

Decision on market coupling and Levy Exemption Certificates, and applicability to other schemes

Final decision

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Overview:

This document outlines our decision on market coupling and Levy Exemption Certificates, following our consultation and calls for evidence. We also present how we intend to apply the rationale behind this decision to other schemes that also require proof of GB consumption or supply of overseas renewable electricity, particularly recognising EU Guarantees of Origin (GoOs) for the purposes of Fuel Mix Disclosure (FMD), and then the Feed in Tariff (FIT) and Contracts for Difference (CFD).

We have decided to recognise that evidence of both explicit and unconstrained implicit trading may be used to prove that a given unit of overseas renewable electricity is consumed or to be consumed in the UK for the purposes of the CCL exemption for renewables, and hence for LEC issue.

It is our understanding that **the outcomes of this decision on LECs are equally applicable to recognising GoOs for FMD (and then FIT and CFD)**, but we are keen to better understand industry's views on this.

Alongside this decision document, we are also publishing a consultation document¹, as the analysis underpinning this decision found other areas on which we need further input.

¹ <https://www.ofgem.gov.uk/publications-and-updates/consultation-proof-uk-consumption-overseas-electricity>

Context

Under the Climate Change Levy (CCL) exemption for renewable source electricity scheme, overseas generators are required to hold evidence that the electricity on which they are issued Levy Exemption Certificates (LECs) is consumed or to be consumed in the UK.

Providing proof of UK consumption of overseas electricity is not straightforward under market coupling. It relies on the power exchanges implicitly allocating cross-border interconnector capacity based on price differentials, rather than market participants explicitly booking and nominating interconnector capacity.

Because this issue is complex, we held an open consultation from March to June 2015 to seek stakeholder views on how to prove UK consumption of overseas electricity for the CCL Exemption for Renewables under market coupling, and in particular, the evidence required in this case.

Following the removal of the CCL exemption for renewables, this question has become less relevant for LECs. It is however more relevant for other schemes that also require proof of GB consumption or supply of overseas renewable electricity, including Fuel Mix Disclosure (FMD), Feed in Tariffs (FIT) and Contracts for Difference (CFD).

Alongside this decision document, we are also publishing a further consultation document, as we have identified further areas which we require stakeholder input on.

Associated documents

Consultation on market coupling and Levy Exemption Certificates

<https://www.ofgem.gov.uk/publications-and-updates/consultation-market-coupling-and-levy-exemption-certificates-lecs>

Climate Change Levy: Renewables Exemption Guidance for Suppliers and Generators

<https://www.ofgem.gov.uk/publications-and-updates/climate-change-levy-renewables-exemption-guidance-suppliers-and-generators>

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

<https://www.ofgem.gov.uk/publications-and-updates/open-letter-proposed-changes-process-presenting-goos-ofgem-after-removal-ccl-exemption-renewables-1-august-2015>

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Executive Summary

Consultation context and responses

From March to June 2015, we held an open consultation on market coupling and Levy Exemption Certificates, (LECs) and called for evidence on wider impacts. We received 27 responses, from generators, suppliers, energy traders, green certificate issuing bodies, and trade associations operating in the UK and overseas.

The key questions were: whether it is possible to provide proof that given units of overseas renewable electricity are consumed or to be consumed in the UK when the electricity has been traded implicitly across coupled markets, and, if so, what evidence could be used. Eighty percent of respondents supported allowing implicit trades in some way, whether unconstrained or with a cap. Around 75% of respondents said that it would be possible to evidence this and provided examples of what the evidence would look like. Fifty percent were against limiting the issue of LECs to electricity that has been explicitly traded. The stakeholder responses fed into the subsequent analysis.

Since we published our consultation there have been significant changes to the renewables market. The CCL exemption for renewable electricity has now been closed and so the question of proof of consumption under market coupling is now much less relevant for LECs. However, it remains relevant for other schemes, such as recognising EU Guarantees of Origin (GoOs) for Fuel Mix Disclosure (FMD) and then for Feed in Tariffs (FIT) and Contracts for Difference (CFD), as well as for historical LECs.

