

Climate Change Levy exemption for renewables: Guidance for generators and suppliers

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Target audience: This document is for the guidance of those generating electricity from renewable sources, and for electricity suppliers who sell renewable-source electricity to their customers.

Overview:

This guidance note explains how renewable generators secure Levy Exemption Certificates (LECs), and how suppliers should use them.

This document **does not cover** the Climate Change Levy Exemption for good-quality Combined Heat and Power, the Renewables Obligation, or Renewable Energy Guarantees of Origin. For guidance on these topics, please consult the 'Sustainability' and 'Environment' section of the Ofgem website www.ofgem.gov.uk.

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Context

Ofgem plays a major role, with HM Revenue and Customs, in administering the Climate Change Levy (CCL) exemption for renewables. This work involves the accreditation of generators under the scheme and the issue of LECs.

This is a revised guidance document, for use from 1 November 2008.. This revised version updates the guidance of 1 April 2008 by removing the eligibility of coal mine methane generation for LECs.

Associated Documents

This document should be read in conjunction with the User Guide to the Renewables and CHP Register which is used to administer the scheme. The Register is available at www.renewablesandchp.ofgem.gov.uk.

There is also a 'frequently-asked questions' guide, covering the CCL, the Renewables Obligation, and Renewable Energy Guarantees of Origin.

We have published guidance for agents who act for station operators in respect of the CCL exemption. Please see 'Climate Change Levy exemption for renewables: Guidance for agents' on the Ofgem website, www.ofgem.gov.uk.

If you would like to know more about the legislation governing the CCL exemption for renewables, please refer to the 'Introduction' section of this guidance note.

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Summary

This summary briefly explains what each section of this guidance document is about.

Introduction and background

This explains the legislative background to the CCL exemption for renewables, setting out what Ofgem's responsibilities are in respect of it. It summarises the purpose and status of this guidance document.

Accreditation

'Accreditation' is the process by which a generating station qualifies to receive LECs. This section of the guidance explains what a generator must do to secure accreditation. It introduces the questionnaire that has to be completed, and also explains special points relating to certain specific generating technologies.

Obtaining LECs

This section explains how generators submit data quantifying their monthly electrical output. We use this data to calculate the number of LECs to which the generator is entitled.

Consumption of the electricity in the UK

We shall issue LECs **only if we are satisfied that the electricity that they would represent is to be consumed in the UK**. This section explains why we enforce this requirement and how we secure assurance of compliance with it.

Issuing LECs

This explains the numbering system for LECs. It also covers special arrangements for renewable Combined Heat and Power generators, and for generators who have contracts under the Non Fossil Fuel Obligation (NFFO) or the Scottish Renewables Obligation (SRO).

How suppliers use LECs

LECs are part of the evidence that suppliers use to prove that they have supplied non-domestic customers with renewable source electricity. This section outlines the process by which suppliers must 'notify' LECs in respect of renewable source

contracts. It also explains that suppliers must give formal notice to HM Revenue and Customs of their intention to comply with the conditions of the CCL exemption. As there are criminal and civil penalties for failure to comply, **it is important that suppliers read this section of the guidance.**

The appendices

The appendices to this guidance give important, additional information about:

- the definition of a hydro generating station;
- stations generating energy from waste;
- stations generating energy from biomass;
- fuel measurement and sampling for waste and biomass generators;
- the 'technology codes' used as part of generator accreditation numbers;
- Ofgem's monthly schedule for issuing LECs; and
- the 'consumption declaration' certifying that electricity is for consumption in the UK.

Also, at the end of the document, are appendices giving useful contact details, and a glossary of terms and abbreviations.

1. Introduction and background

Status of this guidance document

1.1. This is a working guidance document. It cannot, and does not seek to, anticipate and address every situation that may arise. We shall consider the particular facts of each case that we are required to determine as the legislation, and any other relevant considerations, apply to them.

1.2. This document is not, and is not intended as, a definitive and/or binding interpretation of the relevant legislation. Where it is helpful to do so, it refers to the legislation, but users should obtain independent legal advice regarding the Climate Change Levy exemption for renewables, including the requirements of the legislation and any points of statutory interpretation.

1.3. We aim to review this guidance, periodically. Accordingly, it would be helpful to receive comments or suggestions from those who use it.

The Climate Change Levy exemption for renewables

1.4. Introduced in April 2001, the Climate Change Levy (CCL) is chargeable on non-domestic supplies of electricity. Subject to certain exclusions, exemptions, reduced-rate provisions, electricity is currently (with effect from 1 April 2008) subject to the levy at a rate of 0.456p/kWh.

1.5. Paragraphs 19 and 22 in Schedule 6 to the Finance Act 2000, and Part IV of the Climate Change Levy (General) Regulations 2001¹ ("the Regulations"), created the CCL exemption for electricity generated from renewable sources. The Regulations were amended in 2003², 2007³ and 2008⁴.

1.6. We issue Levy Exemption Certificates (LECs) as evidence that a generator has produced eligible renewable source electricity. Suppliers use LECs to claim the CCL exemption. Note that this document refers only to 'renewables LECs'. **LECs issued in respect of the output from good-quality Combined Heat and Power (CHP)**

¹ Paragraph 22 of Schedule 6 to the Finance Act 2000 empowers the Commissioners to make regulations giving effect to the exclusions and exemptions provided for in Paragraphs 8 to 21. These Regulations are available on the website of the Office of Public Sector Information (OPSI) www.opsi.gov.uk

² The Climate Change Levy (General) (Amendment) Regulations 2003 (SI No. 604)

³ The Climate Change Levy (General) (amendment) Regulations 2007 (SI No. 2903)

⁴ Finance Act 2008, PART 8, Section 149

stations (CHP LECs) are different. We issue separate guidance on CHP LECs⁵.

Ofgem's responsibilities

1.7. The legislation gives the Gas and Electricity Markets Authority ("the Authority") responsibility for administration of aspects of the CCL exemption for renewables (as above, in the 'Context' section). Ofgem is the non-ministerial Civil Service department that supports, and performs the day-to-day functions of, the Authority. As such, Ofgem is responsible for:

- accrediting renewable generating stations⁶;
- issuing LECs;
- maintaining a record (for six years) of LECs issued;
- receiving notification, from suppliers, of LECs allocated to a supply;
- auditing accredited generators, to secure assurance of compliance; and
- providing information to HM Revenue and Customs (HMRC) in respect of the administration of the CCL exemption for renewables.

⁵ Guidance on CHP LECs is to be found on the Ofgem website www.ofgem.gov.uk , under 'CHP'.

⁶ NI AUR has responsibility for accrediting stations and issuing LECs in Northern Ireland and in the Republic of Ireland.

2. Accreditation

Chapter Summary

'Accreditation' is the process by which a generating station qualifies to receive LECs. This section of the guidance explains what a generator must do to secure accreditation. It introduces the questionnaire that has to be completed, and also explains special points relating to certain specific generating technologies.

