

Domestic Suppliers, holders of  
price cap derogated tariffs



Making a positive difference  
for energy consumers

Email: [renewablederogations@ofgem.gov.uk](mailto:renewablederogations@ofgem.gov.uk)

Date: 31/10/2023

Dear colleagues,

## **INTRODUCTION OF RFI TO MONITOR REQUIREMENTS FOR DEROGATED RENEWABLE STANDARD VARIABLE TARIFFS FROM THE DEFAULT TARIFF CAP**

This letter sets out the background and context to introducing periodic, typically annual, requests for information (RFI) in order to monitor compliance with derogations granted from the default tariff cap ('cap'). It also sets out the RFI monitoring template, which has been published alongside this letter.<sup>1</sup> The first annual submission will start in November 2023 and will apply to all existing derogations for the preceding year (1 April 2022 – 31 March 2023).

We are engaging to assess compliance with Standard Licence Condition (SLC) 28AD, specifically relating to tariffs that are subject to a derogation from the default tariff cap.

The production of information is being compelled pursuant to SLC 5 of the gas and electricity supply licences. Relevant extracts from SLC 5 are set out in Annex 6, in particular Condition 5.4.

In accordance with SLC 5, Ofgem considers that it reasonably requires the information requested set out below and that this information is necessary for the performance of its statutory functions. Those functions include monitoring the activities of suppliers pursuant to section 34 of the Gas Act 1986 and section 47 of the Electricity Act 1989 in order to promote the interests of consumers.

Ofgem may also use the information for any other purposes connected with our statutory functions (including but not limited to) considering licensees' compliance with licence

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<sup>1</sup> Ofgem (2023), Introduction of annual monitoring requirements for derogated renewable standard variable tariffs, from the default tariff cap. <https://www.ofgem.gov.uk/publications/introduction-annual-monitoring-requirements-derogated-renewable-standard-variable-tariffs-default-tariff-cap>

conditions and facilitating policy development in relation to domestic and non-domestic customers.

The text of SLC 28AD is set out in Annex 5. We draw your attention to the fact that providing false information is an offence and highlight that a failure to provide the requested information may constitute a licence breach. The relevant statutory provisions are set out in Annex 5.

## Background

The Domestic Gas and Electricity (Tariff Cap) Act (2018) (the Act) places a duty on Ofgem to introduce a default tariff cap for domestic consumers on standard variable tariffs (SVTs) and default tariffs. The Act provides some discretion for Ofgem to exempt certain tariffs from the default tariff cap. This includes SVTs that have been chosen by the consumer and that appear to the Authority to support the production of renewable gas or electricity.

In November 2018, we set out our decision that the cap should apply to all SVTs, but we provided a route for suppliers to apply for derogations for renewable electricity and renewable gas SVTs that have been chosen by the suppliers' customers, in standard licence condition (SLC) 28AD.25. Alongside this decision, we published cap derogations guidance.<sup>2</sup> Within the guidance, we set out the approach we would take for assessing derogations for renewable tariffs from the default tariff cap, which can be summarised as:

- 1) The tariff is an SVT that consumers have chosen to be on.
- 2) By consumers being on the tariff, support is given to renewables to an extent that is materially greater than that which is brought about as a result of subsidies, obligations or other mandatory mechanisms.
- 3) The cost to the licensee of supplying electricity/gas by virtue of the tariff is materially greater than the level of the default tariff cap for reasons that are directly attributable to the support that the tariff provides to renewables.

In January 2019, we granted derogations to tariffs held by three domestic suppliers.<sup>3</sup> These derogations were granted on the basis that the price cap was expected to come to an end in 2023 and not be in effect indefinitely. Following Royal Assent of the Energy Prices Act 2022<sup>4</sup>, the cap will now apply indefinitely, unless removed by the Secretary of State.