We commissioned a consultancy report from Europe Economics (EE) to review the consultation responses, define options for recognising implicit flows of renewable power under market coupling, and analyse the options in terms of the administrative burden, volume impacts and risk. This report is published alongside this decision document².

Decision

Having considered the consultation responses and EE report, **we have decided to recognise that evidence of both explicit and implicit trading may be used** to prove that a given unit of overseas renewable electricity is consumed or to be consumed in the UK for the purposes of the CCL exemption for renewables. This is primarily because there is no statutory rationale for not recognising implicit trading across coupled markets for this purpose. Although there may have been technical or

² https://www.ofgem.gov.uk/sites/default/files/docs/proof_of_flow_under_market_coupling_-_europe_economic_report.pdf

economic reasons making it impossible in practice to provide such evidence, the consultation responses we received made it clear that most respondents felt this was not the case and were able to provide specific examples of evidence that could be used.

Furthermore, the consultation responses we received made it clear that it would be possible in practice to provide this evidence. Indeed, a large majority of respondents felt that implicit trading should be recognised in some way for LEC purposes, albeit if capped.

We have also decided **not to introduce a cap on the volume of implicit flows that can be recognised** for the purposes of the CCL exemption for renewables, again because of its lack of statutory basis. However, we also note that a cap would: i) make the schemes it applied to significantly more complex; ii) make volumes of renewable electricity imports GB suppliers could have recognised in any given period significantly more uncertain and unpredictable; iii) distort the market (favour trading in the forward timeframe over the day-ahead and intraday ones), and iv) likely result in some renewable electricity and certificates not being recognised, despite having been procured legitimately.

It is our understanding that the **outcomes of this decision on LECs are equally applicable to recognising GoOs for FMD (and then FIT)**, but we are keen to better understand industry's views on this. We also intend to advise the Low Carbon Contracts Company (LCCC) to apply this decision in its determinations of Green Excluded Electricity under CFD.

Further consultation

We recognise that some details relating to our overall decision still need to be consulted on. Specifically, at the same time as this decision document, we are publishing a further consultation document with questions relating to:

- i) the specific evidence that may be presented;
- ii) the applicability of CCL conclusions to other schemes; and
- iii) the applicability of existing processes to this type of evidence.

1. Introduction

Background

The Climate Change Levy and Levy Exemption Certificates

1.1. Ofgem E-serve is responsible for administering LECs, as part of the CCL exemption for renewables scheme. Under this scheme, accredited generators from overseas are eligible for LECs. The LECs are traded with the electricity they represent. Ultimately, licensed electricity suppliers use them as part of fulfilling the requirements of the CCL renewables exemption to HMRC.

1.2. The CCL regulations³ state that the Authority does not need to issue a LEC unless it is satisfied that the certificate represents electricity that is “consumed or to be consumed” in the UK. Therefore, applicants need to demonstrate upfront that there is a potential pathway for the electricity to flow to the UK and to sign an annual consumption declaration. They must ensure they can show the relevant documentation at any subsequent audit.

1.3. The documentation required is a clear contractual chain linking a specific generator (to whom the LECs are issued) to a supplier in Great Britain (GB)⁴. Historically, the main evidence the Authority has been presented with has included evidence of booking and/or nomination of sufficient interconnector capacity linking the continent to GB.

Market coupling

1.4. There is currently a shift at European level towards greater market coupling and trading of electricity through implicit allocation in the short term timeframes. This optimises the use of cross-border capacities between markets in different countries. It does so by using a co-ordinated price formation mechanism, based on the overall orders placed on different exchanges.

1.5. Under market coupling, cross-border interconnector capacity is allocated implicitly by the power exchanges based on price differentials between the coupled markets. As such, market participants do not explicitly book or nominate the interconnector capacity required for a particular cross-border trade.