Introduction

2.1. We can only issue LECs in respect of the output of an eligible⁷ renewable generating station. The station must be accredited. In order to secure accreditation, the generator must complete the application questionnaire available on the Renewables and CHP Register.

2.2. Please note that **Ofgem does not accredit generators in Northern Ireland or in the Republic of Ireland**. This is the responsibility of NIAUR. The NIAUR website is at www.niaur.gov.uk.

Accreditation questionnaire

2.3. As the questionnaire enables us to establish whether a generating station meets the definition of a qualifying renewable source, it is important that applicants use it to provide full and complete information. There are formal declarations, at the end of the questionnaire, that an appropriate officer⁸ of the operator company must complete.

2.4. Having received the completed questionnaire, we may have some additional questions to ask. In some cases, we may make a site visit to check on the information in the questionnaire. We may also require independent verification of some of the information.

2.5. Generators having a Non-Fossil Fuel Obligation (NFFO) contract with the Non-Fossil Purchasing Agency (NFPA) should ask the NFPA to assist in completing the questionnaire.

⁷ An eligible station is one generating electricity from renewable sources or from waste. Regulation 47 defines the terms 'renewable sources' and 'waste'.

⁸ An appropriate officer might, for example, be a director, company secretary or chief operating officer.

Applications from agents

2.6. We have no objection in principle to a station operator employing an agent to manage routine contacts with Ofgem, including accreditation. However, the **station in question must be individually accredited in the normal way**. Before we agree to deal with an agent, we shall ordinarily require the station operator to give us **written evidence** of:

- the identity and contact details of the agent;
- the due appointment of the agent, by the station operator;
- the duration of the agent's authorisation;
- what the agent is, and is not, authorised to do on the generator's behalf;
- the station operator's agreement that any LEC which we issue to its agent will be received by that agent for and on behalf of, and for the benefit of, the station operator, and on no other basis; and of
- compliance with the requirements of Regulation 49(4)⁹.

Hydro generating stations

2.7. Not all hydro generating stations are eligible for accreditation. Those with a Declared Net Capacity (DNC) exceeding 10MW are not eligible. **Note that two or more hydro stations sharing civil works will probably be regarded as a single generating station for purposes of the CCL exemption for renewables.** This may mean that, together, their DNC exceeds the 10MW limit. The relevant provisions are in Regulation 47(2), but there is a fuller explanation at Appendix 2 to this guidance document.

Generating stations burning waste

2.8. Generating stations fuelled by waste are eligible for LECs, but we shall probably require additional information from the station operator. Where a generating station burns waste, the usual presumption is that 50 per cent of the output is renewable sources¹⁰. It is, however, open to Ofgem to declare its reasonable belief that a higher figure would be appropriate. More detail is set out in Appendix 3.

2.9. While it is often sensible to reach agreement, at the time of accreditation, on the methodology for establishing how much output is generated from renewable sources, this will not necessarily delay the accreditation process. What is important is that station operators will have to agree this methodology with us.

⁹ Regulation 49(4) requires the keeping of records for up to six years. Applicants for accreditation may wish to consult their legal advisers on this point, before submitting their application.

¹⁰ Regulation 47(7) refers

Generating stations burning biomass

2.10. We shall require additional monthly information in respect of generating stations burning biomass as a fuel. Full details are set out in Appendix 4. We will normally seek to reach agreement on FMS procedures at the time of accreditation.. Appendix 5 explains FMS procedures.

CHP generating stations using renewable fuels

2.11. Combined Heat and Power (CHP) stations that use renewable fuels (e.g. sewage gas) may be eligible for accreditation, and may then receive LECs for that proportion of the output attributable to the renewable fuel.

2.12. That a CHP station is eligible for renewables LECs does not preclude it from receiving CHP LECs for some of its output. Note that this document refers only to 'renewables LECs'. **LECs issued in respect of the output from good-quality CHP stations (CHP LECs) are different.** For information on CHP LECs, please refer to guidance on 'The Climate Change Levy exemption for CHP', which is to be found on the Ofgem website www.ofgem.gov.uk.

Submitting an application

2.13. Operators of generating stations must complete a separate accreditation questionnaire for each generating station. **This should be completed and submitted within our Renewables and CHP Register.**

Following accreditation

2.14. Once we are satisfied that we can accredit a generating station, we shall issue the operator with a unique identification number. It will look like this.

L 000222 SH EN

Component	Meaning
L	Accredited for the CCL exemption
000222	Unique accreditation number for the station
SH	Technology code (small hydro) (See Appendix 6)
EN	Country in which the station is located

2.15. Accreditation does not, of itself, guarantee the issue of LECs. As Section 3 of this guidance explains, issue will depend on the satisfactory submission of monthly output data.

2.16. We may, at any time, require any accredited station to confirm that it continues to comply with the Regulations. In particular, we shall require the station operator to complete a fresh 'consumption declaration' annually. See Appendix 8 for details of this declaration.

Audits

2.17. Each year, we carry out a programme of audits of accredited generating stations. The audits secure assurance of compliance with the Regulations. We select some stations for audit randomly. Others may be subject to audit as a result of information that we have received.

2.18. We employ consulting engineers to conduct the audits. They will, inter alia, wish to review metering arrangements and the station operator's records of monthly output data. The auditors will also satisfy themselves that the station's output is for consumption in the UK.

List of accredited generating stations

2.19. Each month, we publish a list of accredited generating stations. The list gives the name and location of the generating station, its generating capacity, technology type, and the name of the owner or operator. The list is available, under 'Renewable Statistics' on the Ofgem website www.ofgem.gov.uk.

3. Obtaining LECs

Chapter Summary

This section explains how generators submit data quantifying their monthly electrical output. We use this data to calculate the number of LECs to which the generator is entitled.

Submission of monthly output data

3.1 To obtain LECs, an accredited generator must submit monthly electricity production figures (output data) to Ofgem. The output data must be expressed in kWhs.

3.2 The generator should submit the output data by the end of the second month following the month of generation. So, for example, data relating to output in January, should be submitted into the Renewables and CHP Register by the end of March.

3.3 Our current view is that an operator of a generating station may appoint an agent (e.g. a data collector) to submit output data on its behalf, in respect of LECs. However, the data submitted by such an agent must clearly identify the generating station that generated the electricity to which the data relates. Data in respect of electricity produced by one generator cannot be amalgamated with data in respect of electricity produced by another generator. Before we agree to deal with an agent, we shall ordinarily require the station operator to give us **written evidence** of:

- the identity and contact details of the agent;
- the due appointment of the agent, by the station operator;
- the duration of the agent's authorisation;
- what the agent is, and is not, authorised to do on the generator's behalf;
- the station operator's agreement that any LEC which we issue to its agent will be received by that agent for and on behalf of, and for the benefit of, the station operator, and on no other basis; and of
- compliance with the requirements of Regulation 49(4)¹¹.

