

**The Company Secretary**

The Renewable Energy Company Limited (Ecotricity)  
Lion House  
Rowcroft  
Stroud  
Gloucestershire  
GL5 3BY

Direct Dial: 020 7901 7459  
Email: Charles.Hargreaves@ofgem.gov.uk  
Date: 1 August 2019

Dear Sir/Madam,

**Enduring derogation from the default tariff cap for your renewable SVTs pursuant to SLC 28AD.25 and SLC 28AD.24 under section 3 (2) (b) of the Domestic Gas and Electricity (Tariff Cap) Act 2018<sup>1</sup> to The Renewable Energy Company Limited (Ecotricity)**

This letter sets out the decision of the Gas and Electricity Markets Authority (the "Authority")<sup>2</sup> to grant enduring derogations to the tariffs listed below from obligations set out in standard licence condition ("SLC") 28AD of the gas and electricity supply licences of The Renewable Energy Company Limited (Ecotricity) (company number 03043412, the "Licensee"). These derogations will enable the Licensee to charge independently from the maximum rates set by the default tariff cap for the Standard Variable Tariffs ("SVTs") for which it applied for a derogation (the "Relevant Tariffs").

The Relevant Tariffs are:

- Green Electricity (Single and Multi-Rate)
- Green Electricity+EV (Single and Multi- Rate)
- Green Gas

The relevant Directions are attached as Annexes to this letter and will be published on our website as required. They shall be effective on and from 1 September 2019 and shall remain in force during the period that the default tariff cap is in force, unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the Direction must be reported to the Authority as soon as possible.

This letter constitutes the notice which the Authority is required to publish under section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.

**Background Information**

Section 2 (1) of the Act makes provision for 'tariff cap conditions' and SLC 28AD sets out in detail the conditions that impose a cap on all standard variable and default rates that

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<sup>1</sup> Referred to as 'the Act' throughout the letter

<sup>2</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

may be charged by the holders of supply licences for the supply of gas or electricity under domestic supply contracts.

Section 3(2)(b) of the Act states that tariff cap conditions may provide for the conditions not to apply in relation to standard variable rates which apply only if chosen by domestic customers if, or to the extent that, the rates in question appear to the Authority to support the production of gas, or the generation of electricity, from renewable sources.

Paragraph 25 of the SLC 28AD ("SLC 28AD.25") of the Electricity Supply Licence and paragraph 24 of the SLC 28AD ("SLC 28AD.24") of the Gas Supply Licence provides that the Authority may issue directions relieving the Licensee of its obligations to comply with standard condition 28AD to such extent and subject to such conditions as the Authority may direct.

On 6 November 2018 alongside our decision to introduce a route for derogations we published guidance which set out the process for requesting a derogation from the default tariff cap and how we will assess applications.<sup>3</sup>

On 14 November 2018 the Licensee submitted a completed application form and financial information template applying for derogations for the following tariffs:

- Green Electricity (Single and Multi-Rate)
- Green Electricity+EV (Single and Multi-Rate)
- Green Gas

On 1 January 2019 the Authority issued temporary Directions pursuant to SLC 28AD.25 and SLC 28AD.24 under section 3(2)(b) of the Act granting the Licensee a derogation on a temporary basis. These temporary derogations were due to expire on 31 March 2019. On 18 March 2019 an extension to the initial temporary derogation was granted so that the varied Directions shall remain in force until 1 September 2019. This extension was granted to allow the Authority to request further information from the Licensee in order to be able to thoroughly and comprehensively evaluate whether the outcomes contained in SLC 28AD.25 and SLC 28AD.24 were met and an enduring derogation for the tariffs in question could be granted.

The Direction enabled the Licensee not to comply with the obligations as set out in SLC 28AD and to set the prices for the tariffs listed in Schedule 1 of the Direction independently from the maximum level of the cap.

### **Methodology and the Authority's decision**

Granting an enduring derogation from the obligations of SLC 28AD is significant as it entitles a Licensee to charge independently from the maximum charge restriction period as contained in SLC 28AD.

The Authority has carefully assessed and considered the information and data provided by the Licensee. The further evidence and analysis provided following a request by the Authority has enabled us to make an informed and final decision on whether to grant an enduring derogation for the tariffs in question.

