

To: All holders of an electricity supply licence

NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (the Authority) hereby gives Notice pursuant to section 11A(3) of the Electricity Act 1989 (the Act) as follows:

1. The Authority proposes to modify all electricity licences granted or treated as granted under section 6 of the Act by introducing a new Standard Licence Condition (21D) to protect domestic consumers in the green and renewable tariffs market.
2. The reason why the Authority proposes to make this licence modification is to help consumers make more informed decisions when buying tariffs based on renewable energy supply. We are encouraging consistency across the market. The aim is to give consumers confidence in renewable tariffs from electricity suppliers.
3. Further detail on the reasons for these changes is available in the following documents:
 - a. Consultation on Improving Consumer Protection in the Green and Renewable Energy Offers Market, 4 December 2013.¹
 - b. Final proposal on improving domestic consumer protection in the green and renewable tariffs market, 27 June 2014.²
4. The effects of the proposed new licence condition are summarised in the table below:

New Licence conditions	Proposed licence condition	Effect
21D.1	Conditions 21D.2 to 21D.13 apply to a licensee who offers a Tariff to Domestic Customers to which it attaches an Environmental Claim.	If suppliers offer a tariff to domestic customers to which it attaches an environmental claim they must comply with the new standard licence conditions (SLC) 21D.2 to 21D.13.
21D.2	<p>Evidence of supply</p> <p>The licensee must, at midday on 1 July (1) immediately after a disclosure period as defined in SLC 21 and (2) after it supplies electricity under a Tariff to which it attaches an Environmental Claim to the effect that some or all of the electricity supplied under that Tariff is generated from renewable sources:</p> <ol style="list-style-type: none">a) hold the requisite number of Guarantees of Origin (GOs) to support the volume of claimed renewable supply, and,b) retire any associated Levy	<p>For all the energy that a supplier sells to domestic customers on affected tariffs, the supplier must hold the required amount of GOs and retire the associated LECs.</p> <p>Our proposals aim to ensure that domestic customers who buy renewable power can be sure that the renewable characteristics of the same unit of energy are not sold to other customers as well.</p> <p>These proposals are already included in the current voluntary scheme. Introducing this change will mean suppliers are competing more fairly.</p>

¹ <https://www.ofgem.gov.uk/publications-and-updates/consultation-improving-consumer-protection-green-and-renewable-energy-offers-market-0>

² <https://www.ofgem.gov.uk/publications-and-updates/final-proposal-improving-domestic-consumer-protection-green-and-renewable-energy-tariffs-market>

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	Exemption Certificates (LECs).	
21D.3:	For the use of Guarantees of Origin issued outside of Great Britain, the same rules and procedures apply as set out in SLC 21.12.	Suppliers will need to ensure that they comply with SLC 21.12.
21D.4:	<p>Additionality</p> <p>If the licensee makes an Environmental Claim in connection with a Tariff, either:</p> <p>(a) the licensee must ensure that the claimed environmental benefit is a result of consumers choosing to purchase the Tariff in question and not solely brought about as a result of subsidies, obligations or other mandatory mechanisms; or</p> <p>(b) if the licensee cannot comply with (a), publish a statement in accordance with paragraphs 21D.6 and 21D.7.</p>	<p>Suppliers will have to make sure that a domestic customer's choice to purchase a tariff results in an additional benefit to the environment, above and beyond existing subsidies, obligations and schemes. Suppliers must publish an annual report explaining to their customers how they are meeting this obligation.</p> <p>If they are not offering additionality, they will need to make this clear to customers.</p> <p>We don't propose defining what should be considered as additionality. Instead, to allow for innovation, we are taking a principles-based approach to additionality. We expect suppliers to engage appropriately to find out what their consumers expect in terms of additionality.</p> <p>Under the Standards of Conduct all suppliers are obliged to ensure fair treatment of consumers including the transparent provision of complete and accurate information. This extends to how they fulfil the principle of additionality.</p>
21D.5:	<p>Transparency</p> <p>The licensee must provide the following information to customers.</p> <p><u>Tier 1</u></p>	<p>Suppliers need to clearly communicate to customers the environmental benefits of a tariff.</p> <p>In recognition of the different needs of consumers regarding the provision of information, suppliers must provide information to consumers on a tiered basis:</p>
21D.6:	<p>If paragraph 21D.4(b) applies, the licensee must publish a clear statement to the effect that purchasing the tariff in question will not produce an environmental benefit.</p>	<p><u>Tier 1:</u></p> <p>The first tier of information needs to be provided at the point of sale. However this requirement applies to tariffs without additionality. A statement to the effect that purchasing the tariff in question will not produce an environmental</p>
21D.7:	<p>The licensee must ensure that the statement required by paragraph 21D.6 is published prominently and in close proximity to the</p>	