3.4 Output data should be submitted via the Renewables and CHP Register.

3.5 Generating stations in respect of which the accreditation process is incomplete should submit data in the normal way. However, we shall not issue them with LECs

¹¹ Regulation 49(4) requires the keeping of records for up to six years. Applicants for accreditation, who intend to appoint an agent, may wish to consult their legal advisers on this point, before submitting their monthly output data.

until we have granted accreditation. At that point, we shall issue all the outstanding LECs to which they are entitled.

Meter readings, meter reading records and estimates

3.6 Output data should be derived from meter readings taken on the first day of each month (or within one day on each side of that date).

3.7 The Regulations¹² require operators to keep records of meter readings. The station operator should also keep monthly records of the volume of electricity, if any, that is supplied to recipients outside the UK.

3.8 Any estimates of output data must be agreed with Ofgem before output is submitted.

Renewable generating stations located outside the UK

3.9 As Section 4 of this guidance explains in greater detail, we can only issue LECs in respect of electricity consumed, or to be consumed, in the UK¹³. Accordingly, stations located outside the UK **must submit their output data net of internal consumption**. This is because internal (on-site) consumption cannot, by definition be consumed in the UK. So that an accurate figure can be deducted from gross generation, it is important the internal consumption is metered. Internal consumption includes electrical losses associated with transformers located within the boundaries of the generating station.

3.10 Operators of generating stations, located outside the UK, who have received financial support, either for construction or operation of the station from any department or agency of their national government, should notify Ofgem of that fact. If such financial support was conditional on any or all of the electrical output's being consumed in the country of origin, that output would probably not be eligible for LECs. **The electricity in question could not be consumed in the UK.**

Data that is submitted late

3.11 We shall generally require generators to submit data by the end of the second month following the month of generation. If data is submitted late, we shall generally reject it. We shall not normally issue LECs in respect of the electricity represented by late data. In exceptional circumstances, we may agree to accept late or corrected data. Any request for us to do so must be supported by a statement of case, explaining what the particular circumstances were, and why they were exceptional.

¹² Regulations 48(3)(b) and 49(4)

¹³ Regulation 48(5)

3.12 We shall consider requests to accept late data case-by-case, on the particular facts. We shall, for example, be inclined to be sympathetic where:

- there is documentary evidence of an attempt to send the data to us before the deadline¹⁴;
- a serious incident (e.g. a fire or flood) has affected the operation of the generating station;
- it has proved impossible to cover for the absence of a key member of staff¹⁵; or where
- a procedural change, that we have introduced, has made it difficult to submit data on time¹⁶.

3.13 That is not an exhaustive list. We shall always take account of the particular facts. However, **we shall only accept late data if we are persuaded that the circumstances were genuinely exceptional**. When making a decision, we shall take account of:

- the length of the delay in submitting data;
- whether the station operator informed us of the problem before the deadline for data submission;
- previous, similar requests from the same station operator; and
- evidence of the operator's reasonable endeavours to prevent the delay.

3.14 If a station operator realises that **incorrect data** has been submitted, or if we learn (perhaps from an audit) that data is wrong, we may be able to accept a corrected version. We shall consider each request to accept corrected data on the particular circumstances. In doing so, we shall:

- treat under and over-issues similarly;

¹⁴ Usually, these circumstances will result from failure of e-mail or facsimile transmission. We shall expect station operators to have used all reasonable endeavours to send the information to us, including acting on 'delivery failure' messages. If they do not receive our standard acknowledgement e-mail, station operators should raise a query about the receipt of their data.

¹⁵ In the great majority of cases, we should expect station operators (and particularly large companies) to have robust arrangements to cover absences.

¹⁶ In these cases, the nature of the changed procedure, its mode of communication, and the lead time before its implementation would be of relevance.

- try to correct all errors detected before LEC issue; and shall
- apply a significance test¹⁷ to errors identified after LEC issue.

3.15 When we write to a station operator, agreeing to accept corrected data, we shall mention our expectation that there should be robust procedures in place to prevent the submission of erroneous data. **Repeated errors may result in our refusing to accept data**, until we are satisfied that the operator has put such procedures in place. The Regulations provide that we need not issue a LEC if we do not receive relevant information and meter readings¹⁸.

3.16 If we, at Ofgem, make a mistake over issuing LECs, we shall apologise and put it right.

¹⁷ The significance test will take account of the number of LECs involved, their number as a proportion of the total claim for LECs, and the time that has elapsed since we issued the LECs.

¹⁸ Regulation 48(3)

4. Consumption of electricity in the UK

Chapter Summary

We shall issue LECs **only if we are satisfied that the electricity that they would represent is to be consumed in the UK**. This section explains why we enforce this requirement and how we secure assurance of compliance with it.

The requirement for consumption in the UK

4.1 Regulation 48(5)¹⁹ provides that:

"The relevant Authority need not issue a Renewables LEC unless it is satisfied that the Renewables LEC, if issued, would represent electricity consumed or to be consumed in the United Kingdom.

For this purpose, the relevant Authority may have regard in particular to whether any part of that electricity is or may be allocated by the operator of the generating station or a supplier for consumption outside the United Kingdom".

Securing assurance of compliance

4.2 In order to secure assurance that a generator's output represents electricity consumed, or to be consumed, in the UK, we shall:

- ask the generator to submit an annual Consumption Declaration via the Renewables and CHP Register, perhaps supported by additional evidence; and may
- brief our auditors to consider the evidence that any given station's output was consumed in the UK.

4.3 The annual Consumption Declaration certifies that all electricity notified to us, in anticipation of LEC issue, is consumed, or to be consumed, in the UK. Unless we have a current Consumption Declaration, we shall not issue LECs. A proforma Consumption Declaration is at Appendix 8 to these guidance notes.

¹⁹ Inserted by Regulation 16 in the Climate Change Levy (General) (Amendment) Regulations 2003 (No. 604)

4.4 When submitting the Consumption Declaration, station operators must ensure that:

- the declaration is submitted by 1 April, each year;
- it relates to a specified period;
- it clearly shows the generating station name and accreditation number²⁰; and that
- it is signed by an appropriate officer of the company²¹.

4.5 We may also, and at any time, require a generator to provide us with additional information or evidence to support its Consumption Declaration. This may include, but would not necessarily be limited to, **assurance that the generator is not, or has not been, in receipt of any financial support conditional on the supply of electricity to premises other than premises situated within the United Kingdom.**

4.6 During an audit, we shall ask the generator to give us evidence to support its Consumption Declaration. As generators' circumstances vary quite widely, we shall take account of the particular situation when conducting an audit. As a general indication, however, the classes of supporting evidence that we should be likely to find persuasive would include, but not necessarily be limited to:

- contractual evidence demonstrating that electricity notified to us for the purpose of issuing Renewables LECs represents electricity consumed or to be consumed in the UK and (for overseas stations) that;
- evidence that a path exists so that the electricity generated is notionally capable of reaching the UK. This may include evidence that sufficient capacity has been booked in the direction of flow on the relevant interconnectors.

4.7 Should we become aware of additional information that we ought to seek from all generating stations, we shall notify participants and publish the updated information on our website.

