

# Green Gas Support Scheme Annual Report

Scheme Year 2 (1 April 2022 – 31 March 2023)

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## Executive summary

Ofgem runs a range of environmental and social schemes on behalf of government and for the devolved administrations. Together, these are worth over £9 billion each year. Our schemes fall into three main categories: renewable electricity schemes, renewable heat schemes, and energy efficiency and social schemes.

To meet ambitious government targets to reach net zero carbon emissions, we need to transition to use clean energy to heat British homes and businesses. To help achieve this the Green Gas Support Scheme (GGSS) opened to applicants in England, Scotland and Wales on 30 November 2021 and provides financial support to eligible new anaerobic digestion biomethane plants for the injection of lower carbon 'green gas'<sup>1</sup> into the gas grid. In addition to helping decarbonise, the GGSS also helps promote a circular economy by making use of our domestic and industrial food waste to heat British homes and businesses. The GGSS is funded by a levy placed on all licensed fossil fuel gas suppliers in Great Britain, known as the Green Gas Levy (GGL).

As scheme administrator, Ofgem ensures the scheme is operated efficiently, including the registration and processing of applications for the GGSS and the calculation of levy payments due by gas suppliers to fund the scheme. As part of our responsibilities, we have produced this report to provide an update on scheme activity between 1 April 2022 and 31 March 2023 (Scheme Year 2).

## The Green Gas Support Scheme

### Applications for registration (page 10)

Since the start of the scheme to the end of March 2023, we received 22 initial applications for registration. Of these, ten have been issued with a tariff guarantee and one successfully completed the registration process during Scheme Year 2. Securing a tariff guarantee is a compulsory stage of applying to the GGSS. Tariff guarantees are designed to provide increased certainty to developers and investors, by allowing a tariff rate to be secured before an installation is commissioned and fully registered on the scheme.

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<sup>1</sup> Green gases are renewable and low carbon gases that can be used in place of fossil fuels, reducing associated carbon emissions in the heat sector. For the purpose of the GGSS, green gas is biomethane produced by anaerobic digestion of organic matter in an oxygen-free environment.

### Registered scheme participants (page 15)

One periodic support payment of £104,860.84 was made during Scheme Year 2 to the registered participant. This was based on 246,292 m<sup>3</sup> of biomethane injected into the grid. The volume of biomethane injected is enough to generate 1,903,101 kWh. This is sufficient to heat approximately 159 typical UK homes for a year, or heat 697,000 hot baths.

### The Green Gas Levy (page 16)

The first levy payments were made by suppliers in May 2022. In total, by the end of Scheme Year 2 £53.95 million had been collected. It should be noted that suppliers of at least 95% green gas are exempted from paying the levy and where there are unused funds, they are carried over resulting in the levy rate in subsequent years being adjusted.<sup>2</sup>

The number of obligated suppliers can vary quarter to quarter dependent on licence revocation and/or approval of gas supply licenses. Over the course of Scheme Year 2, the number fell from 94 in Quarter 1 (April - June 2022), to 88 in Quarter 4 (January - March 2023). One supplier was determined to be provisionally exempt for the year.

As part of the government's Energy Price Guarantee, there was a temporary removal of green levies from household bills from 1 October 2022. The GGL was still collected from obligated suppliers, but the costs were not passed onto consumers through their energy bills. Instead, the costs were met by Government through general taxation.

### Supplier Compliance (page 18)

As part of our role administering the GGL, we work to ensure that gas suppliers comply with their obligations. We take incidents of non-compliance extremely seriously and where suppliers fail to meet their obligations, we publish this information in the Supplier Performance Report (SPR)<sup>3</sup> and in the GGL default register<sup>4</sup>. Furthermore, for more serious incidents we may take other enforcement action.<sup>5</sup>

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<sup>2</sup> For more information on how the levy rate is calculated please [refer to our GGL guidance](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance): <<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>>

<sup>3</sup> [Supplier Performance Report](https://www.ofgem.gov.uk/supplier-performance-report-spr): <<https://www.ofgem.gov.uk/supplier-performance-report-spr>>

<sup>4</sup> [GGL default register](https://www.ofgem.gov.uk/publications/green-gas-levy-default-register): <<https://www.ofgem.gov.uk/publications/green-gas-levy-default-register>>

<sup>5</sup> The enforcement action we can take is set out in [part 10 of the Regulations](https://www.legislation.gov.uk/uksi/2021/1335/part/10/made): <<https://www.legislation.gov.uk/uksi/2021/1335/part/10/made>>

We expect suppliers to be proactive in their engagement with the scheme. They should use the guidance available to co-ordinate their activities and ensure that they comply in full with their obligations, including meeting scheme deadlines. We expect suppliers to do this without unnecessary engagement from us and will have a low tolerance for those that fail to do this.

There were seven incidents of statutory non-compliance recorded on the default register and SPR in Scheme Year 2. Three of these were for the late provision of credit cover. The remaining four statutory incidents involved late GGL levy payments. It should be noted that any missed payments were subsequently made shortly after the deadline. This meant that there was no shortfall in the levy fund during Scheme Year 2.

In addition to the statutory non-compliances, there were three incidents of administrative non-compliance recorded in Scheme Year 2. All incidents of administrative non-compliance were due to payments being made by suppliers into the wrong bank account. These did not warrant an entry on the default register but have been included on the SPR.

**Please note:** a spreadsheet containing the data used in this report is published alongside the report on our website.

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### Feedback

We welcome feedback from readers on the content of this report, so if you want to get in touch, please contact us at [SchemesReportingFeedback@ofgem.gov.uk](mailto:SchemesReportingFeedback@ofgem.gov.uk) with your comments or suggestions.