SLC 28AD.29 provides that suppliers who have been granted derogations must provide Ofgem any information which we reasonably request about their compliance with any derogation. This requirement has also been placed in the derogation decisions

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<sup>2</sup> Ofgem (2018), Guidance: Derogation requests for renewable tariffs from the default tariff cap. <https://www.ofgem.gov.uk/publications/guidance-derogation-requests-renewable-tariffs-default-tariff-cap>

<sup>3</sup> These enduring derogations were granted to Good Energy, Green Energy UK and Ecotricity.

<sup>4</sup> Energy Prices Act 2022. <https://www.legislation.gov.uk/ukpga/2022/44/schedule/3/enacted>

themselves at paragraph 9b of each of the directions granting the derogations themselves.<sup>5</sup>

## **Ofgem's view and requirements summary**

We consider the introduction of the Energy Prices Act 2022 to support the case for more frequent monitoring of existing derogations, which we expect to improve transparency and compliance as per the terms of our derogation decisions and guidance. Therefore, as per section 2.16 of the guidance<sup>6</sup>, we are introducing periodic, typically annual, monitoring requirements for any new or existing derogations.

These new monitoring requirements will focus on ensuring any derogations remain eligible as per the decision letters, guidance and underlying legislation. For existing derogations, where the decision letter includes aspects that deviate from the guidance, the requirements in the decision letter will take precedence.

## **RFI overview**

The RFI is applicable to all suppliers that have a tariff with a derogation from the price cap. It collects quantitative and qualitative information on suppliers with a derogated tariff's total and renewable costs. Details of the information requested can be found in Annex 1, 2, 3 and 4 as well as in the accompanying template. We note that we are gathering less data than is required when applying for a derogation, this is to reduce the burden on suppliers whilst maintaining sufficient information to determine whether the tariff in question continues to meet the outcomes required to receive a derogation as set out in the guidance and terms as per the decision letters.

## **Next steps**

The requirements set out in this letter will apply to all existing derogations for the preceding year (1 April– 31 March). A submission is required to be made to [renewablederogations@ofgem.gov.uk](mailto:renewablederogations@ofgem.gov.uk) using the template provided and information set out in Annex 1, 2, 3 and 4.

If you have any questions concerning this information request or require more information please contact [renewablederogations@ofgem.gov.uk](mailto:renewablederogations@ofgem.gov.uk).

We require your response relating to the compliance year 1 April 2022 - 31 March 2023 by **30 November 2023**.

Yours faithfully,

Dan Norton

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<sup>5</sup> Ofgem (2019), Decision to issue The Renewable Energy Company Limited (Ecotricity) and enduring derogation for renewable Standard Variable Tariffs from the Default Tariff Cap. <https://www.ofgem.gov.uk/publications/decision-issue-renewable-energy-company-limited-ecotricity-enduring-derogation-renewable-standard-variable-tariffs-default-tariff-cap>; Ofgem (2019), Decision to issue Good Energy Limited and Good Energy Gas Limited an enduring derogation for renewable Standard Variable Tariffs from the Default Tariff Cap. <https://www.ofgem.gov.uk/publications/decision-issue-good-energy-limited-and-good-energy-gas-limited-enduring-derogation-renewable-standard-variable-tariffs-default-tariff-cap>; Ofgem (2019), Decision to issue Green Energy UK Plc an enduring derogation for renewable Standard Variable Tariffs from the Default Tariff Cap. <https://www.ofgem.gov.uk/publications/decision-grant-green-energy-uk-limited-limited-derogation-standard-licence-conditions-22b-and-22d-electricity-and-gas-supply-licences>

<sup>6</sup> Ofgem will maintain a record of derogations that have been granted and may in some cases decide to incorporate additional derogation monitoring activity (for example review periods).

## **Annex 1: RFI spreadsheet template – Tab Contents:**

All tabs intended for the RFI spreadsheet template are listed below, along with a summary of how to complete them. You can find additional guidance on specific tabs.

### *Section 1 - Documentation*

- a. Cost Category Guide - This sheet gives guidance on the cost categories suppliers should consider when reporting their total and renewable costs.
- b. Data Dictionary Tariff Info - This sheet defines terms and provides guidance to the data columns in the sheet 2a, 2b and 2c.

