It is the responsibility of each supplier to understand the provisions of licence condition 25D and SoS Direction and how those provisions apply to them. In the event of any inconsistency between this guidance and the provisions of the Direction and the Standard Licence Conditions, the Direction and Standard Licence Conditions will prevail.

This document primarily focuses on the reporting interactions between suppliers and us on GER. The Department of Energy and Climate Change (DECC) will provide separate Guidance with reference to the reimbursement process and reporting requirements they may require resulting from this.

Version history

Version Number	Date of Issue	Notes
Draft	08/08/14	Draft issued to suppliers for comment.
1.0	02/10/14	Draft issued to coincide with licence condition coming into effect. Subject to Ofgem final amendments. Revokes draft version.
1.1	20/10/14	Scheme year 1 version. Revokes version 1.0 issued 02/10/14.

Associated documents and links

DECC's Guidance for Suppliers:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360463/ger_supplier_guidance.pdf

Electricity Supply Standard Licence Conditions:

<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

Ofgem's decision to introduce Standard Licence Condition 25D to implement GER:

<https://www.ofgem.gov.uk/ofgem-publications/89226/gerdecisionmain.pdf>

Ofgem's GER webpage:

<https://www.ofgem.gov.uk/environmental-programmes/electricity-rebate-programmes/government-electricity-rebate-ger>

Secretary of State Direction:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360464/ger_sos_direction.pdf

Context

This document relates to the intention of the government to provide eligible domestic electricity customers with a £12 rebate in the autumns of 2014 and 2015. The rebate is part of the government's policies to help reduce domestic energy bills. It is known as the Government Electricity Rebate (or GER).

In deciding to implement the GER in conjunction with the Department of Energy and Climate Change (DECC), Ofgem (following independent consultation) decided that these proposals are compatible with our principal objective: protecting the interests of present and future energy customers as set out in the Electricity Act (1989) and other relevant statutory duties.

DECC has issued a direction under sections 7(3)(a) and 107 of the Electricity Act 1989 which requires electricity supply licence holders to provide the rebate to their eligible domestic electricity customers.

DECC's Direction is enforceable as Ofgem introduced standard licence condition 25D which licensed electricity suppliers must comply with. We issued our decision to implement standard licence condition 25D on 7 August 2014. This licence condition came into effect on 3 October 2014.

Contents

	Pages
Executive Summary	6
1. Introduction	7-11
Overview of GER	7-8
DECC's role in GER	8
Ofgem's role in GER	8-9
Suppliers' obligations to Ofgem in GER	9
Operational timelines	9-10
Reviewing this guidance	11
Contacting Ofgem about GER	11
2. Eligibility and exceptions	12-17
Standard licence condition key definitions	12
GER definitions	13-14
Domestic electricity customers and eligibility for the rebate	14
Exceptions	14-16
Customers qualifying on the "qualifying date" but Who leave before the rebate is provided	16
Handling non-typical situations	17
Recording exceptions	17
3. Providing the rebate	18-27
Definition of <i>providing</i> a rebate	18
Difference between <i>providing</i> and <i>delivering</i> a rebate	18-19
Supplier obligations	19
Summary of rebate delivery methods and provision evidence	19-21
Providing the rebate to Direct Debit customers	21
Providing the rebate to Credit customers	21-22
Providing the rebate to PPM customers	22-23
Payment by cheque or BACS transfer	23-24
Other non-typical circumstances	24
Determining rebate compliance	24-27
4. Supplier notifications	28-32
General requirements	28-29
Content of notification	29
Submission process	29-31
Review and assessment process	31-32
Amendments	32

5. End of year reporting	33-37
General requirements	33
Submission process	33-34
Reporting across a group of licences	34
Key information in the end of year report	34-35
Internal audit report	35-36
Review of end of year reports	37
6. External audit programme	38-41
Purpose of Ofgem's external audit programme	38-39
Timing of Ofgem's external audit programme	39-40
Potential areas for audit	40-41
Ofgem internal assessment assurance	41
7. End of year compliance assessment	42-44
Purpose of compliance assessment and information requirements	42
End of year compliance timetable	43
Notifying the outcome of end of year compliance assessment	43
Assisting DECC in undertaking its functions	44
8. Fraud, misuse and abuse prevention	45-46
General requirements	45-46
Areas of potential fraud, misuse and abuse	46
Appendices	47-49
Index	47
Appendix 1 – Glossary	48
Appendix 2 – List of key amendments	49

Executive Summary

In the 2013 Autumn Statement, government indicated that a £12 annual “Government Energy Discount” (now called the Government Electricity Rebate) would be paid to domestic electricity customers for each of the next two years. The payments will reduce the cost of social and environmental programmes on customer energy bills. Suppliers will credit each of their customer accounts and then be reimbursed by government for those rebates.

This document is aimed at holders of electricity supply licences (suppliers) and in particular those who supply domestic customers. This document provides guidance for licensed electricity suppliers to explain their obligations and to help them understand their obligations in line with the GER scheme. It also outlines how we will monitor supplier compliance with their obligations under the GER.

This document reflects the experience gained in monitoring and reporting on the Warm Home Discount scheme, which has been used as a benchmark for establishing the administrative arrangements for the GER.

More information is given under each section to help suppliers understand the administrative requirements for the GER.

1. Introduction

Chapter summary

This chapter provides guidance on:

- An overview of the GER scheme
- The roles of Ofgem and DECC
- Suppliers' obligations
- Operational timelines
- Contact details for Ofgem

Key supplier requirements

- Understand the key requirements of the scheme
- Operationally prepare for the deadlines
- Understand their roles and obligations, and those of DECC and Ofgem

Overview of GER

- 1.1 The SoS Direction requires suppliers who are holders of electricity supply licences to deliver two rebates of £12 to all eligible customers (as defined by 2(1) of the SoS Direction). One rebate is to be provided during the autumn of 2014 and the other during the autumn of 2015.
- 1.2 Following consultation, Ofgem has introduced a licence condition modification (25D) requiring licence holders to comply with a SoS Direction (provided by DECC) to implement the GER. Electricity supply licence holders are required to comply with the licence condition and the SoS Direction. Ofgem's guidance for suppliers (this document) provides practical interpretation of the licence condition and Direction.
- 1.3 The GER applies to all holders of electricity supply licences regardless of the number of domestic electricity customers they have. Even if a supplier has no domestic electricity customers on the qualifying date they must still report this to us. We will implement a compliance assessment and auditing framework to ensure suppliers comply with the GER.
- 1.4 In general terms, suppliers will provide rebates to all domestic electricity customers they hold on the qualifying date and will be reimbursed by government. The reimbursement process will be managed by DECC.
- 1.5 Suppliers are responsible for providing the rebate to all eligible customers they have registered at 00:01 on the qualifying date (12 October 2014 & 11 October 2015) regardless of billing or payment method (e.g. direct debit, credit or prepayment). Suppliers must provide a rebate during a specified

period (the payment period). This is a six-week period immediately following the qualifying date to minimise the costs and complexities of delivery.

- 1.6 Suppliers will report to us by 28 April using the Ofgem reporting template that will be provided by us, including on the number of rebates provided by the cut-off date (28 February).
- 1.7 Suppliers will clearly label the government funded rebate on the first electricity bill following the payment date or otherwise notify customers in writing that they have been provided with the GER.
- 1.8 Suppliers will put in place transparent procedures and reporting to demonstrate the number and value of rebates delivered and that the amount of government funding received is exactly equivalent to the value of the rebates delivered.
- 1.9 We will introduce monitoring and reporting provisions in respect of the rebate and DECC will issue their own guidance separately. We are aware that this rebate may result in excess of £300m of taxpayers' money being reimbursed to energy suppliers for each scheme year. As such we will share information with DECC as appropriate to support them to undertake their GER functions, most notably financial reimbursement. The responsibility for decision-making with regards to financial reimbursement lies with DECC.
- 1.10 This is a new scheme and as such we or the Secretary of State may require information over and above that outlined in our guidance documents and the government's Direction. Our licence condition (SLC 25D.2) requires that a licensee must provide the Authority or the Secretary of State with information specified by the Authority or Secretary of State in relation to matters that it or he reasonably considers are relevant to the licensee's compliance with the direction.

DECC's role in GER

- 1.11 The key elements of DECC's role in relation to GER are:
 - Providing the SoS Direction outlining GER policy.
 - Consult licence holders and other stakeholders on the SoS Direction and communicate policy requirements.
 - Co-ordinate the financial reimbursement function and authorise payments to suppliers to reimburse the rebates paid.
 - Undertake financial reimbursement reconciliation to ensure the overall payment made to a supplier in a scheme year reconciles to the number of rebates delivered.

