

Guidance for Organisations on presenting Guarantees of Origin (GoOs) for use in GB Fuel Mix Disclosure (FMD) and Feed-in Tariff (FIT) annual levelisation

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This updated guidance note details how suppliers should provide information to Ofgem when presenting Guarantees of Origin (GoOs) for use in Great Britain (GB) Fuel Mix Disclosure (FMD) and Feed-in Tariff (FIT) annual levelisation. It may also provide the basis upon which we will advise the Low Carbon Contracts Company (LCCC) in its determinations of Green Excluded Electricity (GEE) under Contracts for Difference (CFD).

Please also refer to our main guidance document ([Renewable Energy Guarantees of Origin \(REGOs\): Guidance for generators, agents and suppliers](#)) for more details on Ofgem's function on recognising EU GoOs.

This document is for guidance only. It is not comprehensive legal advice on how the legislation should be interpreted. The onus is on the particular generator, agent or supplier to ensure they are aware of the requirements of the legislation and licence conditions.

The Renewable Electricity Compliance (hereinafter RE Compliance team) team, which is part of the Delivery Directorate of Ofgem, administers the EU GoOs recognition process for FMD.

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1. Background

Purpose of document

- 1.1 This guidance note describes the process to be used by Great Britain (GB) electricity suppliers when presenting Guarantees of Origin (GoOs) to Ofgem for use in GB Fuel Mix Disclosure (FMD) and/or Feed-in Tariff (FIT) annual levelisation.

Legislation

- 1.2 You should read this document alongside sections 7 and 8 of our main guidance document: Renewable Energy Guarantees of Origin (REGOs): Guidance for generators, agents and suppliers¹, which contains more detail on the applicable legislation in this area, and Ofgem's statutory role in recognising EU GoOs for GB FMD.
- 1.3 GB electricity suppliers must comply with The Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003, as amended by The Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) (Amendment) Regulations 2010².
- 1.4 GB electricity suppliers must also comply with the requirement of Electricity Supply Standard Licence Condition (SLC) 21.12 for FMD purposes.
- 1.5 SLC 21.12³ states:

"The licensee may only rely on a guarantee of origin issued outside Great Britain or on a generator declaration from a generator outside Great Britain where:

 - (a) it holds evidence that the electricity referred to in the guarantee of origin or generator declaration has been supplied in Great Britain and
 - (b) the guarantee of origin or generator declaration has not been used outside Great Britain as evidence of fuel mix."
- 1.6 If it was subsequently found that a supplier had in fact not complied with SLC 21.12, Ofgem may take enforcement action.
- 1.7 The relevant legislation for FIT is the Feed-in Tariffs Order 2012⁴, The Feed-in Tariffs (Amendment) Order 2015 and the Feed-in Tariff Modifications to the Standard Licence Conditions 2012.
- 1.8 Recognised EU GoOs could also be used to identify 'green excluded electricity' in relation to the Contracts for Difference (CFD) scheme. The relevant regulations in this case are the Electricity Supplier Obligations (Amendment & Excluded Electricity) Regulations 2015⁵.

¹ <https://www.ofgem.gov.uk/ofgem-publications/58836/rego-guidance-generators-agents-and-suppliers-june-2011-pdf>

² <http://www.legislation.gov.uk/ukxi/2010/2715/contents/made>

³ <https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

⁴ <http://www.legislation.gov.uk/ukxi/2012/2782/contents/made>

⁵ <http://www.legislation.gov.uk/ukxi/2015/721/made>

Process Overview

- 1.9 GB electricity suppliers must have their GoO requests validated by an auditor that is independent of the company management⁶. It is the responsibility of the auditor to provide an assurance rating and write a report in their own words on the data submitted via the GoO spreadsheet.
- 1.10 The objective of the validation is to demonstrate that GB electricity suppliers are carrying out the necessary activities to comply with the relevant legislation. It should give assurance to Ofgem on the information in the GoO cancellation statement (especially the GoO not being used as evidence of fuel mix outside GB) presented to Ofgem, as well as the evidence of supply to GB of the electricity the GoOs refer to.
- 1.11 The onus is on the supplier to make sure they comply with the relevant legislation. The audit report assures us that the supplier has suitably robust processes in place to comply with the legislative requirements.
- 1.12 Suppliers should submit their audit report along with their GoO requests and a declaration to Ofgem, in addition to the spreadsheet of GoOs presented using Ofgem's template. These submissions should be sent to Ofgem's RECompliance@ofgem.gov.uk inbox by **midday (12 noon) on 1 July** after the relevant compliance year.
- 1.13 The evidence referred to in the GoO request must be held for six years from the date that it is presented to Ofgem.

2. GoO cancellation statements

- 2.1 So that we can assess a GoO request from a supplier, we must have sight of the GoOs in the request. As we are unable to accept direct transfers of GoOs from other countries, suppliers should retain the relevant GoO cancellation certificates instead. These should be cancelled "for use in GB FMD"⁷ and should not be used for FMD in any other country.
- 2.2 The auditor should verify that a sample of the GoOs presented have an associated GoO cancellation certificate, which contains the information requested on the GoO template spreadsheet. [Appendix 1](#) details the requirements for GoO certificates in the regulations.
- 2.3 For our required sampling percentage and methodology please see [section 5](#) of this document on audit requirements.
- 2.4 We retain the right to do our own checks on the GoO cancellation certificates held by the supplier, as well as the information they contain. Suppliers do not need to provide us with copies of the GoO cancellation certificates as we will request them if required.

⁶ This means an auditor who is not part of the formal structure of the organisation, or a third party body contracted to provide the audit report.

