

Introduction to the Offtaker of Last Resort (OLR) scheme

www.ofgem.gov.uk/olr

This factsheet is intended for generators, licensed suppliers and interested parties. More detailed guidance for generators and suppliers is available in our Essential Guide series which can be found on our website.

What is the Offtaker of Last Resort scheme?

The OLR scheme is only available to renewable generators with an Investment Contract or a Contracts for Difference (CFD).

The Offtaker of Last Resort (OLR) scheme is designed to help eligible generators by providing an alternative route to the market for their electricity. It does this by facilitating a Backstop Power Purchase Agreement (BPPA) between the generator and a supplier via a competitive auction process.

It is intended as a last resort to help these generators when they cannot get a power purchase agreement through the usual routes. The terms of the contract that will be entered into by the generator and supplier have been set by the government. The electricity generated under a BPPA is sold at a specified discount below the market reference price.

The OLR scheme is part of the wider [Electricity Market Reform](#) (EMR) programme, designed by the government to incentivise investment in secure, low-carbon electricity, improve the security of Great Britain's electricity supply, and improve affordability for consumers.

The government intends that the OLR scheme will, alongside the competitive allocation of CFDs:

- reduce the cost of investment in renewable electricity generation
- boost competition in the market, and
- lower costs to consumers.

Deadlines

Strict statutory deadlines apply to everyone involved in the OLR process; generators, suppliers and Ofgem.

The OLR scheme is designed so that a BPPA can be entered into very quickly. Deadlines are essential to keeping everything moving. All the important deadlines are set out in the Essential Guide for Generators and the Essential Guide for Suppliers.

If generators fail to meet their deadlines or to fulfil their other obligations they will be unable to enter into a BPPA, and may be deemed ineligible for future participation in the OLR scheme. For more details on eligibility for the OLR scheme, see Section 3 of the Essential Guide for Generators.

Suppliers will be in breach of the electricity supply licence conditions if they fail to meet the deadlines or to fulfil their other obligations. Please see Ofgem's [Enforcement Guidelines](#) for further information on how we determine whether or not to open an investigation.

Key documents

- [Offtaker of Last Resort \(OLR\): Essential Guide for renewable generators](#)
- [Offtaker of Last Resort \(OLR\): Essential Guide for suppliers](#)
- [Backstop Power Purchase Agreement \(BPPA\)](#)
- [Power Purchase Agreement Scheme Regulations 2014 \(as amended\)](#)
- [Electricity Supply Licence Standard Conditions \(38A\)](#)

Who does what?

Generator

A generator activates the OLR process by submitting an expression of interest.

During the OLR process, the generator should:

- follow our guidance
- submit complete, true and accurate project information to help us determine eligibility, and allow suppliers to make an appropriate bid.

Ofgem

As administrators of the OLR, our primary role is to facilitate a generator and supplier entering into a BPPA. We:

- assess the generator's eligibility
- run a BPPA auction.

We also annually determine mandatory licensed suppliers, and run OLR levelisation if required.

All licensed suppliers

All licensed suppliers must participate in OLR levelisation.

Mandatory licensed suppliers*

Following notification, mandatory licensed suppliers must participate in all OLR auctions held in an OLR year.

*There is a list of mandatory suppliers on the [Ofgem website](#).

