

Modification proposal:	<b>Green Deal Arrangements Agreement (GDAA) Change Proposal (CP) 0085 Amended Funding Provisions V2</b>		
Decision:	The Authority <sup>1</sup> has decided to consent to this proposal		
Target audience:	Green Deal Oversight and Registration Body (GDORB), GDAA Panel, Parties to the GDAA and other interested parties		
Date of publication:	10 March 2016	Implementation date:	Immediately, once both Authority and Secretary of State consent given

## Background

The Secretary of State currently funds the GDAA.<sup>2</sup> The GDAA includes cost recovery provisions to provide for self-funding<sup>3</sup>, but as funding has been provided by government to date, these have not yet been used.

The Secretary of State will continue to fund the GDAA following an announcement on the financing of the Green Deal Finance Company (GDFC)<sup>4</sup> and discussions on the value of moving to self-funding (and a 'Special Purpose vehicle' model<sup>5</sup>) at this time. The GDAA needs to be changed to reflect that Secretary of State funding will continue.

## The modification proposal<sup>6</sup>

CP 0085 was raised by GDFC Assets in August 2015. It proposes a number of amendments to the GDAA provisions on the payment and recovery of costs incurred in funding the GDAA. The proposed amendments reflect that the current funding arrangements will remain in place until a time to be determined by the Secretary of State, and provide for the Secretary of State to give notice of the date for the self-funding mechanism to commence.

In accordance with paragraph 7.1.2 of the GDAA, Authority consent is required as it seeks to amend Part 2 of the GDAA.<sup>7</sup>

## GDAA Panel recommendation

At its meeting on 20 November 2015, the GDAA Panel agreed to approve CP 0085.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> A copy of the GDAA can be found here: <http://gdorb.decc.gov.uk/gdaa>

<sup>3</sup> The current GDAA self-funding provisions were introduced through GDAA CP 0060:

[https://www.ofgem.gov.uk/sites/default/files/docs/2014/11/cp0060\\_d\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2014/11/cp0060_d_0.pdf)

<sup>4</sup> <https://www.gov.uk/government/news/green-deal-finance-company-funding-to-end>

<sup>5</sup> As proposed under GDAA CP 0073 'Special Purpose Vehicle'. This proposed change to GDAA has not been made.

<sup>6</sup> The terms 'modification' and 'modification proposal' have the same meaning as 'change' and 'change proposal' for the purposes of this document.

<sup>7</sup> Changes to Part 2 of the GDAA (comprising Clauses 5 to 8), or any change to a definition in Clause 1.1 that may materially affect the provisions of Part 2, require Authority consent.

## **Our decision**

The GDAA Panel issued CP 0085 for a 20 working day Impact Assessment on 9 October 2015. 10 responses were received by the GDAA Panel, eight of which supported the proposals and two voted neutrally. We have concluded that the implementation of CP 0085 is consistent with the objective of the GDAA which is to establish an effective mechanism for:<sup>8</sup>

(a) the collection of Green Deal Charges through electricity bills by Mandatory Green Deal Suppliers and Voluntary Green Deal Suppliers; and

(b) the remittance of these payments to Green Deal Providers or their nominees, so as to enable the efficient use of energy to be promoted under the Green Deal and to do so in a way which protects the interests of consumers, promotes effective competition between electricity suppliers...and promotes the efficient use of energy.

We consider that consenting to this change is consistent with our principal objective and statutory duties.

## **Reasons for our decision**

We consider that the implementation of CP 0085 will contribute to an effective mechanism for the Green Deal by reflecting the funding arrangements that are currently in place, ie with the Secretary of State continuing to cover the costs of the GDAA. We note that the amendments allow for the self-funding provisions of GDAA to commence, should the Secretary of State determine this is appropriate.

We note that the changes to the GDAA legal drafting to give effect to CP 0085 are shown in the report against a previous version of the GDAA, which has since been changed<sup>9</sup>. The change marking in the report therefore does not show changes against the current version of the GDAA. However, we understand that CP 0085 will still be implemented correctly when these changes are reflected within the current version of the GDAA. We would expect an appropriate housekeeping modification to be progressed if this is not the case and any issues with the legal drafting come to light.

For the purposes of paragraph 7.1.2 of the GDAA, we consent to CP 0085 being made.

## **Lesley Nugent**

Signed on behalf of the Authority and authorised for that purpose

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<sup>8</sup> The objective of the GDAA is set out in Recital E of that agreement. For the purposes of Authority decisions, this objective is subject to Recital F and the words "promotes effective competition between Green Deal Providers" are excluded.

<sup>9</sup> The report on CP 0085 shows changes (in red line) to the legal text of the version of the GDAA in effect prior to our decision to approve CP 0074 being reflected in the published version of the GDAA. Our decision on CP0074 is available here: <https://www.ofgem.gov.uk/publications-and-updates/green-deal-arrangements-agreement-change-proposal-0074-amended-invoice-date-start-q3-2015>