Audits

4.8 We routinely conduct audits of renewable generating stations. We select them for audit either randomly or to reflect any concern that we may have. The main purpose of these audits is to verify the technical characteristics of the generating station, as detailed by the operator at the time of accreditation. We shall also use this

²⁰ Where a company is responsible for more than one renewable generating station, it may submit a composite Consumption Declaration, to which a list of station names and accreditation numbers is attached.

²¹ An appropriate officer might be a director, the company secretary, or the chief operating officer.

opportunity to secure assurance that electricity notified to us for the purpose of gaining Renewables LECs represents electricity consumed or to be consumed in the UK. Checking on consumption in the UK will therefore form part of the same process as the technical audits outlined in Section 2.

4.9 As part of these audits, we should expect the operator of the station to offer contractual evidence to demonstrate that electricity notified to us represents electricity consumed or to be consumed in the UK. Whilst specific and general contractual arrangements are matters for the operators of generating stations, examples of provisions upon which we should look favourably include stipulations that the electricity must be consumed in the UK, and that no part of it may be allocated by any person for consumption outside the UK. In this context, we assess cases individually.

4.10 If we have reason to doubt that electricity, in respect of which we have issued LECs, has been consumed in the UK, we shall notify HMRC of the circumstances.

5. Issuing LECs

Chapter Summary

This section explains the numbering system for LECs. It also covers special arrangements for renewable Combined Heat and Power (CHP) stations, and for generators that have contracts under the Non-Fossil Fuel Obligation (NFFO) or the Scottish Renewables Obligation (SRO).

Standard LEC issue arrangements

5.1 We shall issue one LEC for each MWh of an accredited station's output. If, in any month, output falls short of 1MWh, it can be carried forward and added to the output data for the following month.

5.2 We issue LECs two months after the month of generation - in accordance with the 'Issue Schedule' set out at Appendix 7. We shall issue the LECs within the Renewables and CHP Register.

5.3 Each LEC has a unique number that looks like this:

L00022SHEN 004721 04 05

Component	Meaning
L00022SHEN	Generator accreditation number (See Section 2)
004721	Serial number of the LEC (Here, the last in the group issued in respect of 4,722 MWhs generated in the month)
04 05	Month/year of generation

5.4 The generating station in the above example has generated 4,722 MWhs. **It is important to note that the first LEC in an issue group always bears the serial number 000000.** The last LEC in the group is, therefore, 4721, not 4722.

CHP generating stations

5.5 A 'good quality' CHP station²² that generates from renewable sources is entitled to both CHP LECs and Renewables LECs. However, the total number of LECs issued cannot exceed the total number of MWhs generated. Accordingly, we issue the Renewables LEC entitlement to these stations first. We then make up the balance, if any, with CHP LECs. In this way the total number of LECs issued is limited to the

²² This is a 'good quality' CHP station, as designated under the CHP Quality Assurance (CHPQA) scheme that Defra operates. Details are available on www.chpqa.com

generator's Total Power Output (TPO).

5.6 For detailed examples, please refer to HMRC's 'Notice CCL 1/2 Combined Heat and Power Schemes', which is to be found on the HMRC website www.hmrc.gov.uk.

NFFO and SRO generating stations

5.7 In the case of most NFFO and SRO stations, we shall issue LECs to the supplier who has purchased the output in an auction held by the Non-Fossil Purchasing Agency (NFPA). The NFPA will give us the supplier's contact details.

5.8 Some NFFO/SRO stations generate more electricity than is covered in their contract with the NFPA. This is known as Additional Metered Output (AMO). We shall issue LECs for AMO directly to the operator of the generating station. Issue arrangements for AMO are, therefore, the same as the standard issue arrangements.

LECs and exemption from CCL

5.9 The issue of a LEC does not, of itself, guarantee that the electricity in question will be exempt from CCL. Exemption is, ultimately, a matter for HMRC under the Finance Act 2000.

Issuing LECs to an agent

5.10 We may agree to issue LECs to an agent acting on behalf of the station operator. Before we agree to deal with an agent, we shall ask the station operator to give us **written evidence** of:

- the identity and contact details of the agent;
- the due appointment of the agent, by the station operator;
- the duration of the agent's authorisation;
- what the agent is, and is not, authorised to do on the generator's behalf;
- the station operator's agreement that any LEC that we issue to its agent will be received by that agent for and on behalf of, and for the benefit of, the station operator, and on no other basis; and of
- compliance with the requirements of Regulation 49(4)²³.

²³ Regulation 49(4) requires the keeping of records for up to six years. Applicants for accreditation may wish to consult their legal advisers on this point, before submitting their application.

6. How suppliers use LECs

Chapter Summary

LECs are part of the evidence that suppliers use to prove that they have supplied non-domestic customers with renewable source electricity. This section outlines the process by which suppliers must 'notify' LECs in respect of renewable source contracts. It also explains that suppliers must give formal notice to HM Revenue and Customs of their intention to comply with the conditions of the CCL exemption. As there are criminal and civil penalties for failure to comply, it is important that suppliers read this section of the guidance.

LECs as evidence for exemption

6.1 Suppliers use renewables LECs as part of the evidence to demonstrate (to HMRC) that they have supplied renewable source electricity to non-domestic consumers in the UK. In other words, suppliers must have the necessary LECs to establish that a given quantity of electricity supplied is exempt from the CCL, under the provisions of the Finance Act 2000²⁴. Suppliers must notify²⁵ Ofgem of the allocation of LECs to a non-domestic supply.

6.2 Although NIAUR accredits stations located in Northern Ireland and the Republic of Ireland, and issues LECs to them, the rules for use of those LECs in respect of supplies of electricity in the Great Britain²⁶ (GB) are the same as for the LECs that Ofgem issues. Suppliers must notify them to Ofgem (not to NIAUR).

Notification

6.3 The final supplier of electricity, under a renewable source contract²⁷, has responsibility²⁸ for notifying Ofgem of the relevant LEC serial numbers. Notification has to be made monthly, by the dates shown in Appendix 7.

²⁴ The relevant provisions are paragraphs 19 and 20 of Schedule 6 to the Finance Act 2000. See also Part IV of the Climate Change Levy (General) Regulations 2001.

²⁵ Notification is the process of suppliers' telling Ofgem that they have supplied electricity pursuant to a renewable source contract. It involves informing Ofgem of the relevant LEC identifiers. Regulation 49(3) refers.

²⁶ England & Wales and Scotland

²⁷ Regulation 46(1) provides that a 'renewable source contract' is the sort of contract mentioned in paragraph 19(1)(b) of Schedule 6 to the Finance Act 2000 (i.e. a contract containing a renewable source declaration).

²⁸ Regulation 49(3)

6.4 Renewables LECs notified to us should only represent electricity supplied to a non-domestic final consumer. We do not require details of the renewable source contract.

6.5 To effect notification, suppliers should allocate LECs against a renewable source contract from their account on the Renewables and CHP Register.