### *Section 2 - Data Templates*

- a. Tariff Information - This sheet is where suppliers input relevant tariff information.
- b. Total Costs - This sheet is where suppliers input details about their total and renewable costs incurred at supplier level, split by cost category and fuel type.
- c. Renewable Costs - This sheet is where suppliers provide more details about their specific incurred renewable costs, categorised into different cost categories, and split by fuel type.
- d. Investment - This sheet is where suppliers break down their investment costs for different renewable investments.
- e. Supplementary Questions - This sheet provides a summary of supplementary open questions that suppliers may answer in a format they see fit.

## **Annex 2 – Guidelines for completing the RFI questions**

### **Overall guidance**

#### **Inputting values into Excel**

1. In the Excel template, only complete coloured cells. White cells with no colour do not need to be filled in. The tables that must be filled in have examples in the first few rows, if these cells are coloured then you may replace these examples with your own data. Cells to complete with numerical values are shaded yellow. Cells that can be complete with any text are shaded green, whereas cells that must be filled in with a specific text category are shaded blue.
2. If there is any doubt, please refer to sheet '1a Cost Category Guide' which provides key definitions and '1b Dictionary Tariff Info' which provides more detail for every data column found in the template.
3. Please pay attention to the table heading to ensure you fill the table with correct information.
4. Please pay close attention to the units specified in the template.

5. If you have previously submitted the same information in response to a different RFI, please duplicate the data in the template.

6. Costs are asked to be split at a different level in each sheet:

- a. '2a Tariff Information' - Tariff type (as advertised) by region, fuel type, payment method, single rate vs multi rate.
- b. '2b Total Costs' - Supplier Name, by fuel type for each broad cost category.
- c. '2c Renewable Costs' - Supplier Name, by fuel type for each renewable cost type.
- d. '2d Investment' - Supplier level investment costs broken down into different cost categories defined by the supplier.

7. If there are limitations in the data you are able to provide (eg, if you have made assumptions or apportionments), then please explain these as part of your response. Please refer to the specific question for guidance on where to include these explanations.

8. All answers should be in relation to **domestic supply business**.

We expect suppliers to provide the data we have requested. However, we acknowledge that there may be exceptional circumstances where the data is not available. If you do not hold information that would allow you to answer a question, please flag this to us as soon as possible (with reasons) and indicate within your response that you are providing a nil return to this question. We note that we will assess the quality of the evidence provided when deciding whether we are able to rely on it as part of our review.

### **Editing the Excel template**

- 1. Please do not edit tabs 1a and 1b.
- 2. Please only edit the coloured sections of Tables 2a, 2b, 2c and 2d.
- 3. We acknowledge that there may be other items which are not captured in the tables. In this case, please use the 'Other' category provided and state what these other costs are.
- 4. When filling in the rows for 2a and 2c, please follow the same structure given in the example. When providing a supplier name or tariff name then please keep a consistent naming convention.

### **Table 2a 'Tariff Information' Guide**

| Supplier Name | Tariff Advertised Name | Fuel Type | Region | Payment Method | is_multi_reg | Compliance Year Start | Compliance Year End | Total MWh Consumption | Percentage of the total supplied | Number of Customer Accounts | Percentage of Total Customer Accounts |
|---------------|------------------------|-----------|--------|----------------|--------------|-----------------------|---------------------|-----------------------|----------------------------------|-----------------------------|---------------------------------------|
| SupName1      | TarName1               | E         | london | D              | N            | 01-Apr-22             | 31-Mar-23           |                       |                                  |                             |                                       |
| SupName1      | TarName1               | G         | london | D              | N            | 01-Apr-22             | 31-Mar-23           |                       |                                  |                             |                                       |
| SupName1      | Non-Derogated Tariffs  | E         | london | D              | N            | 01-Apr-22             | 31-Mar-23           |                       |                                  |                             |                                       |
| SupName1      | Non-Derogated Tariffs  | G         | london | D              | N            | 01-Apr-22             | 31-Mar-23           |                       |                                  |                             |                                       |
|               |                        |           |        |                |              |                       |                     |                       |                                  |                             |                                       |

In Column 1 - Supplier Name, please insert the name of your company.