# Net Zero

The GGSS scheme is helping to decarbonise Great Britain's gas supplies by increasing the proportion of 'green' gas in the grid. The scheme forms an important part of the UK Government's strategy to achieve net zero emissions by 2050.

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**246k m<sup>3</sup>**  
**Green Gas injected**

246,292 m<sup>3</sup> of green gas was injected in Scheme Year 2 by the first registered participant. This is sufficient to heat approximately 159 typical UK homes for a year or 697,000 hot baths.

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**15**  
**Years**

15 years of financial support is provided to eligible biomethane producers.

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**200k**  
**Homes**

According to estimates from the Department for Energy Security & Net Zero (DESNZ), during peak years of production, the biomethane produced under the scheme is estimated to be enough to heat around 200,000 homes.

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**8.2**  
**Million  
Tonnes CO<sub>2</sub>e**

DESNZ also estimate that 8.2 million tons of CO<sub>2</sub> equivalent in carbon savings could be achieved over the scheme's lifetime. This is equivalent to taking approximately 3.6 million cars off the road for a year.

## 1. About the scheme

### Section Summary

This chapter provides an overview of the Green Gas Support Scheme (GGSS) and the Green Gas Levy (GGL), including the legislative background and Ofgem's administrative duties.

- 1.1. The Green Gas Support Scheme (GGSS) is a government scheme designed to increase the proportion of 'green gas' in the gas grid, by supporting the deployment of new anaerobic digestion (AD) biomethane plants. The scheme is open to applications from eligible plants in England, Scotland and Wales until 30 November 2025.
- 1.2. Support under the GGSS is provided to registered biomethane producers based on the volume of eligible biomethane (produced from AD) that they inject into the gas grid. Prospective scheme participants are required to follow a three-stage application process, which first involves securing a 'tariff guarantee' before their equipment is commissioned. Once commissioned, tariff guarantee holders may apply for full registration on the scheme.
- 1.3. Once registered, scheme participants who meet the eligibility criteria and continue to comply with the scheme requirements, may receive quarterly periodic support payments for the eligible biomethane they inject, for up to 15 years.
- 1.4. The GGSS is funded through the Green Gas Levy (GGL), which places an obligation on all licensed fossil fuel gas suppliers in Great Britain (excluding those who supply at least 95% certified biomethane)<sup>6</sup> to pay a quarterly levy based on the number of meter points they serve.
- 1.5. Ofgem (on behalf of the Gas and Electricity Markets Authority) is the administrator of the GGSS and associated GGL. We administer the GGSS in line with the Green Gas Support Scheme Regulations 2021<sup>7</sup> (the Regulations) and the range of functions that we deliver, as outlined below, is directed by these regulations.

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<sup>6</sup> [DESNZ approved biomethane certification schemes for the purposes of GGL exemption:](https://www.gov.uk/government/publications/green-gas-levy-ggl-rates-and-exemptions/exemptions-from-the-green-gas-levy-ggl-approved-biomethane-certification-schemes)  
<<https://www.gov.uk/government/publications/green-gas-levy-ggl-rates-and-exemptions/exemptions-from-the-green-gas-levy-ggl-approved-biomethane-certification-schemes>>

<sup>7</sup> [Green Gas Support Scheme Regulations 2021](https://www.legislation.gov.uk/uksi/2021/1335/contents/made)  
<<https://www.legislation.gov.uk/uksi/2021/1335/contents/made>>

### **GGSS**

- Processing and making decisions on GGSS registration applications
- Publishing reports in relation to the GGSS including information on tariff guarantees, the number of scheme participants, periodic support payments and the volume of biomethane produced
- Publishing guidance for biomethane producers and prospective producers
- Validating participants' periodic data and calculating their support payments
- Monitoring and enforcing compliance with the Regulations.

### **GGL**

- Publishing guidance for scheme suppliers and an annual administrative timetable
- Validating and calculating supplier meter point data, credit cover requirements and levy payments due
- Monitoring and enforcing compliance with the Regulations, including publication of a default register which reports instances of non-compliance.

- 1.6. The Department of Energy Security & Net Zero (DESNZ) is responsible for the GGSS and GGL policy, scheme regulations, scheme budget and any promotion of the scheme.
- 1.7. The GGSS opened to applications at 9am on 30 November 2021 when our application portal ("the GGSS Portal")<sup>8</sup> went live.
- 1.8. Our dedicated GGSS and GGL web pages<sup>9</sup> provide further information for prospective applicants, obligated suppliers or those interested in finding out more about the scheme. This includes information on the eligibility requirements, the tariffs that are available, how to apply and information on supplier obligations.

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<sup>8</sup> [The GGSS portal](https://ggss.ofgem.gov.uk/) <https://ggss.ofgem.gov.uk/>

<sup>9</sup> [Green Gas Support Scheme and Green Gas Levy webpages](https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy)

<https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy>



1.9. We have also published dedicated GGSS<sup>10</sup> and GGL<sup>11</sup> guidance documents, which further explain Ofgem’s administration of the scheme, including guidance on:

### **GGSS**

- How to apply for a tariff guarantee
- How to register as a scheme participant once commissioned
- Tariffs, tariff tiers and tariff start dates
- Ongoing obligations on participants
- How to submit periodic data and receive payments.

### **GGL**

- How to submit meter point data
- The provision of credit cover
- Making levy payments
- Our approach to compliance and enforcement
- Levy exemptions.

1.10. This report is produced to meet our obligation to publish a report on scheme activity annually by 31 July. This second annual report covers Scheme Year 2 from 1 April 2022 to 31 March 2023.

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<sup>10</sup> [GGSS Guidance](https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance) <https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance>

<sup>11</sup> [GGL Guidance](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance) <https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>

## 2. Applications for registration

### Section Summary

This chapter provides information on the process for registration on the GGSS and a summary of applications made. An overview of the scheme budget position at the end of Scheme Year 2 is also provided.