6.6 We shall acknowledge receipt of notification, quoting the LEC numbers in question. We shall have checked those numbers, to ensure that they are in the format in which we issued them, and to make certain that no other supplier has notified the same batch of LECs. If it seems that more than one supplier has notified the same LECs, we shall investigate.

Disputes

6.7 In the event of a dispute, we may require information from any supplier involved in transactions in respect of the LECs in question. Suppliers should, therefore, maintain clear records (i.e. an 'audit trail') of such transactions. Where entitlement to a LEC is disputed, or otherwise unclear, we shall work closely with HMRC in trying to resolve the matter.

Penalties

6.8 Suppliers should be aware that the Finance Act 2000 establishes both criminal and civil penalties for evasion, misdeclaration and neglect in relation to the CCL. In particular, the Act establishes criminal offences in respect of recklessly or knowingly making materially false statements in information provided in relation to the CCL.

Paragraph 19(1)(d) notification to HMRC

6.9 Paragraph 19(1)(d) in Schedule 6 to the Finance Act 2000 requires suppliers to send written notification to HMRC, agreeing to fulfil the conditions of the CCL exemption. The supplier should copy the notice to Ofgem (or, in the case of Northern Ireland or the Republic of Ireland, to NIAUR). The supplier should send the notice to:

H.M. Revenue and Customs,
Environment and Transport Taxes,
Excise and Stamp Duty Directorate,
3rd Floor West,
Ralli Quays,
3, Stanley Street,
Salford, M60 9LA.

6.10 HMRC have indicated that an acceptable form of words for the paragraph 19(1)(d) notice might be:

CLIMATE CHANGE LEVY (CCL)

NOTIFICATION UNDER FINANCE ACT 2000, SCHEDULE 6, PARAGRAPH 19(1)(d)

EXEMPTION: ELECTRICITY FROM RENEWABLE SOURCES

I am writing to notify that [company name] wishes to participate as a supplier of renewable source electricity, with a view to seeking exemption from CCL. I confirm that [company name] agrees to fulfil the conditions in relation to such supplies, insofar as they apply.

[Officer of the Company]

Appendices

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Appendix 1 – The Authority’s Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority’s powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.²⁹

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly³⁰.

1.4. The Authority’s principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them³¹; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.³²

²⁹ Entitled “Gas Supply” and “Electricity Supply” respectively.

³⁰ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

³¹ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

³² The Authority may have regard to other descriptions of consumers.

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- Promote efficiency and economy on the part of those licensed³³ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation³⁴ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

³³ or persons authorised by exemptions to carry on any activity.

³⁴ Council Regulation (EC) 1/2003

Appendix 2 - What constitutes a hydro generating station?

Issues of definition

1.1 The Regulations do not offer a simple definition of an eligible hydro generating station. The term is therefore best regarded as having its natural and ordinary meaning. In the context of the CCL exemption, however, there are important considerations. These are:

- that tidal, wave, ocean current and geothermal technologies are excluded;
- whether and, if so, how the station is connected to other hydro stations;
- that hydro stations exceeding 10MW are not eligible for accreditation; and
- the requirement to deduct electricity used in pumping to support the process of generation³⁵.

Excluded technologies

1.2 Regulation 47(2) defines a "hydro generating station" as:

"...a generating station which is wholly or mainly driven by water other than stations driven by tidal flows, waves, ocean currents, or geothermal sources..."

Connection to other hydro stations ("shared works")

1.3 Regulation 47(2) goes on to provide that

"...the "station" extends to all structures and works for holding or channelling water for a purpose directly related to the generation of electricity together with any turbines and associated generators directly connected to or fed by such common structures or works".

1.4 Ofgem considers this to mean that water-driven generators, even if in separate locations, are, should they be fed by the same structures and works, considered to be one hydro generating station. On that view, however, the structures and works would have to be, *"directly related to the generation of electricity"*. We shall consider applications case-by-case, in the light of information about the civil works on site. For example, a pipe flowing from a generating station into a reservoir may not necessarily be directly related to the generation of electricity.

³⁵ Regulation 47(13)

Maximum Declared Net Capacity (DNC)

1.5 Regulation 47(1) provides that the output of a 'large hydro generating station' cannot be regarded as generated from renewable sources. Regulation 47(2) defines a large hydro generating station as one having a DNC³⁶ of more than 10MW. Where there is more than one hydro generating station, sharing the same structures for holding or channelling water used in the production of electricity, Regulation 47(2) requires those stations to be treated as a single generating station. The combined DNC of these stations must not exceed 10MW.

1.6 This requires an assessment of the actual capacity of the generating station, rather than the capacity that is utilised in practice. Accordingly, constraints on output that would not be relevant to the calculation of DNC include, but would not necessarily be limited to:

- environmental considerations;
- electrical network requirements and/or constraints; and
- insufficient rainfall in the catchment area.

³⁶ Regulation 47(2) defines DNC as:
"the highest generation of electricity (at the main alternator terminals) which, on the assumption that the source of power is available without interruption, can be maintained indefinitely without causing damage to the plant less so much of that capacity as is consumed by the plant".

Appendix 3 - Stations generating energy from waste

The '50% Rule' in Regulation 47(7)

1.1 Where a station burns waste³⁷ as fuel, there is a presumption that 50% of the output is to be regarded as 'renewable source electricity'³⁸. This is subject to Ofgem's determining there to be no reasonable grounds for believing that more than 50% is derived from fossil fuel.

1.2 Where the station operator considers that more than 50% of output is derived from non-fossil sources, he can apply to Ofgem for a higher percentage figure to be applied³⁹. Such an application, which the operator must re-submit annually, should include:

- the proposed percentage;
- full details of each primary category of waste, giving proportions of each by weight;
- the calorific value (CV) of each primary category (MJ/kg), setting out how the CV has been calculated⁴⁰;
- details of facilities (on or off site) for sorting waste;
- the names and addresses of waste suppliers; and
- copies of waste purchase contracts (with details of waste content and contract duration clearly marked).

1.3 Only if we are satisfied, on the evidence submitted in the application, that more than 50% of the energy content is derived from non-fossil fuel shall we issue LECs for more than 50% of output. However, we shall expect to generators to re-submit their evidence each year, having first agreed the method of calculation with us.

³⁷ Regulation 47(2) provides that "waste" has the same meaning as in the Environmental Protection Act 1990, as amended by paragraph 88 of Schedule 22 to the Environment Act 1995. The term excludes landfill gas and sewage gas.

³⁸ Regulation 47(7)

³⁹ Regulation 47(8)

⁴⁰ See 'Calorific Value (CV) calculations'.

Calorific Value (CV) calculations

1.4 As a first step in calculating the amount of electricity generated from each primary fuel category, the **weighted CV** is determined, using the formula:

$$\text{Weighted CV} = a \times b$$

Where:

a = percentage by weight; and

b = CV

For example:

Primary category	a	b	Weighted CV (a x b)	Percentage by weighted CV
	%	MJ/kg		
Paper/card	80	9,754	7803.2	63
Plastic	20	22,883	4576.6	37
Total	100		12379.8	100

1.5 To calculate the proportion of electricity generated from renewable sources, we shall consider the proportion of each primary fuel category that is regarded as biodegradable⁴¹, using the data in the following table, which are derived from the Environment Agency's National Household Waste Analysis Project⁴².