⁷ Or words to that effect

3. Proof of supply requirements

Overview

- 3.1 No GoOs should be presented unless the supplier presenting them, is content that the electricity represented by the GoOs presented has been supplied to GB, and that there is suitable evidence to back this up. Suppliers presenting GoOs should ensure they are content that any GoO they present allows them to comply with their supply license conditions and the relevant legislation. To demonstrate this, the number of GoOs presented for a given month of output (the information contained in the certificate itself), should be matched by equivalent or greater import volumes into GB of electricity in the same month as generation. The supplier does not need to hold the evidence itself but if they or the previous trading party were responsible for trading the electricity from overseas to GB then they should have confirmation of what type of evidence backs each GoO so they are able to fill in the spreadsheet appropriately.
- 3.2 Evidence of a contractual chain linking the overseas generator with a GB market participant⁸ should be made available to us if we ask for it. This should provide details of the specific electricity transactions made and include evidence of sufficient quantities of electricity having been traded from the point of generation to GB. This evidence should be provided by a third party except in cases where the supplier presenting the GoOs was also the party that traded the electricity from overseas to GB.
- 3.3 Within this contractual chain, we will focus primarily on the transactions that link a market participant generating/trading overseas to one trading in GB.

Types of trading/evidence

- 3.4 We recognise that different market structures and potential trading arrangements apply across the different markets linking overseas generators and GB. We also recognise that these are currently changing across Europe, especially in the context of the developing Internal Energy Market⁹.
- 3.5 In this context, there are two types of trading (explicit and implicit) that participants can use across the interconnectors to ensure an equivalent volume of electricity is imported to GB¹⁰.
- 3.6 We provide a list of acceptable evidence to demonstrate proof of supply to GB under explicit and implicit trading in Appendix 2. This list is not exhaustive, rather it gives some examples of evidence we have or would accept if presented. If you

⁸ The GB market participant need not be the supplier presenting the GoO recognition request.

⁹ http://ec.europa.eu/energy/gas_electricity/internal_market_en.htm

¹⁰ Participants are reminded that they need to comply with applicable legislation. This legislation includes but is not limited to Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council Text with EEA relevance, and Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT).

have other types of evidence you wish to present or are considering, we recommend discussing it with the RE Compliance team before your audit.

Explicit Trading

3.7 To demonstrate renewable electricity from overseas has been explicitly traded, we require:

- The GoO to be issued in an EU country and cancelled for use in GB FMD;
- Evidence of an explicit trade across an interconnector to Great Britain: examples can be found in Appendix 2
- The booking and nomination of interconnector capacity to be in the same period as generation. GoO certificates/cancellation certificates specify the month of generation, so we expect the evidence of explicit trading to be within the same month as generation.

Implicit trading

3.8 To demonstrate renewable electricity from overseas has been implicitly traded, we require:

- The GoO to be issued in an EU country and cancelled for use in GB FMD;
- Evidence of a buy trade in UK day-ahead or intraday markets and a sale trade in a day-ahead or intraday market operating in either the country the GoO originated from or a country on the continent coupled with the EU country the GoO originated from (this does not remove the requirement for all GoOs to be backed by proof of supply of the electricity referred to in the GoO).
- The buy trade and sale trade to have occurred in the same hour or any smaller granularity of time, taking the time zone into consideration, so that they could have been considered to have happened instantaneously.
- The buy and sale trade to have occurred in the same month as the electricity referred to in the GoO.
- The amount of electricity involved in the buy and sell trade to be equal to or greater than the amount of electricity represented in the GoO
 - E.g. 100MW sold in Denmark exchange and 120MW bought on London exchange can evidence flow for 100 GoOs only.
- Declaration (see Appendix 4) from the party that made the offer to sell and/or bid to buy that there was a sale of equivalent volume on the continent and a purchase in GB in the same month as the GoO was issued and that these volumes have not been used to demonstrate flow for another GoO (the declarations do not have to be from the same party, but must be auditable).

- 3.9 We understand that the volumes bought and sold on exchanges may be much larger than the volume of GoOs that need evidencing. This is acceptable as long as the relevant volumes are not sold as evidence to multiple parties e.g. if evidence of buy and sell trades equals 5000MW and this is used as evidence for 3,000 GoOs (i.e. 3/5 of the total), then the rest (2/5) of it can be used to evidence an additional 2,000.
- 3.10 Matched evidence of a buy and sell trade coming from a third-party are acceptable as long as the matching process adheres to legislative requirements (e.g. anonymity of participants) and is auditable if needed. Participants must ensure that the contractual agreements they enter into are consistent with all applicable legislation relating to the wholesale energy markets, including REMIT¹¹. Actual matching may occur after the trades have taken place e.g. when contracting for GoOs.
- 3.11 Evidence of trades can be aggregated, eg. over a month, to evidence a GoO. However, each transaction within the aggregation must be matched as outlined above. It must also be possible to verify unique identifiers of the underlying hourly or half-hourly trades composing the monthly report. This is to ensure that one hourly or half-hourly trade can appear in an aggregated monthly report only once.
- 3.12 GoOs can be evidenced using both gross and net volumes traded on the power exchanges as long as a sale and purchase can be matched as above.

Evidence validation

- 3.13 We recognise that suppliers may not be able to retain or present evidence relating to the whole contractual chain due to the commercial confidentiality issues of intermediary parties.

For this reason auditors only need to check **the last two parties** in the contractual chain: the supplier presenting the GoOs and the previous (ie penultimate) trading party. The scope of validation required will depend on whether either of the last two parties were responsible for the transfer of electricity from overseas to GB:

- In cases where either the supplier or the penultimate party was **responsible for the transfer of electricity from overseas to GB (e.g. booked on the interconnector or traded on the power exchanges)** then the auditor must check the proof of GB supply evidence, as described in paragraphs 3.4 - 3.12 above.
- In cases where the neither the supplier nor the penultimate party was **responsible for the transfer of electricity from overseas to GB**, the auditor should:
 - check this party's standard contracts (or the relevant clauses therein) and/or warranties to ensure they contain the necessary clauses relating to proof of supply, and

¹¹ Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency, more information available from the Agency for the Cooperation of Energy Regulators (ACER) at www.acer-remit.eu.

