

**The Company Secretary**

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29 July 2024

Dear Sir/ Madam,

**Conclusion from our compliance assessment of SLC 28AD.25 and 28AD.24  
(Renewable Tariff Exemption from the default tariff cap) via the Request for  
Information (RFI) for period 1 April 2022 to 31 March 2023**

We issued the first cap derogations annual monitoring RFI on 31 October, covering the period 1 April 2022 to 31 March 2023, to assess compliance<sup>1</sup> with SLC28AD.25 and SLC28AD.24<sup>2</sup> under section 3 (2) (b) of the Domestic Gas and Electricity (Tariff Cap) Act 2018, which enables the Licensee to charge independently from the maximum rates set by the default tariff cap for the Standard Variable Tariffs ("SVTs") for which Green Energy (UK) applied for a derogation.

This letter sets out the conclusion of our assessment based on the RFI for the following Green Energy (UK) tariffs which were granted a derogation in 2019:

- Sparkling Electric (single and multi-rate)
- Sparkling Gas
- Still Electric (single and multi-rate)
- Still Gas
- Tide Electric (multi-rate)

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/introduction-annual-monitoring-requirements-derogated-renewable-standard-variable-tariffs-default-tariff-cap>

<sup>2</sup> Paragraph 25 of the SLC 28AD ("SLC 28AD.25") of the Electricity Supply Licence and paragraph 24 of the SLC 28AD ("SLC 28AD.24") of the Gas Supply Licence provides that the Authority may issue directions relieving the Licensee of its obligations to comply with standard condition 28AD to such extent and subject to such conditions as the Authority may direct.

- Tide Gas

A description of the background information on derogations from the default tariff cap, along with our methodology used to support issuing the Licensee's existing enduring derogation, are set out in our 2019 Decision<sup>3</sup> to grant enduring derogations to Green Energy (UK)'s tariffs.

Based on the RFI for period of 1 April 2022 to 31 March 2023, we have assessed whether the Licensee's enduring derogation should continue by considering the data submitted via the RFI about Green Energy (UK)'s current derogated tariffs (as listed above) and further evidence provided by the Licensee via subsequent engagement.

The Licensee must demonstrate that the relevant tariff continues to meet the following outcomes as set out in our Guidance<sup>4</sup>:

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

We have set out our assessment in respect of each outcome below.

### **Outcome 1**

The Licensee evidenced this outcome by providing terms and conditions, which demonstrated that the tariffs have no end date and therefore meet the requirements of a SVT as defined in the Act. We are satisfied that this evidence is sufficient to demonstrate that Outcome 1 is met for the compliance period under review for all listed tariffs.

### **Outcome 2**

The Licensee provided evidence of the activities it carried out in support of renewables, including evidence of a number of Power Purchase Agreements (PPA), Gas Purchase Agreements (GPA) and advisory service in place. We have concluded that the Licensee

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<sup>3</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2019/08/renewable\\_derogation\\_letter\\_green\\_energy.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2019/08/renewable_derogation_letter_green_energy.pdf)

<sup>4</sup> [Guidance: Derogation requests for renewable tariffs from the default tariff cap | Ofgem](#)

adequately demonstrate that the conditions of Outcome 2 are met for all of its derogated tariffs.

### **Outcome 3**

The Licensee provided detailed data on their costs, including renewable costs, and the customer and consumption profile of the relevant tariffs. Based on this evidence, we calculated the applicable level of the default tariff cap, total costs related to each tariff, and renewable costs. No costs were excluded from the analysis.

The renewable costs included the costs of the activities detailed in the Guidance. These costs include: PPA/GPA costs below those included in the price cap, costs related to having contractual relationships with small scale generators, costs for forecasting and imbalance related to renewables, Renewable Energy Guarantee of Origin (REGO) certificates and Green Gas Certificates.

Based on this analysis, the Licensee has charged below the default tariff cap for their derogated tariffs due to lower costs, therefore Outcome 3 is not applicable to these tariffs in the current monitoring period. The Licensee will need to provide sufficient evidence to demonstrate that each of the tariffs pass Outcome 3 for the next monitoring period, should it, during that period, charge above the Relevant Maximum Charge.

We will continue to assess that the Licensee has satisfied the requirements of the three outcomes to be eligible for a derogation for these tariffs through the ongoing cap derogations annual monitoring RFI process.

We consider that our assessment for period 1 April 2022 to 31 March 2023 relates to the particular tariffs 'Sparkling Electric (single and multi-rate)', 'Sparkling Gas', 'Still Electric (single and multi-rate)', 'Still Gas', 'Tide Electric (multi-rate)' and 'Tide Gas' and that any future tariffs would be considered on a case-by-case basis to determine whether they meet the conditions required to be eligible for a derogation. In addition, we emphasise that any change of circumstances relevant to the derogation must be reported to the Gas and Electricity Markets Authority as soon as possible.

Yours faithfully,



**Dan Norton**

Deputy Director, Pricing Strategy