

# Environmental Programmes

[www.ofgem.gov.uk/environmental-programmes](http://www.ofgem.gov.uk/environmental-programmes)

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## Environmental Programmes: Information for Independent Suppliers

As a licensed energy supplier in England, Scotland and Wales there are a number of government schemes that will apply to you and some which will apply as your customer numbers change.

These schemes are administered by Ofgem and other organisations. They exist to incentivise and promote renewable energy, energy efficiency and social outcomes.

Some schemes apply to all licensed energy suppliers, whilst others apply once your customer numbers and energy outputs pass a certain threshold.

In order to help you meet these obligations we have created this simple guide to the environmental schemes you may become obligated under. This guide clearly outlines when and how you will need to take action.

As a licensed energy supplier you are required to notify Ofgem of the number of domestic customers you have on a specific date each year. You may also be required to notify the volumes of gas and electricity you supply. This information is used to determine whether you are an obligated participant of any of the environmental programmes that we administer. The table below provides an overview of which schemes are relevant as you grow.

It is vital that you **allow enough time** for your organisation to plan and implement any new systems necessary to meet these targets. The table overleaf details all of the schemes administered by Ofgem with key contacts and information to get you started.

The easiest way to understand your obligation is by getting in contact with us so we can help guide you through the process. Please do so well in advance of you actually meeting the relevant obligation threshold, so there is time to put arrangements in place.

## Supplier obligation schemes administered by Ofgem

### Thresholds for ECO and WHD

The obligations for ECO and WHD are determined separately for electricity and gas customers. Both schemes have the same threshold, which will decrease in the following years as shown in the table below. The ECO scheme has an additional threshold for volume of energy supplied that must also be met. Suppliers can also become voluntary participants under WHD.

#### Customer Number thresholds for ECO3 and WHD Scheme Years 8, 9 and 10

ECO3	3 December 2018 to 31 March 2019 <i>Phase 1</i>	1 April 2019 to 31 March 2020 <i>Phase 2</i>	1 April 2020 to 31 March 2021 <i>Phase 3</i>	1 April 2021 to 31 March 2022 <i>Phase 4</i>
WHD	15 August 2018 to 31 March 2019 <i>Scheme Year 8</i>	1 April 2019 to 31 March 2020 <i>Scheme Year 9</i>	1 April 2020 to 31 March 2021 <i>Scheme Year 10</i>	
Number of domestic customers	>=250,000	>=200,000	>=150,000	>=150,000

#### Supply volume thresholds for the ECO3 phases

	3 December 2018 to 31 March 2019 <i>Phase 1</i>	1 April 2019 to 31 March 2020 <i>Phase 2</i>	1 April 2020 to 31 March 2021 <i>Phase 3</i>	1 April 2021 to 31 March 2022 <i>Phase 4</i>
Electricity supply to domestic customers	500GWh	400GWh	300GWh	300GWh
Gas Supply to domestic customers	1400GWh	1100GWh	700GWh	700GWh

### Energy Company Obligation (ECO)

The ECO scheme obligates domestic suppliers to deliver energy efficiency measures to domestic dwellings in England, Scotland and Wales to tackle fuel poverty and reduce carbon emissions. For ECO3 each obligated supplier must achieve one overall obligation – the Home Heating Cost Reduction Obligation (HHCRO), which contains two sub obligations on solid walled homes and those in a rural location. Obligations can be traded between supplier licences or between suppliers.

[ECO@ofgem.gov.uk](mailto:ECO@ofgem.gov.uk)

[www.ofgem.gov.uk/eco](http://www.ofgem.gov.uk/eco)

### Warm Home Discount (WHD)

The WHD scheme obligates domestic suppliers to provide a £140 annual electricity rebate to those at risk of fuel poverty, as well as further contributions towards preventing fuel poverty in England, Scotland and Wales. Suppliers can also become voluntary participants for WHD.

