

**To: All holders of an electricity supply licence**

**Electricity Act 1989  
Section 11A(1)(b)**

**MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY SUPPLY  
LICENCES GRANTED UNDER SECTION 6 OF THE ELECTRICITY ACT 1989.**

Whereas –

1. Each of the companies to whom this document is addressed (a Licence Holder) has been granted a licence (a Licence) under section 6 of the Electricity Act 1989 (the Act).
2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority (the Authority) gave notice on 1 October 2014 (the Notice) that it proposed to modify the Standard Licence Conditions (SLCs) of the electricity supply licence by inserting a new condition, condition 21D, and by requiring any representations to the modification to be made on or before 29 October 2014.
3. In accordance with section 11A(4)(b) of the Act, the Authority gave notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received 5 responses to the consultation. All non-confidential responses have been placed on the Ofgem website. Our responses to these comments are set out in the accompanying letter.
5. The Authority has carefully considered in relation to the proposed modification all representations received.
6. The Authority gives the following reason for making the licence modifications:
  - a. The Authority proposes to make this licence modification to help consumers make more informed decisions when buying tariffs based on renewable energy supply. We are encouraging consistency across the market. The aim is to give consumers confidence in renewable tariffs from electricity suppliers.
7. The effects of the modification(s) will be summarised in the table below:

<b>New Licence conditions</b>	<b>Proposed licence condition</b>	<b>Effect</b>
21D.1	Conditions 21D.2 to 21D.13 apply to a licensee who offers a Tariff to Domestic Customers to which it attaches an Environmental Claim.	If suppliers offer a tariff to domestic customers to which it attaches an environmental claim they must comply with the new standard licence conditions (SLC) 21D.2 to 21D.13.
21D.2	<b>Evidence of supply</b> The licensee must, at midday on 1 July (1) immediately after a disclosure period as defined in SLC 21 and (2) after it supplies electricity under a Tariff to which it attaches an Environmental Claim to the effect that some or	For all the energy that a supplier sells to domestic customers on affected tariffs, the supplier must hold the required amount of GOs and retire the associated LECs.  Our proposals aim to ensure that domestic customers who buy

	<p>all of the electricity supplied under that Tariff is generated from renewable sources:</p> <p>a) hold the requisite number of Guarantees of Origin (GOs) to support the volume of claimed renewable supply, and,</p> <p>b) retire any associated Levy Exemption Certificates (LECs).</p>	<p>renewable power can be sure that the renewable characteristics of the same unit of energy are not sold to other customers as well.</p> <p>These proposals are already included in the current voluntary scheme. Introducing this change will mean suppliers are competing more fairly.</p>
21D.3:	For the use of Guarantees of Origin issued outside of Great Britain, the same rules and procedures apply as set out in SLC 21.12.	Suppliers will need to ensure that they comply with SLC 21.12.
21D.4:	<p><b>Additionality</b></p> <p>If the licensee makes an Environmental Claim in connection with a Tariff, either:</p> <p>(a) the licensee must ensure that the claimed environmental benefit is a result of consumers choosing to purchase the Tariff in question and not solely brought about as a result of subsidies, obligations or other mandatory mechanisms; or</p> <p>(b) if the licensee cannot comply with (a), publish a statement in accordance with paragraphs 21D.6 and 21D.7.</p>	<p>Suppliers will have to make sure that a domestic customer's choice to purchase a tariff results in an additional benefit to the environment, above and beyond existing subsidies, obligations and schemes. Suppliers must publish an annual report explaining to their customers how they are meeting this obligation.</p> <p>If they are not offering additionality, they will need to make this clear to customers.</p> <p>We don't propose defining what should be considered as additionality. Instead, to allow for innovation, we are taking a principles-based approach to additionality. We expect suppliers to engage appropriately to find out what their consumers expect in terms of additionality.</p> <p>Under the Standards of Conduct all suppliers are obliged to ensure fair treatment of consumers including the transparent provision of complete and accurate information. This extends to how they fulfil the principle of additionality.</p>
21D.5:	<p><b>Transparency</b></p> <p>The licensee must provide the following information to customers.</p> <p><u>Tier 1</u></p>	<p>Suppliers need to clearly communicate to customers the environmental benefits of a tariff.</p> <p>In recognition of the different needs of consumers regarding the provision of information, suppliers must provide information to consumers on a tiered basis:</p>
21D.6:	If paragraph 21D.4(b) applies,	

