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Climate Change Levy (CCL)

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Climate Change Levy (CCL) exemption removed

Please note, this revised FAQ supercedes the previous version published on 31 July. Question 11 is new and changes have been made to the answers to questions 6 and 10.

The Chancellor announced in the Budget statement, on 8 July 2015, the government's intention to remove the Climate Change Levy (CCL) exemption for renewable source electricity.

Renewable electricity generated on or after 1 August 2015 will no longer be eligible for the purposes of the CCL exemption.

HM Revenue and Customs (HMRC) published information including a Tax Information and Impact Note (TIIN) on 8 July.

Any queries regarding current legislation should be directed to HMRC. Contact details can be found in the TIIN.

Ofgem E-Serve is responsible for administering aspects of the CCL Exemption for Renewables scheme on behalf of HMRC. The following FAQs provide more detail about what the change means for administration of all the schemes that use LECs.We will be working closely with the government to understand how the adminstration of these schemes can be best adapted.

Frequently asked questions

1. I saw that the Budget on 8 July announced that the CCL exemption for renewable electricity has been removed, will I still be able to claim and receive LECs?

LECs relating to renewable electricity generated before 1 August 2015 will remain eligible for the CCL exemption and will be issued as usual, according to our certificate issue schedule. This schedule makes clear that we will issue LECs relating to generation in July 2015 on 15 October 2015.

As a result of the budget announcement and related Parliamentary process, it is now clear that we cannot issue LECs for any electricity generated on or after 1 August 2015. This is because the definition of renewable source electricity for the purposes of the Finance Act 2000 (and hence for LECs) has been amended.

Overseas generators should therefore not submit monthly output data claims for electricity generated after 31 July 2015. Generators located in Great Britain who are also accredited under the Renewables Obligation (RO) or Renewable Energy Guarantees of Origin (REGO) schemes should continue to submit monthly output data claims on the Renewables and CHP Register. However, LECs will not be issued for electricity generated on or after 1 August 2015. See question 4 for more details.

2. Why is this happening?

Questions concerning the policy underpinning this change should be directed to HM Treasury press office at pressoffice@hmtreasury.gsi.gov.uk

3. How does this affect stations that are going through the accreditation process?

This does not affect the process for accreditation under the CCL scheme, although only electricity generated up to and including 31 July 2015 is eligible to receive LECs.

4. How does this affect Register functionality?

This does not immediately affect Register functionality. We will review Register functionality relating to CCL accreditation and LECs in due course, and assess what changes are required.

We are unlikely to be able to complete the design and implementation of system changes until the details relating to the transition period have been agreed.

Please note, LECs will not be issued for electricity generated on or after 1 August 2015.

5. Can LECs that have or are yet to be issued still be redeemed and retired?

There will be a transition period to redeem any eligible LECs (relating to generation before 1 August 2015) which will run from 1 August 2015. HMRC will discuss with stakeholders the appropriate length of this transition period.

The ability to transfer, redeem or retire eligible LECs on our Renewables and CHP Register will continue to be available as usual throughout the transition period.

6. Do I still need LECs to have my EU Guarantees of Origin (GoOs) recognised for Fuel Mix Disclosure (FMD)?

Yes for electricity generated before 1 August 2015, but not for electricity generated from 1 August 2015, for which other evidence of supply will be required.

In line with statutory requirements relating to FMD suppliers will need to ensure that they hold sufficient GoOs to cover the quantity of overseas renewable electricity they intend to disclose for the 2015/16 FMD compliance period.

The requirement of Electricity Supply Licence Condition (SLC) 21.12(a) remains that a GB licensee may only rely on a Guarantee of Origin (GoO) issued outside Great Britain if it holds evidence that the electricity referred to in the GoO has been supplied in Great Britain. Additionally, to recognise a GoO we will need to be satisfied as to the appropriate legislative criteria[1].

In order to ensure compliance with SLC 21.12(a), suppliers should retain the proof of GB supply for the electricity in question. **We would expect suppliers to be able to present this evidence on request, and will review our process for verifying this in due course.**

Suppliers should take their own legal advice as to how to fulfil the requirements of this Licence Condition. However, the following notes may be helpful:

[1] See regulation 9 of the Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003, as amended.

- The type of evidence that we would consider appropriate includes evidence of booking *and* nomination of interconnector capacity from continental Europe to GB.
- For electricity that is implicitly traded across coupled markets, our recent consultation on LECs and market coupling aimed to identify appropriate evidence of GB supply of overseas electricity. We intend to publish a position statement in relation to this in late 2015. The conclusions of this position document will also apply to GoO recognition for FMD.
- We will provide an opinion on Financial Transmission Rights (FTRs) following our review of consultation responses.

We intend to review our GoO recognition process for FMD (and other schemes) in more detail in the coming months, and will update all affected guidance documents in line with this review. Please refer to our website for future updates on our work on GoO recognition.

7. Will I still be able to claim exempt electricity supply for Feed-in Tariffs (FIT) levelisation?

Yes, but as detailed above, no LECs will be issued on overseas renewable electricity generated from 1 August 2015. Any electricity supplied to customers in Great Britain but sourced from renewable sources and generated outside of the UK which a supplier wishes to be taken into account when calculating their own market share, should be backed by appropriate evidence. This requirement applies to all supply irrespective of whether generation was before 1 August 2015 or not.

Where there are LECs associated with electricity supplied in FIT year 6 our exisiting guidance (Feed-in Tariff Guidance for Licensed Suppliers v7.0) remains applicable.

Where there are no LECs associated with overseas renewable source electricity we would expect suppliers to hold GoOs for this electricity and be able to present evidence of supply to GB upon request. See question 6 on GoO recognition for Fuel Mix Disclosure for further details about acceptable evidence.

We intend to review our GoO recognition process for FMD (and other schemes) in more detail in coming months. We will update our Feed-in Tariff Guidance for Licensed Suppliers v7.0 in due course.

8. How will this impact on Standard Licence Condition (SLC) 21D, which relates to the supply of 'green tariffs' to domestic customers?

The requirements of SLC 21D remain unchanged. Section 21D.2 of the licence condition requires that suppliers a) hold the requisite number of Guarantees of Origin (GoOs) to support the volume of claimed renewable supply, and, b) retire any associated LECs.

There will be no associated LECs for electricity generated after 31 July 2015.

9. How will this impact on the Low Carbon Contracts Company's (LCCC) determinations for Green Excluded Electricity (GEE) under Contracts for Difference (CFD)?

The process for determining GEE under CFD is a matter for LCCC. LCCC's current process is based on existing processes used by Ofgem for Fuel Mix Disclosure (FMD), as described in LCCC guidance. As our processes will need to change, LCCC are reviewing their processes and will update stakeholders in due course.

As we review our GoO recognition process for FMD (and other schemes), we will work closely with LCCC to ensure that this remains compatible with determining GEE under CFD.

10. Will this announcement affect your consultation on LECs and market coupling?

No. We issued our consultation to seek views on how requirements for evidence of UK consumption of overseas renewable electricity could be met under market coupling. The topic of our consultation remains relevant and we will publish an update in relation to Part A of the consultation in late autumn.

11. Is there a date by when we can expect to see details of the new GoO recognition process?

We have been working to finalise our timelines for the work that has to take place following the closure of the CCL scheme. As set out above, we are currently considering our GoO recognition process for the purposes of FMD and other schemes. This is a complex area and we have to give due consideration to a wide range of factors. We intend to consult on the preferred options by the end of November.