Ofgem's role in GER

- 1.12 Our role comprises two elements. First, we introduced standard licence condition 25D requiring suppliers to comply with the SoS Direction on GER. Second, we will monitor and assess supplier compliance on the implementation of GER obligations. This includes but is not limited to:

- Developing processes and guidance for suppliers to support GER delivery and compliance.
- Assessing supplier notifications on how they intend to meet their GER obligations.
- Assessing supplier end of year reports.
- Appointing external auditors and managing our external audit programme.
- Assessing supplier compliance, using information in supplier notifications, end of year reports and audit assurance.
- Reporting on suppliers' compliance with licence condition 25D following the end of each GER scheme year.

We will use our powers to raise information requests to support the above functions.

Supplier obligations to Ofgem in GER

1.13 In each scheme year, all suppliers who have domestic electricity customers on the qualifying date must pay those customers a rebate of £12 in each scheme year, subject to the conditions outlined in the Direction and this guidance. The requirements outlined in this guidance relate to Ofgem's responsibilities. DECC has provided separate guidance for the parts for which they are responsible. Suppliers' key responsibilities to Ofgem include:

- Submitting a notification to us for scheme year 2 outlining how the supplier intends to implement the GER (a notification is optional for scheme year 1).
- Designating a "responsible person" who has overall supplier responsibility for delivering GER.
- Accurately identifying all domestic electricity customers on the qualifying dates.
- Providing the rebate to all eligible customers in the payment period (subject to exceptions).
- Making reasonable attempt to contact outstanding customers and provide the rebate.
- Establishing and maintaining effective reporting systems to retain management information evidencing compliance with the GER.
- Submitting an end of year report to us, including an internal verification report verifying the accuracy of the data in the return.
- Providing further information as required by us to help us assess notifications, compliance and completing the audit programme.
- Participating in the external audit programme.

Operational timelines

1.14 The timelines below refer to the delivery of GER in scheme year 1 (3 October 2014 – 31 March 2015). Note these timelines do not include DECC's delivery deadlines or their information requirements. These timelines focus on the compliance monitoring, auditing and assessment functions that Ofgem are administering.

Scheme year 1 timelines

Scheme outcome	Target completion date
Supplier submits voluntary notification to Ofgem	5 September 2014
Ofgem assess and respond to notifications	September/October 2014
GER scheme year 1 "Qualifying Date"	12 October 2014
GER scheme year 1 "Payment Period" – supplier provides rebate	12 October – 24 November 2014
Supplier works through "Outstanding Customers" providing rebates where possible	25 November 2014 – 28 February 2015
Cut-off date for delivering rebates	28 February 2015
Supplier end of year reports submitted to Ofgem	28 April 2015
External audit programme communicated to suppliers	May 2015
Ofgem assessment of end of year reports	May/June 2015
External audit site visits	June/July 2015
Draft external audit reports provided to suppliers for management response	July/August 2015
Supplier management responses to audit reports submitted to Ofgem and audit reports finalised	August/September 2015
Ofgem compliance assessment of suppliers	September/October 2015
Ofgem Annual Report to Secretary of State	November 2015

Scheme year 2 timelines

Scheme outcome	Target completion date
Supplier submits notification to Ofgem	4 September 2015
Ofgem assess and respond to notifications	September/October 2015
GER scheme year 2 "Qualifying Date"	11 October 2015
GER scheme year 2 "Payment Period" – supplier provides rebate	11 October – 27 November 2015
Supplier works through "Outstanding Customers" providing rebates where possible	28 November 2015 – 28 February 2016
Cut-off date for delivering rebates	28 February 2016
Supplier end of year reports submitted to Ofgem	28 April 2016
External audit programme communicated to suppliers	May 2016
Ofgem assessment of end of year reports	May/June 2016
External audit site visits	June/July 2016
Draft external audit reports provided to suppliers for management response	July/August 2016
Supplier management responses to audit reports submitted to Ofgem and audit reports finalised	August/September 2016
Ofgem compliance assessment of suppliers	September/October 2016
Ofgem Annual Report to Secretary of State	November 2016

Reviewing this guidance

- 1.15 This document will be subject to a review exercise during the summer of 2015. We will ask suppliers to provide comments on this guidance and to consider where amendments can be made.

Contacting Ofgem about GER

- 1.16 We recognise that many suppliers involved in delivering GER rebates will not have experience of delivering similar schemes and the associated compliance and audit framework that accompany them. As such we will provide support to suppliers on implementing GER. We cannot provide advice on operational management issues including the specific arrangements a supplier puts in place to implement the GER. Nor can we complete any documentation or return on behalf of a supplier. We can provide support on GER areas such as:

- Completing our templates and returns
- The general requirements on suppliers under the GER
- Clarifying guidance
- Our role under the GER
- The notification process
- The end of year report process
- The external audit programme
- GER timelines

- 1.17 GER staff can be contacted at the general GER inbox at GER@ofgem.gov.uk

2. Eligibility and exceptions

Chapter summary

This chapter provides guidance on:

- Key definitions in administering the GER
- Domestic electricity customers and eligibility for the rebate
- Exceptions
- Handling exceptions
- Recording exceptions

Key supplier requirements

- The requirement to ensure management information systems are in place before the qualifying date to ensure all domestic electricity customers can be accurately captured on the qualifying date
- Accurately capture the details of all domestic electricity customers on the qualifying date
- Only classify a case as an exception where justified and it is not reasonably practical to provide the rebate
- Ensure customer number information and exceptions records are retained for reporting and audit

Standard licence condition key definitions

- 2.1 For the purposes of implementing the GER the following definitions apply. These definitions are extracted directly from the Electricity Supply Standard Licence Conditions (SLC 1 & 6):

Domestic Customer	means a customer supplied or requiring to be supplied with electricity at domestic premises but excludes such customer insofar as he is supplied or requires to be supplied at premises other than domestic premises
Domestic Premises	unless the context otherwise requires, a domestic premises is a premises at which a supply of electricity is taken wholly or mainly for a domestic purpose except where that premises is a non-domestic premises
Domestic Supply Contract	means a contract for the supply of electricity to domestic premises

GER definitions

2.2 For the purposes of implementing the GER please observe the following:

Qualifying date	The date on which a supplier must identify all of its domestic electricity customers who are eligible to receive the GER.
Payment period	The dates during which the rebate should be provided to domestic electricity customers identified on the "Qualifying Date". This is a six-week period starting from the "Qualifying Date".
Cut-off date	The last date on which a domestic supplier may deliver a GER to an eligible customer for which the domestic supplier may make a request for reimbursement in relation to each scheme year.
Eligible customer	Means a Domestic Customer of a domestic supplier with a Domestic Supply Contract or a Deemed Contract at 00:01 hours on a qualifying date.
Providing a rebate	This is when a supplier tenders payment of the rebate to an eligible customer (e.g. credit sent to an account or vouchers/Special Action Messages (SAM) sent to PPM customer).
Delivering a rebate	This is when the customer has received the financial benefit of the rebate (e.g. when an account balance is credited, vouchers/SAM's redeemed or cheque cashed).
Unredeemed rebate	This is when a customer is provided the rebate but does not redeem the value of the rebate provided (e.g. uncashed voucher/cheque or SAM not redeemed).
Scheme Year	For GER scheme year 1 this is 3 October 2014 – 31 March 2015 inclusive. For scheme year 2 this is 1 April 2015 – 31 March 2016 inclusive.

2.3 For scheme year 1 the "Qualifying Date" is 12 October 2014. For scheme year 2 it is 11 October 2015.

2.4 For scheme year 1 the "Payment Period" is 12 October 2014 to 24 November 2014 inclusive. For scheme year 2 it is 11 October 2015 to 27 November 2015 inclusive.

2.5 For scheme year 1 and 2 the "Cut-off Date" is 28 February. Suppliers should note that this is the last date by which a rebate can be delivered for that scheme year. Suppliers must therefore ensure that the rebate is provided in sufficient time in order that it can be delivered by the cut-off date. For example when sending a customer a voucher, a supplier should ensure this is sent giving the customer time to redeem this by 28 February. It is at a

supplier's discretion to determine the last date they intend to provide a rebate in order that it can be delivered by 28 February.

- 2.6 It is anticipated that a proportion of PPM customers will not redeem payment after having being provided the rebate. This will be considered a rebate provided but not delivered. This principle will be applied to customers using other payment methods should comparable circumstances arise.