- 2.1. Prospective scheme participants are required to follow a three-stage application process, which first involves securing a tariff guarantee before their equipment is commissioned. Once commissioned, tariff guarantee holders may apply for full registration on the scheme. Once registered, scheme participants who meet the eligibility criteria and continue to comply with the scheme requirements, may receive quarterly periodic support payments on the eligible biomethane they inject into the grid, for up to 15 years.

### Tariff Guarantee Applications

- 2.2. Tariff guarantees are a compulsory stage of applying to the GGSS<sup>12</sup>. They are designed to provide increased certainty to developers and investors, by allowing a tariff rate to be secured before an installation is commissioned and fully registered on the scheme.
- 2.3. As seen in **Figure 2.1**, we received 22 applications for tariff guarantees from scheme launch to 31 March 2023. Of the 22 initial applications made at stage one, 17 have been granted provisional tariff guarantee notices, one is still under review, three were rejected<sup>13</sup> and one cancelled.
- 2.4. From the 17 provisional tariff guarantee notices granted, ten were issued with a tariff guarantee, two were rejected, one revoked and four cancelled. Of the ten applicants that were granted tariff guarantees, one application for full registration was received and has now been successfully registered on the scheme.
- 2.5. Where we have rejected applications at stage 1, this has mainly been due to a failure by the applicant to provide evidence of planning permission or a connection agreement.

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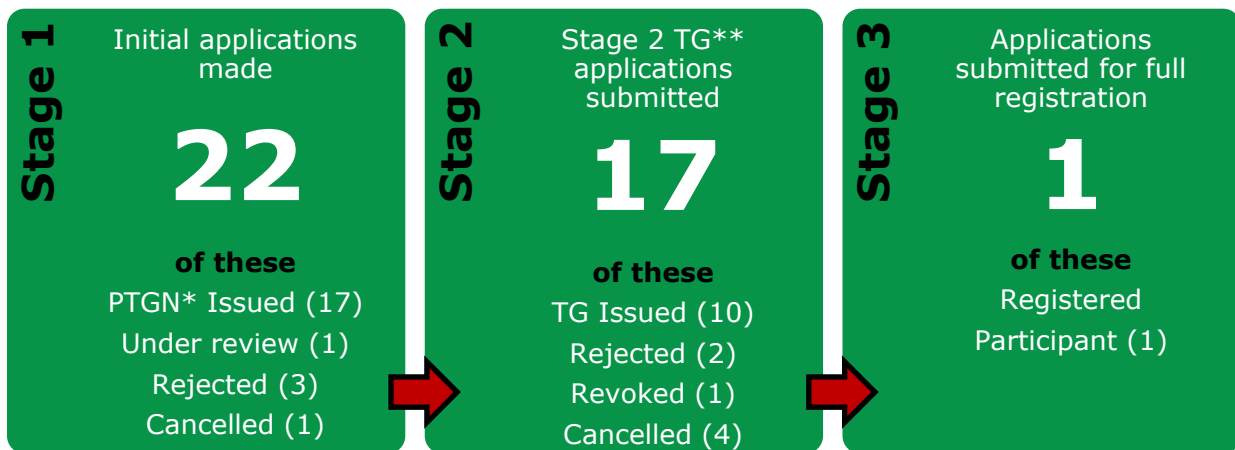
<sup>12</sup> Further information on the tariff guarantee application process can be found in our GGSS guidance.

<sup>13</sup> In cases where an application has been unsuccessful the applicant may submit a new Tariff Guarantee application. Any resubmission of a previously unsuccessful application will be treated as a new application and subject to budget availability at the time of submission.

Rejections and revocations at stage 2 have occurred due to a failure to provide satisfactory evidence of 'Financial Close'<sup>14</sup>.

- 2.6. Where applications have been cancelled by an applicant, these have in most cases been due to supply chain issues affecting their ability to achieve the original injection deadline. Four of the five cancelled applications have subsequently been re-submitted with amended injection dates to account for any delays.

**Figure 2.1: Tariff guarantee application progress**



\* Provisional tariff guarantee notice

\*\* Tariff guarantee

- 2.7. The tariff guarantees issued are split between Scotland and England with five in Scotland and five in England. At the time of writing, no applications have been received from applicants in Wales.

### Expected Injection Dates

- 2.8. **Figure 2.2** shows when the applicants granted tariff guarantees expect to commence injection, after which they will be eligible to receive support payments should they successfully register as a GGSS participant. Please note that applicants have until 182 days after their expected injection date or 30 November 2025 (whichever is earlier), to commence injection and submit their properly made stage 3 application for registration. Therefore, the dates illustrated below may vary from their actual first injection dates. At

