



Making a positive difference  
for energy consumers

Prospective SEG Licensees and  
any others with an interest

Email: [REDevelopment@ofgem.gov.uk](mailto:REDevelopment@ofgem.gov.uk)

Date: 12 December 2019

Dear Stakeholder

### **Publication of Ofgem's final 'Guidance for SEG Licensees'**

We are writing to inform you that we have today published our final '[Guidance for SEG Licensees](#)'.

This guidance is published in accordance with Article 5 of the Smart Export Guarantee Order 2019. It clarifies how licenced electricity suppliers should administer the SEG obligation as announced by the Department of Business, Energy and Industrial Strategy (BEIS).

Publication of this final guidance follows a four-week comment period on draft guidance published on 9 October 2019 and closed for comment on 6 November 2019. Comments on the draft guidance and our decisions are set out below in Annex 1. A table of the changes made to the draft guidance is available in Annex 2.

#### Other guidance published today

You will see that we have also published our 'SEG Guidance for Generators'. This new document covers who can apply for a SEG export tariff and how.

We have also published our final 'Guidance for Anaerobic Digestion generators: SEG sustainability criteria and reporting requirements'. This document covers the sustainability criteria and reporting requirements for Anaerobic Digestion installations under the SEG.

Yours sincerely,

**SEG Policy Team**

**The Office of Gas and Electricity Markets**

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

[www.ofgem.gov.uk](http://www.ofgem.gov.uk)

## Annex 1: Summary of responses and decisions

The responses provided to our consultation, and associated decisions we have made are provided below:

**Question 1:** In determining whether a licensee is a voluntary SEG licensee, are the considerations set out in paragraph 2.3 reasonable, and are there any others we should take into account?

- 1.1. Most respondents broadly agreed that the considerations set out in paragraph 2.3 were reasonable.
- 1.2. One respondent suggested that for licensees that were close to the Mandatory SEG Licensee threshold of 150,000 customers, we could consider other sources of data to determine whether they meet the threshold, such as through other regulatory submissions.
- 1.3. Another respondent suggested that our proposed date for notification of 14 February was too early.

### **Decision(s)**

- 1.4. Based on the comments we have received, we will proceed with the proposed process set out in paragraph 2.3. The 14 February notification date is set out in the SEG Order 2019 on which we have based our process, and we therefore do not have the discretion to change this date.

**Question 2:** Is our proposed approach in paragraph 2.6 to requesting information from licensees for SEG Year 1 reasonable?

- 2.1. Most respondents agreed that the approach we proposed in 2.6 of our guidance was reasonable.
- 2.2. One respondent suggested that we should also require licensees with fewer than 150,000 customers, who do not opt to be voluntary SEG licensees, to state their reason for not participating.
- 2.3. Another requested that we should include in our guidance the date that licensed electricity suppliers should provide SEG notification to us for the first SEG year and share the draft template that licensees will use to submit their SEG notification.

### **Decision(s)**

- 2.4. On the basis of the responses we have received, we will proceed with the approach set out in paragraph 2.6. The date licensed electricity suppliers will be expected to notify us of their SEG status for the first year will be 14 February 2020. We have included this in our final guidance.
- 2.5. We will not add to our guidance a requirement that licensees with fewer than 150,000 state their reason for not participating in the SEG. The notification requirements for licensees are set out clearly in the Supply Licence Conditions, and

do not include this requirement.

- 2.6. The SEG notification template follows the style of the Energy Company Obligation (ECO) and Warm Home Discount (WHD) templates and will be sent to all suppliers in January 2020.

**Question 3:** Are the approaches set out in 4.8 and 4.9 appropriate, and are there any other approaches we should take into account?

- 3.1. Several respondents welcomed the discretion provided for in determining which installations should be offered a SEG tariff, while others raised concerns around consumer protection and fraud risk.
- 3.2. Several respondents suggested that the tick-box approach set out in paragraph 4.8 of the SEG guidance for suppliers could allow ineligible or fraudulent installations to more easily receive SEG payments. Some suggested that the proposed approach could lead to consumer protection and safety issues. Other respondents suggested that allowing licensees to determine whether an installation met the eligibility requirements to receive a SEG tariff would be administratively burdensome for the licensee and lead to confusion amongst potential generators, as decisions would differ by licensee. This would potentially mean licensees would make payments to installations that are not eligible for SEG Payments.
- 3.3. One respondent suggested that Ofgem should operate the accreditation process for prospective SEG Generators in the same manner as we do under the Feed-in Tariff (FIT) scheme for non-MCS applications (referred to as the ROO-FIT accreditation process).
- 3.4. One respondent suggested that this section of the guidance should be clarified to make it clear that an 'equivalent scheme' is a scheme accredited in accordance with EN 45011 or EN ISO/IEC 17065:2012.
- 3.5. Several respondents suggested that our guidance should indicate the availability of an application-programming interface (API) system which would allow licensees to check an installation's MCS certificate number against the MCS Installation Database to verify their certification.