In Column 2 - Tariff Advertised Name, please insert the advertised name of your tariff.

In Column 3 to 6 - Please select from the drop-down menu the appropriate category for the tariff, where non-derogated tariffs can be aggregated.

In Columns 7 and 8, please input the compliance year start and end date.

In Columns 9 to 12, please input the corresponding values for the variables, as described in '1b Data Dictionary Info'.

**Table 2b 'Total Costs' Guide**

| Supplier Name | Cost Category                                 | Fuel Type | Compliance Year Start | Compliance Year End | Details of the types of costs included in this category | How would you split these costs between tariffs? (By customer) by consumption / both / other | Total Costs, including renewable | Renewable costs | % of costs which are renewable | Total Costs per customer | Renewable costs per customer | Change in Total Costs | Change in Renewable Costs | Change in Total Costs per customer | Change in Renewable costs per customer |
|---------------|---|-----------|-----------------------|---------------------|---|--|----------------------------------|-----------------|--------------------------------|--------------------------|------------------------------|-----------------------|---------------------------|------------------------------------|--|
| Supplier1     | Indirect costs                                | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Direct Fuel Costs                             | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Other Direct Costs                            | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Transportation costs (Network)                | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Environmental and social obligations (Policy) | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Depreciation                                  | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Working Capital Requirements                  | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | EBIT  | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Subsidies / Obligations (Mandatory)           | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Other costs                                   | E         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Indirect costs                                | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Direct Fuel Costs                             | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Other Direct Costs                            | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Transportation costs (Network)                | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Environmental and social obligations (Policy) | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Depreciation                                  | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Working Capital Requirements                  | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | EBIT  | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Other costs                                   | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |
| Supplier1     | Subsidies / Obligations (Mandatory)           | G         | 01-Apr-22             | 31-Mar-23           |   |  |                                  |                 |                                |                          |                              |                       |                           |                                    |  |

Columns 1 to 5 should not be edited.

In Columns 6 and 7, please provide a space to include more information about the type of costs in each category, if easier this can be provided in separate documents and the reference, including document title and page number, can be inserted into these columns. Details of the types of costs can be included based on the break down in sheet '1a Cost Category Guide'.

In Columns 8 to 16, please input the corresponding values for the variables, as described in '1b Data Dictionary Tariff Info'.

Where apportionment is necessary in order to provide domestic only total costs, from a domestic & non-domestic business, please ensure you calculate this apportionment based on customer numbers. Ofgem are applying this methodology to ensure costs are apportioned on a consistent basis across all respondents to this RFI.

**Table 2c 'Renewable Costs' Guide**

| Supplier Name | Fuel Type | Compliance Year Start | Compliance Year End | Cost Category | Cost Sub-Category | Renewable Cost Type | Justification / Explanation | Renewable Costs | % of renewable costs | Comments |
|---------------|-----------|-----------------------|---------------------|---------------|-------------------|---------------------|-----------------------------|-----------------|----------------------|----------|
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | E         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |
| Supplier1     | G         | 01-Apr-22             | 31-Mar-23           |               |                   |                     |                             |                 |                      |          |

In Column 1 – Supplier Name, please insert the name of your company.

In Column 2 – Please select from the drop-down menu whether the cost relates to Electricity or Gas.

In Columns 3 and 4, please input the start and end compliance year.

In Columns 5 to 7, please select from the drop-down menu which of the Cost Categories, Cost Sub-categories and Renewable Cost Types the cost falls under. More detail for these categories can be found in sheet '1a Cost Category Guide' and '1b Data Dictionary Tariff Info'. If you believe none of the categories fit then please select other and state what it is in Column 11, the Comments column.

In Column 8 - Please provide a justification as to why the type of cost results in greater material support for renewables. If easier, this can be provided in separate documents and the reference, including document title and page number, can be inserted into these columns.

In Columns 9 and 10, please insert the associated values, more detail of which can be found in '1b Data Dictionary Tariff Info'.