- provide Ofgem with the name and contact details of that party so that the chain can be followed up if required. Or request that party contacts Ofgem directly.

3.14 More details on the audit process and requirements are in section 5.

4. Use of GoOs in FMD, FITs and CFD

FMD

- 4.1 Standard Licence Condition 21 requires that all holders of an electricity supply licence publish information about the energy sources from which the electricity supplied was generated annually for the previous disclosure period. This is known as annual Fuel Mix Disclosure.
- 4.2 GB suppliers must hold REGOs, or EU GoOs that have been recognised by Ofgem, relating to generation in the relevant disclosure period. For EU GoOs, evidence must be provided that the electricity has been supplied in Great Britain and that the GoO has not been used outside Great Britain as evidence for fuel mix disclosure.
- 4.3 Ofgem does not recognise Non-EU GoOs for the purposes of GB FMD.

FITs

- 4.4 FIT legislation requires that suppliers' market share of electricity supplied from overseas is determined. Without any alternative instruments¹², and to avoid double counting of renewable electricity, we use GoOs to make this determination.
- 4.5 The 2015 FIT review¹³ made changes to the legislation which has placed eligibility restrictions on the electricity that can be used for FIT exemption from the 2016/17 compliance period onwards.
- 4.6 The criteria that the electricity must comply with to be determined electricity supplied from overseas are:
- a) The electricity should be from an EU country
 - b) The electricity should be from a station that is < 5MW; and
 - c) From a station that is commissioned on or after 1 April 2010.
- 4.7 There is also be a cap¹⁴ on the amount of overseas renewable electricity that can be used to exempt suppliers from the costs of the scheme. For 2016/17 the cap is: 8,117,254 MWh (calculated based on the number of Guarantees of Origin (GoOs) certificates recognised in 2013/14). In subsequent years the cap will be the cap that applied in the previous FIT year multiplied by 1.1.

¹² In the past, GB electricity supply licensees have presented LECs alongside guarantees of origin (GoOs) as evidence of GB supply of overseas electricity under a number of GB renewable schemes.

¹³ The Feed-in Tariffs (Amendment) Order 2015

¹⁴ <https://www.ofgem.gov.uk/publications-and-updates/clarification-ofgem-s-calculation-fit-market-share-contribution>

- 4.8 When assessing whether GoOs are acceptable under the above criteria, we will take the information from the GoO cancellation statement.

CFD

- 4.9 EU GoOs can also be used to identify green electricity which may be excluded from supply volumes in the Contracts for Difference (CFD) scheme. The Low Carbon Contracts Company (LCCC) administers the CFD scheme on behalf of the Secretary of State for Energy and Climate Change, and determines whether given quantities of electricity are green excluded electricity. However, the legislation allows for Ofgem to advise LCCC on this. It does this by sharing information with LCCC about which EU GoOs meet the definition of green excluded electricity as described in legislation. The data validation provided by Ofgem is based on the data submitted and recognised for FMD. For more details on LCCC, see <https://lowcarboncontracts.uk/>
- 4.10 The criteria that the electricity must comply with to be determined green excluded electricity are:

- a) the electricity should be supplied in GB¹⁵;
- b) the electricity is energy produced from renewable sources;
- c) the electricity is generated in a Member State other than the UK; and
- d) the date on which the generating station which generated the electricity first became operational was after 31 March 2015.

- 4.9 Applications for Green Excluded electricity should be made to EMRS each quarter. Suppliers wishing to apply for GEE should follow the guidance issued by LCCC.

5. Auditing process and requirements

- 5.1 Any GoO requests that are being presented to Ofgem must be validated by an auditor. The output of the audit, ie the audit report, will be used by Ofgem to determine whether there is adequate assurance for:
- a. The **EU GoOs** to be recognised for use in GB FMD by the supplier presenting them
 - b. The **EU GoOs** to be validated for FIT annual levelisation
 - c. The **EU GoOs** to be used by LCCC in its determinations of Green Excluded Electricity in CFD.

5.2 The audit report must:

¹⁵ In accordance with regulation 2(2) of the Regulations, all references to a supply of electricity in the Regulations is a reference to its supply in Great Britain. Pursuant to section 4(4) of the Electricity Act 1989, "supply", in relation to electricity, means supply of electricity conveyed by a distribution system to premises other than premises occupied by a licence holder for the purpose of carrying on the activities which he is authorised by his licence to carry on.

- be prepared by a person independent of the supplier (an independent verifier). This means an auditor who is not part of the structure of the organisation, or a third party body contracted to provide the audit report¹⁶.
 - consider whether the systems used to compile the GoO and proof of supply information are likely to produce accurate and reliable information.
 - consider whether there are controls to protect the GoO and proof of supply information against material misstatements due to fraud or error.
 - consider the robustness of the data on which the GoO and proof of supply information was produced.
 - state whether the GoOs checked by the auditor have the required proof of supply to GB and a valid GoO cancellation certificate and provide details on this.
 - state whether anything has come to the attention of the person preparing the report to indicate that the relevant GoO and proof of supply information is not accurate
 - be prepared in accordance with the requirements of limited assurance engagements prescribed in ISAE 3000 (revised) or equivalent¹⁷.
- 5.3 It is the suppliers' responsibility to appoint an auditor and to submit the audit report to Ofgem, along with spreadsheet of all GoOs presented using Ofgem's template.
- 5.4 It is the auditor's responsibility to do the assurance, and complete the written report in accordance with ISAE 3000.
- 5.5 It is the responsibility of both the supplier and auditor to understand the requirements and the information that needs to be verified.
- 5.6 The supplier must send Ofgem an email with an official GoO request containing the pro forma GoO summary table from the GoO template and the declaration in Appendix 3. They should also provide the audit report and the GoO template spreadsheet. We will check for consistency between the email, spreadsheet and audit report overall.
- 5.7 The report must meet the requirements specified and be submitted to Ofgem by the relevant deadline. The annual disclosure period is 1 April – 31 March¹⁸. The official GoO request and annual audit report for that disclosure period should be submitted by the supplier to Ofgem's RECompliance@ofgem.gov.uk inbox by midday (12 noon) on 1 July. We prefer annual reports but understand some suppliers may want to have several reports submitted on their behalf during the year, eg quarterly.
- 5.8 You should try to send the audit report in as far in advance of the deadline as possible to ensure the statutory deadlines are met. We will not consider any requests received after midday at (12 noon) on 1 July.