### **Decision(s)**

- 3.6. Based on the comments we have received, we will amend the guidance to detail two separate arrangements – one for MCS or equivalent installations and one for non-MCS installations. For PV, wind and micro-CHP installations with a declared net capacity (DNC) of 50kW or less, applicants should provide their MCS certificate or demonstrate that their installation meets the 'equivalent scheme' requirements. For all other installations we will retain the proposed approach set out in paragraphs 4.8 and 4.9 of the draft guidance.
- 3.7. The SEG policy is different to other government schemes that are currently administered by the electricity suppliers. It places obligations on suppliers to offer SEG tariffs and make SEG payments in certain circumstances. Where those circumstances are not met, those obligations do not come into play but SEG

licensees can still offer tariffs and make payments if they wish. With this in mind, each supplier could take a different approach to eligibility and payments; some suppliers may wish to offer SEG tariffs and payments only where the precise requirements of the legislation are met, whereas others may prefer to offer SEG tariffs and payments in a broader range of circumstances. As a result, eligibility and fraud considerations are largely the responsibility of SEG Licensees.

- 3.8. We encourage SEG licensees to consider their fraud prevention strategies alongside the SEG legislation and how their SEG tariff(s) will operate alongside their different business models. We would also encourage SEG Licensees to update their existing FIT fraud prevention strategies to ensure generators are not claiming FIT export payments and SEG payments at the same time. The guidance has been amended to reflect this.
- 3.9. We will also change the guidance to refer explicitly to the definition of 'Equivalent Scheme' in the licence conditions.
- 3.10. We will not be introducing a ROO-FIT style accreditation process, given there is no provision in the SEG legislation for this.

**Question 4:** Is the timeframe set out in paragraph 5.2 by which licensees are required to submit their annual reporting reasonable?

- 4.1. Several respondents identified that the deadline date for submission of the notification of 31 June was a typographical error, but stated that, assuming the date should have been 30 June, they considered the timeframe set out in paragraph 5.2 to be reasonable.
- 4.2. Others suggested that Ofgem consider aligning SEG reporting timing with the August FIT annual reporting date.
- 4.3. Several respondents requested that Ofgem share the draft data template that licensees will be expected to use as early as possible in order to allow licensees to provide feedback and to develop their internal processes necessary to report. The template has since been shared with all suppliers.

#### **Decision(s)**

- 4.4. While the responses to this question was mixed, more respondents agreed with 30 June. As such, we have decided to go ahead with the reporting date of 30 June.

**Question 5:** Is there anything that you believe is missing from this draft guidance document?

- 5.1. There were a variety of responses to this question ranging from simple drafting clarifications to wider industry questions about the management of smart meters and switching for export customers.
- 5.2. Given the purpose of this guidance is to provide information to electricity supply licensees on the SEG policy, drawing on the SEG Order and Supply Licence Conditions wider industry considerations such as switching and smart meter management are not covered in this guidance as they are not SEG policy related

**The Office of Gas and Electricity Markets**

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

[www.ofgem.gov.uk](http://www.ofgem.gov.uk)

issues.

5.3. The remainder of this section discusses issues raised under question 5 of the consultation our decisions.

5.4. **Issue** - Several respondents questioned whether estimated meter readings were acceptable, whereas others highlighted instances in which making SEG Payments based on estimates would be preferable to taking manual readings. Two respondents commented that paragraph 3.3 should mention that export meters should be capable of recording in half-hourly intervals.

**Decision** - The SEG policy places an obligation on suppliers to offer SEG tariffs and make SEG payments in certain circumstances. Where those circumstances are not met, that obligation does not exist but SEG licensees can still offer tariffs and make payments if they wish. We have updated our guidance to make this clearer.

5.5. **Issue** - Several respondents suggested that we should amend the Central FIT Register (CFR – the Register of all accredited FIT installations) so that the licensees can use an application-programming interface (API) to check to whether prospective SEG generators are in receipt of FIT export payments. One respondent commented that we should clarify that a SEG tariff can only be requested from one SEG licensee at any one time. And a number of respondents requested that we include reference to the fact that a customer could receive SEG payments from one supplier, FIT payments from another and receive import supplies from a third.

**Decision** - At present, we do not intend to design an API. However, we have introduced functionality into the CFR to enable suppliers to check whether an installation is in receipt of FIT export payments using the import or export MPAN. We will also amend the guidance to confirm that SEG payments can only be received from one supplier at a time, and that a customer could potentially have contracts with three different suppliers for SEG, FIT and import.

5.6. **Issue** - One respondent commented that, where a SEG licensee's status changes to no-longer be a voluntary or mandatory SEG licensee, it should not be able to recruit new customers in January-March before the status change on 1 April. Their concern was that the SEG licensee could offer a time-limited SEG tariff to attract new import customer without being transparent about the time-limited nature of the tariff offering.

**Decision** – The SEG legislation does not allow for Ofgem to prevent recruitment of customers in the way described, however, we expect licensees to behave in a fair, honest, transparent, appropriate and professional manner. All licensees are obligated to provide information that is complete, accurate and not misleading, and as such, we do not intend to change the guidance.

