

## Licence guide: environmental and social schemes

**This is a guide to the rules that require suppliers to participate in various government environmental and social schemes. It's relevant for suppliers of domestic and non-domestic customers.**

### KEY



Applies to electricity suppliers



Applies to gas suppliers



Applies to domestic suppliers



Applies to non-domestic suppliers\*



Some of these rules only apply to suppliers with more or fewer than a certain number of customers

\* We specifically state where rules only relate to a subset of non-domestic customers, eg microbusinesses.

### Overview of environmental and social schemes

Part of Ofgem's role is to work with energy companies and consumers to administer the government's green energy, energy efficiency, and social schemes. These are vital to meeting the UK's challenging environmental sustainability targets.

Some schemes apply to all licensed suppliers, while others apply once a supplier's customer numbers and energy outputs pass a certain threshold. Licensed suppliers must notify Ofgem E-Serve of the number of domestic customers they have on a specific date each year. They may also be required to notify the volumes of gas and electricity they supply. This is used to determine whether they are an obligated participant of any of the schemes we administer.

This guide focuses on the schemes that are covered by the gas and electricity supply licences. There are other schemes we administer too – see pages 4-5 for these. Although we administer these schemes on their behalf, the government (Department for Business, Energy and Industrial Strategy, BEIS) is ultimately responsible for many of these policies and supporting regulations.

### Key Standard Licence Conditions (SLCs) for this theme

Below are the key licence conditions that relate to this theme (environmental and social schemes). We've highlighted some parts of these rules, but you should refer to the actual SLCs for the full detail. The documents listed in the 'other useful information' section may provide more context to help you understand the intent of the rules, especially our consultation documents.

**Remember:**

**The Standards of Conduct contain enforceable overarching principles that are relevant across many supplier activities and licence guide themes.** (The Standards are SLC 0 for domestic / SLC 0A for non-domestic suppliers.) These are aimed at ensuring licensees (and their representatives in the case of domestic suppliers) treat each customer fairly. This includes behaving in a fair, honest, transparent, appropriate, and professional manner, and providing information that is complete, accurate and not misleading. Domestic suppliers also need to make an extra effort to identify and respond to the needs of domestic customers who are in vulnerable situations.

**FEED-IN TARIFFS**

**SLC 33 Feed-in Tariffs (FITs) / SLC 34 Implementation of Feed-in Tariffs**



- The [FIT scheme](#) is a government programme designed to promote the uptake of a range of small-scale renewable and low-carbon electricity generation technologies.
- Suppliers with 250,000 or more domestic electricity customers in total, or who jointly supply at least 250,000 customers with their affiliates<sup>1</sup>, are mandatory FIT licensees. Some smaller suppliers may choose to participate in the scheme voluntarily.
- All suppliers should be aware of their obligations under SLC 33 and 34 in respect of the Feed-in Tariffs scheme. Some sections apply to mandatory FIT licensees and others to voluntary licensees.
- In particular, SLC 34 requires all suppliers to cooperate with other electricity suppliers to contribute to the full and timely implementation of Feed-in Tariffs.
- All active licensed electricity suppliers are required to take part in the levelisation process. This is a process we administer in order to align the costs of the FIT scheme with the market share of each supply company.

**SLC 21C Declaration of a licensee's FIT status**



- Requires suppliers to inform customers if the supplier is a mandatory or voluntary FIT licensee, or neither, when they first start supplying a customer (or become aware that they are doing so in the case of a deemed contract) or as soon as reasonably practicable after a customer requests that information.

**OFFTAKER OF LAST RESORT**

**SLC 38A Offtaker of Last Resort (OLR)**



- The [OLR scheme](#) is a government scheme designed to help eligible generators by providing an alternative route to market for their electricity via an auction process in which a number of suppliers are mandatory participants. It is

<sup>1</sup> An "affiliate" is: a) a holding company, b) a subsidiary, or c) a subsidiary undertaking of a holding company, as defined in the Companies Act 2006.

intended as a last resort to help renewable generators who cannot get a power purchase agreement through the usual commercial means.

- SLC 38A sets out requirements on suppliers relating to this scheme. Ofgem determines mandatory licensed suppliers for each OLR year.<sup>2</sup> These suppliers must bid in all OLR auctions in that year. Other licensed suppliers can bid too.
- If an OLR auction occurs then all licensed suppliers must participate in the subsequent OLR levelisation process.