The Licensee has provided evidence to the reasonable satisfaction of the Authority that all of the conditions under SLC 28AD.25 and 28AD.24 are met in respect of each tariff

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<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/guidance-derogation-requests-renewable-tariffs-default-tariff-cap>

which is the subject of its application such that derogations from complying with SLC 28AD can be granted to the tariffs in question.

In order to be granted an enduring derogation the Licensee had to demonstrate that the relevant tariff met the following conditions:

- Outcome 1: the tariff is an SVT that consumers have chosen to be on.
- Outcome 2: by consumers being on the tariff, support is given to renewables to an extent that is materially greater than that which is brought about as result of subsidies, obligations or other mandatory mechanisms.
- Outcome 3: the cost to the Licensee of supplying electricity/gas by virtue of the particular tariff relating to that Evergreen Supply Contract is materially greater than the Relevant Maximum Charge (as those terms are defined under SLC 28AD) for reasons that are directly attributable to the support that the tariff provides to the generation of electricity / production of gas from renewable sources.

We emphasise that we expect the Licensee to immediately report any change of circumstances relevant to the Direction and comply with any information request issued by the Authority without delay.

We have set out below our approach to assessing whether a licensee has met each of the outcomes listed above. Suppliers were required to complete an application form evidencing how they met the three outcomes listed above.<sup>4</sup> Suppliers were also requested to complete a financial information template setting out their costs, including the additional costs incurred by supporting renewable generation.<sup>5</sup>

We obtained additional evidence from the Licensee, both through updates to their initial application, additional data submissions and subsequent discussions, which has allowed us to conduct a full analysis of the application.

We took the following approach to assessing whether the Licensee demonstrated that each of the three outcomes is met.

#### Outcome 1

As stated in our guidance the supplier had to demonstrate that the tariff in question is an SVT that consumers have chosen to be on.

#### Is the Tariff an SVT?

Section (1) (4) (a) of the Act defines an SVT as “a rate or amount charged for, or in relation to, the supply of gas or electricity under the contract that is not fixed for a period specified in the contract.”

#### Did Consumers Choose the Tariff?

Ofgem’s guidance on derogation requests from the default tariff cap<sup>6</sup> states:

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<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/11/derogation\\_application\\_form\\_-\\_derogation\\_requests\\_for\\_renewable\\_tariffs\\_from\\_the\\_default\\_tariff\\_cap\\_-\\_word\\_0.docx](https://www.ofgem.gov.uk/system/files/docs/2018/11/derogation_application_form_-_derogation_requests_for_renewable_tariffs_from_the_default_tariff_cap_-_word_0.docx)

<sup>5</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/11/renewable\\_financial\\_information\\_template\\_-\\_derogation\\_requests\\_for\\_renewable\\_tariffs\\_from\\_the\\_default\\_tariff\\_cap\\_0.xlsx](https://www.ofgem.gov.uk/system/files/docs/2018/11/renewable_financial_information_template_-_derogation_requests_for_renewable_tariffs_from_the_default_tariff_cap_0.xlsx)

<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/guidance-derogation-requests-renewable-tariffs-default-tariff-cap>

*"To receive a derogation, the supplier will need to demonstrate that consumers made an active choice to be on the SVT. We do not propose to be prescriptive in setting out how suppliers must demonstrate this. However, we can clarify the following:*

- We consider that a consumer has not made an active choice if they have defaulted onto the SVT from a fixed-rate tariff or are on a deemed contract.*
- We expect a supplier to demonstrate that at the point the consumer chose to join the SVT, it was clearly advertised as a tariff that supports renewables."*

## Outcome 2

As stated in our guidance the supplier had to demonstrate that by consumers being on the tariff, support is given to renewables to an extent that is materially greater than that which is brought about as result of subsidies, obligations or other mandatory mechanisms.

We could not foresee every potential activity a licensee could carry out in support of renewables; we recognised that whether we considered an activity to support renewables might depend on the specific circumstances. Accordingly, we carried out a case-by-case assessment.

We considered the following factors:

- whether the support for renewables arose from a direct link with the tariff. If a supplier would carry out an activity, due to support from other tariffs or sources of funding then we would not consider it as support for the purposes of the derogation request.
- whether a supplier was attempting to game the derogations framework; for example by assessing whether suppliers are potentially allocating activities or costs from their wider portfolio to the renewable SVT. If activities across a supplier remained the same but there had been a recent reorganisation of renewable generation to certain tariffs, that might be an indication that the supplier was gaming the derogations.
- the extent to which a supplier had a long-term commitment to the renewables sector and activities that support renewables.
- the types of renewable generators the activities supported and details of the support. For example, suppliers were required to provide a description of the generators (e.g. small generators below 1MW) and length of their Power Purchase Agreement (PPA) support.