Municipal Waste Components	Biodegradable Content
Paper and card	1
Putrescible waste	1
Textiles	0.5
Fines	0.5
Miscellaneous combustibles	0.5
Miscellaneous non-combustibles	0.5
Other (metals, glass, plastics, etc.)	0

1.6 Building on the example given earlier, the qualifying percentage of waste would be 63%. This is because plastic has no biodegradable content, whereas paper and card are fully degradable.

⁴¹ European Council Directive 1999/31/EC ("the Landfill Directive") defines biodegradable waste as, "waste that is capable of undergoing anaerobic or aerobic decomposition, such as food and garden waste, and paper and paperboard".

⁴² Department of the Environment, Transport and the Regions, "Limiting Landfill: A consultation paper on limiting landfill to meet the EC Directive's targets for the landfill of biodegradable municipal waste", Oct 99,

<http://www.defra.gov.uk/environment/waste/strategy/landfill/index.htm>

Appendix 4 - Stations generating energy from biomass

The meaning of 'biomass'

1.1 For CCL purposes, 'biomass' (including waste that is biomass) means fuel of which at least 98 per cent of the energy content is derived from plant or animal matter, or substances derived, directly or indirectly, therefrom⁴³. This includes agricultural, forestry or wood wastes or residues, sewage and energy crops. It does not matter whether the material being burned is waste, but it **must not be derived, either directly or indirectly, from fossil fuel**. If the fuel meets the requirement for 98 per cent purity, we shall regard it, for the purpose of calculating the LEC entitlement, as being 100 per cent pure.

1.2 The electricity generated in a station burning biomass is regarded as 100 per cent 'renewable source electricity'⁴⁴. To establish that the station is burning biomass, we shall require additional information. At a minimum, this will be routine, representative sampling and volume measurement of the fuels.

Additional information from biomass generators

1.3 Because of the 98 per cent requirement mentioned above, we require biomass generators to demonstrate that contamination in each of their fuels is 2 per cent (by energy content) or less. This will usually be by sample analysis. Further information on fuel measurement and sampling (FMS) is given in Appendix 5. Where a generator is using a number of biomass fuels, it is important to demonstrate that contamination, in each biomass fuel, burned each month, is 2 per cent or less.

1.4 In advance of each monthly LEC issue, we require biomass generators to give us a statement containing:

- the proposed percentage of biomass;
- details of biomass content, giving relative proportions by weight;
- the CV (MJ/kg) of each fuel category, with supporting calculations;
- a description of biomass storage facilities, be they on or off site; and
- details of biomass suppliers and contracts⁴⁵.

⁴³ Regulation 47(2)

⁴⁴ Regulation 47(5A) and 47(9)

⁴⁵ We shall require copy contracts with biomass content and contract duration clearly highlighted.

Appendix 5 - Fuel measurement and sampling (FMS)

Introduction

1.1 The main focus of FMS is on the energy content of biomass used for electricity generation. **This appendix is for the information, and necessary action, of operators of generating stations using biofuels.** It explains what 'fuel' is for CCL purposes, and sets out the approach that we shall adopt in agreeing FMS procedures with station operators. It explains the timing of sampling, and sets out how best to report the results to us. We shall assess information, and agree FMS procedures with station operators case-by-case, in the light of the particular circumstances.

1.2 It is the responsibility of the station operator to ensure that the generating station is compliant with the relevant legislation. Where we can, and drawing upon our experience, we shall do our best to assist. However, there will be instances, perhaps where an entirely new biofuel is introduced, in which we shall have to rely on the generator to perform the analysis and to suggest FMS procedures to comply with the legislative requirements.

What is FMS?

1.3 Ofgem has the task of determining the amount of fossil fuel or biomass used⁴⁶ in generating electricity. We do this by reference to the energy content of the various fuels⁴⁷. We consider the energy content to be the gross calorific value (GCV) of the fuel (expressed per unit of weight or volume), multiplied by the weight or volume of that fuel. In limited circumstances, and where we have agreed to it in advance, we shall accept the net calorific value (NCV) as a conservative estimate of GCV.

1.4 To make these calculations, we shall ask the generator to:

- measure the weight or volume of each biomass fuel burned, each month;
- take a monthly sample of each biomass fuel (to determine GCV and contamination); and to
- account, each month, for fossil fuel or waste.

What is a 'fuel'?

1.5 Provided that it constitutes less than 10 per cent of the total energy content of the fuels used in the generating station in any given year, fossil fuel may be used for

⁴⁶ Regulation 47(11)

⁴⁷ Regulation 47(12)

any one of three specified purposes, and be regarded as the renewable source used as the remainder of the fuel in the generating station⁴⁸. These purposes are:

- ignition of gases of low, or variable, calorific value;
- heating the combustion system to its normal operating temperature, or maintaining it at that temperature; or
- emission control.

1.6 If two fuels are simply mixed, we shall generally regard them as remaining two fuels. An example might be mixing palm oil with heavy fuel oil. The situation is different where two fuels go through a process that changes their nature, as where two fuels are combined to produce fuel pellets. Much depends on the process in question, and some situations would be less clear-cut than others. We should want to discuss the detail with the operator of the generating station.

1.7 We issue LECs in respect of electricity produced from renewable sources. Therefore biomass will only count, for the purpose of calculating energy content, if its burning results in the generation of electricity. If the generating station is on 'hot standby', is under test, or if there is a cancelled start, no electricity will have been exported from the station. Biomass burned for these purposes must not be counted in calculating energy content. It might be measured and deducted, or, alternatively, it could be included in the initial calculation of the volume of biomass burned. Obviously, this will not be an issue where:

- the station uses 100 per cent biomass, and we do not have to calculate energy content; or where
- biomass is only used once the station starts generating.

1.8 Methods of measuring biomass not resulting in electricity generation include, but would not be limited to:

- using a belt-weigher or flow meter;
- calculation from the number of burners and burner tipping rates; or
- measuring changes in stock or tank levels.

Agreement on FMS

1.9 For each biomass generating station, case-by-case, we shall agree a methodology for FMS. It is good practice for station operators to reach agreement with us before beginning to claim LECs.

1.10 We shall expect to agree FMS procedures:

- on application for accreditation;
 - when a new type of fuel is used at an accredited station; or
-

⁴⁸ Regulation 47(10)

-
- when new measurement equipment is installed at the station.

1.11 We generally aim to run the process of agreeing FMS procedures concurrently with that of accreditation. While this is not a requirement, it is helpful to be clear, from the start, that the generating station will be compliant with the biomass requirements in the Regulations. Agreeing FMS procedures may not delay accreditation.

1.12 Generators introducing a new type of fuel, or installing new measuring equipment, should normally submit a revised questionnaire; as a basis for the agreement of new FMS procedures. In cases where the new is similar to one already in use, or where only minor equipment changes are in prospect, we may not require a fresh questionnaire. It is worth discussing the changes with us at an early stage.