<p>21D.8:</p>	<p>Environmental Claim.</p> <p><u>Tier 2</u></p> <p>Before it enters into a Domestic Supply Contract with a Domestic Customer for a Tariff that is the subject of an Environmental Claim, the licensee must take all reasonable steps to communicate the following information to the Domestic Customer:</p> <p>a) A Fuel Mix Disclosure chart illustrating the relevant fuel mix of the licensee in line with SLC 21.</p> <p>b) If paragraph 21D.4(a) applies to the tariff, a description of the environmental benefit that is, or will be, delivered as a result of the Domestic Customer choosing the Tariff, expressed where applicable in tonnes of CO₂ equivalent.</p> <p>c) A link to, or information on where the Domestic Customer can obtain, the information required by paragraph 9</p> <p><u>Tier 3</u></p>	<p>benefit must be published prominently and in close proximity to the environmental claim.</p> <p><u>Tier 2</u></p> <p>This applies to tariffs that claim to deliver an additional environmental benefit. The following requirements for tier 2 will have to be made available to consumers before they enter into a contract:</p> <ul style="list-style-type: none"> The nature of additional environmental benefit will have to be clearly explained to consumers before they enter into a contract. <p>This licence condition is not prescriptive about what environmental benefits can be claimed as 'additional'.</p> <p>Suppliers will have to provide customers with their Fuel Mix Disclosure chart.</p> <ul style="list-style-type: none"> Suppliers will also have to provide a link to, or information on where, consumers can obtain general contextual information on additionality, government support for renewable supply, and how electricity is physically distributed. <p><u>Tier 3</u></p> <p>To deliver in line with the requirements of SLC 21D.8(c) and 21D.9 suppliers will have to ensure that general contextual information on additionality, government support for renewable supply, and how electricity is physically distributed is available to consumers via a publicly accessible resource such as a website.</p>
<p>21D.10</p>	<p>Responsibility for Representatives</p> <p>The licensee must take all reasonable steps to ensure that its Representatives comply with the obligations in paragraphs 21D.6 to 21D.9.</p>	<p>Suppliers will have to take all reasonable steps to ensure that its representatives, including third party intermediaries such as price comparison sites, comply with the new SLCs 21D.6 to 21D.9.</p>

	<p>Annual reporting obligation</p> <p>21D.11: For each Tariff it offers to which paragraph 21D.6 does not apply, the licensee must publish a report annually to outline the environmental benefit derived from the tariff.</p> <p>21D.12: The licensee must comply with guidance on the interpretation of condition 21D which, following consultation, the Authority may issue and may from time to time revise</p>	<p>For tariffs that contain additionality, suppliers must publish a report annually to outline how this principle was met.</p> <p>The report should be published in line with SLC 21 for Fuel Mix Disclosure, ie by 1 October each year for the previous period ending on the 31 March. Other reporting periods could be justifiable but the report should not be published later than six months after the end of the reporting period.</p> <p>The licensee shall ensure that the information is accessible and easy to find for customers.</p> <p>As much as is reasonably practicable, the licensee should include in every report:</p> <ul style="list-style-type: none"> • how it has met the additionality obligation • why the environmental benefit would not have occurred in the absence of customers choosing the relevant tariff • the scale of the environmental benefit on a per customer basis, for example in terms of costs as well as avoided Carbon Dioxide equivalent (CO₂e) emissions • any other information that is of relevance and any additional text the licensee considers necessary to ensure that the contents of the report are not misleading.
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5. Our implementation plan would see these requirements all come into effect by 1 April 2015. The drafting for Standard Licence Condition 21D and the schedule for these changes is presented in Annex (I). This Annex also includes further guidance for suppliers.
6. A copy of the proposed modification and other documents referred to in this Notice have been published alongside this Notice and are available on the Ofgem website (www.ofgem.gov.uk).
7. Any representations with respect to the proposed licence modifications must be made on or before 29th October 2014 to: Natasha Smith, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to Natasha.Smith@ofgem.gov.uk

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8. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
9. If the Authority decides to make the proposed modification it will take effect not less than 56 days after the decision is published.

Adam Cooper
Associate Partner, Sustainable Energy Policy
Duly authorised on behalf of the Gas and Electricity Markets Authority

1 October 2014

Annex I

Schedule:

The text in the table below shows the envisaged drafting for Standard Licence Condition 21D. All the conditions are new and are set to come into force on 1st April 2015.