## GREEN DEAL

- The [Green Deal](#) is a scheme aiming to help consumers make energy-saving improvements to their homes and find the best way to pay for these improvements.
- The government ended public investment in the Green Deal in 2015, though Green Deal rules still apply to properties with these loans attached to them.
- In 2017, the Green Deal Finance Company (the vehicle through which the government had provided public finance) was purchased by private investors, who are now offering new Green Deal plans. The government is currently reviewing the Green Deal framework to determine the future role of the scheme and assess the potential to simplify it.

### SLC 36 Green Deal obligations



- Suppliers with 250,000 or more electricity customers are mandatory Green Deal licensees. Smaller suppliers can also be Green Deal licensees voluntarily.
- The rules in SLC 36 cover how a Green Deal licensee must collect and remit Green Deal charges, and terms that must be included in contracts for Green Deal premises.
- This SLC also includes rules around payment methods, billing frequency and direct debit payments for Green Deal bill payers.

### SLC 37 Green Deal information requirements



- Sets out information that must be included on all bills, statements of account, and annual statements sent to Green Deal bill payers.
- Also includes rules on giving Green Deal arrears notices.

### SLC 38 Green Deal Arrangements Agreement



- The [Green Deal Arrangements Agreement](#) (GDAA) is an agreement between electricity suppliers, finance parties and Green Deal providers.<sup>3</sup> It sets out the governance for payment, collection and remittance of Green Deal charges.
- This condition sets out what the GDAA must be and contain, and requires Green Deal licensees to cooperate to ensure the GDAA meets the requirements of SLC 38.

<sup>2</sup> An OLR year the twelve month period beginning on 1 April and ending on 31 March immediately preceding the date of the mandatory notice. The mandatory notice is a notice from the Authority stating that the licensee is required to participate in all auctions which take place in a particular OLR year.

<sup>3</sup> Green Deal providers arrange Green Deal plans, provide finance, and arrange for the installation of the agreed energy efficiency improvements through an authorised installer.

### SLC 19C Green Deal arrangements



- Requires suppliers to comply with any request it receives from Green Deal bill payers to reduce their direct debit payments by an amount equivalent to any Green Deal Gas Savings if the Green Deal bill payer meets specified conditions.

### SLC 35 Central charge database



- Requires suppliers to establish and maintain a [Central Charge Database](#) under the [Master Registration Agreement](#)<sup>4</sup> (MRA) to facilitate the Green Deal.
- Sets out data that must be included, and rules about sharing that data.

## GOVERNMENT ELECTRICITY REBATE (£12 rebate)

### SLC 25D Power to direct payment of rebates to domestic customers



- The [Government Electricity Rebate](#) (GER) partially refunded all domestic electricity customers for the cost of the government's environmental policies.
- The GER obligated licensed electricity suppliers to add a £12 rebate to bills in the autumns of 2014 and 2015. It was a two-year scheme and does not run anymore. SLC 25D still exists so suppliers can be directed to produce any information relating to their compliance with this condition if needed.

## Other SLCs you should consider

### SLC 21 Fuel mix disclosure



- Fuel mix disclosure requires electricity suppliers to disclose to potential and existing customers the mix of fuels (coal, gas, nuclear, renewable and other) used to generate the electricity they supply.
- Requires suppliers to hold a [Renewable Energy Guarantees of Origin \(REGO\)](#) certificate to prove their fuel mix disclosure claims. The REGO scheme is administered by Ofgem, in Great Britain on behalf of BEIS, and in Northern Ireland on behalf of the Northern Ireland Authority for Utility Regulation (NIAUR).
- The scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation. All EU Member States are required to have such a scheme.

### SLC 21A Provision of the annual statement of supply to participants of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme



- Requires suppliers to provide certain information to a participant of the CRC Energy Efficiency Scheme if they receive a request in writing to do so.
- The condition also sets out the time requirements that suppliers must follow in meeting this request.

<sup>4</sup> The MRA is an electricity code that provides a governance mechanism to manage the processes established between electricity suppliers and distribution companies to enable electricity suppliers to transfer customers.

## Obligations outside the supply licences

There are regulatory obligations relating to this theme that suppliers should be aware of other than those contained in the gas and electricity supply licences. This section is not intended to provide an exhaustive list and we remind suppliers they are responsible for ensuring compliance with all applicable laws and regulations.

Other environmental and social schemes we administer that place obligations on licensed suppliers include:

### Renewables Obligation (RO)



- Places an obligation on licensed electricity suppliers in the UK to source a proportion of their supply to customers from eligible renewable sources.
- Suppliers can meet their annual obligation by presenting Renewables Obligation Certificates, making a payment into a buy-out fund, or a combination of the two.