Timing of weighing and sampling

1.13 Operators of generating stations should accurately measure the weight or volume of biomass burned in any month. They should also measure the volume of any stocks carried over from the month previous to the month of burn⁴⁹. It is helpful if measurement and sampling take place at the same time each month. This is because we issue LECs in respect of electricity generated in a specified month.

1.14 The simplest way in which to determine the GCV of a fuel is to take a representative sample for laboratory analysis. In the case of well-known, homogenous fuels, operators should take at least one sample per month. Depending on the nature of the fuel, more frequent sampling will often be required. We should be happy to agree these procedures case-by-case.

1.15. Station operators should consider how best to approach the measurement of contamination. Where the level of contamination is clearly below 2 per cent, annual sampling will generally suffice. Contamination levels close to 2 per cent necessitate monthly sampling. Where contamination can be prevented, or is negligible, we shall often accept a written statement, explaining the situation, in lieu of evidence from sampling.

1.16 In measuring stocks carried over, it would be good practice to both weigh and sample at the same time. Usually, the closing weight or volume for one month will be the same as the opening weight or volume for the next. Where this is not the case, it would be helpful to receive an explanation from the station operator. We shall take a practical approach to the measurement of carry-over stocks. For example, a reliable estimate of stock levels may be an acceptable alternative to emptying storage facilities and taking the contents across a weighbridge.

⁴⁹ A strict interpretation would mean that measurements of fuel stocks carried over would have to be taken at the stroke of midnight, on the last day of each month. As this would obviously be unreasonable, we accept measurements taken within 12 hours before or after midnight.

1.17 Operating conditions vary widely, and we are content that generators devise their own methodology for ensuring that measurement gives an accurate picture of biomass burned each month. Operators encountering difficulties with meeting this requirement should contact us to agree a practical solution.

Submitting FMS information to Ofgem

Completing the FMS questionnaire

1.18 Operators should submit FMS procedures for our consideration via the Renewables and CHP Register. To avoid the need for clarification, answers should give full details. The inclusion of examples of the proposed sampling analysis, for each type of fuel, would also help us to make a quick decision.

Submitting periodic FMS data

1.19 To avoid unnecessary and time-consuming dialogue, it is helpful if station operators submit FMS information that is clear and comprehensive. In particular, FMS information should:

- cover all the agreed data;
- highlight important figures;
- clearly indicate what the content of each sheet of sampling information is;
- relate sampling data to the date of sampling (rather than to the date of analysis);
- explain non-standard calculations; and
- clearly indicate the origin of all figures⁵⁰.

1.20 Where a station operator takes fuel samples for purposes other than the CCL exemption for renewables (e.g. for the Renewables Obligation), the results of sampling analysis should be included with the LEC claim for the same month of generation.

Fuel supply contracts

1.21 As part of their monthly submission, we ask operators of biomass generating stations to submit details of their fuel supply contracts. They can constitute a useful cross-check against other information. Some contracts, for example, detail minimum specifications for the fuel.

1.22 Contractual information that generators should routinely provide includes:

⁵⁰ For example, a generator submitting an average GCV, derived from several analysed samples, should show both the GCV result of each sample and how the average has been calculated.

-
- copies of contracts for each fuel;
 - details of spot market suppliers and delivery schedules; and
 - copy invoices.

A note on storage

1.23 To avoid significant deterioration, fuels should be stored appropriately. Significant deterioration may mean that samples no longer reflect the characteristics of the fuel used at the generating station. Where GCV has declined with deterioration, there is a danger of an over-issue of LECs. There is no objection to the long-term storage of biofuels, nor yet to their deterioration, provided that re-sampling is carried out in the month of burn.

Appendix 6 - Technology codes

Technology	Code
Biomass	BW
Hydro	SH
Landfill gas	LG
Municipal and industrial waste	MW
Off-shore wind	FW
On-shore wind	NW
Photovoltaic	PV
Sewage gas	SG
Tidal flow	TP
Wave power	WP

Appendix 7 - LEC issue schedule

The following table sets out the monthly issue schedule for Renewables LECs, to the end of the Financial Year 2008/09.

In the following table, column:

- (a) = the year and month of generation;
- (b) = the date by which we must receive output data from generators;
- (c) = the date by which we shall issue Renewables LECs;
- (d) = the final date for suppliers to notify LECs to renewable source contracts; and column
- (e) = the date by which we shall acknowledge suppliers' notifications.

Year/ Month	Data deadline	LEC issue date	Supplier Notification deadline	Acknowledgement date
(a)	(b)	(c)	(d)	(e)
Apr 08	30 Jun 08	15 Jul 08	15 Aug 08	22 Aug 08
May 08	31 Jul 08	15 Aug 08	12 Sep 08	19 Sep 08
Jun 08	31 Aug 08	15 Sep 08	17 Oct 08	24 Oct 08
Jul 08	30 Sep 08	15 Oct 08	14 Nov 08	21 Nov 08
Aug 08	31 Oct 08	14 Nov 08	12 Dec 08	19 Dec 08
Sep 08	30 Nov 08	15 Dec 08	16 Jan 09	23 Jan 09
Oct 08	31 Dec 08	15 Jan 09	13 Feb 09	20 Feb 09
Nov 08	31 Jan 09	13 Feb 09	13 Mar 09	20 Mar 09
Dec 08	28 Feb 09	13 Mar 09	17 Apr 09	24 Apr 09
Jan 09	31 Mar 09	15 Apr 09	15 May 09	22 May 09
Feb 09	30 Apr 09	15 May 09	12 Jun 09	19 Jun 09
Mar 09	31 May 09	15 Jun 09	17 Jul 09	24 Jul 09

Appendix 8 - Consumption Declarations

Standard consumption declaration

This version of the consumption declaration is for information only. It is also for use by NFFO generators claiming LECs in respect of Additional Metered Output (AMO) only.

I declare that I am duly authorised to sign this form for and on behalf of the Company, and on behalf of the Company I confirm that:

A all electricity which the Company notifies to Ofgem for the purpose of issuing Renewables LECs as have being generated by the Generating Station during the Specified Period represents electricity consumed or to be consumed in the UK; and

B for any electricity so notified, the Company is able to provide Ofgem at any time, including for the avoidance of doubt and without limitation during an audit conducted by Ofgem, with the evidence specified in Information Note 8: Renewables LEC Issue – Consumption Declaration & Associated Evidential Guidelines from time to time as being required in order for Ofgem to be satisfied that the electricity represents electricity consumed or to be consumed in the UK; and

C any electricity so notified has not been allocated by the Company for consumption outside the UK.

On behalf of the company I acknowledge a Renewables LEC will not be issued if Ofgem is at any time not satisfied that the electricity with respect to which the Renewables LEC is to be issued represents electricity consumed or to be consumed in the United Kingdom.