Status	Condition 21D. Tariffs with Environmental Claims
(New)	<u>21D.1 Conditions 21D.2 to 21D.13 apply to a licensee who offers a Tariff to Domestic Customers to which it attaches an Environmental Claim.</u>
(New)	<p><u>Evidence of supply</u> <u>21D.2 The licensee must, at midday on 1 July immediately after a disclosure period as defined in SLC 21 and after it supplies electricity under a Tariff to which it attaches an Environmental Claim to the effect that some or all of the electricity supplied under that Tariff is generated from renewable sources:</u></p> <ul style="list-style-type: none"> c) <u>hold the requisite number of Guarantees of Origin (GOs) to support the volume of claimed renewable supply, and,</u> d) <u>retire any associated Levy Exemption Certificates (LECs).</u>
(New)	<u>21D.3: For the use of Guarantees of Origin issued outside of Great Britain, the same rules and procedures apply as set out in SLC 21.12.</u>
(New)	<p><u>Additionality</u> <u>21D.4: If the licensee makes an Environmental Claim in connection with a Tariff, either:</u></p> <ul style="list-style-type: none"> a) <u>the licensee must ensure that the claimed environmental benefit is a result of consumers choosing to purchase the Tariff in question and not solely brought about as a result of subsidies, obligations or other mandatory mechanisms; or</u> (b) <u>if the licensee cannot comply with (a), publish a statement in accordance with paragraphs 21D.6 and 21D.7.</u>
(New)	<p><u>Transparency</u> <u>21D.5: The licensee must provide the following information to customers.</u></p> <p><u>Tier 1</u></p> <p><u>21D.6: If paragraph 21D.4(b) applies, the licensee must publish a clear statement to the effect that purchasing the tariff in question will not produce an environmental benefit.</u></p> <p><u>21D.7: The licensee must ensure that the statement required by paragraph 21D.6 is published prominently and in close proximity to the Environmental Claim.</u></p> <p><u>Tier 2</u></p> <p><u>21D.8: Before it enters into a Domestic Supply Contract with a Domestic Customer for a Tariff that is the subject of an Environmental Claim, the licensee must take all reasonable steps to communicate the following information to the Domestic Customer:</u></p> <ul style="list-style-type: none"> d) <u>A Fuel Mix Disclosure chart illustrating the relevant fuel mix of the licensee in line with SLC 21.</u> e) <u>If paragraph 21D.4(a) applies to the tariff, a description of the</u>

	<p><u>environmental benefit that is, or will be, delivered as a result of the Domestic Customer choosing the Tariff, expressed where applicable in tonnes of CO₂ equivalent.</u></p> <p>f) <u>A link to, or information on where the Domestic Customer can obtain, the information required by paragraph 21D.9</u></p> <p><u>Tier 3</u></p> <p><u>21D.9: To put the environmental claim in context, the licensee must make further information available to Domestic Customers from a publicly accessible resource such as its website (including information on additionality, government support for renewable supply, and how electricity is physically distributed).</u></p>
(New)	<p><u>Responsibility for Representatives</u></p> <p><u>21D.10 The licensee must take all reasonable steps to ensure that its Representatives comply with the obligations in paragraphs [21D.6 to 21D.9].</u></p> <p><u>Annual reporting obligation</u></p> <p><u>21D.11: For each Tariff it offers to which paragraph 6 does not apply, the licensee must publish a report annually to outline the environmental benefit derived from the tariff.</u></p> <p><u>21D.12: The licensee must comply with guidance on the interpretation of condition 21D which, following consultation, the Authority may issue and may from time to time revise.</u></p>
(New)	<p><u>Definitions for condition</u></p> <p><u>21D.13 In this condition:</u></p> <p><u>“Environmental Claim”</u> <u>means a claim made in the course of marketing, billing, or other customer communication that asserts, or may lead a customer to believe, that choosing the particular tariff is driving an environmental benefit based on the supply of renewable electricity.</u></p> <p><u>“Guarantee of Origin” or “GO”</u> <u>means a certificate issued by the Authority or by any other competent body that is recognised by the Authority under the Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003.”</u></p> <p><u>“Levy Exemption Certificate” or “LEC”</u> <u>means a renewables levy exemption certificate (in units of one megawatt hour each) issued by the Authority or its appointed agent as evidence that one megawatt hour of renewable electricity is wholly exempt from the Climate Change Levy;</u></p> <p><u>“Climate Change Levy”</u> <u>means the levy of that name introduced pursuant to the Finance Act 2000 and subordinate legislation, including the Climate Change Levy (General) Regulations 2001 (SI 2001/838), as amended from time to time.</u></p>

Additional guidance on transparency:

1. Aims of the guidelines

1.1 The key aim of these guidelines is to provide clarity to customers about tariffs that make environmental claims based on the supply of renewable electricity.³ These guidelines are underpinned by licence condition 21D. Whilst the licence condition sets out requirements for evidence of supply, transparency and additionality, this guidance focuses on transparency only.