In Column 11 – A space for additional comments, if a cost category was selected as other, please name it in this column.

### Table 2d 'Investment' Guide

| [NAME OF INVESTMENT]   |                            |                       |                          |              |              |              |              |
|------------------------|----------------------------|-----------------------|--------------------------|--------------|--------------|--------------|--------------|
| Jul-19                 |                            |                       |                          |              |              |              |              |
| Investment             |                            | Year1-Month1          | Year1-Month2             | Year1-Month3 | Year1-Month4 | Year1-Month5 | Year1-Month6 |
|                        |                            | Jul-19                | Aug-19                   | Sep-19       | Oct-19       | Nov-19       | Dec-19       |
| Category               | Total Investment Costs (£) | Committed / Forecast? | Monthly Investment Costs |              |              |              |              |
| Cat1                   | £0                         |                       |                          |              |              |              |              |
| Cat2                   | £0                         |                       |                          |              |              |              |              |
| Cat3                   | £0                         |                       |                          |              |              |              |              |
| Cat4                   | £0                         |                       |                          |              |              |              |              |
| Cat5                   | £0                         |                       |                          |              |              |              |              |
| Cat6                   | £0                         |                       |                          |              |              |              |              |
| Cat7                   | £0                         |                       |                          |              |              |              |              |
| Cat8                   | £0                         |                       |                          |              |              |              |              |
| Cat9                   | £0                         |                       |                          |              |              |              |              |
| Cat10                  | £0                         |                       |                          |              |              |              |              |
| Cat11                  | £0                         |                       |                          |              |              |              |              |
| Cat12                  | £0                         |                       |                          |              |              |              |              |
| Cat13                  | £0                         |                       |                          |              |              |              |              |
| Cat14                  | £0                         |                       |                          |              |              |              |              |
| Cat15                  | £0                         |                       |                          |              |              |              |              |
| Cat16                  | £0                         |                       |                          |              |              |              |              |
| Total Investment Costs | £0                         |                       | -                        | -            | -            | -            | -            |

Please use a clean table for each relevant investment.

Firstly, please provide the name of the renewable investment in the [NAME OF INVESTMENT] box.

Secondly, please select the first month and year spend has been committed for an investment from the drop down. The dates will then prepopulate along the header of the table.

In Column 1, you are asked to break down investment costs into different categories of your choosing.

Column 2 is formulae driven, no action.

In Column 3, please indicate whether costs per your defined category in Column 1 are either Committed or Forecast.

In Column 4 onwards, please provide expected monthly investment costs covering a five-year period.

### Annex 3: Definition of Terms

A full description of all variables in the template can be found in sheet '1b Data Dictionary Tariff Info'.

### Acronyms

REGO – Renewable Energy Guarantees of Origin

GGC – Green Gas Certificate  
PPA – Power Purchase Agreements  
GPA – Gas Purchase Agreements  
CfD – Contracts for Difference  
RO – Renewables Obligations  
ECO – Energy Company Obligation  
WHD – Warm Home Discount  
GER – Government Electricity Rebate  
DCC – Data and Communications Company

### **Fuel Type**

G - Gas: refers to a gas tariff.  
E - Electricity: refers to an electricity tariff.

### **Payment Methods**

D - Direct Debit: refers to tariffs which apply to customers that pay by direct debit through their bank account. This should include payment types (for example monthly standing order and variable monthly or quarterly direct debit) where the customer is under the same tariff as a monthly fixed direct debit customer. Customers should be counted as direct debit whether the frequency of payment is monthly or quarterly. The key factor is that the customer has a direct debit set up that automatically pays the bill at a defined interval. The frequency of the interval does not matter. Both fixed and variable direct debit payment amounts should both be included under direct debit.

S - Standard credit: refers to tariffs which apply to customers that pay quarterly on receipt of their bill. This should also include any payment types (for example fuel direct or monthly/weekly/fortnightly payment schemes) where the customer is paying the same tariff as a customer that pays quarterly on receipt of their bill. Customers may be paying at any frequency (quarterly/monthly/fortnightly). The key feature is that they pay on receipt of bill, i.e. they need to take some action to pay the bill rather than paying automatically by direct debit.