³ <http://www.legislation.gov.uk/ukxi/2001/838/made>

⁴ For electricity supplied in Northern Ireland, the competent authority is the Northern Ireland Authority for Utility Regulation (NIAUR).

1.6. Market coupling has been used in GB since 2011, when day-ahead market coupling was introduced across the BritNed interconnector, which links GB and the Netherlands. In February 2014, day-ahead market coupling was extended to the Interconnexion France-Angleterre (IFA) interconnector, linking GB and France. Since then, the North-Western European (NWE) project has price-coupled the day-ahead GB market with those of 18 European countries⁵.

1.7. The Regulation on Capacity Allocation and Congestion Management (CACM) requires all EU cross-border capacity in the day ahead and intra-day timeframes to be allocated implicitly, through a single implicit auction at day ahead and through single implicit continuous trading in the intraday market.⁶ To achieve this, CACM requires Transmission System Operators (TSOs) and Nominated Electricity Market Operators (NEMOs) to develop and propose common methodologies, terms and conditions for approval by National Regulatory Authorities (NRAs) within fixed legal timelines. As such, single day ahead and intraday coupling are expected to be fully implemented by mid-2018.

1.8. Once this has happened, the explicit booking and nomination of interconnector capacity will only be possible in the forward timeframe. However, the forthcoming regulation on Forward Capacity Allocation (FCA) will further formalise these trading arrangements.⁷ FCA will require forward capacity to be explicitly allocated in the form of either physical or financial transmission rights (PTRs or FTRs). In the case of FTRs, these may be either options or obligations. If only FTRs are available on a border, it is not clear how proof of UK consumption of overseas electricity would be provided.

Consultation on market coupling and Levy Exemption Certificates and call for evidence on wider impacts

Consultation purpose

1.9. Our published guidance on the CCL exemption for renewables scheme does not currently address market coupling or the implicit trading of electricity. Many stakeholders have been keen to understand more about routes for consumption in the UK and what evidence would be required to demonstrate this when this type of trading is used.

1.10. Given the nature and complexity of this issue, we decided to hold an open consultation to seek views on how to prove the UK consumption of overseas

⁵ Belgium, Denmark, Estonia, Finland, France, Germany, Austria, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Sweden, Italy, Slovenia, Spain, and Portugal

⁶ The CACM Regulation entered into force 14 August 2015: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32015R1222&from=EN>

⁷ The FCA Regulation was agreed by EU Member States on 30 October 2015, and is expected to enter into force in 2016.

electricity for the CCL under market coupling, and in particular, the evidence required in this case.

Recent developments

Closure of CCL exemption for renewable source electricity

1.11. The Chancellor announced in the summer 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 is no longer eligible for the CCL exemption, and LECs cannot be issued on it.

Continuing relevance to other schemes

1.12. LECs are currently the only instrument demonstrating the supply of overseas electricity to the UK. That is why LECs are used for several non-CCL purposes, to prove UK supply of overseas renewable electricity. This includes the Feed-in Tariff (FIT), the Green Tariff conditions, and Fuel Mix Disclosure (FMD). Additionally, LECs are used in this way in the Contracts for Difference (CFD) scheme⁸.

1.13. With the removal of the CCL exemption for renewables, it is clear that we are no longer able to use LECs for proof of GB supply in other schemes. For this reason, we reviewed our process for recognising GoOs for FMD, to remove the LEC dependency. This feeds into other schemes, including FIT and CFD. We recently published a consultation on this new process, which closed on 8 January 2016.

1.14. In this context, the question proof of consumption under market coupling is now much less relevant for LECs. However, it remains relevant for these other schemes, as well as for historical LECs.

1.15. Our consultation on market coupling and LECs and the call for evidence on wider impacts specifically looked at the question of proof of UK consumption of overseas electricity in the context of the CCL Regulations. We assume the conclusions are applicable to proof of GB supply under the FMD regulations, and can also be carried through into FIT and CFD, but will consult further on this point.