On behalf of the company I acknowledge that I am aware that Part VIII of Schedule 6 to the Finance Act 2000 establishes criminal and civil penalties for evasion, misdeclaration and neglect in relation to the levy and in particular paragraph 93(2) of that Schedule establishes criminal offences in relation to recklessly or knowingly making materially false statements in information provided in relation to the levy.

Specified Period: 1 April [*] – 31 March [*] (*insert year)

Name of Generating Station:

Accreditation number of the Generating Station:

Name of authorised signatory:

Position in Company:

Company:

Address, telephone number, fax number and email address:

Signature:

Date:

NFFO consumption declaration

This version of the consumption declaration is for use by suppliers claiming LECs in respect of contracted NFFO output. **Generators claiming LECs in respect of Additional Metered Output (AMO) should use the standard consumption declaration** above.

This Consumption Declaration applies to all electricity purchased by the Company during the Specified Period either pursuant to a Qualifying Arrangement or pursuant to an On-Sale Agreement between the Company and the Non-Fossil Purchasing Agency Limited.

A Qualifying Arrangement means an arrangement which was originally made pursuant to a Non- Fossil Fuel Order (and includes any replacement of such an arrangement where that replacement was made pursuant to an order made under section 67 of the Utilities Act 2000), where a Non- Fossil Fuel Order is any of the following: the Electricity (Non-Fossil Fuel Sources) (England and Wales) Order 1994, the Electricity (Non-Fossil Fuel Sources) (Scotland) Order 1994, the Electricity (Non-Fossil Fuel Sources) (England and Wales) Order 1997, the Electricity (Non-Fossil Fuel Sources) (Scotland) Order 1997, the Electricity (Non-Fossil Fuel Sources) (England and Wales) Order 1998, and the Electricity (Non-Fossil Fuel Sources) (Scotland) Order 1999.

I declare that I am duly authorised to sign this form for and on behalf of the Company, and on behalf of the Company I confirm that:

A. all electricity to which this Consumption Declaration applies will be consumed in the UK unless the Company notifies Ofgem by the end of the second month after the month in which the electricity was generated that the electricity will not be consumed in the UK; and

B. for all electricity to which this Consumption Declaration applies, the Company is able to provide Ofgem at any time, including for the avoidance of doubt and without limitation during an audit conducted by Ofgem, with the evidence specified in

Information Note 8: Renewables LEC Issue – Consumption Declaration & Associated Evidential Guidelines from time to time as being required in order for Ofgem to be satisfied that the electricity represents electricity consumed or to be consumed in the UK; and

C. all electricity to which this Consumption Declaration applies will not be allocated by the Company for consumption outside the UK unless the Company notifies Ofgem by the end of the second month after the month in which the electricity was generated that the electricity will be allocated by the Company for consumption outside the UK.

On behalf of the company I acknowledge that a Renewables LEC will not be issued if Ofgem is at any time not satisfied that the electricity with respect to which the Renewables LEC is to be issued represents electricity consumed or to be consumed in the United Kingdom.

On behalf of the company I acknowledge that I am aware that Part VIII of Schedule 6 to the Finance Act 2000 establishes criminal and civil penalties for evasion, misdeclaration and neglect in relation to the levy and in particular paragraph 93(2) of that Schedule establishes criminal offences in relation to recklessly or knowingly making materially false statements in information provided in relation to the levy.

Specified Period: 1 April [*] – 31 March [*] (*insert year)

Name of authorised signatory:

Position in Company:

Company:

Address, telephone number, fax number and email address:

Signature:

Date:

Appendix 9 - Contact details

General

1.1 We need a named contact to whom we should address all queries and correspondence in relation to the CCL. Generators and suppliers should provide full name, address, telephone and email contact details. The email address will be used to issue the Renewables LECs.

1.2 Additionally, suppliers claiming LECs in respect of output from an accredited NFFO generating station must tell us their Balancing and Settlement (BSC) code. We use this code as a unique supplier reference.

1.3 This appendix gives contact details for Ofgem, NI AUR (Northern Ireland) and for HMRC.

Ofgem

1.4 When submitting contact details, or when seeking advice on Ofgem's role in administering the CCL exemption for Renewables, please contact our Environmental Programmes section at:

Renewables Administrator
Ofgem
9 Millbank
London
SW1P 3GE

Fax: 020 7901 7387

Email: renewable@ofgem.gov.uk

1.5 Further information can be obtained from our website, www.ofgem.gov.uk.

NIAUR

1.6 For further information on NIAUR's role in respect of renewable source electricity produced or supplied in Northern Ireland, or produced in the Republic of Ireland, please contact NIAUR at:

Social and Environmental Affairs
NIAUR
Queens House
10-18 Queen Street
Belfast
BT1 6ED

Fax: 028 9031 1740
Tel: 028 9031 1588

Email: Frankie.Dodds@niaur.gov.uk

HMRC

1.7 For further advice on any aspect of the CCL exemption, please contact HMRC National Advice Service on 0845 010 9000 (Monday to Friday between 8am and 8pm).

Appendix 10 - Glossary

A

Accreditation

This is a procedural term, not found in the legislation. It describes the process by which an eligible renewable generating station gains the status necessary for it to receive Renewable LECs in respect of its output.

C

CCL

The Climate Change Levy (CCL) is a tax created by the Finance Act 2000

Consumption declaration

This is a declaration to the effect that electricity is consumed, or intended to be consumed in the UK.

D

Declared Net Capacity

A generating station's highest sustainable generating capacity, as defined in Regulation 47(2).

G

GCV

Gross calorific value

Great Britain (GB)

England & Wales, and Scotland

H

HMRC

Her Majesty's Revenue and Customs

L

LEC

There are two types of Levy Exemption Certificate (LEC):

- Renewables LECs, **which are the subject of this guidance** (see Regulation 48(1) in the Climate Change Levy (General) Regulations 2001; and
- Combined Heat and Power (CHP) LECs (see Regulation 51B(8))⁵¹, **which are not considered in this guidance.**

N

NCV

Net calorific value

NFFO

The Non-Fossil Fuel Obligation

NFPA

The Non-Fossil Purchasing Agency. See www.nfpa.co.uk

Notification

This term, which does not feature in the legislation, describes the process by which LECs are identified as having been allocated to a given non-domestic supply, pursuant to a Renewable Source Contract⁵².

O

Ofgem

The Office of Gas and Electricity Markets, which is the non-ministerial department that supports the Gas and Electricity Markets Authority.

Ofreg

The Office for Regulation of Electricity & Gas (Northern Ireland)

R

Renewable sources

⁵¹ Inserted into the 2001 Regulations by Regulation 19 in the Climate Change Levy (General) (Amendment) Regulations 2003.

⁵² See Regulation 46(1)

Sources of electricity generation as described in Regulation 47(2). See also Paragraph 19(3) in Schedule 6 to the Finance Act 2000.

[Renewable source contract](#)

This is a contract between supplier and end consumer, as defined in Regulation 46(1).

S

[SRO](#)

The Scottish Renewables Obligation is the Scottish equivalent of NFFO.