1.2 Tariffs need to be clear and consistent with public understanding and expectations. This includes clarity around the source of electricity supply and additionality. It also includes a clear use of terminology to describe the tariff. Customers should have easy access to specific information regarding the tariff as well as more general information regarding the way that the electricity market, supplier obligations and these tariffs interact.

1.3 All the information provided to consumers needs to meet our requirements regarding plain and intelligible language and presentation as set out in SLC 31E.6

2. Provision of information on a tiered basis

2.1 In recognition of the different needs of consumers regarding the provision of information, suppliers must provide information to consumers on a tiered basis. The first tier of information applies to tariffs without additionality. The second tier will outline some of the key information which consumers should be aware of in advance of signing up to a tariff making environmental claims. The third tier of information will provide general contextual information regarding renewable supply, additionality and the electricity market.

Tier 1 information (for tariffs without additionality)

2.2 For tariffs that do not provide additionality, suppliers are required to set out clearly that signing up to the tariff in question does not drive environmental benefits. Suppliers and their representatives should include this information in close proximity to the environmental claim. The supplier should also include this information on its website and in all marketing material when making such environmental claims.

2.3 We are not prescribing the wording of the message as long as it clearly conveys the message that signing up to the tariff does not drive environmental benefits. We recommend this includes information such as:

- the rationale for the environmental claim made by the supplier and what that means for consumers;
- an explanation that all consumers already contribute to renewable energy through their bills;
- a message that consumers signing up to this tariff do not drive additional environmental benefits compared to choosing a standard tariff;

³ "Environmental Claim" means a claim made in the course of marketing, billing, or other customer communication that asserts, or may lead a customer to believe, that choosing the particular tariff is driving an environmental benefit based on the supply of renewable electricity.

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- an explanation of the environmental benefits that this tariff is not providing, in particular reducing carbon emission or driving additional investments in renewable energy.

Tier 2 information

2.4 Suppliers and their representatives must provide tier 2 information to customers at the point of sale, before a customer enters into a contract for a green tariff. It would be good practise for suppliers to also include tier 2 information on their websites and in all relevant marketing material. This information must include:

- a Fuel Mix Disclosure chart illustrating the relevant fuel mix of the supplier⁴ which shows the different energy sources used and the percentage of each source making up the fuel mix. This will provide an indication to customers of the environmental credentials of the supplier. This requirement is in line with legal obligations on active suppliers to provide information to each customer that has received a bill or statement, in the 12 month period commencing 1 October, regarding the contribution of each energy source to the total amount of electricity purchased for supply by the licensee;⁵
- if the tariff contains additionality, an additionality description, briefly outlining the environmental measure/activity that the supplier is undertaking on behalf of the customer to demonstrate additionality and the scale of this (eg the amount of abated Carbon Dioxide equivalent emissions);
- a link or other reference to tier 3 information (including on switching sites).

Tier 3 information

2.5 The third tier of information must be available from a publicly accessible resource (eg the supplier's website) or in printed materials. This is to provide general contextual information regarding renewable supply and the electricity market. As such it the information should include:

- the key messages that the fuel mix chart is seeking to convey;
- how the electricity system works in practice including that purchasing renewable energy will not change the electricity delivered to the consumer's home, which will always represent a mix of sources regardless of which tariff a consumer chooses;
- an explanation of the evidence of supply requirement (GOs and LECs) that underpins the tariffs and how it was met. Where this includes generation from non-GB sources, a description of where the generation is coming from. Where REGOs have been bought independently of the underlying energy, a description of this fact and the scale;
- the government's ongoing aim to encourage an increased amount of electricity to be generated from renewable and other low carbon technologies;

⁴ If a supplier has multiple licences then it must use the FMD chart specifically related to the relevant licence.

⁵ The requirement is contained at paragraph 4(a) Standard Supply Licence Condition 21

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- the average amount that all domestic customers are already contributing to renewable energy as a result of various subsidy schemes.

Annual reporting requirement on additionality

2.6 For tariffs that contain additionality, suppliers must publish a report annually to outline how this principle was met.

2.7 The report should ideally be published in line with SLC 21 for Fuel Mix Disclosure, ie by 1 October for the previous period beginning on 1 April the previous year and ending on the following 31 March. Other reporting periods could be justifiable but the report should not be published later than six months after the end of the reporting period.

2.8 The licensee shall ensure that the information is accessible and easy to find for customers.

2.9 As much as reasonably practicable, the licensee should include in every report:

- How it has met the additionality obligation;
- why the environmental benefit would not have occurred in the absence of customers choosing the relevant tariff;
- the scale of the environmental benefit on a per customer basis for example in terms of costs as well as avoided Carbon Dioxide equivalent (CO₂e) emissions;
- any other information that is of relevance and any additional text the licensee considers necessary to ensure that the contents of the report are not misleading.