⁸ The determination of green imports in the CFD scheme is the responsibility of the Low Carbon Contracts Company (LCCC), with Ofgem acting in an advisory capacity.

2. Consultation responses

Consultation questions

2.1. Our consultation on market coupling and Levy Exemption Certificates and call for evidence on wider impacts consisted of two parts, which served different purposes.

2.2. Part A contained questions about the consultation itself. It sought stakeholder views on proof of UK consumption of overseas electricity in the context of the CCL exemption for renewables, and in particular, the evidence required in this case.


2.3. The Part A questions were:

- 1) Where renewable electricity is traded implicitly across coupled markets, is it possible to evidence that the electricity is consumed (or to be consumed) in the UK? Please explain your answer.
- 2) What evidence might generators use to demonstrate that an overseas LEC represents electricity that is, or is to be, consumed in the UK when that electricity has been traded implicitly across coupled markets?
- 3) Are stakeholders aware of any reasons for limiting the issue of overseas LECs to electricity that has been, or is to be, explicitly traded? Please explain your answer.

2.4. Part B contained questions about views and evidence on the use of LECs to prove UK consumption of overseas electricity under schemes other than CCL, and on the wider effects of formalising our GB supply evidence requirements under market coupling.

2.5. The Part B questions were:

- 4) Are stakeholders aware of alternative ways of demonstrating proof of GB supply of overseas electricity that do not involve LECs, and, if so, what are they?
- 5) Do stakeholders currently acquire LECs purely for non-CCL purposes?
- 6) What do stakeholders foresee as potential impacts if:



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- Overseas renewable electricity can be demonstrated as consumed (or to be consumed) in the UK where it has been implicitly traded, and LECs are issued for this accordingly?
- Overseas renewable electricity was only accepted as consumed (or to be consumed) in the UK (and LECs issued accordingly) where there is explicit booking and nomination of interconnector capacity?
- It would be helpful to have responses to this question cover what the impacts would be on:
 - The electricity markets (volume, price, distributional issues)
 - CCL and UK renewable electricity schemes, including FMD, FiT, CFD, and SLC 21D

2.6. Our consultation document made it clear that the views and evidence presented by stakeholders for Part B would not influence the decisions taken in relation to Part A.

2.7. For this reason, this decision document focuses primarily on the responses provided to Part A of the consultation, although key figures relating to the responses to Part B are presented in the summary below.

Consultation responses

Responses received

2.8. We received 27 responses to the consultation. The respondents were generators, suppliers, energy traders, green certificate issuing bodies and trade associations operating in GB and overseas. The non-confidential responses are published alongside this decision document.

Approach to the analysis of responses

2.9. Following the closure of the consultation, we commissioned a consultancy report from EE to review the consultation responses, define options for recognising implicit flows of renewable power under market coupling, and analyse the options in terms of administrative burden, volume impacts and risk.

2.10. This report is published alongside this decision document⁹.

2.11. The EE report includes a full analysis of the responses to the consultation, which is not reproduced here. However, we include a summary of responses received on the next page and also present the key results that influenced our decision.

⁹ https://www.ofgem.gov.uk/sites/default/files/docs/proof_of_flow_under_market_coupling_-_europe_economic_report.pdf