<p>21D.7:</p> <p>21D.8:</p> <p>21D.9:</p>	<p>the licensee must publish a clear statement to the effect that purchasing the tariff in question will not produce an environmental benefit.</p> <p>The licensee must ensure that the statement required by paragraph 21D.6 is published prominently and in close proximity to the Environmental Claim.</p> <p><u>Tier 2</u></p> <p>Before it enters into a Domestic Supply Contract with a Domestic Customer for a Tariff that is the subject of an Environmental Claim, the licensee must take all reasonable steps to communicate the following information to the Domestic Customer:</p> <p>a) A Fuel Mix Disclosure chart illustrating the relevant fuel mix of the licensee in line with SLC 21.</p> <p>b) If paragraph 21D.4(a) applies to the tariff, a description of the environmental benefit that is, or will be, delivered as a result of the Domestic Customer choosing the Tariff, expressed where applicable in tonnes of CO<sub>2</sub> equivalent.</p> <p>c) A link to, or information on where the Domestic Customer can obtain, the information required by paragraph 9</p> <p><u>Tier 3</u></p> <p>To put the environmental claim in context, the licensee must make further information available to Domestic Customers from a publicly accessible resource such as its website (including information on additionality, government support for renewable supply, and how electricity is physically distributed).</p>	<p><u>Tier 1:</u></p> <p>The first tier of information needs to be provided at the point of sale. However this requirement applies to tariffs without additionality. A statement to the effect that purchasing the tariff in question will not produce an environmental benefit must be published prominently and in close proximity to the environmental claim.</p> <p><u>Tier 2</u></p> <p>This applies to tariffs that claim to deliver an additional environmental benefit. The following requirements for tier 2 will have to made available to consumers before they enter into a contract:</p> <ul style="list-style-type: none"> <li>The nature of additional environmental benefit will have to be clearly explained to consumers before they enter into a contract.</li> </ul> <p>This licence condition is not prescriptive about what environmental benefits can be claimed as 'additional'.</p> <p>Suppliers will have to provide customers with their Fuel Mix Disclosure chart.</p> <ul style="list-style-type: none"> <li>Suppliers will also have to provide a link to, or information on where, consumers can obtain general contextual information on additionality, government support for renewable supply, and how electricity is physically distributed.</li> </ul> <p><u>Tier 3</u></p> <p>To deliver in line with the requirements of SLC 21D.8(c) and 21D.9 suppliers will have to ensure that general contextual information on additionality, government support for renewable supply, and how electricity is physically distributed is available to consumers via a publicly</p>
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		accessible resource such as a website.
21D.10	<p><b>Responsibility for Representatives</b></p> <p>The licensee must take all reasonable steps to ensure that its Representatives comply with the obligations in paragraphs 21D.6 to 21D.9.</p>	Suppliers will have to take all reasonable steps to ensure that its Representatives, including third party intermediaries such as price comparison sites, comply with the new SLCs 21D.6 to 21D.9.
21D.11:  21D.12:	<p><b>Annual reporting obligation</b></p> <p>For each Tariff it offers to which paragraph 21D.6 does not apply, the licensee must publish a report annually to outline the environmental benefit derived from the tariff.</p> <p>The licensee must comply with guidance on the interpretation of condition 21D which, following consultation, the Authority may issue and may from time to time revise</p>	<p>For tariffs that contain additionality, suppliers must publish a report annually to outline how this principle was met.</p> <p>The report should be published in line with SLC 21 for Fuel Mix Disclosure, ie by 1 October each year for the previous period ending on the 31 March. Other reporting periods could be justifiable but the report should not be published later than six months after the end of the reporting period.</p> <p>The licensee shall ensure that the information is accessible and easy to find for customers.</p> <p>As much as is reasonably practicable, the licensee should include in every report:</p> <ul style="list-style-type: none"> <li>• how it has met the additionality obligation</li> <li>• why the environmental benefit would not have occurred in the absence of customers choosing the relevant tariff</li> <li>• the scale of the environmental benefit on a per customer basis, for example in terms of costs as well as avoided Carbon Dioxide equivalent (CO<sub>2</sub>e) emissions</li> <li>• any other information that is of relevance and any additional text the licensee considers necessary to ensure that the contents of the report are not misleading.</li> </ul>

8. The Authority considers it necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in yellow in the

attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to correct minor typographical errors.

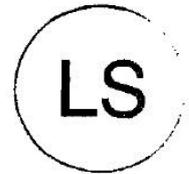
9. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules<sup>1</sup> requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification notice. The meaning of 'relevant licence holder' is set out in section 11A(10) of the Act.

### **Now therefore**

In accordance with the powers contained in section 11A(1)(b) of the Act, the Authority hereby modifies the standard licence conditions for all electricity supply in the manner specified in attached Schedule 1. This decision will take effect on and from 1 April 2015.