## Outcome 3

As stated in our guidance<sup>7</sup> the Licensee had to demonstrate that the costs of supplying electricity/gas by virtue of the tariff were materially greater than the level of the default tariff cap for reasons that were directly attributable to the support that the tariff provides to the generation of electricity / production of gas from renewable sources; i.e. that the costs of the tariff are materially greater than the level of the default cap by virtue of costs attributable to renewables ("renewable costs").

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<sup>7</sup> <https://www.ofgem.gov.uk/publications-and-updates/guidance-derogation-requests-renewable-tariffs-default-tariff-cap>

Therefore, our analysis calculated:

- The applicable tariff cap level for each tariff, based on its customer consumption and location;
- The total costs, attributing costs to each tariff, and splitting between single-rate and multi-rate tariffs;
- What costs could be considered to be renewable costs.

To make this assessment the Licensee submitted cost data, which was compared to the relevant level of the default tariff cap, based on its customer base and the time period of its application. Certain groups of costs were accepted as being directly attributable to the support that the Tariff provides to the generation of electricity or the production of gas from renewable sources, i.e. renewable costs. We analysed whether the supplier's costs associated with the tariff were materially above the level of the price cap by virtue of renewable costs. However, we did not take the approach that this outcome would *only* be met if all of the supplier's costs above the level of the cap were because of renewable costs. Rather, we considered that the outcome would be met if the supplier's renewable costs represented over 50% of the total costs which exceeded the cap level. Therefore, there could be both renewable and non-renewable costs above the price cap level. We chose this materiality threshold of 50% to ensure that renewable costs were the *primary* reason that costs were higher than the default tariff cap. In our view, this struck an appropriate balance. This recognises that some suppliers who support renewables may have higher costs than other suppliers who do not support renewables, even where some of these costs do not themselves directly support renewables. It also ensures that the customers of a supplier with costs above the level of the cap that are not primarily associated with support for renewables were not deprived of the protection of the default tariff cap.

We worked with the Licensee to ensure that costs were apportioned appropriately between the tariffs. When we considered whether each tariff met the outcome we considered single-rate and multi-rate versions of the tariff separately in order to allocate the costs according to their occurrence. Given the different consumption profiles between single-rate and multi-rate tariffs, both their costs and the relevant tariff cap were different. Given the uncertainties in apportioning the data between different tariffs and single and multi-rate tariffs, and the influence of the time-period for which the supplier submitted data, where renewable costs were below the 50% threshold, we have applied a small margin of error. This ensures that we do not refuse derogations for tariffs that provide material support for renewables based on a rigid adherence to the modelling assumptions used. In recognition of this uncertainty we also compared the proportion of costs above the cap which are renewable across all the relevant tariffs to ensure that, overall, the support provided by the supplier meets the threshold.

Our assessments of renewable costs were carried out on a case-by-case basis, based on the evidence supplied in the applications. Our published guidance detailed the types of activities which are considered to support renewables. These costs included: costs of Power Purchase Agreements (PPAs) or Gas Purchase Agreements (GPAs), above the costs included in the default tariff cap; support provided to PPA/GPA partners and additional costs incurred due to PPA/GPA contracts; and additional costs related to managing a renewable energy portfolio, such as forecasting and imbalances beyond these incurred by non-renewable suppliers.

In our assessment of which costs could be considered renewable costs, we grouped costs related to REGOs and Green Gas Certificates together with PPA/GPA costs. We recognise that we had not envisaged doing so when we published our guidance in November 2018. In that guidance, we expressed a view that the costs of REGOs did not directly support renewables and that we did not expect to consider the purchasing of Green Gas

Certificates as additional support where the generation has received support from existing subsidies. However, following the issuing of the guidance, licensees provided additional information during the course of the analysis which demonstrated that the relevant costs of these have risen, and that in some cases suppliers pay a premium in order to provide additional support to generators/producers. This additional evidence suggested that REGOs, although not a significant additional cost for suppliers, and Green Gas Certificates, can in some instances provide important income to renewable generators and producers. We therefore consider that – in the light of the information that we have seen since we issued the guidance – we have good reasons for departing from the view we expressed in the guidance. The guidance document will be updated and consulted on in order to reflect this change. We note however, that the decisions taken would not have been altered if we had not changed our approach to REGOs and Green Gas Certificates.

