

The Company Secretary

Good Energy Limited
Monkton Reach
Monkton Hill
Chippenham Wiltshire
SN15 1EE
UK

15 January 2016

Dear Sir/Madam,

Request for an enduring derogation – the Delabole Local Tariff

The Gas and Electricity Markets Authority (the “**Authority**” or “**we**”) has decided to replace Good Energy Limited’s (company number 3899612, the “**Licensee**”) temporary derogation from certain standard conditions of its electricity supply licence in respect of its Delabole Local Tariff with an enduring derogation.

The relevant Direction is attached and will be published. The Direction will remain in force, in accordance with its terms, on an enduring basis, unless revoked or varied in writing by the Authority. Any change in circumstances relevant to the Direction must be reported to the Authority as soon as possible.

This letter constitutes the Notice, under section 49A of the Electricity Act 1989 of the reasons for the Authority’s decision to issue the attached Direction. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard conditions of the Licensee’s electricity and gas supply licences.

Background to the Derogation Request

The Authority received a written request from the licensee on 24 October 2013 for a derogation from paragraph 4 of Standard Licence Condition (SLC) 22B in respect of the Delabole Local Tariff. The Licensee’s Delabole Local Tariff provides for a windfall payment to be made to eligible customers located within a particular region if the Delabole Wind Farm generation site exceeds forecasted output.

The windfall payment constitutes a cash discount which is not compliant with paragraph 4 of SLC 22B. SLC 22B prohibits licensees from using any Discount, other than those of a type expressly excluded from the prohibition (Dual Fuel Discounts and Online Account Management Discounts), which is: (i) pounds sterling or any currency of any other country; (ii) capable of being directly redeemed for pounds sterling or any currency of any other country; (iii) in any way applied to a Unit Rate or Standing Charge; or (iv) in any way capable of being applied to a Unit Rate or Standing Charge by a Domestic Customer.

The Authority granted the Licensee a temporary derogation on 15 January 2014 to allow it to continue offering its windfall payment. This derogation is due to expire on 16 January 2016. On 15 December 2015, the Licensee submitted an application for an extension of its existing derogation. It indicated its desire, to continue offering the Delabole Local Tariff and the windfall payment for the life time of its local wind farm. The Licensee has applied for the extension of the derogation to be indefinite or for at least the predicted lifetime of the wind farm.

SLC 22B provides that the Authority may grant derogations relieving a licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.

The Authority's Decision

Having regard to our principal objective and statutory duties, including our duty to consider the need to contribute to the achievement of sustainable development, and based on the information submitted by the Licensee, we consider that the Good Energy windfall payment is beneficial to consumers and does not undermine the objectives of the RMR. The RMR rules were introduced to increase consumer engagement in order to stimulate competition in the market, in part by reducing tariff complexity.¹

We do not consider that the windfall payment significantly increases complexity in consumer decision-making. It is not linked to the unit rate or the standing charge of the Delabole Local Tariff and the impact on consumers as a whole would likely be minimal, given the limited number of eligible customers (currently less than 500 customers out of the Licensee's 55,000 electricity customer base). We consider that any potential detrimental impact on consumers from extending the derogation would likely be outweighed by the individual, social and environmental benefits associated with such a scheme that has local and community benefits.

Therefore, the Authority grants the Licensee an enduring derogation from paragraph 4 of SLC 22B of the Licensee's electricity supply licence in respect of the Delabole Local Tariff with effect from the date of, and subject to the terms of, the attached Direction.

We would like to emphasise that the Licensee and, where applicable, its representatives, should ensure full compliance with the Standards of Conduct (SLC 25C), which requires suppliers to treat customers fairly. For example, customers should be informed in a fair and transparent manner to enable them to consider their choices and to make informed decisions when choosing the best tariffs for their energy needs.

If you would like to discuss any aspects of this letter, please contact Jibirila Leinyuy on 0207 901 7000 or Derogations@ofgem.gov.uk.

Yours faithfully,

Neil Barnes
Associate Partner, Retail Markets

Signed on behalf of the Authority and authorised for that purpose.

¹ In this document we use the term "market" as shorthand for referring to different segments of the energy sector. For the avoidance of doubt, these terms are not intended to describe or otherwise suggest the approach that may be taken by Ofgem for the purposes of market definition in competition law investigations.

ATTACHMENT: Electricity Supply Licence

The Company Secretary

Good Energy Limited
Monkton Reach
Monkton Hill
Chippenham Wiltshire
SN15 1EE

Direction issued to Good Energy Limited (company number 3899612) by the Gas and Electricity Markets Authority pursuant to paragraph 36 of Standard Licence Condition 22B (*Restrictions on Tariff numbers and Tariff simplification*) of the electricity supply licence – Delabole Local Tariff

1. This Direction is issued by the Gas and Electricity Markets Authority (the "**Authority**") pursuant to paragraph 36 of Standard Licence Condition (**SLC**) 22B of the electricity supply licence (the "**Licence**") granted under section 6(1)(d) of the Electricity Act 1989 to Good Energy Limited.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the SLC.
3. Paragraph 36 of SLC 22B provides that the Authority may issue directions relieving the Licensee of its obligations to comply with SLC 22B to such extent and subject to such conditions as the Authority may direct.
4. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 15 January 2016.
5. The Authority hereby directs, pursuant to paragraph 36 of SLC 22B, that the Licensee is, on an enduring basis and subject to the Licensee's continuing compliance with the condition in paragraph 5 of this Direction, relieved of its obligations under paragraph 4 of SLC 22B in respect of any windfall payments payable in accordance with the terms of the Licensee's Delabole Local Tariff, a copy of which the Licensee provided to the Authority by email on 15 November 2013 (the "Delabole Local Tariff").
6. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority without delay.
7. This Direction shall take immediate effect and shall remain in effect on an enduring basis, unless revoked or varied in writing by the Authority.

Dated: 15 January 2016

Neil Barnes

Associate Partner, Retail Markets

Signed on behalf of the Authority and authorised for that purpose.