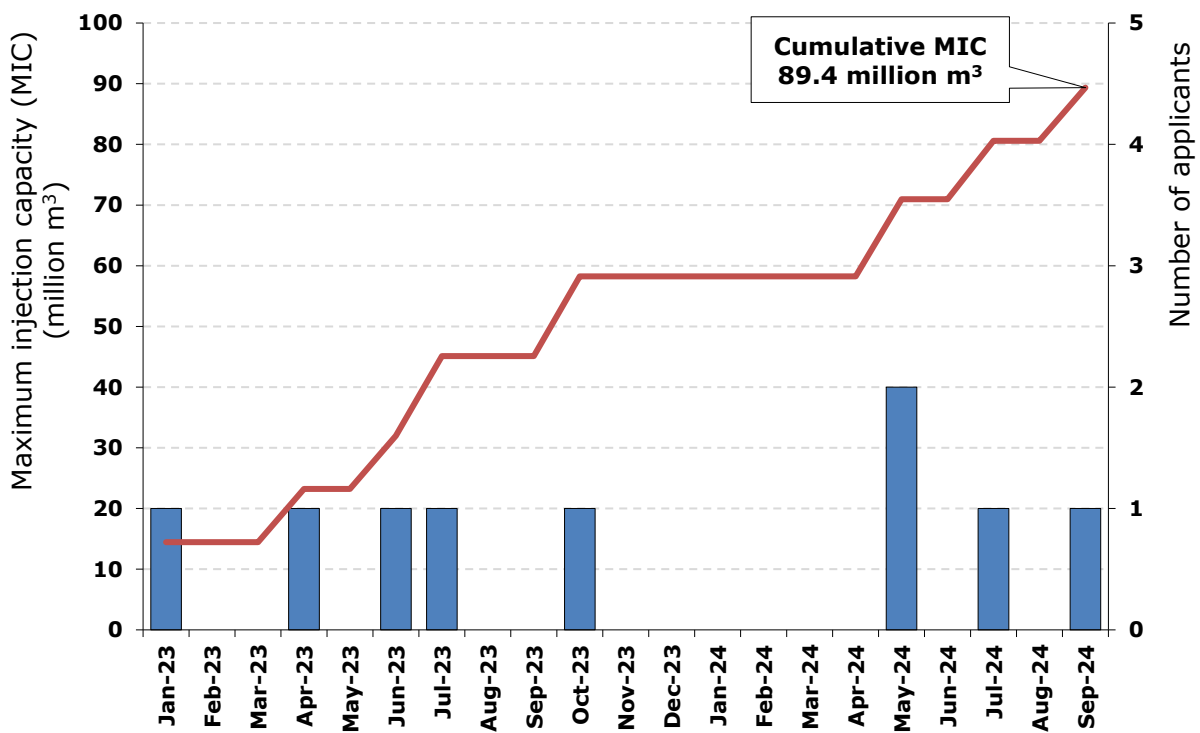
<sup>14</sup> To evidence 'Financial Close' applicants must demonstrate; i) that funds are available to cover the complete construction of the proposed project; and ii) that these funds are formally committed to the project.

the time of writing the applications with expected injection dates in January and April 2023 are within their 182-day grace period.

- 2.9. The expected maximum initial capacity (MIC)<sup>15</sup> of biomethane in relation to the nine remaining tariff guarantees that have been issued is 84,096,000 m<sup>3</sup>. When combined with the one registered participant this gives a total MIC of 89,352,000 m<sup>3</sup>.

**Figure 2.2: Expected commencement of injection forecast**

This chart shows a forecast of registered maximum injection capacity (MIC) based on when tariff guarantee applicants expect to commence injection. The cumulative MIC includes the MIC of the one registered participant. Two of the nine applicants first injection dates are in May 2024, with the remainder spread between January 2023 and September 2024. The total MIC rises to a total of almost 89.4 million m<sup>3</sup> by September 2024.



<sup>15</sup> "Maximum initial capacity" is defined in Regulation 4(17) and means the maximum volume of biomethane, expressed in cubic metres per year, which a biomethane producer is entitled to supply for injection under the 'network entry agreement' between the biomethane producer and the relevant network.

### Additional Capacity Applications

- 2.10. Scheme participants may also apply to register additional capacity on top of the MIC applicable to their initial registration. As additional capacity registered on the scheme will also utilise scheme budget, we check applications for additional capacity against the Application Budget cap.
- 2.11. As of 31 March 2023, we had received no applications for additional capacity. Applications for additional capacity may only be made by registered participants who increase or intend to increase their MIC.

### Budget Allocation

- 2.12. The GGSS includes an annual Application Budget cap, set by the DESNZ. This is the total estimated spend that can be allocated to applicants each financial year. All applications for a tariff guarantee or for additional capacity will be checked against the available budget under the Application Budget cap. This ensures that there is available budget for them to register and receive payments under the scheme based on their estimated production.
- 2.13. Please see our scheme guidance and DESNZ document, 'GGSS - Budget Management'<sup>16</sup> for further details of the Application Budget cap.
- 2.14. **Figure 2.3** shows the budget available for each of the financial years in which applications may be made.<sup>17</sup> Publishing these figures is intended to allow prospective applicants to check that there are sufficient funds remaining in the financial year they intend to commence injection, and in subsequent years. Based on tariff guarantee applications received, the allocated budget shows a sharp rise between Financial Year (FY) 22-23 and FY 23-24 as most applicants to date are expected to commission during FY 23-24.

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<sup>16</sup> [Green Gas Support Scheme – Budget Management](https://www.gov.uk/government/publications/green-gas-support-scheme-budget-management/green-gas-support-scheme-budget-management)

<<https://www.gov.uk/government/publications/green-gas-support-scheme-budget-management/green-gas-support-scheme-budget-management>>

<sup>17</sup> The GGSS regulations require that to join the scheme, participants must commence biomethane injection into the gas grid no later than 30 November 2025.

2.15. The figures in **Figure 2.3** were correct as of 31 March 2023. Please note that DESNZ have since updated the application Budget Caps for FY 23-24 onwards. The new budget caps were effective from 1st April 2023 and impact the figures for the remaining available budget from 1st of April onwards. You can view the up-to-date budget figures by looking on our website<sup>18</sup>.

**Figure 2.3: Budget allocation**

	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Annual Application Budget cap <sup>19</sup>	£37,000,000	£37,000,000	£65,000,000	£97,000,000	£130,000,000
Budget allocated (TG* applications received) <sup>20</sup>	£233,938	£2,598,348	£24,418,962	£42,027,513	£48,934,775
Budget committed (TGs granted)	£233,938	£2,598,348	£20,977,192	£35,116,446	£41,022,772
Remaining budget available	£36,766,062	£34,401,652	£40,581,038	£54,972,487	£81,065,255

\* Tariff guarantee

<sup>18</sup> [Green Gas Support Scheme – Applicants](https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy/green-gas-support-scheme-and-green-gas-levy-applicants) <<https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy/green-gas-support-scheme-and-green-gas-levy-applicants>>

<sup>19</sup> The Annual Application Budget cap is a cap on the estimated spend that can be allocated for biomethane production within each scheme year.