¹⁶ It is possible for an internal audit function to compile all the information and write the report however the audit report must be signed off and the assurance must be provided by an independent auditor.

¹⁷ At the time of writing Ofgem is not aware of any equivalent standards. Should the operator and their auditor wish to make use of one, they should contact Ofgem in advance for confirmation of its acceptability.

¹⁸ Please note EU GoOs for the disclosure period 1 April 2015 – 31 July 2015 will be matched with retired or redeemed EU LECs as per the process used in FMD 2014/15. The Audit report for 2015/16 should cover the disclosure period 1 August 2015 – 31 March 2016.

- 5.9 We reserve the right to request further evidence relating to the GoO request and auditor's report and make any checks we see fit as per Electricity Supply SLC 5¹⁹.

Sampling size and methodology

- 5.10 We do not require auditors to check the entirety of a supplier GoO request (ie every line in a supplier's GoO spreadsheet). We suggest instead that they check a sample of the lines.
- 5.11 The sample of lines should cover both at least 5% of the lines and at least 5% of the total number of GoOs in the GoO spreadsheet. If an auditor chooses to check a smaller number of lines or GoOs they should justify this.
- 5.12 The sample should also cover all countries, technologies, all counterparties, and appropriate distribution output periods and both implicit and explicit trades where applicable.
- 5.13 In addition, in cases where a supplier or the previous trading party was responsible for the transfer of electricity from overseas to GB (e.g. booked on the interconnector or traded on the power exchanges), the auditor should ensure that the percentage being checked includes a number of these and does not focus on the simpler checks. For example on a pro rated basis.
- 5.14 The report should clearly state the number and percentage of lines and GoOs checked by the auditor and this will be cross check with the spreadsheet.

Declaration

- 5.15 The auditor should verify that the appropriate declaration in Appendix 3 has been signed by a director, as defined in the Companies Act, of the GB electricity supplier.

GoO summary table

- 5.16 This section should contain a summary table that splits out the overall GoO requests according to some essential criteria described below.
- 5.17 The pro forma GoO summary table from the GoO template should be included here. An example of how this table could look is below with some example figures

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| Pro-Forma GoO Summary Table | | |
|--|-------|-------|
| Total GoOs presented to Ofgem | 1,700 | |
| | | |
| EU GoOs submitted | 1,700 | |
| <i>of which</i> | | |
| EU GoOs submitted and eligible for FMD only | | 0 |
| | | |
| EU GoOs submitted and eligible for FMD and CFD | | 1,000 |
| | | |
| EU GoOs submitted and eligible for FMD and FIT | | 1,700 |
| | | |

GoO Spreadsheet

Template

- 5.18 The template GoO spreadsheet should be emailed by the supplier alongside the audit report and GoO recognition request email. These templates will be emailed to the relevant stakeholders, and provided on our website. Please contact RECompliance@ofgem.gov.uk if you have any questions or want the latest version.

Completing the spreadsheet

- 5.19 The front page tab of the template GoO spreadsheet has instructions on how it should be completed.
- 5.20 The GB electricity supplier must fill in the GoO spreadsheet with all information for the GoOs presented to Ofgem in columns A-S of the "Supplier INPUT DATA" tab. Columns A – S contain the information we need relating to the request and the information required from the GoO cancellation statement.
- 5.21 When filling in the spreadsheet, dates should be entered in the format dd/mm/yyyy.
- 5.22 The supplier should then also fill in columns T (Is there Proof of Supply for this GoO?), U (Is the proof of supply evidence for this GoOs Explicit or Implicit?), AC (Were the supplier or previous party responsible for the transfer of electricity from overseas to GB?), AD (Name of previous trading party), AE (Text description of proof of supply evidence if answer to column AC is Yes) and AF (Contact details of previous trading party if answer to column AC is No).
- 5.23 Columns V – AA contain automatic formulae which indicate which section of the pro forma summary table the supplier should put the GoO figure in and so what schemes the GoOs can be presented for.
- 5.24 Once the supplier has finished their data entry they should use the filters and total the columns for each section of GoOs and fill in the pro forma summary table on the Front Page tab.
- 5.25 The auditor must select which lines to sample on this spreadsheet and indicate in column AB which lines have been checked by them by stating 'sufficient' or 'not

sufficient' for the checked lines and 'not checked' where a line has not been looked at.

- 5.26 They should look at column AC to determine whether they should be checking the proof of supply evidence or the contracts and relevant clauses. If checking proof of supply they should refer to column AE for what type of evidence the supplier holds and column AD for who the previous trading party is.
- 5.27 The GB electricity supplier should hold the GoO cancellation statement evidence and this should be checked by the auditor. These do not need to be provided to Ofgem, unless specifically requested.