Domestic electricity customers and eligibility for the rebate

- 2.7 Each licensed electricity supplier must provide the GER in accordance with paragraph 7 of the Direction. In practice this means they must accurately identify all eligible customers on the qualifying date. Suppliers should prepare in advance for this so they are confident their management information systems can accurately capture this information on the qualifying date. Any domestic customer who is only supplied gas is not eligible for the rebate.
- 2.8 The licensed domestic electricity supplier is obliged to provide a rebate of £12 during the payment period to eligible customers. This is subject to exceptions where we have accepted that it was not reasonably practical to provide the GER to that customer. Further guidance on exceptions is given below.
- 2.9 It is a supplier's responsibility to ensure it has appropriate systems, management controls and senior management oversight in place to ensure that eligible customers are accurately identified and recorded on the qualifying date.
- 2.10 Suppliers must report the total number of rebates provided and delivered in their end of year report and should retain details of source records, systems, processes and calculations used to accurately identify these individuals. This may be subject to external audit and suppliers should be prepared for this.
- 2.11 Licensed electricity suppliers are already required to establish domestic electricity customer numbers as part of an annual return to Ofgem which is used to establish obligations (if any) under the Energy Companies Obligation (ECO) and Warm Home Discount (WHD), and status under the Feed in Tariff (FIT) scheme. As such, suppliers should already have effective business as usual mechanisms in place for this activity, albeit the customer number qualifying date under GER is a separate date to the customer number return date for ECO, WHD and FIT.

Exceptions

- 2.12 It is a requirement of the GER that suppliers identify eligible customers on the qualifying date and provide the rebate to customer accounts during the payment period. However, we recognise it may not always be reasonably practical to provide the rebate to an eligible customer within the payment period. Where a supplier has made an attempt to provide the rebate during the payment period but has been unable to do so, such customers are defined as "outstanding customers" under 8(1) of the Direction.

- 2.13 The supplier then must attempt to deliver the rebate to “outstanding customers” by the cut-off date unless it is not reasonably practical to do so. If a supplier cannot deliver the rebate by the cut-off date this should be reported as an exception in the end of year report.
- 2.14 Suppliers must report the number of exceptions in their end of year report. In addition suppliers must provide some narrative documenting the steps taken to try to provide the rebate and why this was not practical. This is not required for each individual exception but the same narrative can collectively cover a number of exceptions.
- 2.15 Our audit may examine a sample test of exceptions, in which case suppliers should be prepared to provide a list of all exceptions and be able to demonstrate to auditors:
- Why it was not reasonably practical to provide the rebate during the payment period (i.e. why they became an “outstanding customer”).
 - The steps then undertaken by the supplier to attempt to provide the rebate to those customers prior to the cut-off date.
 - An explanation as to why it was not reasonably practical to provide the GER rebate in these circumstances.
- 2.16 We do not intend to provide an exhaustive list of all the permutations where it is not reasonably practical to provide the GER rebate. Instead we will determine this on a case by case basis. We will monitor and review the exceptions reported by suppliers in their end of year reports, taking into account the points above. In their notifications suppliers should outline the exceptions they expect to encounter in the relevant section of the template.
- 2.17 Within 10 working days after the end of the payment period suppliers must notify us and the Secretary of State of:
- The number of outstanding customers.
 - The reason why the rebate has not been provided.
 - The steps the supplier intends to take to provide the GER before the cut off period.

We will maintain contact with suppliers during the remainder of the scheme year to understand:

- The progress being made to pay outstanding customers.
- The nature of other potential exceptions so that consideration can be given to these circumstances.

We will retain an open-minded approach to what constitutes a circumstance where it was not reasonably practical to provide a GER rebate. The onus is on the supplier to demonstrate that an exception can reasonably be applied.

- 2.18 Reflecting on the operation of the WHD scheme and DECC’s policy intention that similar exceptions to WHD could apply, such exceptions could be:

- A customer is deceased and their account is closed after the qualifying date and before the rebate has been provided. The supplier has not been able to contact a relative/executor in order to provide the rebate to the deceased's estate.
- A customer is no longer living at that property and has closed their account in between the qualifying date and before the rebate was provided. The customer has left no forwarding address.

Examples of a reasonable attempt to provide the rebate

- 2.19 **Potential exception:** A customer is deceased and their account is closed in between the qualifying date and before the rebate has been provided. The supplier has not been able to contact a relative/executor in order to provide the rebate to the deceased's estate.
- 2.20 **Example of a reasonable attempt to provide the rebate:** The supplier writes to the deceased's last known address (or executor's address if known) advising of the entitlement to the rebate and provides contact details of who to contact at the supplier to arrange provision. If contact is received then the supplier arranges to provide the rebate. If no contact is received or contact is received but relatives do not wish the rebate then no further action is required and the case is classed as an exception.
- 2.21 **Potential exception:** A customer is no longer living at that property and has closed their account in between the qualifying date and before the rebate was provided. The customer has left no forwarding address.
- 2.22 **Example of a reasonable attempt to provide the rebate:** The supplier sends an email/letter or telephones the individual advising of the entitlement to the rebate and provides contact details of whom to contact to arrange provision. If contact is received then the supplier arranges to provide the rebate. If no contact is received no further action is required and the case is classed as an exception.
- 2.23 If it is not possible to provide the rebate directly to an electricity account, or send credit to a PPM customer then a cheque or bank transfer can be used to provide a rebate. Further information is provided in the next chapter.

Customers qualifying on the "qualifying date" but who leave before the rebate is provided

- 2.24 We recognise that a number of customers who qualify for the GER on the qualifying date will close their account and change supplier prior to the rebate being provided. When this happens, the supplier with whom they qualified is still responsible for providing the rebate.
- 2.25 For direct debit former customers (if bank details are retained) the supplier may wish to provide the rebate by BACS payment or send the customer a cheque (see Chapter 3: Providing the Rebate). Individuals should be notified in writing (e.g. email/letter) that they have been provided with the GER.

- 2.26 For credit customers (if the supplier has no bank details) the supplier may wish to provide the former customer with a cheque.
- 2.27 For former PPM customers the supplier could provide a Special Action Message (SAM) or vouchers to the customer so they can top up their meter with their new supplier or alternatively provide a cheque.

Handling non-typical situations

- 2.28 When providing the rebate it is anticipated that suppliers will encounter non-typical situations in making the decision as to whom and how many rebates to provide. This will vary by supplier depending on the terminology, business practices and account structure they use, thus it is not practical for us to outline all circumstances for all suppliers. In all cases suppliers should refer to the Direction and policy intent as outlined by DECC. We can provide guidance on these situations as required.

Recording exceptions

- 2.29 Suppliers must record the number of exceptions they have applied in their end of year report to Ofgem along with summary narrative on the steps undertaken to try to provide the rebate. This narrative should not be for every case (unless the number is very limited) but can be narrative covering a group of exceptions. Suppliers should keep records throughout the year so they can report on this when required.

3. Providing the rebate

Chapter summary

This chapter provides guidance on:

- What providing a rebate means
- The difference between *providing* and *delivering* a rebate
- How the rebate should be provided to direct debit, credit and PPM customers
- The evidence that shows a rebate has been provided

Key supplier requirements

- Understand the difference between *providing* and *delivering* a rebate
- Understand obligations and clarify them with Ofgem if necessary
- Understand the methods of delivery for different customer payment types
- Understand the evidence requirements for the compliance assessment and auditing processes
- Suppliers are encouraged to discuss non-typical scenarios with Ofgem to seek guidance on method of delivery

Definition of *providing* a rebate

3.1 For the purposes of GER, paragraph 7 of the Direction defines *providing* a rebate as to mean:

- in relation to a direct debit customer or a credit customer, crediting to the customer's electricity account an amount as a result of which the amount (including Value Added Tax) charged to those customers is reduced by £12;
- in relation to a prepayment customer, providing a customer with credit in the amount of £12 against the cost (including Value Added Tax) of future electricity use;
- in relation to any eligible customer tendering payment of the amount of £12 to the customer.

Difference between *providing* and *delivering* a rebate

3.2 For prepayment meter (PPM) customers in particular not all payments will be redeemed. Sending a rebate (by the methods outlined in 7(1) of the Direction) is deemed as a rebate being *provided*. If this payment is not redeemed the rebate is considered *provided* but not *delivered*. If the account is successfully credited or the voucher/SAM/cheque cashed this is a rebate *delivered*.

Supplier obligations

- 3.3 Suppliers must comply with the Direction when providing the rebate. The following requirements must be adhered to:
- Suppliers must attempt to provide the rebate by one of the methods outlined in paragraph 3.1 of this guidance.
 - The rebate should be to the value of £12 in each scheme year.
 - Suppliers must provide all rebates, where possible, during the payment period (six weeks starting from the qualifying date).
 - Suppliers should use the time from the payment period to the cut-off date to work through outstanding customers, providing eligible customers with the rebate if possible.
 - It should be clearly outlined on the customer bill or correspondence that the rebate is the "Government Electricity Rebate".
 - Suppliers should retain sufficient management information allowing for recording, reporting and auditing of eligible customers on the qualifying date, GER rebates provided, delivered, unredeemed, and exceptions applied.
 - Suppliers are not responsible for ensuring that customers redeem payment sent to them (e.g. vouchers). Suppliers are responsible for ensuring that customers are provided the rebate and have the opportunity to benefit.
 - Participating suppliers are required to undertake an internal audit and provide a copy of this to us as part of their end of year report.
 - Suppliers must participate in any external audit programme.