[WHD@ofgem.gov.uk](mailto:WHD@ofgem.gov.uk)

[www.ofgem.gov.uk/whd](http://www.ofgem.gov.uk/whd)

### Renewables Obligation (RO)

The Renewables Obligation applies to all licensed electricity suppliers.

Suppliers must report their electricity supply volumes and present a number of Renewables Obligation Certificates (ROCs) to Ofgem each year, based upon the amount of electricity they supplied. Suppliers who fail to do so will have to pay a buy-out price per ROC not presented.

The scheme is the main support mechanism for renewable electricity projects in England, Scotland, Wales and Northern Ireland. It is closed to new generators, but support and supplier payments continue until 2037.

[RECompliance@ofgem.gov.uk](mailto:RECompliance@ofgem.gov.uk)

[www.ofgem.gov.uk/ro](http://www.ofgem.gov.uk/ro)

### Feed-in Tariffs scheme (FIT)

All licensed electricity suppliers are required to take part in the Feed-In Tariff levelisation process and contribute to the costs of the scheme, regardless of customer numbers.

Energy suppliers with 250,000+ domestic electricity customers in total are obligated to become a FIT Licensee. Suppliers can also choose to become a FIT Licensee under the scheme voluntarily, if their customer numbers are below the threshold.

The scheme is a government programme designed to promote the uptake of a range of small-scale renewable and low-carbon electricity generation in England, Scotland, and Wales.

[RECompliance@ofgem.gov.uk](mailto:RECompliance@ofgem.gov.uk)

[www.ofgem.gov.uk/fit](http://www.ofgem.gov.uk/fit)

### Offtaker of Last Resort (OLR)

The Offtaker of Last Resort scheme applies to suppliers who supplied 6% or more of all electricity supplied to customers in the previous year, running 1 April to 31 March.

The OLR scheme is designed to offer a backstop auction for generators with an Investment Contract or Contracts for Difference (CFD) contract, but cannot obtain a power purchase agreement (PPA).

[OLR@ofgem.gov.uk](mailto:OLR@ofgem.gov.uk)

[www.ofgem.gov.uk/olr](http://www.ofgem.gov.uk/olr)

### Fuel Mix Disclosure (FMD)

Fuel mix disclosure (FMD) applies to all suppliers who have supplied electricity for a full disclosure period (1 April – 31 March).

FMD is the annual process whereby all suppliers must disclose to their customers the mix of fuels used to generate electricity. They must provide this information by 1 October annually.

In order to demonstrate supply of renewable electricity, suppliers must hold REGOs (see below) on Ofgem's Renewable and CHP Register, or must present EU Guarantees of Origin (GoOs) to Ofgem.

[RECompliance@ofgem.gov.uk](mailto:RECompliance@ofgem.gov.uk)

[www.ofgem.gov.uk/regos](http://www.ofgem.gov.uk/regos)

## Other schemes administered by Ofgem

Ofgem is also responsible for administering a number of government initiatives and schemes that **do not affect licensed suppliers**.