6. Assurance standard – ISAE 3000

- 6.1 We require the GoO request audit report to be prepared to an adequate standard: ISAE 3000 (revised) or equivalent.
- 6.2 ISAE 3000 (revised) helps verifiers to undertake assurance engagements of non-financial information. Developed by the International Auditing and Assurance Standards Board (IAASB), it is based on the same framework that underpins the IAASB's International Standards on Auditing.
- 6.3 ISAE 3000 (revised) is not limited to GoO requests and recognition. It covers a wide range of non-financial assurance engagements. The standard itself is therefore sparse on the detail that may help suppliers and verifiers with the specifics of GoO request audits.
- 6.4 It is the auditor's responsibility to complete the assurance and the written report in accordance with ISAE 3000 (revised). The supplier must ensure that they appoint a relevant and competent auditor, and agree the scope of work with them. The supplier should also fully understand the requirements of ISAE 3000 (revised).

Background of ISAE 3000

- 6.5 ISAE 3000 provides information for people involved in the assurance engagement – in this case the electricity supplier and their auditor. It sets out the importance of the initial work required to identify the scope of the engagement. ISAE 3000 (revised) principally provides guidance to the auditor on carrying out assurance engagements and structuring the report. However, the supplier should also read it so they understand their role and requirements and those of their auditor.
- 6.6 The paragraphs below have more information on what ISAE 3000 (revised) covers. This should provide a useful summary, but isn't a substitute for reading ISAE 3000 (revised) itself in full.
- 6.7 **Ethical requirements** – Details how the verification body and its personnel should comply with the requirements of Parts A and B of the 'Code of Ethics for Professional Accountants'.
- 6.8 **Engagement acceptance** – Information explaining that the verifier should accept engagements only if they are satisfied that the people doing it are competent and

knowledgeable. The verifier should ensure they can deliver to the requirements of the engagement. In this case, this is to comply with ISAE 3000 (revised) and to report against the additional requirements in this guidance.

- 6.9 **Quality control** – Illustrates the internal controls that the verification body should have. These should assure it that the firm and its personnel comply with all necessary professional standards and regulatory and legal requirements, and that the assurance reports issued by the verifier are appropriate to the particular engagement.
- 6.10 **Planning and performing the engagement** – Describes the need for the verifier to plan the engagement so that it will be performed effectively. It should include ongoing evaluation and revisions of the initial risk assessment if necessary. In order to perform this work, the verifier will need to understand the supplier's data, systems, processes and controls.
- 6.11 **Terms of the engagement** – It is important that everyone understands and agrees the scope and purpose of the engagement between the verifier and the supplier. At this stage, preparatory work (ie initial risk assessment) must have been completed by the verifier to define the scope and hence the terms of the engagement. They can record this in an engagement letter or other suitable kind of contract.
- 6.12 The terms of engagement should be set out so that the responsibilities and liabilities of the supplier and auditor are clear and unambiguous. It is vital that the supplier fully appreciates the importance of this document and the terms agreed as it will set out the basis on which queries or issues raised by Ofgem, if any, will be addressed.
- 6.13 For instance, if the terms of engagement do not include the complete requirements for producing the GoO request audit report, it might cause problems for the supplier if we ask for further work or other information. If there are aspects of the GoO recognition requirements not included in the terms of the engagement, the verifier may consider them outside the scope of the engagement.
- 6.14 **The use of experts** – For the GoO recognition audit reports, a verification body, with expertise in ISAE 3000 (revised), may wish to appoint an expert with specific subject knowledge, to help with verification. This section explains that if the verifier uses a technical expert during the engagement, they should get evidence that the expert's work is adequate and that the verifier accepts full responsibility for the opinion formed.
- 6.15 **Obtaining evidence** – Gives examples of generic circumstances where the verifier should have enough evidence to base their opinion on.
- 6.16 **Representations** – The verifier should get representations from the responsible party (the GB supplier requesting GoO recognition) as appropriate. In this context, the verifier should get, as a minimum, a formal management letter from the supplier confirming that all relevant data, information and records have been made available to the verifier for them to conduct their work. It also confirms that the supplier takes full responsibility for ensuring that this is all complete and accurate.

- 6.17 **Considering subsequent events** – Outlines how events occurring after the end of the reporting period should be considered by the verifier. Some events, eg changes in processes, may affect the subject matter and thus the verifier’s opinion.
- 6.18 **Documentation** – The verifier must maintain documentation that shows the engagement was performed to professional standards. Issues which are, or could be, material should be documented to support the assurance report. They can do this with an issues log.
- 6.19 **Preparing the assurance report** – Demonstrates the areas that must be included within the written report. More information on the basic elements of the report is in section 7.

Risk and materiality-based assessments

- 6.20 ISAE 3000 (revised) states that the auditor should consider materiality and assurance engagement risks when planning and performing an assurance engagement.
- 6.21 Determining inherent risk is down to the professional judgment of the auditor. The risk assessment is intended to reduce the risk of the auditor failing to observe a misstatement in the data. The auditor will strive to identify which areas they consider carry the greatest risk of error or misreporting. This will then determine the sampling strategy. The risk assessment should be clearly set out and documented so that it can be presented to Ofgem, following the audit, if further details are required.
- 6.22 Examples of factors that may increase the risk of misstatement are the complexity of proof of supply evidence or where data is recorded manually rather than electronically (eg GoO cancellation statements).

Selective procedures

- 6.23 In determining the selective procedures that may be used, the auditor explains where they will focus their attention during the assurance engagement. This should be based on the risk of misstatement assessment previously performed by the auditor and should be enough to satisfy the auditor that the level of risk is acceptable.
- 6.24 As the verification progresses, if the auditor identifies areas of concern, they may want to widen the information and procedures in scope to achieve an acceptable level of risk.
- 6.25 If a supplier has a large portfolio of GoOs, the verifier may consider, (based on similarities in origin, output period and technology) to check a smaller sample of the GoOs if they think they have enough evidence to base their conclusions on. This is acceptable, but the auditor should be able to justify this, and the selection of GoOs that were chosen to check. If the audit finds problems during any of the checks, the auditor may decide that additional GoOs need checking.