Costs related to investment in developing new generation or production of renewable energy were included as renewable costs, where relevant. These could either be costs incurred during the time period of the costs data it submitted as part of the application, or expected future costs. Where costs related to expected future costs, the Licensee provided evidence to our reasonable satisfaction that the costs were probable or likely to be incurred; for example, by providing evidence of planning permission, and demonstrating a track-record of successfully investing in new generation or production. For expected future investments, we will monitor the projects on an ongoing basis as they are delivered.

Certain of the costs which suppliers provided evidence of did not directly relate to support for the generation of electricity or production of gas from renewable sources, but did support the renewable sector more broadly or contribute to the longer-term growth of the sector. Examples of these costs would be: costs associated with carbon off-setting; or campaigning or lobbying activities aimed at promoting the transition to renewable energy. While these costs may not (in some cases) provide direct support for renewables, we nevertheless consider that it would be inappropriate to include them in our analysis of “non-renewable” costs. If we did so, it would create perverse incentives for suppliers to cease these activities – which contribute in a general sense to the renewable energy sector – in order to get the benefit of the derogation. For these reasons, where relevant, and if the Licensee had provided strong evidence, costs such as these were excluded from the analysis. The guidance (which did not explain our approach to these categories of costs) will be updated and consulted on in order to reflect this change. We note however, that the decisions taken would not have been altered if we had considered these costs as non-renewable costs.

## **Tariff Specific Outcome Analysis**

We assessed whether each tariff demonstrated the three outcomes listed above. We have set out below our analysis and our decision in respect of each tariff.

### **Outcome 1**

#### Is the Tariff an SVT?

The Licensee explained in their application form that the tariffs listed in Schedule 1 to this direction are SVTs and evidenced this by providing the terms and conditions of the tariffs demonstrating that the tariffs have no end date and therefore met the requirements of a standard variable tariff as defined in the Act.

We are satisfied that this evidence is sufficient to demonstrate that this element of Outcome 1 is met for all tariffs listed in Schedule 1.

Did Consumers Choose the Tariff?

The Licensee provided documentary evidence that all default and deemed customers were transferred to a tariff which is subject to the default tariff cap by 1 January 2019. Removing all such customers from these tariffs was a condition of the original temporary derogation. Therefore, as all deemed and default customers had been removed as demonstrated by the Licensee, the only way the remaining customers could get onto the tariffs which are the subject of this application is to actively choose to be on them.

The Licensee provided historic marketing materials demonstrating that they advertised their tariffs as supporting renewable energy.

We are satisfied that the evidence provided is sufficient to demonstrate that this element of Outcome 1 for all tariffs listed in Schedule 1 is met.

Consequently, as the Licensee has demonstrated it has met the conditions for both elements of Outcome 1, we have concluded that overall, the Licensee has satisfied the requirements of Outcome 1 for all tariffs listed in Schedule 1.

**Outcome 2**

The Licensee provided evidence of the activities it carried out in support of renewables. The table below sets out the key activities undertaken, the tariff the activity relates to, the evidence provided by the Licensee and our rationale for considering the material supporting generation or production of renewable energy. We have concluded these activities adequately demonstrate that the conditions of Outcome 2 have been met for all tariffs listed in Schedule 1.

<b>Support Activity</b>	<b>Tariff Related to Support Activity<sup>8</sup></b>	<b>Evidence</b>	<b>Rational for considering material support</b>
Power Purchase Agreement (PPA) in place with renewable generators.	Green Electricity  Electricity+EV	Evidence of number of PPAs in place.  Evidence of financial support provided by PPA.	Granting support via a PPA is a main route to market for renewable generators.  PPAs provide financial support to generators.  The Licensee bears the cost of providing sufficient staff to manage a large number of PPAs. By contracting PPAs the Licensee is providing a source of income to renewable generators that allows them to be

<sup>8</sup> The electricity tariffs in the table have both single and multi-rate tariffs. We have referred only to tariff name in the table but both single and multi-rate tariffs are included in our assessment.