This document constitutes notice of the reasons for the decision to modify the standard licence conditions of the electricity supply licence by inserting a new condition, condition 21D, as required by section 49A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority  
here affixed is authenticated by the signature of**



**Adam Cooper  
Associate Partner  
Duly authorised on behalf of the Gas and Electricity Markets Authority**

**17 December 2014**

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<sup>1</sup> The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the Competition and Markets Authority (CMA).

## Schedule 1: Licence Drafting

The text in the table below shows the envisaged drafting for Standard Licence Condition 21D. All the conditions are new and are set to come into force on 1<sup>st</sup> April 2015.

<b>Status</b>	<b>Condition 21D. Tariffs with Environmental Claims</b>
<b>(New)</b>	<u>21D.1 Conditions 21D.2 to 21D.13 apply to a licensee who offers a Tariff to Domestic Customers to which it attaches an Environmental Claim.</u>
<b>(New)</b>	<p><b><u>Evidence of supply</u></b>  <u>21D.2 The licensee must, at midday on 1 July immediately after a disclosure period as defined in SLC 21 and after it supplies electricity under a Tariff to which it attaches an Environmental Claim to the effect that some or all of the electricity supplied under that Tariff is generated from renewable sources:</u></p> <p><u>ae) hold the requisite number of Guarantees of Origin (GOs) to support the volume of claimed renewable supply, and,</u></p> <p><u>be) retire any associated Levy Exemption Certificates (LECs).</u></p>
<b>(New)</b>	<u>21D.3: For the use of Guarantees of Origin issued outside of Great Britain, the same rules and procedures apply as set out in SLC 21.12.</u>
<b>(New)</b>	<p><b><u>Additionality</u></b>  <u>21D.4: If the licensee makes an Environmental Claim in connection with a Tariff, either:</u></p> <p>a) <u>the licensee must ensure that the claimed environmental benefit is a result of consumers choosing to purchase the Tariff in question and not solely brought about as a result of subsidies, obligations or other mandatory mechanisms; or</u></p> <p><u>(b) if the licensee cannot comply with (a), publish a statement in accordance with paragraphs 21D.6 and 21D.7.</u></p>
<b>(New)</b>	<p><b><u>Transparency</u></b>  <u>21D.5: The licensee must provide the following information to customers.</u></p> <p><u>Tier 1</u></p> <p><u>21D.6: If paragraph 21D.4(b) applies, the licensee must publish a clear statement to the effect that purchasing the tariff in question will not produce an environmental benefit.</u></p> <p><u>21D.7: The licensee must ensure that the statement required by paragraph 21D.6 is published prominently and in close proximity to the Environmental Claim.</u></p> <p><u>Tier 2</u></p> <p><u>21D.8: Before it enters into a Domestic Supply Contract with a Domestic Customer for a Tariff that is the subject of an Environmental Claim, the licensee must take all reasonable steps to communicate the following information to the Domestic Customer:</u></p> <p><u>ae) A Fuel Mix Disclosure chart illustrating the relevant fuel mix of the licensee in line with SLC 21.</u></p> <p><u>be) If paragraph 21D.4(a) applies to the tariff, a description of the environmental benefit that is, or will be, delivered as a result of the Domestic Customer choosing the Tariff, expressed where applicable in</u></p>

	<p><u>tonnes of CO<sub>2</sub> equivalent.</u></p> <p><u>cf) A link to, or information on where the Domestic Customer can obtain, the information required by paragraph 21D.9</u></p> <p><u>Tier 3</u></p> <p><u>21D.9: To put the <b>Environmental Claim</b> in context, the licensee must make further information available to Domestic Customers from a publicly accessible resource such as its website (including information on additionality, government support for renewable supply, and how electricity is physically distributed).</u></p>
<b>(New)</b>	<p><b><u>Responsibility for Representatives</u></b></p> <p><u>21D.10 The licensee must take all reasonable steps to ensure that its Representatives comply with the obligations in paragraphs 21D.6 to 21D.9.</u></p> <p><u>Annual reporting obligation</u></p> <p><u>21D.11: For each Tariff it offers to which paragraph 21D.6 does not apply, the licensee must publish a report annually to outline the environmental benefit derived from the tariff.</u></p> <p><u>21D.12: The licensee must comply with guidance on the interpretation of condition 21D which, following consultation, the Authority may issue and may from time to time revise.</u></p>
<b>(New)</b>	<p><b><u>Definitions for condition</u></b></p> <p><u>21D.13 In this condition:</u></p> <p><b><u>“Environmental Claim”</u></b> means a claim made in the course of marketing, billing, or other customer communication that asserts, or may lead a customer to believe, that choosing the particular tariff is driving an environmental benefit based on the supply of renewable electricity.</p> <p><b><u>“Guarantee of Origin” or “GO”</u></b> means a certificate issued by the Authority or by any other competent body that is recognised by the Authority under the Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003.”</p> <p><b><u>“Levy Exemption Certificate” or “LEC”</u></b> means a renewables levy exemption certificate (in units of one megawatt hour each) issued by the Authority or its appointed agent as evidence that one megawatt hour of renewable electricity is wholly exempt from the Climate Change Levy;</p> <p><b><u>“Climate Change Levy”</u></b> means the levy of that name introduced pursuant to the Finance Act 2000 and subordinate legislation, including the Climate Change Levy (General) Regulations 2001 (SI 2001/838), as amended from time to time.</p>