<sup>20</sup> Figures are based on live tariff guarantee applications, meaning any application that has been rejected and its 28 day right of review period has elapsed is not included.

### 3. Registered scheme participants

#### Section Summary

This chapter provides information on registered scheme participants, biomethane injected, the equivalent heat output and support payments made.

- 3.1. By the end of Scheme Year 2, one applicant had completed the application process and successfully registered to the GGSS. One periodic support payment of £104,861 has been made, based on 246,292 m<sup>3</sup> of green gas injected into the grid. This volume of green gas is enough to generate 1,903,101 kWhth of heat output - sufficient to heat approximately 159 typical UK homes for a year or 697,000 hot baths.
- 3.2. A summary of participants, gas injected, and payments made can be seen in **Figure 3.1** below.

**Figure 3.1: Registered scheme participants, biomethane production and payments**

	Scheme participants	Biomethane injected (m <sup>3</sup> )	Equivalent heat output (kWhth)	Periodic support payments made	Value of payments
<b>Scheme Year 1</b> Nov 21 to Mar 22	0	0	0	0	£0
<b>Scheme Year 2</b> Apr 22 to Mar 23	1	246,291.57	1,903,101	1	£104,860.84

## 4. The Green Gas Levy (GGL)

### Section Summary

This chapter provides an overview of the GGL and its operation during Scheme Year 2. This includes our work monitoring and enforcing supplier compliance.

- 4.1. The GGSS is funded by a levy placed on all licensed fossil fuel gas suppliers in Great Britain, known as the Green Gas Levy (GGL). The levy rate is set annually by DESNZ in December and used to calculate suppliers' payment obligations in the following scheme year. The obligation period runs for the full duration of the scheme year (1 April to 31 March) with payments collected a quarter in arrears.
- 4.2. At the start of each quarter, all licensed suppliers are required to submit meter point data. For each gas supply licence held, suppliers must provide the cumulative sum of gas supply meter points served each day of the previous quarter.<sup>21</sup> This data is used by Ofgem to calculate each supplier's levy obligation for that quarter, as well as the following quarter's credit cover requirement.
- 4.3. It is the supplier's responsibility to confirm accurate meter point data for each licence within the timeframes set out in the published scheme schedule, which is available on the Ofgem website.<sup>22</sup>
- 4.4. Prior to a levy payment being due, obligated suppliers are required to have a sufficient level of credit cover<sup>23</sup> lodged. This helps ensure levy payments are collected in a timely manner and reduces the likelihood of a mutualisation<sup>24</sup> event being required. Where a supplier fails to make a levy payment or mutualisation payment in full by the due date, Ofgem will draw down funds from a supplier's lodged credit cover.
- 4.5. Suppliers of at least 95% green gas can be exempted from paying the levy. Before each scheme year, suppliers may submit evidence to Ofgem demonstrating that they expect to provide at least 95% green gas in that scheme year. Ofgem will then determine

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<sup>21</sup> Regulation 48 of the Green Gas Support Scheme Regulations 2021

<sup>22</sup> [GGL scheme schedule Apr 2023 to Mar 2024](https://www.ofgem.gov.uk/publications/green-gas-levy-annual-scheme-schedule-april-2023-march-2024): <<https://www.ofgem.gov.uk/publications/green-gas-levy-annual-scheme-schedule-april-2023-march-2024>>

<sup>23</sup> Credit cover can be in the form of a cash payment made to Ofgem, a suitable letter of credit or a combination of these. [Further details in our GGL Guidance](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance): <<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>>

<sup>24</sup> For further information on mutualisation please refer to chapter 6 of our GGL guidance.



whether that supplier should be 'provisionally exempt'. Provisionally exempt suppliers will not have to pay the levy or provide credit cover during the scheme year.

- 4.6. At the end of the relevant scheme year, provisionally exempt suppliers must demonstrate that they have supplied at least 95% certified green gas during that year. The green gas must have been injected into the gas grid during that year and be certified by a DESNZ approved biomethane certification scheme<sup>25</sup>. If they cannot demonstrate this, they will no longer be exempt from the levy and will be required to make backdated levy payments. Suppliers who were not provisionally exempt but supplied at least 95% certified green gas during the year may submit evidence of this. If we determine they are exempt for that year, they will receive a refund of levy payments made for the year.

### The Energy Price Guarantee

- 4.7. As part of the government's Energy Price Guarantee there was a temporary removal of green levies from household bills from 1 October 2022. The GGL was still collected from obligated suppliers, but the costs were not passed onto consumers through their energy bills. Instead, the costs were met by government through general taxation.

### Scheme Suppliers and Levy Payments

- 4.8. **Figure 4.1** shows the number of obligated suppliers, the number of provisionally exempt suppliers, and the sum of levy payments made by suppliers under the scheme. The number of obligated suppliers can vary quarter to quarter depending on licence revocation and/or approval of gas supply licenses. One supplier was determined to be provisionally exempt for 2022-23 with (at the time of writing) evidence to confirm their exemption for that year due to be submitted by 1 July 2023.
- 4.9. The first levy payments were made by suppliers in May 2022, and in total by the end of Scheme Year 2 £53.95 million had been collected. It should be noted that the formula<sup>26</sup> used by DESNZ to set each year's levy rate takes account of unused funds collected in previous years. These unused funds are carried over and this results in the levy rate being adjusted accordingly. For more information on how the levy rate is calculated please refer to our GGL guidance.

