



Making a positive difference
for energy consumers

Douglas Stewart
Chief Executive Officer
Green Energy (UK) plc
Black Swan House
23 Baldock Street
Ware, Hertfordshire
SG12 9DH

22 December 2014

Dear Mr Stewart

Request for derogation – Green Energy share scheme

The Gas and Electricity Markets Authority (the “**Authority**” or “**we**”) has decided to issue Green Energy (UK) plc (company number 04194006, the “**Licensee**”) a similar derogation to the derogation we issued to the Licensee’s affiliate, Green Energy Limited (company number 07109264) on 23 January 2014.¹ This is due to the transfer of the electricity supply licence held by Green Energy Limited to the Licensee, which took effect on 22 December 2014. This derogation will enable Licensee to continue operating the Green Energy share scheme, described below, for which the original derogation was granted.

As a consequence of the licence transfer described above, the derogation direction issued to Green Energy Limited on 23 January 2014 will cease to apply from and including 22 December 2014. The Direction that will apply to the Licensee from and including 22 December is attached. This will be published and shall remain in force until 23 January 2016 in accordance with the terms of the Direction, unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the Direction must be reported to the Authority as soon as possible.

This letter constitutes the Notice, under section 49A of the Electricity Act 1989 of the reasons for the Authority’s decision to issue the attached Direction. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard conditions of the Licensee’s electricity supply licence.

Background to the Derogation

The Licensee confirmed to the Authority on 11 December 2014 that the information about the Green Energy share scheme submitted by Green Energy Limited on 25 July 2013 in support of its derogation application remains unchanged, and shall apply in the same way in respect of the Licensee following the licence transfer. Therefore, we have made our decision to grant the Licensee a similar derogation on this basis. Under the Green Energy share scheme, the first 50,000 customers who enter into a supply contract with the Licensee (or previously with Green Energy Limited) are each offered 400 free shares in the Licensee. A further 5,000,000 shares may also be allocated at the Licensee’s discretion to persons who it considers are instrumental to the Licensee’s growth.

Although members of the Green Energy share scheme receive voting rights in the Licensee on allotment of the shares, rights to: (i) participate in a distribution of profits; (ii) monies

¹ <https://www.ofgem.gov.uk/ofgem-publications/85721/greenenergycoverletterdirections23012014.pdf>

on a return of assets; and (iii) transfer the shares, only accrue to them if they remain customers of the Licensee for a period of up to 3.5 years from the date of allotment.

The offer of shares to customers constitutes a Bundled Product, as defined in SLC 1.

Paragraph 14A of SLC 22B requires that any licensee offering an Optional Bundle with all Core Tariffs (including a Bundled Product which constitutes a Discount), must ensure that the Optional Bundle is available to all Domestic Customers which are subject to those Core Tariffs.

Paragraph 15(a) of SLC 22B prohibits any licensee from offering any Bundled Product which does not contain the same terms and conditions and is of the same monetary amount in respect of all Live Evergreen Tariff, Live Fixed Term Tariffs and Dead Tariffs of the licensee.

Paragraph 16 of SLC 22B prohibits any licensee from offering a Bundled Product which constitutes a Discount if it is not "Continuously Applied" (as defined in paragraph 38 of SLC 22B) on a daily or per kWh basis. Moreover, the exemption to such rule in paragraph 28 of SLC 22B, would not apply in the case of the Licensee.

Paragraph 30 of SLC 22B requires that licensees must ensure that all its Tariffs are available to, and are capable of being entered into by, both new and existing Domestic Customers.

Therefore, without derogations from paragraphs 14A, 15(a), 16, and 30 of SLC 22B, the Licensee would not be able to continue operating the Green Energy share scheme, as: (i) shares are only offered to the first 50,000 customers; and (ii) certain shareholder rights only vest in the customer shareholders after a period of up to 3.5 years.

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

The Authority's Decision

Having regard to our principal objective and statutory duties, including our duty to consider the need to contribute to the achievement of sustainable development, we consider that in granting a temporary derogation to the Licensee in respect of the Green Energy share scheme, any potential detrimental impacts on consumers would likely be outweighed by the social and environmental benefits associated with such a scheme that has consumer and community benefits. The expected consumer and community benefits are reinforced by the Licensee's intention that its company should be 50 per cent owned by its customers, which through their share rights, will be actively involved in the Licensee's business and its objectives.

Therefore, the Authority grants a temporary derogation from paragraphs 14A, 15(a), 16, and 30 of SLC 22B in respect of the Licensee's Green Energy share scheme with effect from the date of, and subject to the terms of, the attached Direction.

If you would like to discuss any aspects of this letter, please contact Jibirila Leinyuy on 0207 901 7000 or Derogations@ofgem.gov.uk.

Yours sincerely,

Neil Barnes
Associate Partner, Retail Markets

The Company Secretary
Green Energy (UK) plc
Black Swan House
23 Baldock Street
Ware, Hertfordshire
SG12 9DH

Direction issued to Green Energy (UK) plc (company number 04194006) by the Gas and Electricity Markets Authority pursuant to paragraph 36 of Standard Licence Condition 22B (Restrictions on Tariff numbers and Tariff simplification) of the electricity supply licence – Green Energy share scheme

1. This Direction is issued by the Gas and Electricity Markets Authority (the "**Authority**") pursuant to paragraph 36 of Standard Licence Condition (SLC) 22B of the electricity supply licence (the "**Licence**") granted under section 6(1)(d) of the Electricity Act 1989 to Green Energy (UK) plc (company number 04194006; the "**Licensee**").
2. Paragraph 36 of SLC 22B provides that the Authority may issue directions relieving the Licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.
3. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee dated 22 December 2014.
4. The Authority hereby directs, pursuant to paragraph 36 of SLC 22B, that the Licensee is, on a temporary basis and subject to the Licensee's continuing compliance with the condition in paragraph 5 of this Direction, relieved of its obligations under paragraphs 14A, 15(a), 16, and 30 of SLC 22B in respect of its Green Energy share scheme, as described in the accompanying letter to the Licensee dated 22 December 2014.
5. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority.
6. This Direction shall take immediate effect and shall remain in effect until 23 January 2016 unless revoked earlier or varied in writing by the Authority.

Dated: 22 December 2014

Neil Barnes
Associate Partner, Retail Markets

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