

Revised guidance on Green Excluded Electricity

(GEE) Date issued: 03 April 2023

Disclaimer

In 2022, the Government consulted on ‘The removal of scheme cost exemptions for green imported electricity and the recognition of EU Guarantees of Origin’. The decision was made for the removal of the exemption to the Contract for Difference (CfD) scheme [Legislation link-https://www.legislation.gov.uk/ukxi/2018/1093/contents/made](https://www.legislation.gov.uk/ukxi/2018/1093/contents/made). From the 1st of April 2023 Guarantees of Origin (GoO) will no longer be recognized by Great Britain (GB). This also means that the LCCC’s processing of green excluded electricity as set out in the below guidance will end.

Any submission for the current quarterly obligation from 1 January 2023 to 31 March 2023 must be submitted by 30 September 2023. Any submissions made after this point will not be considered.

A reminder of submission deadlines:

Quarterly Obligation	Submission Deadline
1 July 2022 to 30 September 2023	31 March 2023
1 October 2022 to 31 December 2023	30 June 2023
1 January 2023 to 31 March 2023	30 September 2023

No further GEE submissions will be accepted for subsequent quarterly obligations due to the removal of the exemption from the CfD scheme.

Introduction

1. This guidance is published by Low Carbon Contracts Company Ltd. (“**LCCC**”) in its capacity as the designated CFD Counterparty pursuant to the Contracts for Difference (*Counterparty Designation*) Order 2014¹.
2. The guidance sets out how LCCC will administer applications from electricity suppliers seeking a determination that an amount of electricity they have supplied in Great Britain (GB) is ‘green excluded electricity’ (“**GEE**”), pursuant to Regulation 3 of the Electricity Supplier Obligations (*Amendment & Excluded Electricity*) Regulations 2015² (the “**ESORegulations**”).
3. The Regulations are available at the following address:
<http://www.legislation.gov.uk/ukxi/2015/721/contents/made>.
4. In summary, where an amount of electricity is determined as GEE, that amount will be exempt from an electricity supplier’s CFD period contribution³. The exemption will be implemented by adjusting electricity suppliers’ market shares in the quarterly reconciliation process.
5. LCCC’s original process for administering GEE was based on suppliers presenting Levy Exemption Certificates (“**LECs**”), alongside EU Guarantees of Origin (“**GoO**”) cancellation certificates. However, the summer Budget announcement of 8 July 2015⁴ meant that Ofgem can no longer issue LECs for any electricity generated on or after 1 August 2015. This therefore impacted LCCC’s process for administering GEE. Following consultation with industry, Ofgem put in place alternative arrangements for verifying the supply of renewable electricity in GB. LCCC has subsequently revised its guidance on GEE which is in line with [Ofgem’s current process for](#)



**LOW CARBON
CONTRACTS COMPANY**
[presenting GoOs.](#)⁵

6. This guidance does not supersede or replace the provisions of the Contract for Difference (“CFD”) or associated regulations and does not constitute legal or investment advice and should not be relied upon as being so.
7. Electricity suppliers (“**Suppliers**”) in GB may find this guidance of interest.
8. LCCC may publish updates to this guidance from time to time.

¹ <http://www.legislation.gov.uk/ukxi/2014/1709/contents/made>

² <http://www.legislation.gov.uk/ukxi/2015/721/contents/made>

³ A supplier’s CFD period contribution in respect of a quarterly obligation period is the sum of: (a) CFD daily contributions for each day on which that supplier supplies electricity in that period calculated in accordance with regulation 4 of the ESO Regulations and (b) a CFD quarterly contribution for that period calculated in accordance with regulation 5 of the ESO Regulations. Please note that this exemption does not apply to the operational costs levy that suppliers are required to pay under regulation 23 of the ESO Regulations.

⁴ <https://www.gov.uk/government/publications/summer-budget-2015>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/guidance-organisations-presenting-guarantees-origin-goos-use-gb-fuel-mix-disclosure-fmd-and-feed-tariffs-fit-annual-levelisation>

Background

9. The European Commission granted State Aid approval for the CFD for renewables on 23 July 2014. As a condition of approval, the Government agreed to exempt eligible imported renewable electricity from contributing to the costs of CFDs, specifically from a supplier's CFD period contribution. On 25 September 2014, DECC published, *EMR: Changes to the CFD supplier obligation*⁶. The consultation document set out the Government's proposals for implementing this exemption.
10. The Government responded⁷ to the consultation on 19 January 2015. The response set out the Government's final decisions on the matters covered by the consultation. This guidance does not seek to replicate the Government response.