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<sup>25</sup> [DESNZ approved biomethane certification schemes for the purposes of GGL exemption](https://www.gov.uk/government/publications/green-gas-levy-ggl-rates-and-exemptions/exemptions-from-the-green-gas-levy-ggl-approved-biomethane-certification-schemes):  
<<https://www.gov.uk/government/publications/green-gas-levy-ggl-rates-and-exemptions/exemptions-from-the-green-gas-levy-ggl-approved-biomethane-certification-schemes>>

<sup>26</sup> The levy rate formula is set out at regulation 39(1) of the Green Gas Support Scheme Regulations 2021

**Figure 4.1: Scheme suppliers and levy payments made**

	Number of scheme suppliers <sup>27</sup>	Number of provisionally exempt scheme suppliers <sup>28</sup>	Sum of the quarterly levy payments paid by scheme suppliers <sup>29</sup>
Q3 SY1* (Nov-Dec 2021)	85	N/A	N/A
Q4 SY1 (Jan-Mar 2022)	98	N/A	N/A
Q1 SY2 (Apr-Jun 2022)	94	1	£14,582,036.61
Q2 SY2 (Jul-Sep 2022)	91	1	£13,011,589.23
Q3 SY2 (Oct-Dec 2022)	90	1	£13,170,270.55
Q4 SY2 (Jan-Mar 2023)	88	1	£13,189,985.89

\* SY = Scheme Year

## Supplier Compliance

- 4.10. As part of our role in administering the Green Gas Levy (GGL), we work to ensure that gas suppliers comply with their obligations. We take incidents of non-compliance extremely seriously. Where suppliers fail to meet their obligations, we publish this information in the Supplier Performance Report (SPR)<sup>30</sup> and in the GGL default register<sup>31</sup>. Furthermore, for more serious incidents we may take other enforcement action.<sup>32</sup>
- 4.11. We expect suppliers to be proactive in their engagement with the scheme. They should use the guidance available to co-ordinate their activities and ensure that they comply in full with their obligations, including meeting scheme deadlines. We expect suppliers to do this without unnecessary engagement from us and will have a low tolerance for those that fail to do this.
- 4.12. There were seven incidents of statutory non-compliance recorded on the default register and SPR in Scheme Year 2. Three of these were for the late provision of credit cover. The remaining four statutory incidents involved late levy payments. A list of the suppliers added to the default register and the SPR is shown in **Figure 4.2**.

<sup>27</sup> The number shown is the number of different scheme suppliers active during the quarter. The number of scheme suppliers active at the end of the quarter may be lower.

<sup>28</sup> N/A is shown as no payments were due in Scheme Year 1 and as such there were no exempt suppliers.

<sup>29</sup> N/A is shown as the first payment was not due until May 2022.

<sup>30</sup> [Supplier Performance Report](https://www.ofgem.gov.uk/supplier-performance-report-spr): <https://www.ofgem.gov.uk/supplier-performance-report-spr>

<sup>31</sup> [GGL default register](https://www.ofgem.gov.uk/publications/green-gas-levy-default-register): <https://www.ofgem.gov.uk/publications/green-gas-levy-default-register>

<sup>32</sup> The enforcement action we can take is set out in [part 10 of the Regulations](https://www.legislation.gov.uk/uksi/2021/1335/part/10/made): <https://www.legislation.gov.uk/uksi/2021/1335/part/10/made>

**Figure 4.2: GGL Scheme Year 2 statutory non-compliances**

Supplier	Non-compliance	Incidents
Gas Plus Supply Ltd	Late provision of credit cover	1
Home Energy Trading Ltd	Late levy payment	1
Octopus Energy Ltd	Late levy payment	1
Opus Gas Supply Limited	Late levy payment	1
Pozitive Energy Ltd	Late provision of credit cover	1
Regent Gas Ltd	Late provision of credit cover	1
TotalEnergies Gas & Power Ltd	Late levy payment	1

4.13. Late payment of levy obligations and late provision of credit cover can cause delays for scheme administration and requires additional Ofgem resource to address poor supplier engagement. However, no mutualisation exercises were required due to these non-compliances, as any missed payments were subsequently made shortly after the deadline. This meant that there was no shortfall during Scheme Year 2.

4.14. In addition to the statutory non-compliances there were three incidents of administrative non-compliance recorded in Scheme Year 2. These did not warrant an entry on the default register but have been included on the SPR. The suppliers responsible are shown in **Figure 4.3**.

**Figure 4.3: GGL Scheme Year 2 administrative non-compliances**

Supplier	Non-compliance	Incidents
Business Power & Gas Ltd	Payment made into wrong account	1
OVO Energy Ltd	Payment made into wrong account	1
Rebel Energy Supply Ltd	Payment made into wrong account	1

4.15. Looking forwards, we will be engaging with obligated suppliers to eliminate any administrative issues identified on the scheme to date. In addition, we will continue to monitor our compliance processes to ensure they are working effectively to mitigate against potential risks.

## 5. Our Administration

### Section Summary

This chapter provides additional detail on our administration of the scheme during Scheme Year 2.

5.1. This chapter provides further information on certain aspects of our administration not covered elsewhere in this report.

### Digital delivery

5.2. Our digital service for the GGSS and GGL schemes has been developed to enable the scheme to be administered efficiently and securely and to provide a positive user experience for scheme participants.

5.3. Over Scheme Year 2 the key changes implemented were:

#### GGSS

- In June 2022 we introduced our digital periodic data submission and payment process. This allows participants to submit their periodic data online and for payments to be calculated using this information.
- The digital journey for stage 3 of the application process went live in October 2022. This is the final stage of the application process for GGSS applicants, meaning it is now a completely digital application journey.
- Functionality to allow for Consumer Price Index adjustments to be applied to tariffs went live in March 2023.