High-level summary of responses

QUESTION	YES	NO	N/A	KEY
Part A: Consultation on market coupling and Levy Exemption Certificates				
Question 1: Where renewable electricity is traded implicitly across coupled markets, is it possible to evidence the electricity is consumed (or to be consumed) in the UK? Please explain your answer.	19	7	1	Yes = Possible No = Not possible
Question 2: What evidence might generators use to demonstrate that an overseas LEC represents electricity that is, or is to be, consumed in the UK when that electricity has been traded implicitly across coupled markets?	21*	6	0	Yes = Evidence provided No = Not provided
Question 3: Are stakeholders aware of any reasons for limiting the issue of overseas LECs to electricity that has been or is to be explicitly traded? Please explain your answer.	13	13	1	Yes = Agree with limiting to explicit No = Disagree
Part B: Call for evidence on the use of LECs in renewable electricity schemes and on wider impacts				
Question 4: Are stakeholders aware of alternative ways of demonstrating proof of GB supply of overseas electricity that do not involve LECs, and, if so, what are they?	12	12	3	Yes = Aware of alternatives (described) No = Not aware
Question 5: Do stakeholders currently acquire LECs purely for non-CCL purposes?	4	16	7	Yes = They do No = They do not
Question 6: What do stakeholders foresee as potential impacts if:				
6.1 Overseas renewable electricity can be demonstrated as consumed (or to be consumed) in the UK where it has been implicitly traded, and LECs are issued for this accordingly?	22	5	0	Yes = Potential impacts described No = Not described
6.2a Overseas renewable electricity was only accepted as consumed (or to be consumed) in the UK (and LECs issued accordingly) where there is explicit booking and nomination of interconnector capacity? – Impact on electricity markets (volume, price and distributional issues)	15	12	0	Yes = Potential impacts described No = Not described
6.2b Overseas renewable electricity was only accepted as consumed (or to be consumed) in the UK (and LECs issued accordingly) where there is explicit booking and nomination of interconnector capacity? – Impact on CCL and UK Renewable Electricity schemes, including FMD, FIT, CFD, and SLC 21D	5	22	0	Yes = Potential impacts described No = Not described

(*) We note that more respondents have responded “yes” to Question 2 (ie provided examples of evidence) than to Question 1 (ie whether they consider that one can provide such evidence). We understand some participants have interpreted Question 1 as referring to physical evidence and Question 2 as referring to notional evidence.

Key results

2.12. The key results from Part A of the consultation are:

- Nineteen out of 27 respondents (70%) felt that it *is* possible to show evidence that electricity traded implicitly across coupled markets has been consumed in the UK.
- Furthermore, 21 out of 27 respondents (78%) suggested evidence that might be presented in this case. The number of respondents giving examples of evidence is higher than the number who said it is possible to provide such evidence because some respondents appear to have interpreted the first question as applying to evidence of physical flow only, and the second as including evidence of notional flow.
- However, 13 out of 27 respondents (48%) felt that despite this, there are nonetheless some reasons for limiting the issue of overseas LECs to electricity that has been or is to be explicitly traded.

2.13. The responses to Part B are not discussed further, as they did not feed into the decisions in relation to Part A, but there is further discussion of the responses to Part B in the EE report.

3. Options considered

Options definition

3.1. Based on the stakeholder responses, EE defined and analysed specific options for recognising implicit flows of renewable power under market coupling:

- **Option 1 – Explicit-only:** Ofgem only accepts evidence of forward trades as evidence of renewable source electricity consumed, or to be consumed, in the UK. For each forward trade, market participants make capacity bookings and nominations explicitly. Ofgem accepts evidence of nominations / bookings as evidence of the notional flow.
- **Option 2 – Explicit and unconstrained implicit:** Ofgem accepts evidence of both forward trades and day-ahead and intraday trades as evidence of renewable source electricity consumed or to be consumed in the UK. In day-ahead and intraday market, a least-cost algorithm determines interconnection capacity bookings implicitly based on bids for power.
- **Option 3 - Explicit and constrained (capped) implicit:** Ofgem accepts evidence of all forward trades but only a share of the day-ahead and intraday trades as evidence of renewable source electricity consumed or to be consumed in the UK. The share recognised is based on a pre-defined cap.