			financially viable thus supporting the generation and production of renewable energy.
Gas Purchase Agreement (GPA) in place with renewable generators.	Green Gas	Evidence of number of GPA agreements in place.  Evidence of financial support provided by GPAs.	Granting support via a GPA is a main route to market for renewable generators.  GPAs provide financial support to generators.  By contracting GPAs the Licensee is providing a source of income to renewable generators that allows them to be financially viable thus supporting the generation and production of renewable energy.
The Licensee's application set out their plans to invest in new renewable generation sites over the life time of the price cap and the anticipated costs.	Green Electricity  Electricity+EV  Green Gas	Evidence of renewable generation sites in development  Planning permission documents  Evidence of costs incurred to date developing these sites  Evidence of estimated development costs for these sites  Evidence of the licensee's past record of developing new renewable generation sites.	Developing new renewable generation sites supports the generation and production of renewable energy.  Several of these sites had planning permission in place and development work was in progress.  The Licensee demonstrated a long term commitment to investing in new renewable generation due to their track record of developing new renewable generation.

Due to the forward-looking aspect of investing in new renewable generation, we will monitor the investment activity undertaken by the Licensee to determine if the grounds for a derogation remain valid. We will require the Licensee to report their progress to us on a regular basis.

### Outcome 3

The Licensee provided detailed data on their costs, renewable costs, and the customer and consumption profile of the relevant tariffs. The Licensee also provided details of expected future investments in new renewable generation/production. Based upon this

evidence, we calculated the applicable level of the default tariff cap, total costs related to each tariff, renewable costs, and expected future investment costs. No costs were excluded from the analysis.

The renewable costs included the costs of the activities detailed in the guidance or the methodology outlined above. These costs include: PPA/GPA costs above those included in the maximum charge restriction of the price cap, costs for forecasting and imbalance related to renewables, REGOs and Green Gas Certificates.

The day to day renewable costs combined with the additional expected future renewable investment costs met the requirement that greater than 50% of costs above the applicable default tariff cap were renewable costs. Based upon this analysis, we are satisfied that the Licensee provided sufficient evidence to demonstrate that each of the tariffs detailed above passes Outcome 3.

If you would like to discuss the contents of this letter in more detail, please contact my colleague, James Crawford at [renewable.derogations@ofgem.gov.uk](mailto:renewable.derogations@ofgem.gov.uk).

Yours faithfully,

Charles Hargreaves  
**Deputy Director, Enforcement**

Signed on behalf of the Authority and authorised for that purpose.

## **ANNEX 1: Electricity Supply Licence**

### **The Company Secretary**

The Renewable Energy Company Limited (Ecotricity)  
Lion House  
Rowcroft  
Stroud  
Gloucestershire  
GL5 3BY

### **Direction issued by the Gas and Electricity Markets Authority under standard condition 28AD of the Electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 to Renewable Energy Company Limited (Ecotricity)**

To: The Renewable Energy Company Limited's (Ecotricity) (company number 03043412, the "Licensee")

1. Under section 1(1) of the Domestic Gas and Electricity (Tariff Cap) Act 2018 (the '2018 Act'), the Gas and Electricity Markets Authority (the 'Authority') gave notice on 6 November 2018 (the 'Notice') of its decision to modify the standard conditions, incorporated in supply licences by virtue of section 8 of the 1986 Act or section 8A of the 1989 Act, by introducing standard condition 28AD.
2. Standard condition 28AD includes conditions ('tariff cap conditions') that impose a cap on all standard variable and default rates that may be charged by the holders of supply licences for the supply of gas or electricity under domestic supply contracts.
3. Section 3(2)(b) of the Act states that tariff cap conditions may provide for the conditions not to apply in relation to standard variable rates which apply only if chosen by domestic customers if, or to the extent that, the rates in question appear to the Authority to support the production of gas, or the generation of electricity, from renewable sources.
4. Paragraph 25 of standard condition 28AD ("**SLC28AD.25**") of the Electricity Supply Licence ("the **Licence**") provides that the Authority may issue directions relieving the Licensee of its obligations to comply with standard condition 28AD to such extent and subject to such conditions as the Authority may direct.
5. As a result of this assessment the Authority issues this direction pursuant to SLC 28AD.25 granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 to the Licensee.
6. Capitalised terms used in this direction which are not defined in this direction shall have the meaning given to them in the Licence.
7. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 1 August 2019.
8. The Authority directs that in relation to the tariffs set out in Schedule 1, and subject to the conditions set out below, the Licensee is relieved of its obligations to comply with standard condition 28AD of the Licence.
9. A licensee may only rely on this derogation if the following conditions are met:

- a. The Licensee ensures throughout the duration of this direction that the tariffs set out in Schedule 1 meet the outcomes stated in SLC 28AD.25; and
  - b. The Licensee must provide the Authority with any information that it reasonably requests about the Licensee's compliance with this direction as soon as reasonably practicable after receiving a request.
10. The Licensee will be required to provide evidence demonstrating that it is carrying out the expected future investment activity which it has forecasted. The timing of the submission of this evidence will be determined by the Authority in consultation with the Licensee.
11. The Licensee is required to report any change of circumstances relevant to this direction to the Authority without delay.
12. This direction shall take effect on and from 1 September 2019 and shall remain in force throughout the period that the default tariff cap is in place, unless it is revoked earlier or varied in writing by the Authority.

Dated: 1 August 2019

**Charles Hargreaves**  
**Deputy Director, Enforcement**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

## **Schedule 1**

The tariffs this derogation applies to are those that were the subject of the derogation application made by the Licensee, specifically:

- Green Electricity (Single and Multi-Rate)
- Green Electricity+EV (Single and Multi-Rate)

## **ANNEX 2 Gas Supply Licence**

### **The Company Secretary**

The Renewable Energy Company Limited (Ecotricity)  
Lion House  
Rowcroft  
Stroud  
Gloucestershire  
GL5 3BY

### **Direction issued by the Gas and Electricity Markets Authority under standard condition 28AD of the Gas supply licence granted or treated as granted under section 7A (1) of the Gas Act 1986 to Renewable Energy Company Limited (Ecotricity)**

To: The Renewable Energy Company Limited's (Ecotricity) (company number 03043412, the "Licensee")

1. Under section 1(1) of the Domestic Gas and Electricity (Tariff Cap) Act 2018 (the '2018 Act'), the Gas and Electricity Markets Authority (the 'Authority') gave notice on 6 November 2018 (the 'Notice') of its decision to modify the standard conditions, incorporated in supply licences by virtue of section 8 of the 1986 Act or section 8A of the 1989 Act, by introducing standard condition 28AD.
2. Standard condition 28AD includes conditions ('tariff cap conditions') that impose a cap on all standard variable and default rates that may be charged by the holders of supply licences for the supply of gas or electricity under domestic supply contracts.
3. Section 3(2)(b) of the Act states that tariff cap conditions may provide for the conditions not to apply in relation to standard variable rates which apply only if chosen by domestic customers if, or to the extent that, the rates in question appear to the Authority to support the production of gas, or the generation of electricity, from renewable sources.
4. Paragraph 24 of standard condition 28AD ("**SLC28AD.24**") of the Gas Supply Licence ("the **Licence**") provides that the Authority may issue directions relieving the Licensee of its obligations to comply with standard condition 28AD to such extent and subject to such conditions as the Authority may direct.
5. As a result of this assessment the Authority issues this direction pursuant to SLC 28AD.24 granted or treated as granted under section 7A (1) of the Gas Act 1986 to the Licensee.
6. Capitalised terms used in this direction which are not defined in this direction shall have the meaning given to them in the Licence.
7. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 1 August 2019.
8. The Authority directs that in relation to the tariffs set out in Schedule 1, and subject to the conditions set out below, the Licensee is relieved of its obligations to comply with standard condition 28AD of the Licence.
9. A Licensee may only rely on this derogation if the following conditions are met:

- a) The Licensee ensures throughout the duration of this direction that the tariffs set out in Schedule 1 meet the outcomes stated in SLC 28AD.24; and
  - b) The Licensee must provide the Authority with any information that it reasonably requests about the Licensee's compliance with this direction and/or information requested for the purposes of granting an enduring derogation as soon as reasonably practicable after receiving a request.
10. The Licensee will be required to provide evidence demonstrating that it is carrying out the expected future investments activity which it has forecasted. The timing of the submission of this evidence will be determined by the Authority in consultation with the Licensee.
11. The Licensee is required to report any change of circumstances relevant to this direction to the Authority without delay.
12. This direction shall take effect on and from 1 September 2019 and shall remain in force throughout the period that the default tariff cap is in place, unless it is revoked earlier or varied in writing by the Authority.

Dated: 1 August 2019

**Charles Hargreaves**  
**Deputy Director, Enforcement**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

## **Schedule 1**

The tariffs this derogation applies to are those that were the subject of the derogation application made by the Licensee, specifically:

- Green Gas