#### GGL

- We completed implementation of the digital journey for suppliers to meet their levy obligations in September 2022.
- In December 2022 we introduced functionality allowing invoices to be produced digitally and downloaded by suppliers online.

### Stakeholder engagement

- 5.4. To be effective administrators of the GGSS, engagement with key stakeholders has been critical. Ensuring that all scheme participants and potential applicants are aware of the published guidance, changes to the digital service and other scheme updates has been vital to the effective and robust operation of the GGSS.
- 5.5. To help achieve this, we have kept in close contact with our colleagues at DESNZ to ensure consistency of messaging surrounding the GGSS.

### Forums

- 5.6. We have hosted quarterly GGSS forums with trade associations, scheme participants, potential applicants, and other interested parties since May 2022.
- 5.7. The forums are used as an opportunity for us to share key messages and updates with stakeholders, and for stakeholders to ask questions they may have regarding the scheme and its management.
- 5.8. The GGSS forums have presented an opportunity for interested parties to raise issues with us directly on the application process, scheme administration, and policy interpretation. This engagement led to Ofgem taking action on a number of issues, including changes to the digital product and updates to scheme guidance.

### Document publications

- 5.9. During 2022-23 we published four updates to scheme guidance to either provide additional guidance, clarification in particular areas and/or to make general improvements.
  - Two updated versions of the GGSS guidance have been published (in June and November 2022).  
[The Green Gas Support Scheme guidance](https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance)  
<<https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance>>
  - Two updates to GGL guidance have been published (in July 2022 and January 2023).  
[The Green Gas Levy guidance](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance)  
<<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>>

For each of these documents there is an update log published alongside detailing the changes made.

5.10. We also published an administrative timetable for 2022-23 (the 'annual scheme schedule'). This has now been replaced on our website with the scheme schedule for 2023-24.

[Green Gas Levy Annual Scheme Schedule for April 2023 to March 2024](https://www.ofgem.gov.uk/publications/green-gas-levy-annual-scheme-schedule-april-2023-march-2024)

<<https://www.ofgem.gov.uk/publications/green-gas-levy-annual-scheme-schedule-april-2023-march-2024>>

5.11. In addition to these publications we also updated the default register with supplier non-compliances on six occasions.

[The Green Gas Levy default register](https://www.ofgem.gov.uk/publications/green-gas-levy-default-register)

<<https://www.ofgem.gov.uk/publications/green-gas-levy-default-register>>

## 6. Looking forward

### Section Summary

This chapter provides information on changes due to take place on the scheme, alongside other information affecting the broader policy landscape.

- 6.1. As the existing and forthcoming GGSS producers commission their anaerobic digestion plants and ramp up their injection of eligible biomethane, payments to producers will increase, further supporting the biomethane industry as a key component in the Government's net zero strategy.
- 6.2. On 23 March 2023 DESNZ published a consultation seeking input from stakeholders on a range of proposals as part of the scheduled GGSS mid-scheme review<sup>33</sup>. The areas for consultation include:
  - the scheme's closure date
  - how we will treat tariff guarantee and commissioning deadlines
  - the waste feedstock threshold
  - the scheme mitigation requirements for digestate emissions
  - the eligibility of Combined Heat and Power plant conversions to biomethane injection
  - heat deductions from total eligible biomethane
  - fugitive methane emissions monitoring and mitigation.
- 6.3. This consultation closed on 18 May 2023 and DESNZ are currently reviewing responses. In it, DESNZ acknowledge that due to challenges in securing waste feedstock and supply chain delays, deployment on the scheme has been slower than expected. The above proposals intend to make adjustments to the scheme in order to support prospective scheme applicants to ensure the scheme continues to deliver effectively. We are working with DESNZ as delivery partners to ensure that any scheme changes that are taken forward can be implemented successfully. This will include issuing updated guidance and launching new features on the GGSS Portal, as required.

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<sup>33</sup> [Consultation - GGSS: mid-scheme review](https://www.gov.uk/government/consultations/green-gas-support-scheme-mid-scheme-review): <<https://www.gov.uk/government/consultations/green-gas-support-scheme-mid-scheme-review>>

- 6.4. Our audit strategy includes a plan to audit all GGSS installations within the first year of GGSS registration. This will allow us to check and verify the information provided during the application process. Any issues identified can then be addressed early in an installation's support period and if more serious issues are identified these can be dealt with using the powers available to us through GGSS legislation<sup>34</sup>. All current and future scheme participants can expect to be contacted within this timescale.

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<sup>34</sup> The enforcement action we can take is set out in [part 10 of the Regulations](https://www.legislation.gov.uk/uksi/2021/1335/part/10/made):  
<<https://www.legislation.gov.uk/uksi/2021/1335/part/10/made>>



## Appendix 1: Associated Documents

- The Green Gas Support Scheme Regulations 2021 can be viewed on the legislation.gov.uk website:  
[Green Gas Support Scheme Regulations:](https://www.legislation.gov.uk/uksi/2021/1335/contents/made)  
<https://www.legislation.gov.uk/uksi/2021/1335/contents/made>
- Guidance documents on the GGSS can be viewed on the Ofgem website:  
[Ofgem's GGSS guidance:](https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance)  
<https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance>
- Guidance documents on the GGL scheme can be viewed on the Ofgem website:  
[Ofgem's GGL guidance:](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance)  
<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>
- More information on the GGSS & GGL can be found by using the link to the Ofgem website below:  
[Information about the GGSS and GGL schemes:](https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy)  
<https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy>
- The Department Energy Security & Net Zero (DESNZ) is responsible for the GGSS and GGL policy:  
[DESNZ's webpage on the GGSS & GGL scheme:](https://www.gov.uk/government/publications/green-gas-support-scheme-ggss)  
<https://www.gov.uk/government/publications/green-gas-support-scheme-ggss>
- The consultation response outlining the policy aims of the GGSS and GGL schemes is available below:  
[Future Support for Low Carbon Heat & The Green Gas Levy](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970565/green-gas-levy-future-support-low-carbon-heat-govt-response.pdf)  
<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/970565/green-gas-levy-future-support-low-carbon-heat-govt-response.pdf>

## Appendix 2: Scheme Glossary<sup>35</sup>

### A

**Anaerobic digestion (AD)** – A natural process in which micro-organisms break down organic matter (e.g. animal manure or waste food) within an oxygen-free environment. This produces biogas which can then be ‘upgraded’, which removes contaminants to produce biomethane.