Materiality

- 6.26 Materiality is the importance or significance of a factor, amount or discrepancy, or combination of these, in the determination of a professional judgement. In this case, it's whether the GoO cancellation certificate and proof of supply evidence can or cannot be verified. Materiality decision-making can be applied in two ways, firstly at a "qualitative level" where there is a major problem with due process (ie not complying with agreed process or procedure with a regulatory requirement), and secondly at a "quantitative level", where reported data contains errors and misstatements.
- 6.27 The auditor should assess materiality to determine whether the presence or absence of information will affect the reporting parties' decisions or actions, or those of the report's intended users. For example, we will use the assurance statement to determine whether the GoOs we have been requested to validate are accurate and reliable and have appropriate proof of supply evidence.
- 6.28 Many things can affect materiality. For example, when the supplier does not ensure relevant proof of supply clauses are inserted in their contracts with intermediary parties, there is a risk as they cannot confirm that the GoO has appropriate proof of supply.

Assurance approach

- 6.29 ISAE 3000 (revised) defines two types of non-financial data assurance engagement, a "reasonable assurance engagement" and a "limited assurance engagement". These refer to the level of acceptable assurance engagement risk and will determine how the verifier's conclusion is expressed.
- 6.30 In a reasonable assurance engagement, verification risk is reduced to a level where the auditor's conclusion is expressed positively. For example: "In our opinion, the supplier has complied with the relevant legislation when submitting their GoO request."
- 6.31 In a limited assurance engagement, the risk is reduced to an acceptable level where the auditor's opinion is expressed negatively, eg: "Based on our work described in this report, nothing has come to our attention that causes us to believe that the supplier has not complied with the relevant legislation when submitting their GoO request."
- 6.32 We require that the assurance engagement must be carried out to a 'limited assurance level', as defined in the ISAE 3000 (revised) or equivalent.

Other requirements

- 6.33 As well as requiring the audit report to be prepared in accordance with ISAE 3000, we have included specific points to address as part of the audit process (see paragraph 5.3). This section has more information on these requirements, and how the auditor can address them.

- 6.34 **Accuracy and reliability of the systems.** The auditor must consider whether the systems used by the supplier to produce their GoO request are likely to produce information which is reasonably accurate and reliable. When discussing the scope of the engagement, the supplier and their auditor will discuss these systems. They may include bespoke IT systems or manual systems (eg paper filing systems). The supplier could make sure information is accurate and reliable through:
- up to date, written procedures outlining how staff should compile the GoO spreadsheet and complete a GoO request
 - quality assurance or quality control procedures
 - internal audit procedures
 - sign-off processes.
- 6.35 **Fraud or error prevention measures.** The auditor must consider whether there are controls to help protect systems used by the supplier to produce their GoO request against material misstatements due to fraud or error.
- 6.36 **Risk control.** While it is impossible to identify and prevent every case of potential fraud and error, considering the inherent risks is likely to already be part of the day-to-day running of the supplier's business. The supplier will probably already have considered potential areas for fraud or error, so have controls to reduce them. Examples of fraud prevention measures are:
- limiting access to systems to specified employees
 - ensuring that IT systems are protected by virus software and against hacking
 - quality assurance or quality control procedures
 - sign-off processes
 - use of an appropriate and safe record system
 - keeping paper documentation in a lockable area
 - internal audit procedures.
- 6.37 The legislation does not require the auditor to assess the effectiveness of these measures. They must simply consider whether they are in place.
- 6.38 **Robustness of data.** The auditor must consider the robustness of the data the supplier would rely upon in preparing their GoO request. Examples of these are: external data, information and documentation, such as:
- proof of supply evidence
 - GoO cancellation certificates
 - declarations
- 6.39 **Proof of supply and GoO cancellation.** The auditor must check whether the GoOs within their sample have an associated cancellation statement and relevant proof of supply evidence.
- 6.40 **Inaccuracies.** State whether anything has come to the auditor's attention to indicate that the relevant GoO request information is not accurate. As well as the requirements above, the auditor will have to state whether anything they observed during the audit indicated that the GoO request information wasn't accurate. This statement will be made as part of the conclusions and qualifications the auditor is required to express as a result of the audit. See the Conclusions and qualifications section in section 7 for how to provide this information in the report.

7. The Audit report

Format

- 7.1 We ask that all the information is in a single audit report submitted by the supplier. This document needs to include all the requirements of both this guidance and ISAE 3000 (revised).
- 7.2 After the initial review of the audit report, there may be times when we need more information. If we do, we will explain it formally and clearly to the supplier.

Providing evidence

- 7.3 The purpose of the audit is to require a qualified party, independent from the supplier, to review and verify the GoO requests and backing evidence and draft the report. Generally, Ofgem will rely on the professional expertise of the auditor in evaluating the evidence that has been presented during the verification engagement, and as described in the audit report. So we won't need to see the evidence itself when sending the report.
- 7.4 Sometimes we may need to see additional evidence to come to a final determination. In this case, we will ask the supplier for the extra details in writing, after an initial review of the audit report.

Contents

- 7.5 ISAE 3000 (revised) indicates what content should be included in audit reports. This should be reflected in the GoO audit report presented. Along with these requirements, those set out in this guidance, particularly in sections 2 and 3, also need to be included in the report. As much as possible, these should be in clear and distinct sections. This will help make our review more efficient.
- 7.6 Alongside a clear structure of the report, we need a satisfactory level of detail to be able to review it. It is on the reported information that we will validate a supplier's GoO requests. Likewise, providing irrelevant information will not add any value to the report but will increase the time it takes us to review them.
- 7.7 Reports that fail to address all sections below, or provide enough detail will not be accepted as providing adequate assurance. We expect each of the requirements to be addressed by the verifier within the audit report. If evidence required to address a particular section is not available, we expect a statement to be made explaining why.
- 7.8 To assist with structuring the audit reports, we have provided further information on the required contents including both ISAE 3000 (revised) requirements and other requirements in this guidance, below.

