

Clarification on 2015/16 Guarantees of Origin and implicit trading

Since publishing our decision on GoOs and implicit trading which states that we will allow unconstrained implicit trading for GoOs for the 2016/17 scheme year onwards, we have been asked a number of questions around 2015/16 and whether the same decision applies for this scheme year.

To ensure the same information is available to all the relevant stakeholders, and to avoid making a retrospective change to our guidance, we have decided to publish this note as an addition to our decision.

Our decision document stated that we would accept implicit trading for GoOs from 2016/17 because we need time to consider the many questions raised in response to our consultation. These questions were presented in our decision document, as well as in the published list of questions raised in the workshop. Suppliers presenting implicitly traded GoOs would need to be able to address all the relevant questions and given the variation across the suppliers' different business models we do not think that this would be possible consistently.

Given the number and complexity of these questions, we are currently unable to provide any further guidance on the evidential requirements linked to implicit trading and GoOs, or what criteria are applicable when assessing this evidence. However, we will provide this in time for use in the 2016/17 scheme year onwards. We are also unable to offer any training to auditors, other than relating to explicit evidence. As such, we will not be in a position to evaluate any GoOs backed by implicit-trading evidence submitted for 2015/16 within the appropriate timescales, and therefore do not expect them to be submitted. It is the supplier's responsibility to ensure that they report accurately only GoOs that are eligible.

Our consultation asked whether market participants were "aware of any issues that may preclude applying the decisions of the consultation on LECs and market coupling to proof of GB supply of overseas electricity under FMD, FIT and CFD as well". In response to this question, a number of participants mentioned the possible distortionary effects of such a decision on FIT levelisation, which aims to share FIT costs fairly between the suppliers in proportion to their UK market share. In light of this, we consider that there is an increasing risk of a market distortion in this process if considerable volumes of implicitly traded GoOs are submitted to us. This would not help to promote effective competition between the suppliers nor be in the interests of consumers. In carrying out our FIT levelisation functions we have to consider if steps need taking to mitigate any distortionary effect of this process on those suppliers that have not been able to participate in the implicit market.