Summary of rebate delivery methods and provision evidence

- 3.4 The following table summarises the rebate provision methods and evidence a supplier should retain as proof that a rebate has been provided. This should capture the majority of circumstances:

Customer type	Method of providing rebate	Evidence of providing rebate
Direct debit	Credit the account with £12 during the payment period. Apply to balance of the account.	Supplier retains billing record evidencing payment. Customer can view online record of transaction and/or transaction is evident in bill or statement provided to customer by supplier.

Customer type	Method of providing rebate	Evidence of providing rebate
Credit	Credit the account with £12 during the payment period. Apply to balance of account.	Supplier retains billing record evidencing payment. Customer can view online record of transaction and/or transaction is evident in bill or statement provided to customer by supplier.
Prepayment Meters (PPM)	Special Action Message (SAM): £12 rebate is remotely applied to customer's prepayment key when they next top up. Meter is topped up by £12 when key is inserted into meter.	Supplier retains record evidencing SAM was sent and evidence of SAM being redeemed. Customer made aware of £12 rebate in writing and/or statement provided to customer by supplier.
Prepayment Meters (PPM)	Vouchers: Prepayment vouchers provided to the customer. Customer redeems vouchers. £12 then applied to key which tops up meter when inserted.	Supplier retains correspondence record of vouchers being provided to customer and evidence of vouchers being redeemed. Customer made aware of £12 rebate through correspondence accompanying voucher.
BACS	BACS payments should only be used in exceptional circumstances. BACS payments may facilitate payment if the account is closed but the supplier has retained bank details of a previous direct debit customer.	Supplier retains record of BACS payment being made. Customer notified of £12 rebate through correspondence sent to customer.
Cheque	Cheque payments should only be used in exceptional circumstances. Correspondence accompanying the cheque should clearly outline it is for the GER.	Supplier retains record of cheques being sent and those that were subsequently cashed. Customer made aware of GER rebate through correspondence accompanying cheque.

Customer type	Method of providing rebate	Evidence of providing rebate
Voucher (to exchange for cash)	Providing a voucher to be exchanged for cash should only be used in exceptional circumstances. Correspondence accompanying voucher should clearly outline it is for the GER.	Supplier retains correspondence record of vouchers being provided to customer and evidence of vouchers being redeemed. Customer made aware of £12 rebate through correspondence accompanying voucher.

We would remind suppliers that we have information gathering powers under conditions 25D.2 and 25D.3 of Standard Licence Condition 25D to require suppliers to submit such information.

- 3.5 Paragraph 7(5) of the SoS Direction requires that suppliers must take all reasonable steps to provide rebates to each eligible customer during the payment period.

Providing the rebate to direct debit customers

- 3.6 The supplier should provide the rebate by applying a £12 credit to the account balance during the payment period. To aid compliance with paragraph 9 of the Direction it must either i) be specified on the customer's next bill or statement of account or ii) otherwise notified in writing to the customer, that they have been provided with the GER.
- 3.7 Suppliers are not responsible for ensuring such customers view their account balance or statement only that it is available for customers to access with the rebate clearly itemised.
- 3.8 Suppliers must retain sufficient billing and correspondence records to evidence that the rebate has been provided and the total number of customers who have been provided a rebate using this method.
- 3.9 Suppliers must provide the rebate within six weeks of the qualifying date (the payment period). If they are unable to do so they should make at least one additional attempt to deliver the rebate by 28 February of each scheme year. This is in line with DECC's policy intent.

Providing the rebate to credit customers

- 3.10 The supplier should provide the rebate by applying a £12 credit to the account balance during the payment period. To aid compliance with paragraph 9 of the Direction it must either i) be specified on the customer's next bill or statement of account or ii) otherwise notified in writing to the customer, that they have been provided with the GER.

- 3.11 Suppliers must retain sufficient billing records to evidence that the rebate has been provided and the total number of customers who have been provided a rebate using this method.
- 3.12 Suppliers must provide the rebate within six weeks of the qualifying date (the payment period). If they are unable to do so they should make at least one additional attempt to deliver the rebate by 28 February of each scheme year. This is in line with DECC's policy intent.

Providing the rebate to prepayment meter (PPM) customers

- 3.13 Unlike direct debit or credit customers, the rebate cannot always be directly provided to an existing account balance. Therefore alternative methods of providing the rebate need to be implemented. In all cases we encourage suppliers to seek the most cost-effective method of effective delivery to keep the costs of administration as low as possible. The two main methods of providing the rebate to PPM customers are likely to be as follows:

Special Action Message (SAM)

- 3.14 If suppliers are using SAM's these should be sent to customers during the payment period. We recognise that customers may not take the key to be topped up until after the payment period, however the obligation on suppliers is to ensure that the SAM's have been provided during the payment period.
- 3.15 To aid compliance with paragraph 9 of the Direction it must either i) be specified on the customer's next bill or statement of account or ii) otherwise notified in writing to the customer, that they have been provided with the GER.
- 3.16 We recognise that not all customers who are sent SAM's will redeem them. Suppliers are only required to ensure that customers who are provided with a SAM have sufficient time to redeem them before 28 February of each scheme year.
- 3.17 Suppliers must retain sufficient management information detailing the distribution of SAMs, including the numbers and details of accounts who they have been provided to and those that have been redeemed.
- 3.18 Suppliers must provide the rebate within six weeks of the qualifying date (the payment period). If they are unable to do so they should make one additional attempt to provide the rebate in sufficient time to allow the customer to redeem it by 28 February of each scheme year. This is in line with DECC's policy intent.
- 3.19 Suppliers must outline in correspondence to customers that SAM's must be redeemed by the cut-off date (28 February of each scheme year).

Vouchers

- 3.20 Suppliers are responsible for ensuring that customers provided the rebate by voucher should send this to them during the payment period, which can be redeemed to the value of £12. Enclosed correspondence should outline to the customer that the rebate was for the GER and how they can redeem the voucher.
- 3.21 To aid compliance with paragraph 9 of the Direction it must either i) be specified on the customer's next bill or statement of account or ii) otherwise notified in writing to the customer, that they have been provided with the GER.
- 3.22 We recognise that not all customers who are sent vouchers will redeem them. Suppliers are only required to ensure that customers provided with a voucher have sufficient time to redeem them before 28 February.
- 3.23 Suppliers must retain sufficient management information detailing the distribution of vouchers including the numbers and details of accounts who they have been provided to and those that have been redeemed.
- 3.24 Suppliers must provide the rebate within six weeks of the qualifying date. If they are unable to do so they should make one additional attempt to provide the rebate in sufficient time to allow the customer to redeem it by 28 February. This is in line with DECC's policy intent.
- 3.25 Suppliers must outline to customers that vouchers must be redeemed by the cut-off date (28 February).

Smart Meters

- 3.26 For PPM customers connected through a smart meter, the supplier should provide the customer with a direct £12 top-up automatically to the meter where possible during the payment period. If not possible then the supplier should seek an alternative method to provide the rebate. To aid compliance with paragraph 9 of the Direction it must either i) be specified on the customer's next bill or statement of account or ii) otherwise notified in writing to the customer, that they have been provided with the GER.
- 3.27 Suppliers must retain sufficient management information detailing the distribution of smart meter top-ups, including the numbers and details of accounts who they have been provided to.

Payment by cheque or BACS transfer

- 3.28 Paragraph 7 of the Direction outlines the preference that rebates are provided directly to the account or provided to the prepayment meter by SAM or voucher. However where this is not possible suppliers may provide a rebate by cheque or BACS transfer. These are not the preferred options for rebate

delivery as there is no guarantee that the rebate will be used against future energy use as is the policy intent. Such payment methods may prove particularly useful when dealing with outstanding customers who may have closed their accounts.

- 3.29 Suppliers should note that payment by cheque or BACS should be the exception rather than the norm and a supplier relying on these methods may be found non-compliant and possibly face enforcement action.
- 3.30 Suppliers may use their discretion as to whether BACS payments or cheques are most suitable to their circumstances. BACS are preferable to cheque as it reduces the likelihood of fraudulent interception and can be paid directly to an individual increasing rebate uptake.
- 3.31 Cheques not cashed by 28 February will be considered *provided* but not *delivered*. Once a BACS payment is credited into a recipient's account it is both *provided* and *delivered*.
- 3.32 In all cases the supplier must specify on the recipient's bill, or otherwise notify in writing, that the rebate was made under the GER scheme. In practice "notify in writing" will most commonly refer to sending a letter through the post but may also include other forms of writing (e.g. email).
- 3.33 Suppliers must retain sufficient management information to report on the number of customers who have been provided the GER by cheque or BACS payment. This may be subject to external audit. They should also be able to report on the number of those redeemed by the cut-off date (e.g. cheques cashed/BACS successfully transferred).