Title

- 7.9 The document must have a title. This must include the words 'independent assurance report' and note the level of assurance provided. In the case of the GoO request audit reports, this is to a level of 'limited assurance'.

Date

- 7.10 The date the report has been compiled must be included. This is generally at the front of the document or alongside the signature at the end.

Addressee

- 7.11 The report must say who it has been prepared for, which should be the GB electricity supplier. The report may also name a specific person. The report should provide the address of the supplier.

Responsibilities

- 7.12 It is important that both parties to the engagement fully understand and respect each other's responsibilities. Within ISAE 3000, the two parties to the verification engagement are referred to as the 'reporting party' and 'the practitioner', these being the supplier and the verifier respectively. The following examples indicate some of the responsibilities that the operator and verifiers should consider when preparing and submitting the sustainability audit report.

Statement referencing ISAE 3000

- 7.13 The report must include a positive statement that the engagement was performed 'in accordance with' ISAE 3000 (revised). Saying that it was done 'with reference to' ISAE 3000 (revised) is not sufficient. This statement is generally put early on in the document, because it should cover not just what is written in the report, but confirm that the entire engagement is based on ISAE 3000 (revised). ISAE 3000 (revised) is not the assessment criteria and should not be referenced as such.

Subject matter

- 7.14 The report must identify which electricity supplier it relates to, the reporting period covered (eg 1 April 2015 to 31 March 2016) and the subject matter that is being verified (ie the information in the GoO recognition requests, and the proof of GB supply of the electricity represented by the GoO).

Risk and materiality-based assessments

- 7.15 The report must include comments on how the auditor considered risk assessment and materiality, and how this affects the sampling strategy. This must cover both qualitative and quantitative aspects of reporting. For example, if sample months are reviewed, then they should comment on why certain months were selected.

Summary of work performed

- 7.16 As set out in ISAE 3000, the information described in the summary of work performed section needs to be detailed enough so that readers of the assurance report can understand what the verifier has done.

- 7.17 As Ofgem does not participate in the verification engagement, we must use the audit report to satisfy ourselves that the GoOs should be recognised. We recognise that a lot of work is done by both parties. However if it's not transparent, it's likely that we'll have to ask for further information or clarification.
- 7.18 This section of the report must include a description of what activities have been undertaken and how the information in the GoO recognition requests, and the proof of GB supply of the electricity represented by the GoO have been checked and what has been checked e.g. proof of supply.

Other requirements

- 7.19 Section 5 details the specific requirements that the audit report must address. For us to accept the audit report submitted, it must clearly state that these points have been addressed by the auditor. These specific points must be mentioned in the report written by the independent auditor. As they are part of the verification activities, this information should be included within the 'summary of work performed' section. There are some examples below of how information on each of the requirements in section 4 can be presented.

Considering the accuracy and reliability of the systems and controls against fraud and error

- 7.20 The auditor should confirm, in their section of the report, that these have been considered.

- 7.21 For example:

"We have considered whether the systems used to produce the GoO request are likely to produce information which is reasonably accurate and reliable. We have also considered whether there are controls to help protect against misstatements due to fraud or error".

- 7.22 If the auditor feels the systems are not appropriate, it should make recommendations to the supplier. Any recommendations should not affect the auditor's conclusion.

Consideration of robustness of data

- 7.23 A confirmation that this has been considered must be included in the report along with its results.
- 7.24 If there are any recommendations for improvements, these should be included in the report in the relevant remarks section, as explained below. Recommendations should not form the basis of a material misstatement or material non-conformity, as this would alter the outcome of the verification.

Statement on accuracy of information

- 7.25 As well as the requirements above, the auditor should say if they observed anything during the audit that could indicate that the GoO request information isn't accurate. This statement will be made as part of the conclusions and qualifications the auditor is required to express as a result of the audit. See the conclusions and

qualifications section below for how this information needs to be provided within the report.

- 7.26 If the auditor feels that the information is not accurate, they should make recommendations to the supplier. The auditor should then consider the implications of these inaccuracies (ie whether to include a qualification in the report). If a qualification isn't needed (the audit conclusion is unaffected) these recommendations should be included in the written report in the relevant remarks section.

Conclusions and qualifications

- 7.27 This includes the auditor's opinion and any qualifications to that opinion. The opinion should be expressed to a 'limited' level as defined by ISAE 3000.
- 7.28 In a limited assurance engagement, the opinion should be expressed in the negative form, for example for an unqualified opinion:

"Based on the work described in this report, nothing has come to our attention that causes us to believe that Company X Plc's GoO request provided to Ofgem for the purposes of Fuel Mix Disclosure during the period of 1 April 2015 to 31 March 2016 is not accurate, in all material respects, based on XYZ criteria."

- 7.29 There are times that it may be appropriate for the verifier to express a qualified opinion. This will be the case if the verification has brought issues to light. These issues may not be material enough to affect the verification outcome, but are nonetheless still relevant to how the audit report is prepared. A qualified opinion will be stated the same way as an unqualified opinion with the addition of "with the exception of X, Y and Z".
- 7.30 Reports given with qualified opinions will be carefully assessed by Ofgem, particularly if a comment recurs year after year.

Details of the verifier and signature

- 7.31 They should clearly note which city or town the verifier says the office that is responsible for the engagement is in. For example: "This report was prepared by Martin P of JJ Verifiers Ltd, London UK".
- 7.32 The report should be endorsed either by the firm or by the lead verifier or technical reviewer themselves, as required by the verification body's internal procedures.
- 7.33 While not a requirement, it is considered good practice under any auditing system (eg ISAE 3000 (revised)) to do an independent technical review of the report. This would involve a second auditor who has had no involvement in the verification performing a final review of the report. If this is done, we recommend that the auditor says so in the report. Technical review is considered essential to many compliance audits, and makes the audit process more robust.