**Application budget cap** - DESNZ operates an Application budget cap against which applications to the scheme are checked to ensure that there is available budget for them to register and receive payments under the scheme based on their estimated production.

### B

**Biomethane** – Biomethane is a gas (biogas) produced from organic matter through anaerobic digestion and then purified.

### C

**Credit cover** – Credit cover means the amount provided by scheme suppliers in the form of cash credit cover and/or a valid letter of credit. The purpose of credit cover is to ensure that levy payments are collected in a timely manner, thereby reducing the likelihood of mutualisation events being required. If a supplier fails to meet their quarterly levy obligations by the relevant due date, Ofgem must draw down on their credit cover.

### D

**The Department for Energy Security & Net Zero (DESNZ)** – DESNZ is responsible for the GGSS and GGL policy, scheme regulations, scheme budget and any promotion of the scheme.

### E

**Energy Price Guarantee** – Designed to reduce the impact of energy price rises, the Energy Price Guarantee sets a maximum price domestic consumers will pay for their electricity and gas.

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<sup>35</sup> Many of the terms included in this glossary are defined in the Regulations and those definitions should be consulted for their legal meaning for the purposes of the Regulations.

### G

**GEMA** – The Gas and Electricity Markets Authority (GEMA) (the Authority) is the statutory body responsible for administering the GGSS in Great Britain (GB). The Authority’s day-to-day functions are performed by Ofgem, the office of the Authority.

**Green Gas** - Green gases are renewable and low carbon gases that can be used in place of fossil fuels, reducing associated carbon emissions in the heat sector. For the purpose of the GGSS, green gas is biomethane produced by anaerobic digestion of organic matter in an oxygen-free environment.

**Green Gas Levy (GGL)** – The GGL funds the Green Gas Support Scheme (GGSS) by placing obligations on all licensed fossil fuel gas suppliers in Great Britain to pay a levy. Suppliers who supply 95% or more certified biomethane within a scheme year may be exempt from some requirements of the levy.

**Green Gas Levy (GGL) default register** – The default register is a register of supplier non-compliances published on our website. If a scheme supplier fails to meet certain obligations by the deadline, we are required to publish this information on the GGL default register.

**Green Gas Support Scheme (GGSS)** – The GGSS is a government environmental scheme that provides financial incentives for new anaerobic digestion biomethane plants to increase the proportion of green gas in the gas grid. The scheme is open to applicants in England, Scotland and Wales for four years from 30 November 2021.

### L

**Levy exemption** - There is an exemption from the GGL for gas suppliers that can evidence that they have provided at least 95% biomethane using green gas certificates from a recognised certification scheme.

**Levy payment** – The Green Gas Levy (GGL) places an obligation on all licensed fossil fuel gas suppliers in Great Britain (except those provisionally exempt) to pay a quarterly levy. These levy payments will be used to fund payments made for eligible biomethane injection into the gas grid through the Green Gas Support Scheme (GGSS). Suppliers are required to meet their quarterly levy obligation by making a quarterly payment by the relevant dates specified in the scheme timetable. The quarterly levy payment is calculated using meter point data and the levy rate.

**Levy rate** – The levy rate is a factor used to determine suppliers' quarterly payment in conjunction with total meter point days data. The Secretary of State calculates and publishes the levy rate expressed in pence per meter point per day on a yearly basis. Ofgem then uses the levy rate to calculate credit cover requirements and quarterly levy payments payable by scheme suppliers.

### **M**

**Maximum initial capacity** - means the maximum volume of biomethane, expressed in cubic metres per year, which a biomethane producer is entitled to supply for injection under the 'network entry agreement' between the biomethane producer and the relevant network.

**Meter point** – Meter point refers to an individual gas meter supply point.

**Mutualisation** – A process where suppliers, who have met their levy obligation, are required to pay an additional sum to cover any shortfall caused by supplier(s) failing to make a levy payment and having insufficient credit cover in place to cover the full payment obligation.

### **P**

**Periodic data** – Periodic data refers to the quarterly submissions made by registered participants, used to determine the volume of biomethane eligible for payments.

**Provisionally exempt supplier** – Provisionally exempt suppliers are those licensed suppliers who Ofgem has determined are likely to supply at least 95% certified biomethane in the next scheme year, based on evidence submitted by those suppliers. Provisionally exempt suppliers will not be required to make levy payments or lodge credit cover for that scheme year and will not be required to comply with several other scheme requirements. At the end of the relevant scheme year, provisionally exempt suppliers must demonstrate that they have supplied at least 95% green gas during that year. If they cannot demonstrate this, they will no longer be exempt from the levy and will be required to make backdated levy payments.

### **S**

**Supplier Performance Report (SPR)** – The Supplier Performance Report (SPR) documents incidents where energy suppliers have not complied with their obligations under the environmental, energy efficiency and social programmes Ofgem administers on behalf of the Government. Non-compliances on the GGL are published in the SPR every six months on our website.

## T

**Tariff Guarantee** – Tariff guarantees are a compulsory part of applying to the GGSS. They are designed to provide increased certainty to developers and investors, by allowing prospective participants to secure a tariff rate before their installation is commissioned and fully registered on the scheme.