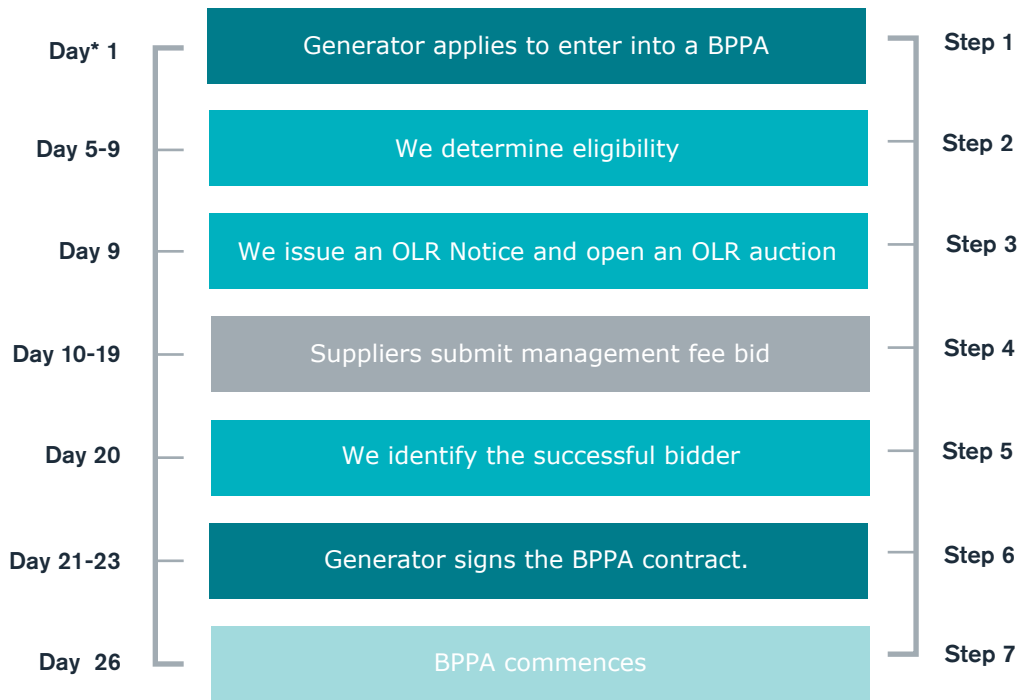
Voluntary licensed suppliers

Voluntary suppliers can (but are not required to) participate in all OLR auctions, but they must make sure they have an Additional BM Unit registered in the relevant GSP Group.



The OLR process

The application and auction process – the OLR process – is intended to run as follows:



N.B. For the OLR process to be completed in line with the timings shown, the generator must provide full and accurate Project Information in step 1 and choose the earliest possible BPPA commencement date. The process can be subject to a longer timescale in limited circumstances. The Essential Guides for OLR explain, why and by how much, the timeline may be extended.

Step 1: The generator begins the process by submitting a valid expression of interest followed by complete and accurate project information.

Steps 2 and 3: Subject to receiving all the required Project Information we will determine if the applicant is eligible and if so will open an OLR auction, inviting bids from all licensed suppliers.

Step 4: Suppliers bid to enter into a BPPA by proposing a contract management fee (£/MWh) and providing a signed copy of the BPPA contract. Mandatory suppliers must bid. All other suppliers can bid if they want to.

Step 5: We will select the successful bidder. This will be the one that proposes the lowest management fee or, if more than one supplier proposes the same lowest management fee, the bid we received first.

Step 6: We will give the BPPA to the generator for them to sign.

Step 7: The agreement will commence from the date chosen by the generator (which cannot be before day 26) or five days after the agreement date, whichever is the later.

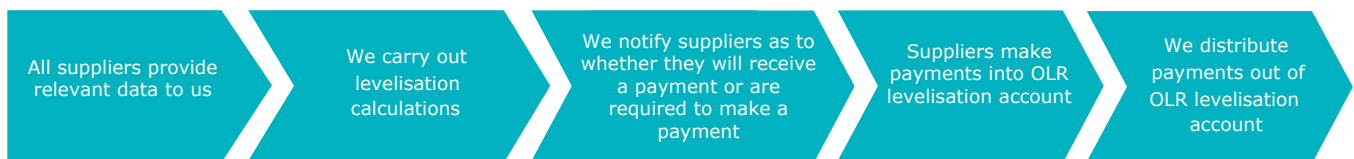
N.B. If the generator has 100MW or more of generating capacity that they are applying in relation to, the auction will be for multiple BPPAs.

Levelisation

If a BPPA is entered into in any period during an OLR year, we will carry out levelisation of the contract management fee across all licensed suppliers, in proportion to their market share of electricity supply. This will ensure that the cost to the successful bidder of entering into a BPPA is shared among all licensed suppliers.

If triggered, the following process will be carried out on a periodic and annual basis:

An OLR Year is the administrative period over which the OLR scheme is run. An OLR year will normally run from 1 April to 31 March, but the first OLR year will be a period of six months beginning on 1 October 2015.



Questions

For further information about the OLR scheme please see our website. Here you will find all the information you should need to, apply to (generators) or participate in (suppliers) the OLR scheme.

If you have any questions about the OLR you can email OLR@ofgem.gov.uk or phone 0207 901 3080.