Guidance

Applying for a determination

11. A Supplier may, in accordance with regulation 3(1) of the ESO Regulations, apply to the CFD counterparty for a determination that an amount of electricity supplied by that supplier in GB⁸ is GEE. Applications must, in accordance with regulation 3(7) of the ESO Regulations, be made in writing.
12. If a Supplier applies for a determination the application must be sent, via email, to EMR Settlement Limited⁹ ("EMRS"), which will be acting on behalf of LCCC in processing applications. The email address is: contact@emrsettlement.co.uk. The application must include relevant contact details, which LCCC or EMRS will use in the event it needs to contact the supplier.

Evidence and content of application

13. A Supplier's application under regulation 3(1) of the ESO Regulations must be made within **six (6) months** of the conclusion of the quarterly obligation period in which the electricity was supplied in GB. For example, an application with respect to electricity supplied during the quarterly obligation period, 1 April to 30 June, must be received by EMRS between 1 July and 5 pm on 31 December. Please be advised that applications received after 5 pm on the final day of the six (6) month period following the conclusion of the quarterly obligation period in which the electricity was supplied will not be accepted.
14. In accordance with regulation 3(2) of the ESO Regulations: *"an application under paragraph (1) must be made within six months of the conclusion of the quarterly obligation period in which the electricity was supplied and must contain evidence of-*

⁶<https://www.gov.uk/government/consultations/emr-changes-to-the-cfd-supplier-obligation>

⁷<https://www.gov.uk/government/consultations/emr-changes-to-the-cfd-supplier-obligation>

⁸ In accordance with regulation 2(2) of the Regulations, all references to a supply of electricity in the Regulations are a reference to its supply in Great Britain. Pursuant to section 4(4) of the Electricity Act 1989, "supply", in relation to electricity, means supply of electricity conveyed by a distribution system to premises other than premises occupied by a licence holder for the purpose of carrying on the activities which he is authorised by his licence to carry on.

⁹ EMR Settlement Ltd (EMRS). EMRS delivers settlement services on behalf of LCCC for CFDs and on behalf of the Electricity Settlements Company Limited (ESC) for the Capacity Market. For more information, see: <https://emrsettlement.co.uk/>

- a) *that supply;*
 - b) *the country where the electricity was generated;*
 - c) *the name of the generating station which generated the electricity;*
 - d) *the date on which that generating station first became operational;*
 - e) *the quarterly obligation period in which the electricity was supplied;*
 - f) *the energy source from which the electricity was produced; and*
 - g) *the proportion of that electricity which constitutes energy from renewable sources.”*
15. LCCC’s process for GEE applications is based on the process Suppliers currently follow in relation to presenting GoOs to Ofgem for use in their Fuel Mix Disclosure (“FMD”).
16. Ofgem has developed an [Excel spreadsheet](#)¹⁰ which Suppliers are required to input data relevant to FMD. In addition to capturing relevant information for FMD, the spreadsheet enables applicants to input relevant data to evidence the supply of GEE, i.e. those items listed in regulation 3(2) of the ESO Regulations. The spreadsheet will be considered as the Supplier’s application for GEE. Applicants must therefore ensure the spreadsheet includes all those items listed in regulation 3(2) of the ESO Regulations.
17. The requirements for GEE are the same as those for recognising GoO certificates under FMD, except applications with respect to GEE have the additional requirement that the electricity must have been generated by a station that commissioned after 31 March 2015. The FMD spreadsheet therefore includes station commissioning date as one of its data fields. Suppliers are required to input the relevant station commissioning date into the relevant field.
18. Applications for a determination relating to GEE will not be accepted if any of the required evidence listed in regulation 3(2) of the ESO Regulations is not included within a Supplier’s application. It is recommended that Suppliers apply for a determination well ahead of the deadline.
19. The spreadsheet for presenting GoOs can be found [here](#) and contains guidance on how to fill it in.

Initial validation

20. On receipt of a Supplier’s application, and ahead of making its determination, EMRS will undertake an initial validation exercise. The purpose of this initial validation is to ensure applications are in the correct format and include all the required evidence in order for EMRS to make their determination.
21. EMRS may engage with Suppliers and Ofgem in conducting their initial validation of an application, e.g. in the instance where EMRS has identified inconsistencies within an application or requires further information. Suppliers must therefore ensure their contact details are up to date within any application submitted.