<b>Domestic Renewable Heat Incentive (DRHI)</b>	<p>The Domestic Renewable Heat Incentive (Domestic RHI) is a government financial incentive to promote the use of renewable heat. The scheme provides quarterly payments over seven years to homeowners who install eligible, domestic renewable heat technologies. Ofgem is responsible for administering the scheme on behalf of the Department for Business, Energy and Industrial Strategy (BEIS) in Great Britain, whilst the Northern Ireland Department for the Economy (DFE) administers a separate domestic scheme in Northern Ireland. The Domestic RHI is funded by HM Treasury and is not an obligation for suppliers. Only the owner of an eligible installation can apply for the scheme.</p> <p><a href="http://www.ofgem.gov.uk/domestic-rhi">www.ofgem.gov.uk/domestic-rhi</a></p>
<b>Non-Domestic Renewable Heat Incentive (NDRHI)</b>	<p>The Non-Domestic RHI is a government environmental programme that provides financial incentives to increase the uptake of renewable heat.</p> <p>For the non-domestic sector, it provides a subsidy to eligible, non-domestic renewable heat generators and producers of biomethane for injection. Ofgem is responsible for administering the scheme on behalf of the Department for Business, Energy and Industrial Strategy (BEIS) in Great Britain, and administers the separate Northern Ireland scheme under arrangements with the Northern Ireland Department for the Economy (DFE). The Non-Domestic RHI is funded by HM Treasury and is not an obligation for suppliers. Only the owner of an eligible installation can apply for the scheme.</p> <p><a href="http://www.ofgem.gov.uk/rhi">www.ofgem.gov.uk/rhi</a></p>
<b>Renewable Energy Guarantees of Origin (REGO)</b>	<p>All EU member states are required to establish and maintain a Renewable Energy Guarantees of Origin (REGO) scheme. The purpose of the scheme is to promote and increase the contribution of renewable energy sources to electricity production across the EU, providing a common platform to facilitate the trade of renewable electricity between member states. REGOs are also used to demonstrate supply of renewable electricity for Fuel Mix Disclosure. The REGO scheme continues to be part of UK law after Britain leaves the EU.</p> <p><a href="http://www.ofgem.gov.uk/rego">www.ofgem.gov.uk/rego</a></p>

## Supplier obligation schemes not administered by Ofgem

The electricity market reforms (EMR) introduced the Capacity Market (CM) and Contracts for Difference (CFD) schemes. These place an obligation on suppliers that is ultimately enforced by Ofgem as the energy regulator, but payments are administered by the EMR Settlement Ltd (EMRS), a subsidiary of Elexon.

<b>Contracts for Difference (CFD)</b>	<p>The Contracts for Difference (CFD) scheme applies to all electricity suppliers and is administered by the Low Carbon Contracts Company (LCCC).</p> <p>The CFD provides revenue stability for eligible low carbon generators through a guaranteed strike price. Generators will receive or make payments based on the differential between their specific strike price and the market price.</p> <p>Under its regulatory obligations the LCCC provides online forecasts of the supplier levies and administers daily payments of the supplier obligations to and from suppliers through their settlement provider EMRS.</p> <p><a href="https://www.lowcarboncontracts.uk/cfd-levy">https://www.lowcarboncontracts.uk/cfd-levy</a></p> <p><a href="https://www.emrsettlement.co.uk/stakeholder-support/stakeholder-support-supplier-cfd/">https://www.emrsettlement.co.uk/stakeholder-support/stakeholder-support-supplier-cfd/</a></p>
<b>Capacity Market (CM)</b>	<p>The Capacity Market (CM) applies to all electricity suppliers and is administered by the Electricity Settlements Company.</p> <p>Under normal operation, the CM scheme pays Capacity Providers to ensure security of supply to help manage system stress events. It does so through annual capacity auctions and the scheme when operating as normal requires suppliers to make monthly payments of the Capacity Market Supplier Charge and Capacity Market Settlement Costs Levy to the ESC through their Settlement provider EMRS.</p> <p>At present, the CM scheme is in standstill<sup>1</sup> and the collection of the CM Supplier Charge during this time is subject to a BEIS consultation<sup>2</sup> for which a response is awaited.</p> <p><a href="https://www.lowcarboncontracts.uk/capacity-market-charge">https://www.lowcarboncontracts.uk/capacity-market-charge</a></p> <p><a href="https://www.emrsettlement.co.uk/stakeholder-support/stakeholder-support-supplier-cm/">https://www.emrsettlement.co.uk/stakeholder-support/stakeholder-support-supplier-cm/</a></p>

<sup>1</sup> <https://www.gov.uk/government/collections/electricity-market-reform-capacity-market>

<sup>2</sup> <https://www.gov.uk/government/consultations/capacity-market-technical-amendments>