5.7. **Issue** - Two respondents requested that we amend the guidance to make it clearer that where an insolvency event happens, the new SEG licensee will not be liable to make SEG payments for export between the point of the previous SEG licensees insolvency and a SEG tariff being agreed with a new SEG licensee.

**Decision** - We will expand paragraph 2.15 to make the position clearer.

- 5.8. **Issue** - One respondent identified a discrepancy between our guidance and the SEG Order. They noted that our guidance suggests that licensees must report on how much export has been the subject of SEG Payments that have been made, whereas Article 7 of the SEG Order states that the report must detail how much generation has been the subject of SEG Payments.
- 5.9. **Decision** - We agree with the respondent that Article 7 of the SEG Order states that we must report on 'how much generation has been the subject of SEG payments'. We consider that the intent of the drafting of the Order was to refer to export, given SEG payments are made for export and not generation. We consider it to be appropriate to request export data only.
- 5.10. **Issue** - One respondent expressed concern that the SEG would not provide a deployment database of the kind available for the Feed-in Tariff (FITs). The respondent requested that the SEG annual report contain data from licensees that would allow deployment to be tracked at Local Authority level.
- 5.11. **Decision** - Ofgem's data collection role in the SEG is limited by the SEG legislation. The Department for Business, Energy and Industrial Strategy (BEIS) explored creating a SEG deployment database as part of its consultation on introducing the SEG. BEIS ultimately decided not to legislate for such a database; this is explained in the [SEG government response \(pages 36-37\)](#). While we appreciate that a deployment database similar to that in the FIT scheme may be beneficial, such a database for the SEG would be expensive, administratively burdensome and outside of the scope of Ofgem's role as provided for in legislation.
- 5.12. The '[Energy Data Taskforce: A Strategy for a Modern Digitalised Energy System](#)' report, published in June 2019, makes a number of recommendations including the development of a sector wide Asset Registry Strategy. The recommendations of this report are being carefully considered by government and Ofgem.
- 5.13. **Issue** - Another respondent requested that we confirm whether the guidance applies to the entire British Isles.
- 5.14. **Decision** - We confirm that the policy applies to Great Britain only and not to the British Isles. This is explained in the 'Overview' section of the Guidance for SEG licensees.
- 5.15. **Issue** - Two respondents commented that a term from the electricity supply licence conditions was missing from the 'written confirmation of the export tariff' section in paragraph 3.10.
- 5.16. **Decision** - We will update the guidance to ensure all terms are included.
- 5.17. **Issue** - One supplier requested that we include a section in the guidance discussing extensions to FIT accredited installations.
- 5.18. **Decision** - We have considered this situation and, given the number of scenarios that could occur relating to extensions that must be explored and the potentially complex administration that could be required to ensure no double counting, we do not intend to include extensions in the guidance at this time. We encourage suppliers to feedback extension scenarios that they encounter and the decisions

made on these, so that we can consider including a section covering extensions in future versions of the guidance. Suppliers can do so by contacting us at [REDevelopment@ofgem.gov.uk](mailto:REDevelopment@ofgem.gov.uk).

- 5.19. Annex 2 below details the changes that we have made throughout the supplier guidance document.

## Annex 2: Key changes to the draft 'Guidance for SEG licensees'

The table below outlines the key changes to the draft guidance.

<b>Changes made</b>	<b>Page</b>	<b>Paragraph</b>
Added 14 February 2020 as the date the first annual SEG notification should be made to Ofgem	3	2.6
Paragraph 2.15 on insolvency has been moved to Chapter 3	4	2.15 (removed)
Added paragraph 3.2 to explain that the SEG licensee does not need to be the same as the import supplier	5	3.2
Added paragraph 3.3 to explain that bundled tariffs are allowed but that offering a bundled tariff alone is not sufficient to meet the SEG obligation	5	3.3
Updated to include reference to the need for an export meter to be capable of measuring half-hourly	5	3.5
Updated to provide the option of accepting estimates	5	3.6
Missing line from the Standard License Conditions added	6-7	3.11
Insolvency section expanded	7	3.14-3.16
Added paragraph 4.3 to explain a SEG generator can only receive a SEG export tariff from one SEG licensee	8	4.3
Suitable certification section restructured and expanded to differentiate between PV, wind and micro-CHP 50kW or less and all other installations	8-9	4.6-4.14
Updated to expand on the use of estimates	10	4.19
Amended 4.23 to refer to claiming SEG and FIT export payments could constitute fraud and added 4.24 to discuss adding an annex to existing FIT fraud prevention strategies	11	4.23 and 4.24
Amended to clarify that this paragraph relates to adding capacity to SEG eligible installations	11	4.30
Amended to explain that where multiple technologies connect to grid using the same grid connection, a SEG export tariff can sought from one SEG licensee only	11	4.31
Sustainability requirements section re-written to clarify the process for AD installations	12	4.32-4.39
Updated paragraph 5.1 to mirror the SEG Order	14	5.1
Updated to correct the date to 30 June	14	5.3