

# Offtaker of Last Resort scheme (OLR)

www.ofgem.gov.uk/olr

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## OLR Annual Report 2015-16

### Introduction

The OLR scheme was introduced on 1 October 2015 by the Department for Energy and Climate Change (DECC)<sup>1</sup>. The scheme is designed to help eligible Contracts for Difference (CfD) generators by providing an alternative route to the market for their electricity. It is intended as a last resort to help generators when they cannot obtain a power purchase agreement through the usual routes. The OLR scheme achieves this by facilitating a backstop power purchase agreement (BPPA) between the generator and a supplier via a competitive auction process.

Ofgem is the statutory administrator of the OLR scheme and our main role is to enable generators enter into a BPPA by assessing the generators eligibility and running BPPA auctions. We work with the Department for Business, Energy and Industrial Strategy (BEIS) to ensure the scheme is being delivered in accordance with government policy.

This report covers activity on the six months of the scheme (1 October 2015 – 31 March 2016).

### Go Live

On 1 October 2015 the OLR scheme went live and we published guidance on our [website](#).

Since its launch there have been no applications to the scheme and no BPPA's have been entered into.

### Dry Run

To make sure that the team at Ofgem E-Serve, and the mandatory suppliers and other stakeholders were fully trained and prepared for the OLR to launch, we carried out a 'dry run' of the process in August 2015. As part of the dry run we made sure that all steps of the OLR application and auction process were followed to the same standards and within the same timelines as would be required in the event of a real application to the scheme.

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<sup>1</sup> From July 2016 the new Department for Business, Energy and Industrial Strategy (BEIS) assumed the roles and responsibilities of the Department of Energy and Climate Change (DECC)

This included reviewing a simulated expression of interest and other eligibility documents and running a practice BPPA auction via our online auction portal.

All mandatory suppliers took part and we held a 'lessons learnt' exercise afterward, requesting feedback from suppliers so that we could make improvements to our guidance and internal procedures ahead of the launch. As a result of the feedback, we made some minor changes to our guidance documents to make parts of the process clearer.

We ran another successful dry run in April 2016 and plan to carry out further dry runs at least once a year to ensure that suppliers' knowledge of the OLR process is kept up to date and communication with key stakeholders is maintained.

### Mandatory suppliers

Each year we determine which suppliers are to be mandatory OLR suppliers based on whether they meet the relevant criteria. A supplier is determined as a mandatory supplier if they, and any affiliates of theirs, supplied 6% or more of all the electricity supplied to customers in Great Britain in the applicable OLR year. We are required to make these determinations by 1 September each year, for the 2015-2016 period, we determined that the following suppliers were mandatory suppliers.

<b>Mandatory suppliers</b>
British Gas Trading Ltd
EDF Energy Customers Plc
E.ON Energy Solutions Limited
npower Limited
Scottish Power Energy Retail Ltd
SSE Energy Supply Limited