

Domestic Suppliers, holders of  
price cap derogated tariffs

[priceprotectionpolicy@ofgem.gov.uk](mailto:priceprotectionpolicy@ofgem.gov.uk)

11 September 2024

Dear colleagues,

**PROPOSED CHANGES TO REQUEST FOR INFORMATION (RFI) TO MONITOR  
REQUIREMENTS FOR DEROGATED RENEWABLE STANDARD VARIABLE TARIFFS  
FROM THE DEFAULT TARIFF CAP**

We issued the first RFI to monitor compliance of derogations granted from the default tariff cap ('cap') on 31 October 2023 to assess compliance<sup>1</sup> with Standard Licence Condition (SLC) 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"), specifically relating to tariffs that are subject to a derogation from the default tariff cap. Alongside our decision to introduce a route for derogations in 2018 from the default tariff cap, we published guidance which sets out the process for requesting a derogation from the default tariff cap and how we assess applications.<sup>3</sup> Ahead of issuing the next periodic RFI in Autumn, this letter sets out some proposed changes which we seek views on.

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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>

<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.

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

## Recap of 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. Therefore, as per section 2.16 of the Guidance<sup>4</sup>, we will continue annual monitoring requirements for any new or existing derogations. These monitoring requirements will continue to focus on ensuring any derogations remain eligible for a derogation, as per the decision letter<sup>5</sup>, 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. We note that we are gathering less data than is required when applying for a derogation 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 our guidance.

### Proposed amendments to the annual monitoring RFI:

Based on the first RFI process, there are some changes we are proposing to improve the ongoing monitoring process going forward, which are set out below. This includes areas such as formatting, the addition of new questions, and changes to the way data is requested. We are seeking views on the following areas which we intend to update as follows:

- **2a Tariff Information: Addition of columns to confirm if each tariff listed is derogated and a Standard Variable Tariff.** This change is to aid data validation and faster processing of entries.
- **2b Total Costs: Data requests simplified with only total and renewable costs requested. Where apportionment is necessary to provide domestic only costs, apportionment has been requested by customer accounts and by consumption.** This will remove unnecessary data, making the RFI easier and

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<sup>4</sup> Ofgem maintains a record of derogations that have been granted and may in some cases decide to incorporate additional derogation monitoring activity (for example review periods):

[https://www.ofgem.gov.uk/sites/default/files/docs/2018/11/guidance\\_-\\_derogation\\_requests\\_for\\_renewable\\_tariffs\\_from\\_the\\_default\\_tariff\\_cap.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2018/11/guidance_-_derogation_requests_for_renewable_tariffs_from_the_default_tariff_cap.pdf)

<sup>5</sup> <https://www.ofgem.gov.uk/sites/default/files/2023-10/Ofgem%20Cap%20Derogation%20Monitoring%20Letter.pdf>

quicker to complete. The request for customer and consumption apportionment will help provide a more reflective view of actual costs for domestic only. This apportionment will be used on a case-by-case basis as suppliers with domestic customers only will not require a method to separate domestic costs from non-domestic costs.

- **2e Supplementary Questions: Additional question on levelisation costs in derogated tariffs.** This question will help identify how the costs of levelisation (implemented from April 2024) impact derogated tariffs. This question will be applicable from the next compliance period, i.e. 2024 to 25.

### **Next steps**

We welcome feedback on the proposed changes and will consider them before issuing the updated RFI. Please send any feedback to [priceprotectionpolicy@ofgem.gov.uk](mailto:priceprotectionpolicy@ofgem.gov.uk) by 9 October 2024.

The next RFI, pending stakeholder views from this open letter, would apply to all existing derogations for the preceding year (1 April 2023 to 31 March 2024) and we expect to issue this in the Autumn. A submission will be required to be made to [renewablederogations@ofgem.gov.uk](mailto:renewablederogations@ofgem.gov.uk) using the template provided and as set out in Annex 1 and 2, with information provided using the requirements.

Yours faithfully,



Dan Norton  
Deputy Director, Pricing Strategy

**Annex 1 – 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 2 - 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.