P - Prepayment: refers to tariffs which apply to customers that pay through a key, token, card or other type of prepayment meter, including smart prepayment meters. This is mutually exclusive to prepayment-excluded smart meters option.

X - Prepayment excluded smart meter: refers to PPM smart meters excluded from the application of the PPM safeguard tariff in the CMA's Energy Market Investigation (Prepayment Charge Restriction) Order 2016. This is described in standard licence supply condition 28A.32 Definitions for condition of the CMA Order: "Excluded Smart Meter" means either: a. a Smart Metering System which consists of an Electricity meter and any associated or ancillary devices identified in a version (other than the first



version) of the SME Technical specification or b. a Smart Metering System otherwise identified by the CMA (through a direction given under the Energy Market Investigation, Prepayment Charge Restriction Order 2016) as being fully interoperable. This is mutually exclusive to the prepayment method option.

O - Other: refers to payment methods which are not covered by any of the direct debit, standard credit and prepayment methods described above.

#### **Annex 4 – Cap Derogation annual monitoring requirements**

As part of the RFI, we are asking suppliers a set of supplementary questions (Q1 – Q22) to help our analysis. The list of supplementary questions can be found on tab '2e Supplementary Questions' in the template.

#### **Broad Questions for 3 Outcomes**

1. Provide evidence that the tariff is a Standard Variable Tariff (SVT).
2. Provide evidence that the tariff provides support to renewable generation to an extent that is greater than that which is brought about as a result of subsidies, obligations or other mandatory mechanisms (eg including any information about direct support for renewable generators or investment in renewable generation).
3. Over the monitoring period, has your tariff been above the level of the cap? To what extent was this due to the costs of the tariff being greater than the level of the default cap by virtue of costs attributable to renewables?

#### **Customer Choice**

It is a requirement that customers choose to be on a derogated tariff and it is therefore important that this remains the case and is communicated to customers. Please provide:

4. Evidence that all customers on a derogated tariff have actively chosen to do so, for example by specifically opting-in to the tariff.
5. Evidence, such as emails or letters sent to customers or other sources, that within the compliance period (1 April 2022 – 31 March 2023) it has been communicated to customers that these tariffs are exempt from the price cap, which could lead to higher bills.
6. Evidence that these tariffs were clearly advertised as a tariff that supports renewables (eg letters to or emails sent to customers, marketing material or other sources).

#### **Tariff Pricing**

7. Considering the costs that make up your derogated tariff, does this differ from the default tariff cap?
8. If yes, what factors explain this difference, eg hedging strategy, variability in renewables etc?

#### **Investment Costs**

Tab '2d Investment' in the template should be used to detail your investment costs. In addition to this, could you provide information on the following:

9. What are your current and upcoming renewable investments and when do you expect them to start and end?
10. How do your investments provide materially greater support for renewables beyond subsidies?
11. For investments previously reported in your derogation application, please update their progress.
12. Have there been any unexpected factors that affected your investments? Why? How?

### Other Renewable Costs

For the following Renewable Costs listed in Table 1, please answer these two questions and the additional questions, in the table, specific to each category.

13. How have these costs changed over time? Please break down the costs.
14. What were the main factors behind these trends and were renewables impacted more than non-renewables?

