

Interested parties

Email: FITcompliance@ofgem.gov.uk

Date: 3 June 2016

Dear Stakeholder,

### **Clarification of Ofgem's calculation of Market Share Contribution**

In December 2015 DECC introduced a statutory<sup>1</sup> cap from FIT Year 7 (2016-17) on the amount of overseas electricity that can be exempted from levelisation each year. This open letter explains how we will administer the cap and how this will be reflected in the FITs guidance. This is to ensure that the policy intent underlying the legislation is met and that no suppliers are adversely impacted by its introduction.

This letter should be read together with Chapter 9 of the [Feed-in Tariff: Guidance for Licensed Electricity Suppliers](#).

For FIT Year 7 (2016-17) as set by law, the overall cap on the amount of overseas renewable electricity that can be exempted from supply for levelisation purposes is 8,117,254 MWh. In subsequent years the cap will be the amount that applied in the previous FIT year multiplied by 1.1.

- If the cap is not breached, all eligible GoOs presented for FMD may be used as evidence of the amount of supply that may be exempted for FIT levelisation;
- If the cap is breached, E-Serve's FIT team will calculate the volume of exempt supply that each supplier may exclude for FIT levelisation based on the following calculation:

Supplier exempt volume = (number of eligible GoOs presented by the licensee / total number of eligible GoOs presented by all suppliers) x cap

To ensure that the cap is applied effectively, and to ensure that suppliers are not adversely affected, the cap will be applied equally across periodic levelisation with 25% of the annual cap assigned to each quarter. We will therefore apply a cap of 2,029,314 MWh per quarter for the 2016-2017 year. In subsequent years the cap will be increased by a factor of 1.1. These calculations will form part of the April-June periodic levelisation which commences 1 July 2016. The cap will then be reconciled annually as part of annual levelisation.

The process for suppliers submitting data for periodic levelisation will not change. Information will continue to be submitted via the Central FIT Register (CFR) however, the relevant supply figure will not be confirmed until invoices or credit statements have been sent out to suppliers. We will communicate whether or not a cap has been reached each quarter as part of this process.

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<sup>1</sup> Article 27A of the Feed-in Tariffs Order 2012 (as amended)

We will keep this process under review and may revisit this in the following FIT year if there is scope for improvement.

The changes above will be reflected in the existing guidance at the next opportunity.

If you have any questions about any of the content of this letter please do not hesitate to contact us.

Yours faithfully,

Charles Hargreaves

Associate Director  
Renewable Electricity