## Schedule 2: Relevant Licence Holders<sup>2</sup>

<b>Domestic</b>	<b>Non Domestic</b>
Addito Supply Limited	AMRECS LLC
Angel Energy Limited	BES Commercial Electricity Limited
Axis Telecom Limited	Better Business Energy Limited
AXPO UK Limited	Blizzard Utilities Limited
Barbican Power Limited	BP Energy Europe Limited
Better Energy Supply Limited	Brilliant Energy Limited
BizzEnergy Limited	British Energy Direct Limited
British Gas Trading Limited	Danske Commodities A/S
Cardiff Energy Supply Limited	Dual Energy Direct Limited
Co-Operative Energy Limited	E.ON UK Plc
Corona Energy Retail 5 Limited	Eco Green Management Limited
Coulomb Energy Supply Limited	Ecotrade Solutions Limited
Crown Oil Limited	Electricity Direct (UK) Limited
Dong Energy Power Sales UK Limited	Eneco Energy Trade BV
Donnington Energy Limited	Energy Data Company Limited
E.ON Energy Solutions Limited	EPG Energy Limited
Economy Energy Supply Limited	ETUL Limited
Economy Energy Trading Limited	F & S Energy Limited
Economy Power Limited	Gazprom Marketing & Trading Retail Limited
EDF Energy Customers Plc	GDF Suez Marketing Limited
Effortless Energy Ltd.	IPM Energy Retail Limited
Electricity Plus Supply Limited	Krave Management Limited
Emexconsult Limited	Lourdes Associates Limited
Energy COOP Limited	MA Energy Limited
E (Generation and Supply) Limited	Morgan Stanley Capital Group Inc
Europa Energy Supply Limited	New Stream Renewables Limited
Extra Energy Supply Limited	Power4All Limited
Farmoor Energy Limited	RMA Dorex UK Ltd
First Utility Limited	S. C. Isramart SRL
Flow Energy Limited	Smartest Energy Limited
GB Energy Supply Ltd	Statkraft Markets GmbH
GNERGY Limited	Team Gas and Electricity Limited
Good Energy Limited	The Nuclear Decommissioning Authority
Green Energy Limited	Total Gas & Power Limited
Greengen Direct Limited	Tradelink Solutions Limited
Haven Power Limited	Universal Bioenergy Limited
Holborn Energy Limited	Universal Utilities Limited
Home Counties Energy Plc	Utility Partnership Limited
Hudson Energy Supply UK Limited	Uttily plc
Iresa Limited	Vattenfall Energy Trading GmbH
Iridium Energy Supply Limited	Wilton Energy Limited
I Supply Electricity 2 Limited	
I Supply Electricity Limited	
I Supply Energy Limited	
ICS Energy Limited	
Jetstream Energy Supply Limited	
KAL-Energy Limited	
Kensington Power Limited	

<sup>2</sup> Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>

MVV Environment Services Limited	
Loco2 Energy Supply Ltd.	
Marble Power Limited	
Nationwide Electricity Limited	
Neas Energy Limited	
Npower Direct Limited	
Npower Limited	
Npower Northern Limited	
Npower Northern Supply Limited	
Npower Yorkshire Limited	
Npower Yorkshire Supply Limited	
Open4Energy Limited	
Opus Energy (Corporate) Limited	
Opus Energy Limited	
Opus Energy Renewables Limited	
Osmium Energy Supply Limited	
OVO Electricity Limited	
Paddington Power Limited	
Palladium Energy Supply Limited	
Pan-Utility Limited	
R Electrics Limited	
Regent Power Limited	
Reuben Power Supply Limited	
Rhodium Energy Supply Limited	
Scottish Power Energy Retail Limited	
SEEBOARD Energy Limited	
Simply Electricity Limited	
Sirocco Energy Supply Limited	
Smart Electricity Limited	
Smarter Eco Energy Ltd	
South Wales Electricity Limited	
Spark Energy Supply Limited	
SSE Energy Supply Limited	
Supply Energy Limited	
Symbio Energy Solutions LLP	
The Renewable Energy Company Limited	
UK Healthcare Corporation Limited	
Utilita Energy Limited	
Vavu Power Limited	
Green Energy (UK) plc	