3.2. For Option 3, EE defined several possible capping sub-options:

- **Theoretical maxima**, including:
 - Simple capacity cap: Implicit cap is the total interconnector capacity less the explicit renewable import claims presented to Ofgem.
 - Reserved capacity cap: Implicit cap is equal to the capacity on the interconnector which is reserved for implicit trading (ie a predefined percentage of interconnector capacity).
 - Theoretical maximum assuming 100% netting of explicit capacity: Implicit cap is equal to the total capacity of the interconnector (this approximates the maximum flow possible assuming that explicit imports/exports are 100% netted, but ignoring intraday trading).
- **Available capacity:** Implicit cap is determined taking into account what the nominated export flows were (accessed from ENTSO-E data).

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- **Flow-based:** Ofgem sets the cap on implicit flows at a level equal to the estimated historic implicit import flows (ENTSO-E data)

3.3. In addition to this, Option 3 would require a means of allocating the capped amount of implicit flows recognised to the relevant individual market participants. There are two main ways of doing this:

- **Pro-rata:** The capped amount could be capped using a simple pro-rata allocation based on historical implicit sell trades of renewable in the coupled markets over the relevant period. Ofgem would add up the claims on implicit sell trades, calculate the share of each participant in the total and allocate the cap proportionally to the shares.
- **Auction-based:** Ofgem or the interconnector operators could administer an auction to allocate retrospectively the capped amount to eligible participants. Eligibility could be restricted to participants involved in implicit sell trade of renewable over the relevant period.

Respondents' preferred option

3.4. The consultation could not ask stakeholders to say whether they preferred any of the specific options being considered. However, from the stakeholder responses to the questions in Part A, EE could ascertain which option their answers were most consistent with.

Consultation respondents' implied favoured option

Option	Number of respondents
Option 1 - Explicit-only	5
Option 2 - Explicit and unconstrained implicit	8
Option 3 - Explicit and constrained implicit	13

Note: Figures add up to 26 because one respondent described the different options without giving their view on the most desirable one. Some respondents have approached the question of the option as a binary one, eg either explicit only or explicit and unconstrained implicit. In one case, we have allocated it to explicit-only but the answer implied that the respondent may have supported an option with a cap if presented with it. One respondent provided details of how a cap might work in practice but said that it would remain insufficient under CCL requirements. We have allocated this respondent to explicit-only.

3.5. A summary of the arguments put forward by respondents on recognising implicit flows for LECs (and GoOs in some cases), both with and without a potential cap, is in the Appendix to the EE report.

Discussion

Statutory and technical considerations

3.6. The CCL Regulations state that a Levy Exemption Certificate (LEC) represents “electricity consumed, or to be consumed, in the UK”, without further detail. The legislation does not specify exactly what types of electricity trading may, or may not, be used as evidence of this. So there is, no statutory rationale for not recognising implicit trading across coupled markets for this purpose.

3.7. Although there may have been technical or economic reasons making it impossible in practice to provide such evidence, the consultation responses we received made it clear that:

- Most respondents feel that this is not the case, ie that it is possible to provide evidence that electricity that is traded implicitly across coupled markets has been consumed in the UK; and
- Most respondents were able to provide examples of specific evidence that might be used for this.

3.8. In addition to this, the responses indicated that a large majority of respondents felt that implicit trading should be recognised in some way for LEC purposes, albeit if capped.


3.9. Overall, **recognising that evidence of both explicit and unconstrained implicit trading may be used to demonstrate that the electricity LECs represent is consumed, or to be consumed, in the UK is the option most consistent with the requirements of the UK legislation.** We also note that stakeholders broadly support it.

Considerations relating to caps

3.10. Many respondents to the consultation mentioned the possibility of capping recognition of implicit flows. Europe Economics interpreted over 50% of responses as preferring this option.

3.11. The arguments presented in favour of this centred on the cap providing a more ‘realistic’ assessment of actual electricity flows into the UK, since it enables the notional flows recognised to be linked back to physical attributes of the interconnector, such as overall capacity or amount of capacity reserved for implicit trading.