### Energy Company Obligation (ECO)



- A government scheme that obligates larger suppliers (who have 250,000 or more domestic customers **and** provide more than 400 gigawatt hours of electricity or more than 2,000 gigawatt hours of gas in a year) to deliver energy efficiency measures to domestic premises in Britain.

### Warm Home Discount (WHD)



- A government scheme aimed at tackling fuel poverty in Great Britain. Under the scheme, larger suppliers (with 250,000 or more domestic customers) support people who are in fuel poverty or are at risk of it.
- Some smaller suppliers also voluntarily participate in part of the scheme.

We are also responsible for administering a number of government initiatives and legacy schemes that do not directly affect licensed suppliers, including:

- **Renewable Heat Incentive (RHI)**. A government environmental scheme that provides financial incentives to increase the uptake of renewable heat. There are [domestic](#) and [non-domestic](#) versions of the scheme.
- **Climate Change Levy (CCL) exemption**. The CCL is a tax on UK business energy use, charged at the time of supply. The final recipient of supplies of electricity generated from certain renewable sources enjoy tax exemptions.

## Other useful information

Below is a (non-exhaustive) list of some other documents we have published that may help you understand the rules in this theme better, including links to parts of our website that list all of our publications regarding certain schemes.

Document	Date
An introductory <a href="#">guide</a> to the Ofgem E-Serve schemes	May 2015
Conclusions from an enforcement <a href="#">investigation</a> into InterGen’s compliance with Article 14(1) of the Electricity and Gas (Community Energy Saving Programme) Order 2009	Mar 2015
Conclusions from an enforcement <a href="#">investigation</a> into Drax’s compliance with Article 14(1) of the Electricity and Gas (Community Energy Saving Programme) Order 2009	Mar 2015
Conclusions from an enforcement <a href="#">investigation</a> into GDF SUEZ/IPM’s compliance with Article 14(1) of the Electricity and Gas (Community Energy Saving Programme) Order 2009	Mar 2015
Conclusions from enforcement investigations into British Gas’ compliance with Article 14(1) of the <a href="#">Electricity and Gas (Community Energy Saving Programme) Order 2009</a> and Article 9(1) and Article 9(1A) of the <a href="#">Electricity and Gas (Carbon Emissions Reduction) Order 2008 (as amended)</a> .	Mar 2015
Conclusions from an enforcement <a href="#">investigation</a> into ScottishPower’s compliance with Article 14(1) of the Electricity and Gas (Community Energy Saving Programme) Order 2009	Mar 2015
Conclusions from an enforcement <a href="#">investigation</a> into SSE’s compliance with Article 14(1) of the Electricity and Gas (Community Energy Saving Programme) Order 2009	Mar 2015
Conclusions from an <a href="#">enforcement investigation</a> into npower's compliance with its reporting obligations under the Renewables Obligation and Feed-in Tariff scheme	Jun 2014
Conclusions from an enforcement <a href="#">investigation</a> into E.ON's compliance with its reporting obligations under Article 16(1)(a) of the Electricity and Gas (Carbon Emissions Reduction) Order 2008	Aug 2013
<a href="#">Guidance</a> to help suppliers understand the requirements of SLC 21A, relating to the CRC Energy Efficiency Scheme	Dec 2012
Conclusions from an enforcement <a href="#">investigation</a> into British Gas' compliance with reporting requirements under the Renewables Obligation	Nov 2011
<a href="#">Information</a> for suppliers (including guidance) on the Feed-in Tariffs scheme	N/A
<a href="#">Information</a> for suppliers on the Offtaker of Last Resort scheme	N/A
<a href="#">Documents</a> on the Green Deal Arrangements Agreement	N/A
<a href="#">Information</a> for suppliers (including guidance) on the Renewables Obligation	N/A
<a href="#">Guidance</a> on the Energy Companies Obligation scheme	N/A
<a href="#">Information</a> for suppliers (including guidance) on the Warm Home Discount	N/A

NB our [website](#) has a full list of all enforcement investigations.

**We remind all suppliers** that this guide does not modify or replace the conditions in the gas and electricity supply licences. Neither is it an exhaustive list of supplier obligations or information resources. This guide is designed to introduce you to the rules, highlight relevant supply licence obligations, and signpost to key information that may help you understand these rules. Suppliers should continue to refer to the conditions outlined in the most recent versions of the [gas](#) and [electricity](#) supply licences.