Other non-typical circumstances

- 3.34 Suppliers are encouraged to contact us to discuss operational issues for non-typical scenarios so that proposals are discussed for the provision of the rebate to such customers. While we will work with suppliers to discuss methods of provision, we cannot make operational recommendations. Suppliers cannot presume that having discussed a situation with us that this will lead to a favourable compliance assessment. We will assess compliance based on the information gathered from the notification, end of year report and audit outcomes.

Determining rebate compliance

Direct debit and standard credit customers

- 3.35 The graphic under 3.40 illustrates scenarios for providing rebates to Direct Debit and Standard Credit customers.

Scenario 1

- 3.36 Customers identified on the qualifying date and still on account when provided with rebate during the payment period. **This is compliant.**

Scenario 2

- 3.37 Customers identified on the qualifying date and still on account but because of avoidable systems/data/administrative failures are not provided with a rebate within the payment period. **This is classed as a late payment and is non-compliant.** Note this does not cover situations where a supplier has attempted to provide the rebate but it has not been possible to do so for legitimate reasons (see scenario 4).

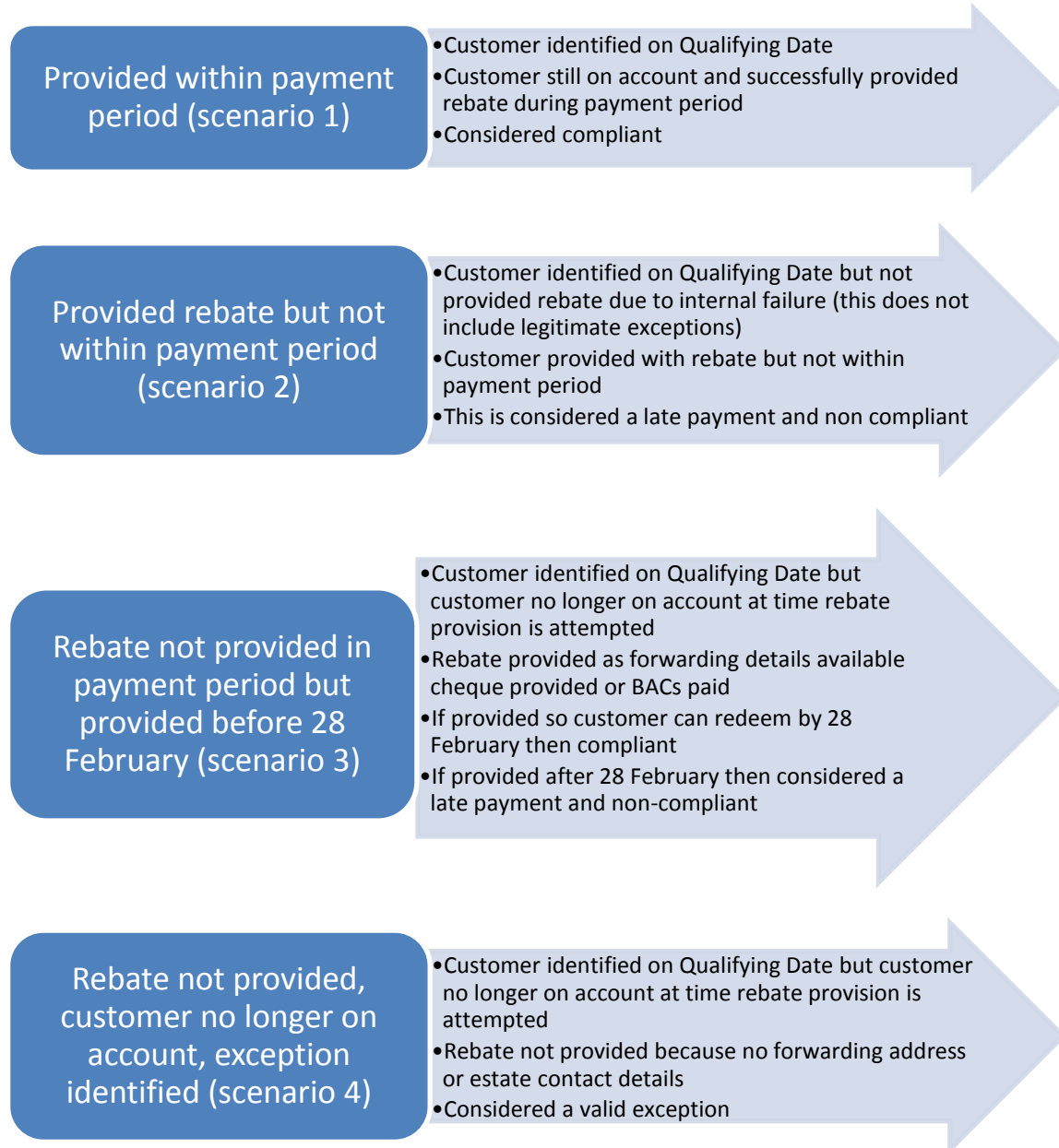
Scenario 3

- 3.38 Customers identified on the qualifying date but no longer on account at the time the supplier attempts to provide the rebate. The supplier initiates their internal processes to identify why the rebate cannot be provided and finds that the customer has moved and left a forwarding address/contact details. The supplier provides a payment (e.g. BACS/cheque) in sufficient time to allow individual to redeem it by 28 February of that scheme year – **this is compliant.** If rebate is provided after 28 February it is **considered a late payment and non-compliant.**

Scenario 4

- 3.39 Customers identified on the qualifying date but no longer on account. The supplier initiates their internal processes to identify why the rebate cannot be provided and finds that the customer has moved and not left a forwarding address/contact details or is deceased and the estate cannot be contacted. **This is a valid exception.**

3.40 Scenario 1-4 Summary Graphic



Prepayment Customers

3.41 The situation is different for prepayment customers as explained above due to the complexity in delivery methods (SAM's/vouchers/smart meters) and the assumption that a proportion of PPM provided rebates will not be redeemed. However similar principles to 3.36 - 3.39 will apply, namely:

- Rebates should be provided during the payment period if possible.
- Customers identified on the Qualifying Date but not provided a rebate during the payment period due to avoidable internal system/administrative errors are considered late payments and non-compliant.
- Customers identified on the Qualifying Date but not provided a rebate as they are no longer on account at time of attempt to provide rebate (but have left forwarding details) should be provided the rebate in sufficient time to allow them to redeem it by 28 February of that scheme year.
- Customers identified on the Qualifying Date but not provided a rebate as they are no longer on account at time of attempt to provide rebate, but have left no forwarding details (or the estate cannot be contacted) can be considered a valid exception.

4. Supplier notifications

Chapter summary

This chapter provides guidance on:

- General requirements for notifications
- The template content
- Submission process
- Notes on key aspects
- Review and assessment

Key supplier requirements

- Submit notifications by the deadline outlined
- Make declaration even where no eligible customers are expected
- The Ofgem template must be used
- There is no formal approval process however we will review and assess submissions raising points of concern and enquiries as required
- Suppliers' should respond to enquiries raised

General requirements

- 4.1 We recognise the tight timelines for GER delivery and as such a "light touch" approach to notification assessment will be taken so not as to delay suppliers' provision of rebates from the qualifying date.
- 4.2 Suppliers are not required to submit notifications for scheme year 1, but are encouraged to do so to articulate how they intend to implement GER in scheme year 1. We will review these notifications and comment on the content as required. It is intended that this will aid the compliance process at the end of scheme year 1.
- 4.3 Should a supplier elect not to submit a notification, in scheme year 1, then a more detailed external audit may be required following scheme year 1 as we will not have had the opportunity to review that supplier's intentions prior to rebate delivery. Such suppliers may be considered a higher degree of risk to delivery. Appropriate steps in these cases will be decided on their own facts.
- 4.4 Suppliers must submit notifications for scheme year 2 by 4 September 2015 (and not before 3 August 2015), using the prescribed Ofgem template.
- 4.5 Although suppliers do not require our approval to proceed, notifications are still required in scheme year 2 to show us that a supplier has effective proposals for implementing the GER to meet the requirements set out in the

Secretary of State (SoS) Direction. Suppliers should ensure they provide sufficient information to show how they intend to implement the GER.