3.12. For this reason, EE considered how such a cap might work in practice (summarised above), which let us conclude that:



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- Although a cap on implicit flows appears intuitively reasonable, it is not clear on what statutory basis it would be administered.
- Setting the cap would not be straightforward. EE identified a number of capping options, ranging from a 'simple capacity cap' to a full 'flow based cap'. Between the capping options, there is a clear trade-off between simplicity, predictability and ease of administration on the one hand, and technical accuracy on the other.
- It is not clear whether the cap would be administered as an overall cap on implicit imports, or whether it would be split into several parallel caps to cover, for instance, specific interconnectors or electricity imported from Ireland versus that from continental Europe.
- It is not clear how claims for recognised implicit imports would be allocated among market participants. EE identified two possible options to do this (pro-rating and auction-based).
- A cap on implicit flows applied to GoO recognition would mean not recognising the above-cap GoOs presented for use in GB FMD. However, these GoOs would need to have been cancelled for use in other domains first, so would not be usable elsewhere, despite having been legitimately procured on EU markets.

3.13. This is all the more relevant as the cap would:

- Make the schemes it applied to a lot more administratively complex.
- Make the volumes of renewable electricity imports GB suppliers could have recognised in any given period uncertain and unpredictable.
- Distort the market (favour trading in the forward timeframe over the day ahead and intraday ones, largely driven by the first two points).
- Result in legitimately-procured renewable electricity and certificates not being recognised.

3.14. Overall, we note that **introducing such a cap would lack any clear statutory basis**. This would apply to both the cap itself, but also to all the provisions relating to its setting and allocating claims among market participants.

3.15. In addition to this, we note that such a cap would affect the operation of the market and produce clear winners and losers.

4. Decision

Decision on LECs

4.1. Based on the analysis above, we have decided to recognise that **evidence of both explicit and implicit trading may be used** to prove that a given unit of overseas renewable electricity is consumed, or to be consumed, in the UK for the purposes of the CCL exemption for renewables, and hence for LEC issue.

4.2. We have also decided to **not introduce a cap on the quantity of implicitly traded electricity that may be recognised** for these purposes.

Other schemes

4.3. It is our understanding that **the outcomes of this decision on LECs are equally applicable to recognising GoOs for FMD (and then FIT)**, but we are keen to better understand industry's views on this. We also intend to advise the Low Carbon Contracts Company (LCCC) to apply this decision in its determinations of Green Excluded Electricity under CFD.

Further consultation

4.4. Following this decision, there are several points of detail that require further consultation. This decision document is published alongside a further consultation document aiming to seek stakeholder views on:

- **The specific evidence that may be presented:** We want to find out whether stakeholders think the types of evidence we are aware of (as presented in the EE report) are adequate and obtainable, as well as whether we should acknowledge other specific types of evidence as being adequate and obtainable for these purposes
- **The applicability of CCL conclusions to other schemes:** Our consultation on market coupling and LECs and call for evidence on wider impacts specifically looked at the question of proof of UK consumption of overseas electricity in the context of the CCL Regulations. It is our understanding that these conclusions are applicable to proof of GB supply under the FMD Regulations, and can also be carried through into FIT and CFD. We welcome your views on this.

- **The applicability of existing processes to this type of evidence:**
Existing processes for presenting and verifying evidence of UK consumption of overseas electricity for LECs¹⁰ and GoOs¹¹ can be used irrespective of whether the electricity has been traded explicitly or implicitly across the interconnectors. We welcome your views on this, especially if you are aware of any reasons why this may not be the case.

¹⁰ Climate Change Levy: Renewables Exemption Guidance for Suppliers and Generators
<https://www.ofgem.gov.uk/publications-and-updates/climate-change-levy-renewables-exemption-guidance-suppliers-and-generators>

¹¹ 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
<https://www.ofgem.gov.uk/publications-and-updates/open-letter-proposed-changes-process-presenting-goos-ofgem-after-removal-ccl-exemption-renewables-1-august-2015>