**Table 1 – Supplementary Questions for each Renewable Cost Category**

| <b>Renewable Cost Categories</b>   | <b>Questions</b>   |
|--|--|
| <i>Shape, Forecasting and Imbalance Costs</i>                              | 15. Please outline each of these costs relevant to how you provide materially greater support for renewables.  |
| <i>Power Purchase Agreements (PPAs) and Gas Purchase Agreements (GPAs)</i> | 16. Please break down the 'renewable' element of your overall fuel mix by the way you purchase that energy (ie Power Purchase Agreement (PPA)/Renewable Energy Guarantees Origin (REGO) backed).<br>17. How has this changed over the course of the derogation and do you expect it to change within the next compliance period (1 April 23 – 31 March 24)?<br>18. Do you provide support to PPA/GPA partners and how? |
| <i>Renewable Energy Guarantees of Origin (REGOs)</i>                       | 19. Please provide evidence of any redeemed REGOs used to support derogated tariffs. These should align with any Fuel Mix Disclosure submission made to Ofgem for the respective yearly period.  |
| <i>Green Gas Certificates (GGC)</i>  | 20. Please provide evidence of any GGCs used to support derogated tariffs for the respective yearly period.  |
| <i>Carbon Offsetting</i>   | 21. Please provide evidence of any Carbon Offsetting that supports renewable biogas.<br>22. What proportion is that of total offsetting?   |

## **Annex 5 – Relevant extracts from SLC 28AD of the gas and electricity licence**

### **Direction for the purposes of section 3(2)(b) of the Act (Renewable Tariff Exemption)**

28AD.23 The licensee may apply to the Authority to request a direction that a particular Tariff complies with section 3(2)(b) of the Act such that this condition 28AD does not apply pursuant to paragraph 28AD.4(b).

28AD.24 The Authority may issue a direction following an application made pursuant to paragraph 28AD.23, where the licensee can provide evidence to the reasonable satisfaction of the Authority that all of the following conditions are met:

- (a) the Domestic Customer has chosen an Evergreen Supply Contract;
- (b) the Tariff relating to that Evergreen Supply Contract supports the production of gas from renewable sources to an extent that is materially greater than that which may otherwise be brought about as a result of subsidies, obligations or other mandatory mechanisms; and
- (c) the cost to the licensee of supplying gas by virtue of the particular Tariff relating to that Evergreen Supply Contract is materially greater than the Relevant Maximum Charge for reasons that are directly attributable to the support that Tariff provides to the production of gas from renewable sources.

28AD.25 The Authority may refuse to issue a direction pursuant to paragraph 28AD.24 where it is not satisfied that the materially greater cost referred to at paragraph 28AD.24(c) reflects an efficient level of the costs associated with licensee's supply of gas by virtue of the particular Tariff.

28AD.26 The licensee must comply at all times with the terms of any direction issued pursuant to paragraph 28AD.24.

28AD.27 The licensee must ensure that any information provided to the Authority pursuant to paragraph 28AD.23, 28AD.24 and/or 28AD.28 is accurate, and must immediately notify the Authority upon becoming aware that any such information is false and/or misleading.

28AD.28 The licensee must give the Authority any information that it reasonably requests about the licensee's compliance with any direction issued pursuant to paragraph 28AD.24 as soon as reasonably practicable after receiving a request.

28AD.29 The Authority may at any time revoke any direction issued pursuant to paragraph 28AD.24 where:

- (a) it appears to the Authority that any information provided by the licensee pursuant to paragraph 28AD.24 is inaccurate; and
- (b) the licensee is unable promptly to provide information which the Authority considers is evidence to its reasonable satisfaction that each of the conditions set out at paragraphs 28AD.24(a)-(c) are met.

28AD.30 The Authority may issue a direction pursuant to paragraph 28AD.24 in accordance with guidance issued by the Authority from time to time.

## **Annex 6 - Relevant extracts from SLC 5 of the gas and electricity supply licence**

Condition 5. Provision of Information to Authority and data retention -

5.1 After receiving a request from the Authority for Information that it may reasonably require or that it considers may be necessary to enable it to perform any functions given or transferred to it by or under any legislation, including any functions conferred on the Authority by or under the Regulation, the licensee must give that Information to the Authority when and in the form requested.

5.2 The licensee is not required to comply with paragraph 5.1 if the licensee could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

5.3 After receiving a request from the Authority for reasoned comments on the accuracy and text of any Information relating to the licensee's activities under or pursuant to this licence which the Authority proposes to publish under section 35 of the Gas Act 1986 and section 48 of the Electricity Act 1989, the licensee must give such comments to the Authority when and in the form requested.

5.4 The Authority's power to request Information under this condition is additional to its power to call for information under or pursuant to any other condition of this licence.