- 4.6 Review of notifications will allow us to support suppliers by providing feedback on the delivery of their obligations prior to them providing rebates. This may be particularly helpful for suppliers who have no prior experience of complying with Ofgem administered schemes and the delivery of rebates.
- 4.7 We will review notifications and provide feedback. If a proposal is considered to be comprehensive and effective then no further clarification may be required. If we have points of clarity or concerns we will raise these with the supplier. Suppliers are required to provide us with a response within 14 calendar days.
- 4.8 Suppliers should note that even if no points of concern are raised, this does not mean that the supplier can assume they will be considered compliant following year end compliance assessment. Notifications only outline an intention at the time of writing and do not prejudice future compliance assessment.
- 4.9 Suppliers must designate a “responsible person” as defined under 2(1) of the Direction being; *“a senior employee or officer of a domestic supplier designated by the supplier as responsible for the delivery of GERs to eligible customers by that supplier”*. This individual should have overall supplier responsibility for delivering the GER.

Content of notification

4.10 The notification template will include:

- Supplier details
- Estimate of the number of eligible customers on qualifying date
- Implementation overview
- Process to identify customers on qualifying date
- Process to provide rebates to customers using different payment methods
- Process to notify customers of rebate
- Pre-implementation system testing
- Governance structure
- Supplier management controls
- Fraud prevention
- Internal audit
- Declaration (signed by the “responsible person”)

Submission process

4.11 We will provide a notification template for suppliers to submit. Suppliers must use Ofgem’s standard notification template but may submit supplementary information in their own format.

- 4.12 If a supplier expects to have no domestic electricity customers on the qualifying date **they are still encouraged (scheme year 1) and required (scheme year 2) to submit a notification with signed declaration to this effect.**
- 4.13 If a supplier expects to have no domestic electricity customers on the qualifying date but subsequently do, **they are encouraged (scheme year 1) and required (scheme year 2) to contact us to submit a full notification.** It is a supplier's responsibility to contact us to arrange this.
- 4.14 Suppliers must submit a separate notification for year 2 and will be contacted directly and advised of the timetable for this. A notification cannot cover more than one scheme year.

Estimate of customer numbers

- 4.15 To support Ofgem and DECC in understanding the likely scale of rebate provision, we require each supplier to estimate the number of eligible domestic electricity customers broken down by payment type (direct debit, credit, PPM). We understand this is only an estimate and will vary from the actual customer numbers reported in the end of year report. We do not expect suppliers to implement any additional forecasting models, only to estimate based on best available data. We will share this figure with DECC to inform them of the likely scale of the rebate as part of their role in administering the financial reimbursement function.

Providing rebates to customers using different payment methods

- 4.16 This section of the notification should outline the processes and systems that a supplier has in place to ensure that all eligible customers are provided with the rebate within the six-week payment period. It should also provide information on how a supplier will manage exceptions.
- 4.17 The notification should also include information on the systems in place to capture the information for reporting. This should include the systems and processes for monitoring and review of progress during the payment period and managing exceptions to 28 February, as well as tracking redeemed PPM payments and cheque/BACS payments.

Governance and management

- 4.18 We expect suppliers to have robust governance and management processes in place to satisfy themselves that the GER is being complied with in line with the Direction and this guidance. We seek evidence in the notifications from suppliers of the structures in place to:
- Oversee at an appropriate level of senior management the implementation of GER rebate payments.
 - Monitor and report on implementation progress at management level.

- Ensure at an operational level that there is sufficient management and administrative capacity to administer the GER.
- 4.19 In notifications we require that a clear line of responsibility is outlined to at least Director level. In accordance with 2(1) of the Direction each supplier is responsible for naming a “responsible person” who has oversight responsibility for GER. The “responsible person” need not be a Director but should meet the definition under 2(1) of the Direction outlined in 4.9 above.

Fraud, misuse and abuse prevention

- 4.20 We also expect suppliers to have robust fraud management processes in place. This includes:
- The measures in place to minimise the risk of misuse, abuse and fraudulent payments.
 - The measures in place to evidence a rebate is only paid to an eligible household/account. This could include management spot checking of staff work to ensure rebates are being provided to legitimate accounts.
 - That there is no misrepresentation in reported GER outcomes delivered and subsequent over-claiming of funds from the Government.

Further details on fraud prevention measures can be found in Chapter 8.

Review and assessment process

- 4.21 As outlined above suppliers’ notifications will not be subject to a formal approval process, however notifications will be reviewed to establish that a supplier has sufficient processes and mechanisms in place to administer the GER to its customers.
- 4.22 Notifications will be subject to review by GER staff and we may contact suppliers to:
- Seek clarity on the content of a notification.
 - Seek additional information.
 - Raise a concern with a supplier on their proposals.
- 4.23 We are taking a “light-touch” approach to facilitate provision of the rebate in line with expected deadlines and adhering to business as usual processes whenever possible. Suppliers should be aware that the onus is on them to ensure their plans and business processes are in place to meet GER scheme requirements.
- 4.24 If we do not raise enquiries with a supplier about their notification a supplier should not assume that this constitutes approval, tacit or otherwise. We will not provide approval, tacit or otherwise.
- 4.25 Although notifications are not subject to approval, all aspects of the information contained in a supplier notification may be subject to external

audit and assessment. If following our compliance assessment and audit a supplier's practices are found to have breached GER scheme requirements, then that supplier may be found non-compliant and we may open an investigation into the need to commence enforcement action.

Amendments

- 4.26 Any amendments to notifications must be submitted to us. Suppliers should resubmit their entire notification with changes clearly highlighted. The reasons for any amendments should be outlined to us in a supporting email along with the new notification to GER@ofgem.gov.uk

5. End of year reporting

Chapter summary

This chapter provides guidance on:

- General requirements on end of year reporting
- Submission process
- Key information required in the end of year report

Key supplier requirements

- Submit end of year reports by the deadline outlined
- Even if a supplier has no eligible customers a declaration is still required
- The Ofgem template must be used
- Submit an internal audit report along with the end of year report
- Ofgem will review and assess reports raising points of concern and enquiries as required. Suppliers must respond to these.

General requirements

- 5.1 In accordance with paragraph 10 of the Direction, suppliers must submit end of year reports to us using the Ofgem template. End of scheme year reporting is undertaken as part of compliance checking. The information contained in end of year reports is used to assist us in assessing supplier compliance with GER.
- 5.2 Suppliers should take care to ensure that the information contained is accurate, justifiable and supported by evidence.
- 5.3 Suppliers should be aware that information contained in their end of year report is subject to external audit.
- 5.4 Reports must be submitted using Ofgem's template and signed by the "responsible person" as defined in 2(1) of the Direction. Additional information may be submitted by suppliers as appendices to this template.

Submission process

- 5.5 In preparation for the end of year reporting, we will write to all suppliers holding electricity supply licences (around February/March), providing them with the end of year reporting template, requesting their end of year report. This report must be submitted using the standard Ofgem template provided by us and sent to the GER mailbox (GER@ofgem.gov.uk) **no later than 28 April following the end of the scheme year.**

- 5.6 Similar to notifications, if a supplier had no domestic electricity customers on the qualifying date they will still be **required** to submit an end of year report declaration that they had no eligible customers on the qualifying date and thus no rebates were provided.

Reporting across a group of licences

- 5.7 We recognise that some suppliers operate more than one electricity supply licence. To ease the reporting burden for suppliers holding more than one electricity supply licence, only one end of year report should be provided covering all relevant licences. The supplier should outline the specific licence numbers to which it applies in the appropriate section of the end of year reporting template. This supports us in delivering our compliance monitoring and reporting functions in a more efficient manner than if licences are reported individually. We will consider a group of licences under the one supplier as one entity for reporting, compliance assessment and auditing purposes. We may ask suppliers to break down an aggregated return to individual licence level if required.

Key information required in the end of year report

Eligible customers

- 5.8 Suppliers are required to report how many customers qualified for the GER on the "Qualifying Date".

Spend

- 5.9 Suppliers must provide us with total value of GER rebates provided and delivered. We will check that this spend is in line with the number of rebates reported.

Rebates provided/delivered

- 5.10 We require each participating supplier to report details on the total number of rebates they have **provided** and a breakdown of these by payment method. We will also require suppliers to report details on the total number of rebates they have **delivered** and a breakdown of these by payment method.
- 5.11 For PPM customers in particular the number provided will likely be greater than the number delivered as a proportion of people will not redeem payment.
- 5.12 The intention is that all eligible customers will have a rebate provided to them but that suppliers are only reimbursed for those delivered. This is administered by DECC.

- 5.13 We will also require confirmation that all rebates were provided within the timescales outlined in the SoS Direction. If a supplier cannot confirm that all rebates were provided within timescales, we will require information on the number of late payments and the reasons for these.

