

Modification proposal:	Green Deal Arrangements Agreement (GDAA) Change Proposal (CP) 0079 – Charging for Affiliates		
Decision:	The Authority ¹ has decided to consent to this proposal		
Target audience:	Green Deal Oversight and Registration Body (GDORB), GDAA Panel, Parties to the GDAA and other interested parties		
Date of publication:	24 June 2015	Implementation date:	1 July 2015

Background

The Secretary of State currently funds the GDAA². The GDAA cost recovery provisions have been modified to provide for self-funding by all GDAA parties from 1 July 2015³. Under the current self-funding provisions⁴, each party will pay a variable cost based on their number of Green Deal plans; all parties will also pay an annual fixed cost, including parties affiliated with one another. This means that any organisation that has acceded as more than one party will pay a higher overall (fixed) charge at company level.

The modification proposal⁵

CP 0079 was raised by Npower. It proposes to introduce the concept of a party group into the GDAA. This would be a new defined term that applies to individual parties that are 'affiliates' within the meaning of the term used in the GDAA⁶. It would result in affiliated parties paying one annual fixed contribution rather than multiple contributions.

In accordance with paragraph 7.1.2 of the GDAA, Authority consent to CP 0079 is required as it seeks to amend Part 2 of the GDAA.⁷

GDAA Panel recommendation

At its meeting on 27 April 2015, the GDAA Panel agreed to approve CP 0079.

Our decision

We have considered the responses to the proposal, which was issued by the GDAA Panel for Impact Assessment, and the decision of the GDAA Panel. We have concluded that the implementation of CP 0079 is consistent with the objective of the GDAA:⁸

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² A copy of the GDAA can be found here: <http://qdorb.decc.gov.uk/qdaa>

³ <https://www.ofgem.gov.uk/ofgem-publications/94722/gdaa0074d-pdf>

⁴ These funding arrangements were introduced by CP 0060: <https://www.ofgem.gov.uk/ofgem-publications/91377/cp0060d.pdf>

⁵ The terms 'modification' and 'modification proposal' have the same meaning as 'change' and 'change proposal' for the purposes of this document.

⁶ The term "Affiliate" is defined in Clause 1 of the GDAA (Definitions and Interpretation) as "in relation to any party, means any holding company of that party or any subsidiary of that party or any subsidiary of a holding company of that party, in each case within the meaning of the Companies Act 2006".

⁷ Changes to Part 2 of the GDAA (comprising Clauses 5 to 8), or any change to a definition in Clause 1.1 that may materially affect the provisions of Part 2, require Authority consent.

To establish an effective mechanism for: (a) the collection of Green Deal Charges through electricity bills by Mandatory Green Deal Suppliers and Voluntary Green Deal Suppliers; and (b) the remittance of these payments to Green Deal Providers or their nominees, so as to enable the efficient use of energy to be promoted under the Green Deal and to do so in a way which protects the interests of consumers, promotes effective competition between electricity suppliers...and promotes the efficient use of energy.

We consider that consenting to this change is consistent with our principal objective and statutory duties.

Reasons for our decision

We consider that the implementation of CP 0079 will contribute to an effective mechanism for the Green Deal by allowing for the apportionment of the GDAA fixed costs at a company level, based on the current approach to funding under the GDAA. We note that the majority of respondents and the GDAA Panel support this change. We understand that the change will not have a material impact on individual GDAA parties' bills overall. We expect the GDAA Panel to keep the GDAA funding arrangements under review, to ensure these provide for appropriate apportioning of costs, in particular for smaller parties.

Pursuant to paragraph 7.1.2 of the GDAA, we consent to CP 0079 being made.

Lesley Nugent

Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose

⁸ The objective of the GDAA is set out in Recital E of that agreement. For the purposes of Authority decisions, this objective is subject to Recital F and the words "promotes effective competition between Green Deal Providers" are excluded.