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**8 January 2016**

CCL and REGO Team

**Open letter on proposed changes to the process for presenting GoOs to Ofgem after the removal of CCL exemption for renewables from 1 August 2015**

SSE welcomes the opportunity to provide comment on Ofgem's proposed process for presenting GoOs following the removal of the CCL exemption for renewables.

We recognise the need for Ofgem to put in place alternative processes to support the recognition of non-GB renewable electricity being supplied to GB and that it has a responsibility to ensure the validity of supplier claims under the legislation of the relevant schemes.

Given that the changes which are being consulted on relate to legislation which is currently in effect and relevant to the activities already being carried out by suppliers, we hope that Ofgem will make a timely decision on the final guidance document and any further clarifications required. We have highlighted below the key points where we are seeking clarification/confirmation from Ofgem.

Audit scope

Our initial view is that the full scope of the audit goes beyond the requirements Ofgem has previously placed on suppliers to provide assurance of GoO cancellation and evidence supply in GB (for the purposes of issuing a LEC). Specifically, we note that Ofgem now expects the supplier's procedures and fraud prevention controls to be evaluated, which we understand is not something Ofgem has undertaken itself in the past. We consider that the focus of the

audit should purely be to determine whether the supplier has robust evidence to meet the legislative requirements, specifically that they hold the relevant GoO cancellation statements and corresponding evidence of supply in GB.

#### Evidence requirements

We understand from Ofgem's 30<sup>th</sup> November workshop that it was suggested Ofgem be more explicit on the types of evidence of supply it would accept from suppliers, however at this late stage we would urge Ofgem to not make any significant changes to the types of evidence it will require suppliers to present for their 2015/16 submissions, as such changes will have to be applied retrospectively and may therefore be impossible to deliver. Suppliers will already be reliant on the information in this consultation as the only source of guidance when purchasing GoOs for the supply of electricity in GB. We consider that the guidelines set out by Ofgem in the consultation are sufficient to allow suppliers to gather a suitable level of evidence to meet the requirements under the legislation.

Any more fundamental changes to the evidence requirements should be considered only for the post 2015/16 schemes.

#### Auditor independence

We welcome Ofgem's recognition that an audit function internal to the company should be capable of carrying out this audit. However, we are seeking some further clarity on a couple of the references in Ofgem's draft guidance. Paragraph 1.9 states that the auditor must be 'independent of the company management'. Can you clarify whether this simply means that the audit function should be independent of the licenced supply company rather than independent of group company senior management (i.e. a corporate function)? The statement in paragraph 2.1; 'capable of acting independently of the GB electricity supplier', implies that this may be the case however we would welcome further confirmation.

SSE's Group Compliance function is an independent function monitoring the key (Retail; Wholesale; Networks and Enterprise) SSE businesses reporting directly to the SSE Group Executive Committee through the Managing Director, Corporate & Business Services. This ensures impartiality in its activities which are focused on the key areas of risk appropriate to each individual business area. Its activities are governed by SSE's Corporate Group Compliance Policy. The Group Compliance function has no operational responsibilities and does not own any processes that are implemented by the business.

SSE's Year 5 Feed-in Tariff Levelisation audit and Year 4 WHD audit were completed by SSE's Group Compliance function. We therefore consider that it is also appropriate for our Group Compliance function to carry out the audit process for presenting GoOs.



We would be happy to discuss any of the above with Ofgem in more detail. In the meantime please do not hesitate to contact me if you have any questions.

Yours sincerely

Lois wares  
**Regulation**