Exceptions

- 5.14 Suppliers must provide us with the total number of eligible customers to whom they think an exception should apply (see section 2). We will require suppliers to explain the circumstances, provide us with the number of customers that fall under each circumstance and outline the steps taken to attempt to provide the rebate.
- 5.15 Guidance on exceptions has been provided in section 2 however we will monitor this area and may provide further guidance. The validity of an exception reported in an end of year report is a matter of discretion for Ofgem and the onus is on suppliers to demonstrate that where an exception has been applied that it was not reasonably practical to provide the rebate in accordance with paragraph 8(3) of the Direction.

Payment method and notification

- 5.16 We will require confirmation that customers were notified that they were provided with a GER rebate in accordance with paragraph 9 of the Direction. Any such communication is required to be set out in either the customer's bill/statement of account or otherwise notified in writing.

Internal audit report

- 5.17 The over-arching purpose of the internal audit report is for suppliers to provide independent audit assurance on the accuracy of the information included in their end of year report. This provides a degree of comfort to Ofgem that the supplier has delivered their GER obligations.
- 5.18 In accordance with paragraph 10(2)(b) of the Direction, suppliers must submit an internal audit report accompanying their end of year report. In practice this should be undertaken by an internal audit function where available.
- 5.19 If a supplier has no internal audit function, the internal audit report should be completed and submitted by an individual who is both *independent* and *capable*. A supplier may utilise an external auditor for this work should they wish.
- 5.20 By *independent* we mean an individual who has appropriate managerial authority and independence from the individual signing off the end of year report (the "Responsible Person"). They must be able to question the accuracy of the return and have the authority to do so.

- 5.21 By *capable* we mean an individual who is sufficiently competent to undertake verification, to understand the supplier obligations under GER, and who understands GER reporting requirements. There is no requirement for this person to be a qualified auditor or hold Consultative Committee of Accountancy Bodies (CCAB) qualifications, however they need to be competent to perform such functions.
- 5.22 An internal audit report is not a substitute for an external audit report. We anticipate all suppliers will be subject to external audit in Year 1. Due to the level of public funds being distributed we consider it prudent to not rely solely on an internal audit report for independent assurance.

Structure of the internal audit report

- 5.23 Suppliers must submit a written internal audit report to us. We do not wish to prescribe the outline of each report as supplier internal audit functions may present information in their own way. The key purpose of these reports is to provide assurance to Ofgem on the accuracy of the information submitted in the end of year report and it should fulfil that function. Each supplier report should contain the following assurances:
- Confirmation that the number of eligible customers on the “Qualifying Date” has been accurately reported and is supported by source records.
 - Confirmation that the number of reported rebates *provided* has been accurately reported and is supported by source records.
 - Confirmation that the number of reported rebates *delivered* has been accurately reported and is supported by source records.
 - Confirmation that the number of exceptions reported has been accurately reported and is supported by source records.
 - Any recommendations arising from the internal audit report including action owners and intended timescales for completion.
- 5.24 The name, designation and contact details of the individual authorising the internal audit report should be clearly outlined. **This person must be independent from the “responsible person” who signed the end of year report.** To ensure the internal audit report has validity the “responsible person” should not audit their own work.
- 5.25 If this internal audit report is not submitted with the end of year report we will not accept the end of year report and contact the supplier to arrange for the submission of the internal audit report. If the supplier continues to not provide this report the supplier may be found non-compliant and face possible enforcement action.

Review of end of year reports

- 5.26 After receipt of supplier end of year reports we will review them to inform our compliance assessment. If we have questions or concerns we will raise them with the supplier. Suppliers should respond to requests for information within 14 calendar days.
- 5.27 In addition, we may seek clarity on the content and assurances provided by the author of the internal audit report.
- 5.28 If no external audit is being undertaken then we will proceed with our compliance assessment.
- 5.29 If an external audit is being undertaken then the compliance assessment will not be completed until after the supplier provides a management response to their external audit report. Further information is available in section 6 "External audit programme".

6. External audit programme

Chapter summary

This chapter provides guidance on:

- Purpose of the external audit programme
- Examples of areas that may be covered by the external audit
- Setting and communicating the external audit programme
- Review, management response and finalising reports

Key supplier requirements

- Co-operate with the Ofgem external audit programme
- Make such information, records and personnel available as required to undertake the audit
- Provide management responses to draft reports, in particular on points of concern raised by the auditor and audit recommendations

Purpose of Ofgem's external audit programme

- 6.1 We will appoint external auditors to deliver the external audit programme and obtain audit assurances.
- 6.2 The programme will test and verify information included in the suppliers notification and end of year report, providing us with assurance of supplier compliance with their obligations under GER.
- 6.3 Suppliers should be aware that audit information provided to us may be shared with DECC to assist them in undertaking their functions. Information may be gathered by us under conditions 25D.2 and 25D.3 of Standard Licence Condition 25D.
- 6.4 We will use the evidence in the external audit report to support the end of year compliance assessment process to determine if a supplier has met its GER obligations.
- 6.5 As outlined in previous chapters, it is the responsibility of suppliers to retain sufficient management information on administering the GER, to be effectively audited.
- 6.6 Suppliers must make sufficient information, records and personnel available, at the time required, to enable the external auditor to effectively undertake the audit, co-operating with the auditor as required.

- 6.7 Suppliers refusing to participate or co-operate with the external audit programme may be found non-compliant and we may open an investigation into the need to commence enforcement action.
- 6.8 We take a risk-based approach to audit and assurance of the GER scheme, where the processes applied are appropriate to the potential material impact of non-compliance or fraud, misuse and abuse.
- 6.9 The audit programme will typically take place after each scheme year has ended, however we may arrange audits outside this period if deemed necessary.

Timing of Ofgem's external audit programme

- 6.10 The following indicative timelines are in place outlining the key stages of the external audit process for scheme year 1:

Scheme outcome	Target completion date
External audit programme communicated to suppliers	May 2015
Assessment of end of year reports	May/June 2015
External audit site visits	June/July 2015
Draft external audit reports provided to suppliers	July/August 2015
Supplier responses to audit reports and audit reports finalised	August/September 2015
Compliance assessment of suppliers	September/October 2015
Annual Report to Secretary of State	November 2015

- 6.11 It is anticipated that all suppliers reporting eligible customers under GER will be subject to external audit in the year 1 audit programme. Anticipated requirements for the year 2 programme have yet to be determined.
- 6.12 Suppliers will be notified at least two weeks in advance of any site visit taking place along with the detail of the scheme activity we intend to audit. The external auditor will contact you to seek a mutually agreeable date.
- 6.13 Our intention is that auditors will visit suppliers and/or delivery partners in June/July 2015.
- 6.14 A wash up meeting will take place between the auditor and the audited party to allow key findings to be shared.

- 6.15 Key findings will be highlighted in the audit report, with associated recommendations to address these findings. Suppliers will receive a copy of the draft audit report to consider and respond to. It is expected that this response will cover management's proposed actions to address any recommendations made, including timescales and action owners. Suppliers should also outline any perceived inaccuracies in the draft report and general comment on content.
- 6.16 If suppliers have any concern with the conduct of auditors on site this should be raised with us at the earliest opportunity.
- 6.17 We will aim to provide suppliers with a copy of the draft report no later than eight weeks after the date of visit by auditors.
- 6.18 Suppliers will be given four weeks to provide a management response.
- 6.19 Once the finalised audit report has been agreed and provided, we may track achievement of agreed recommendations. This may involve written confirmation of achievement by the action owner and, where appropriate, submission to Ofgem of evidence of action taken by the audited party.
- 6.20 It is understood that audit information may be retained across different sites. Where possible to support the efficiency of the audit process, suppliers should make information and personnel available at the fewest number of sites possible. The auditor will discuss this with you to agree a suitable approach.
- 6.21 Our appointed auditors will be made aware of the importance of confidentiality in the information they access. Auditors will anonymise customer data in reporting the outcome of sample testing in order that no personal customer data is reported.

Potential areas for audit

- 6.22 A final audit programme will not be set until the compliance assessment period has begun. External audit will seek to verify information submitted in the supplier end of year report in order to support the compliance assessment process. This could include:
- Verifying the accuracy of the supplier's number of reported eligible domestic electricity customers on the qualifying date and ensuring the number reported reconciles back to supporting records.
 - Verifying the number of rebates provided within the payment period i.e. that this number reconciles with the number of customers identified on the qualifying date (minus outstanding customers) and that this number is reconciled back to supporting records.
 - Verifying the number of rebates delivered by 28 February i.e. the cut-off date, and that this number is reconciled back to supporting records.