Relevant remarks

- 7.34 This section may include:
- details of the verifier's qualifications and experience and others involved in the engagement

- findings on particular aspects of the engagement
- recommendations.

7.35 This section should be clearly separate from the verifier's opinion. It should be worded in a way that does not affect the verifier's opinion.

8. Ofgem validation

- 8.1. Once the audit report is submitted to Ofgem, we will check that we also have an official request email with signed declaration from the relevant GB electricity supplier, that we have a GoO spreadsheet and that the figures are consistent between the request and the audit report.
- 8.2. We will confirm to the GB electricity supplier that we have received the request, audit report and other relevant information.
- 8.3. We will then review the audit report and determine which EU GoOs can be recognised for use in FMD. This figure will then be emailed back to the GB electricity supplier. We will not confirm volumes of exempt or excluded electricity for the purposes of FITs and CFD respectively.
- 8.4. An organisation may submit more than one request over the year but each must be accompanied by its own audit report. Organisations should also be aware that we will not pass on any information relating to GoO requests to our FIT Compliance team until after the final submission has been made. When processing GoO requests we will confirm acceptance for the purposes of FMD only before the final submission.
- 8.5. We will then contact the Department of Business, Energy and Industrial Strategy (BEIS) and the Ofgem FIT team to provide them with details of the recognised EU GoOs for FMD figure for both FMD and FIT annual levelisation.
- 8.6. The Ofgem FIT team will then communicate with the FIT licensee as per the timeframes in the FIT guidance²⁰.
- 8.7. LCCC will be provided details on which recognised EU GoOs are potentially eligible for the CFD. LCCC may take that information into account when making its original or subsequent determination of whether quantities of electricity qualify as green excluded electricity for CFD.

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https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/fits_guidance_for_licensed_electricity_suppliers_v7.0.pdf

Appendix 1 – GoO certificate requirements

From Article 15 of Directive 2009/28/EC

“6. A guarantee of origin shall specify at least:

(a) the energy source from which the energy was produced and the start and end dates of production;

(b) whether it relates to:

(i) electricity; or

(ii) heating or cooling;

(c) the identity, location, type and capacity of the installation where the energy was produced;

(d) whether and to what extent the installation has benefited from investment support, whether and to what extent the unit of energy has benefited in any other way from a national support scheme, and the type of support scheme;

(e) the date on which the installation became operational; and

(f) the date and country of issue and a unique identification number.”

Source: Directive 2009/28/EC²¹

²¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0028&from=EN>

Appendix 2 – Acceptable proof of supply evidence for explicit and implicit trades

This is a list of acceptable evidence to demonstrate proof of supply to GB under explicit and implicit trading. This list is not exhaustive, rather it gives some examples of evidence we have accepted in the past, or would accept in principle, providing all necessary conditions were met.

In all cases, the evidence should provide data relating to specific volumes of electricity having being delivered across borders in a specific timeframe. Electricity sold on the power exchanges or delivered across the interconnector should have occurred in the same month as generation of the electricity referred to in the GoOs being presented, and the volumes (in MWh) should be greater or equal to the volumes of renewable electricity (in MWh) that the GoOs represent.

Acceptable evidence for explicit trade may include:

- Nominated flows for explicit trades
- Capacity declarations from agents similar to generation declarations
- Declarations from interconnector operators
- Confirmation from Elexon of interconnector metered volumes
- Should the functionality exist, data reports from the interconnector's IT system (these must be clearly 3rd party and have some form of sign off)

Examples of documents/information that could be provided for evidence of implicit trades (e.g. buy and sell trades) could be:

- Notification of trades sent by market participants to the GB settlement party (and confirmed in return by the settlement party) for balancing.
- Log of trades stored by the back-office of the power exchanges.

If you have other types of evidence you wish to present or are considering, we recommend you discuss it with the RE Compliance team in advance of your audit.

All evidence presented alongside GoO requests must be clearly third party verifiable, except in the case where the organisation presenting the GoOs was also the party that traded the electricity from overseas to GB.

Appendix 3 – Information Declaration

“Information declaration”

I confirm that to the best of our knowledge and belief:

any information and/or calculations submitted to the Authority, on behalf of the supplier, is or will be complete and accurate, and

for all GoOs presented for FMD, CFD and FIT, [Supplier X] has either:

- For GoOs purchased where either the supplier or the penultimate party were responsible for the transfer of electricity from overseas to GB, acceptable proof of GB supply for the electricity the GoOs represent and that this is presentable to Ofgem upon request, or
- For GoOs purchased where neither the supplier nor the penultimate party were responsible for the transfer of electricity from overseas to GB, the necessary contractual arrangements and/or warranties to ensure that proof of GB supply for the electricity the GoOs represent will be presentable by the relevant party in the supply chain, upon request by Ofgem.

I will not knowingly or recklessly submit information which is false and I am aware that doing so could result in a criminal prosecution.

Name

Title eg Director of...

Contact Details and Supplier Details (Supplier X, Address etc)

Appendix 4 – Declaration for implicit trade

“Declaration for implicit trade”

I confirm that we hold evidence of sales to the exchange in [country X] and/or purchases from GB exchange (delete as appropriate) of [volume X] and that that evidence of [volume X] has not been and will not be sold to any other party to demonstrate proof of supply to GB for other GoOs.

I confirm that the evidence will be presentable to Ofgem upon request.

I confirm that the evidence provided does not breach any legal requirements concerning the trading of power on wholesale markets in [country X] and in GB.

Name

Title eg Director of...

Contact details and company details (Company X, Address etc)