- Verifying the number of rebates delivered by payment type and the number of rebates unredeemed by payment type and that these numbers reconcile back to supporting records.
 - For a sample of rebates provided, examine the supplier's records to obtain assurance that; i) customers were on a domestic tariff, ii) were paid to the value of £12, iii) the date the customer was provided the rebate and iv) the rebate was clearly itemised on the customer bill or correspondence.
 - For a sample of reported exceptions, examine the supplier's records to obtain assurance that; i) the cases could legitimately be classed as exceptions as it was not reasonably practical to provide the rebate and ii) that the supplier could evidence reasonable attempt to pay had been made before classing the case as an exception.
 - Provide an overview of internal governance arrangements to satisfy us that each supplier has appropriate internal oversight of the implementation of GER.
- 6.23 Sample testing will involve suppliers making such records available to auditors as required to obtain the assurances sought. This may include (but is not limited to); customer number reports and calculations, customer billing system records, individual customer bills, internal governance reports, reporting from third party service providers and copies of correspondence with customers.
- 6.24 For most suppliers it is estimated that a two-day external audit will take place in the year 1 compliance assessment period. For suppliers with less domestic electricity customers one day may suffice. This is yet to be determined.
- 6.25 The above list is only indicative and suppliers may be subject to audit to obtain assurances other than the above. We reserve the right to determine the programme.
- 6.26 The external audit is intended to provide external assurance to augment that provided by the supplier internal audit report and to verify the data provided in the supplier end of year report.

Ofgem internal assessment assurance

- 6.27 We will from time to time, employ external auditors to offer independent assurance of our internal systems and processes that are in place for administering the GER scheme. This is to determine that they are sufficient to deliver the scheme in an accurate and efficient manner.

7. End of year compliance assessment

Chapter summary

This chapter provides guidance on:

- Purpose of the end of year compliance assessment
- Information required to undertake end of year compliance assessment
- Anticipated timings
- Notification of outcome of end of year compliance assessment

Key supplier requirements

- Submit a fully completed end of year report and accompanying internal audit report
- Answer supplementary questions and provide additional information as required
- Provide a management response to the external audit report if required

Purpose of end of year compliance assessment and information requirements

- 7.1 Following receipt of supplier end of year reports and audit reports (both internal and external), we will assess submitted information and audit assurances for each supplier. From this we will determine whether the supplier is compliant with their GER obligations. In making this decision we will consider:
- The content of the supplier notification.
 - The content of the end of year report.
 - The assurances provided by the supplier internal audit report.
 - The assurances provided by any external audit report.
 - Any relevant supplementary information.
- 7.2 Should we assess a supplier as non-compliant we may open an investigation into the need to take enforcement action against a supplier.
- 7.3 As outlined above we will give suppliers the opportunity to respond to our enquiries on notifications and end of year reports as well as providing management responses to audit recommendations. This will be undertaken before we make the decision whether a supplier is found compliant or not.

End of year compliance timetable

- 7.4 The timings below are indicative and are presumed on the basis of current expectations. These timelines may be extended, for example if an audit report fails to provide adequate assurance and further examination is required prior to making a compliance assessment decision.

Scheme outcome	Target completion date
End of year reports to be submitted to Ofgem	28 April 2015
Establishment of the external audit programme	May 2015
Assessment of end of year reports	May/June 2015
External audit site visits	June/July 2015
Draft external audit reports provided to suppliers	July/August 2015
Supplier management responses to audit reports and audit reports finalised	August/September 2015
Compliance assessment of suppliers	September/October 2015
Annual Report to Secretary of State	November 2015

Notifying the outcome of end of year compliance assessment

- 7.5 We will aim to write to suppliers as soon as is practicably possible after the compliance decision informing them of our decision. This may be that:
- **Supplier is compliant:** Supplier is considered compliant based on end of year report and satisfactory audit assurances obtained.
 - **Supplier is compliant with minor contraventions:** Supplier is considered mainly compliant. Some minor contraventions were reported however these were not considered significant and the supplier appears to have implemented a suitable response.
 - **Supplier is non-complaint:** Supplier is considered non-compliant based on end of year report and/or lack of audit assurance (either internal and/or external). Information obtained highlights significant breaches and/or significant operational weaknesses.
- 7.6 If a supplier is found non-compliant we may open an investigation into the need to commence enforcement action.

Sharing information with DECC

- 7.7 DECC has functions in relation to administering the GER (most notably financial reimbursement). We will share information with DECC that we believe they require. This may include, but is not limited to:
- Estimated numbers of customers to whom the rebate will be provided.
 - Numbers of reported rebates provided by the supplier.
 - Numbers of reported rebates delivered by the supplier.
 - Audit reports.
- 7.8 To ensure the integrity of the scheme it is of considerable importance to DECC that they obtain assurance on the final number and value of rebates that have been delivered. This will allow DECC to undertake reimbursement reconciliation in conjunction with suppliers to ensure that suppliers have been reimbursed to the correct financial value.
- 7.9 It should be noted that DECC will publish their own guidance, notably covering financial reimbursement and reporting/auditing requirements arising from this. Details of the operation of financial reimbursement are available from DECC.

8. Fraud, misuse and abuse prevention

Chapter summary

This chapter provides guidance on:

- General requirements on suppliers to minimise the opportunity for fraud, misuse and abuse
- Examples of areas that may be subject to fraud, misuse or abuse

Key supplier requirements

- Understand their obligations in terms of preventing scheme fraud, misuse & abuse and implement appropriate prevention measures
- Notify Ofgem of any suspected instances of fraud, misuse or abuse at the earliest opportunity

General requirements

- 8.1 Suppliers must implement sufficient measures to minimise the opportunity for fraud, misuse and abuse. Robust prevention measures are crucial in maximising the benefits for customers to ensure that all eligible customers receive the rebate. It is in the interests of all parties to work together to maintain these fraud prevention measures, and simultaneously reduce the risk of reputational damage to suppliers, DECC and Ofgem.
- 8.2 We are aware that the GER scheme has the potential to provide over £300m annually, of taxpayers money to electricity suppliers. It is vital that suppliers have effective systems in place to prevent fraud, misuse and abuse of this public money.
- 8.3 Any allegation or suspicion of fraud, misuse or abuse in the GER scheme will be treated seriously by us and be referred to Ofgem's Counter-Fraud Team for consideration. In addition, cases of suspected fraud, misuse or abuse may be referred to outside agencies including the police.
- 8.4 We expect suppliers to satisfy themselves and their internal auditors that GER rebate payments are only provided to eligible customers identified on the "Qualifying Date". Suppliers must also assure us, and any agent acting on our behalf, that they have effective internal management controls in place to allow for such assurance to be reached.
- 8.5 Design and implementation of appropriate fraud, misuse and abuse prevention controls is expected from suppliers. We will support suppliers in designing robust controls for the prevention of fraud, abuse and misuse.

- 8.6 Suppliers should notify us of any instances of suspected or identified fraud abuse or misuse within the scheme at the earliest opportunity (please contact CounterFraud@ofgem.gov.uk). Under the agreed Memorandum of Understanding between Ofgem and DECC, Ofgem's Counter Fraud Team will share intelligence of suspected fraud with DECC and alert key DECC stakeholders of any specific suspected fraud under investigation.

Areas of risk of potential fraud, misuse and abuse

- 8.7 The following areas of potential fraud, misuse and abuse risk have been identified by Ofgem. This list is by no means exhaustive:
- A supplier deliberately over-reports their total eligible customers to claim back more money from government than was paid out in rebates to customers. The supplier defrauds the government and gains financial advantage.
 - A supplier deliberately under-reports their total eligible customers to avoid administering the GER in full. This leads to eligible customers not receiving the rebate and supplier not fulfilling obligations.
 - A dishonest supplier employee deliberately provides fraudulent rebates (e.g. multiple rebates to own/family/friends accounts). This results in fraudulent use of funds.
- 8.8 Suppliers are expected to implement and maintain effective management controls to mitigate the likelihood of these or any other perceived fraud risks to the GER scheme occurring. Suppliers are required to outline fraud, misuse and abuse prevention controls as part of their supplier notifications. We will provide feedback on these controls.

Appendices

Index

Appendix	Name of Appendix	Page Number
1	Glossary	48
2	List of Key Amendments to Previous Guidance	49

Appendix 1 - Glossary

BACS:	Bankers Automated Clearing Services
DECC:	Department of Energy and Climate Change
Direction:	The Direction issued by the Secretary of State requiring implementation of the GER
GER:	Government Electricity Rebate
Ofgem:	Office of Gas and Electricity Markets
PPM:	Pre-Payment Meters
SAM:	Special Action Message
SoS:	Secretary of State
WHD:	Warm Home Discount



Appendix 2 – List of Key Amendments to 2014 Guidance (version 1.1)

The following key amendments have been made to version 1.1 of this Guidance.

Chapter	Paragraph(s)
n/a	n/a