¹² <https://www.ofgem.gov.uk/publications-and-updates/guidance-organisations-presenting-guarantees-origin-goos-use-gb-fuel-mix-disclosure-fmd-and-feed-tariffs-fit-annual-levelisation>

Determination of GEE

22. Having undertaken an initial validation exercise, EMRS shall, on behalf of LCCC, determine whether an amount of electricity which is the subject of an application is GEE where:
- the electricity is energy produced from renewable sources;
 - the electricity is generated in a member State other than the UK; and
 - the date on which the generating station which generated the electricity first became operational¹¹ was after 31 March 2015.
23. If one of the criterion is not met with respect to an amount of electricity supplied in GB, that amount of electricity shall not be determined as GEE, in accordance with regulation 3(3) of the Regulations.
24. EMRS will make its determination as soon as reasonably practicable, using the evidence listed in regulation 3(2) of the Regulations.
25. Where EMRS has determined that an amount of electricity is GEE but subsequently determines that any of the criteria in regulation 3(3) are not met in respect of that electricity, that electricity shall not, in accordance with regulation 3(4), constitute GEE for the purpose of any subsequent calculation of CFD period contributions under the ESO Regulations.
26. Where a determination is made, including any re-determination as a result of any validation exercise, EMRS shall give a notice to the Supplier who supplied that electricity as soon as reasonably practicable, in accordance with Regulation 3(5) of the Regulations.

Comprehensive validation exercise

27. Further to the initial validation exercise and subsequent determination, a further comprehensive validation exercise will be undertaken by EMRS, working in conjunction with Ofgem. This will be based on Ofgem's process for FMD and Feed-in Tariff annual levelisation, [guidance on which was published in Oct 2016¹²](#). This validation exercise will take place annually, from 1 July, covering GoOs with respect to electricity supplied in the previous financial year (1 April to 31 March), i.e. the 'annual disclosure period'.
28. Should the comprehensive validation exercise identify that an amount of electricity originally determined as GEE does not meet any of the criterion in regulation 3(3)(a) to (c), that electricity shall not, in accordance with regulation 3(4), constitute GEE. This means that a supplier's CFD period contribution shall be recalculated (in accordance with regulation 3(4) of the Regulations) and that the relevant amount will not be included as GEE in LCCC's calculation of a Supplier's CFD contributions for the corresponding quarter.

Capping of green excluded electricity

29. The total level of imported renewable electricity that is eligible for GEE is capped via Regulation 4 of the Regulations.

¹¹ 'Operational' has the same meaning as 'commissioned' with respect to the determination of GEE.

¹² <https://www.ofgem.gov.uk/publications-and-updates/guidance-organisations-presenting-guarantees-origin-goos-use-gb-fuel-mix-disclosure-fmd-and-feed-tariffs-fit-annual-levelisation>

30. For the financial year beginning on 1 April 2015, the annual cap was 7,379,321 MWh. This is calculated as a 10% increase on the number of EU GoO certificates relating to electricity supplied to GB consumers that was generated from renewable sources in other EU Member States, (as recognised by Ofgem) for the financial year 2013/14. In each quarterly obligation period the maximum amount of exempt imported electricity will be 25% of the annual cap. This quarterly cap will be multiplied by 1.1 for each subsequent financial year, in accordance with regulation 4(3) of the Regulations. For the financial year 2015/16, the cap for each quarterly obligation period was 1,844,830 MWh (as stated at regulation 4(3)(a) of the Regulations). For the financial year 2016/17, the cap for each quarterly obligation period is therefore 2,029,313 MWh.

Application of the Cap

31. Once LCCC has determined the total amount of GEE within all applications it shall determine whether the total amount of GEE exceeds the level of the cap for the quarterly obligation period relating to those applications (in accordance with regulation 4 of the Regulations).
32. Where the level of the cap is exceeded, LCCC shall apply the formula in regulation 4(1)(b) of the Regulations. Where the formula is applied, Suppliers will receive only a proportion of the total amount of electricity which is determined to be GEE.

Notices

33. Where a determination is made, including any re-determination as a result of any validation exercise, EMRS shall give a notice to the Supplier who supplied that electricity as soon as reasonably practicable, in accordance with Regulation 3(5) and 4(4) of the Regulations.
34. EMRS will also, in accordance with regulation 3(6), as soon as reasonably practicable after six (6) months have passed since the end of a quarterly obligation period, give a notice to every Supplier. The notice will set out the total volume of electricity which was the subject of applications under regulation 3(1) with respect to that quarterly obligation period. This provides Suppliers with an indication over the volume of GEE for the same period.

Overview of process: from application to exemption

35. A Supplier's application under regulation 3(1) of the Regulations must be made within six months of the conclusion of the quarterly obligation period in which the electricity was supplied in GB. Please be advised that applications received after 5 pm on the last day of the six-month period following the conclusion of the quarterly obligation period in which the electricity was supplied in GB will not be accepted.
36. The validation and determination with respect to an application will only take place after the end of the six-month period following the conclusion of the quarterly obligation period in which the electricity was supplied in GB.
37. EMRS will seek to make a determination, and/or re-determination (in the event that the level of the cap has been exceeded), and give a notice to each respective Supplier within one month of the end of the six-month period following the conclusion of the quarterly obligation period in which the electricity was supplied.

38. EMRS will, as soon as reasonably practicable after six months have passed since the end of a quarterly obligation period, give a notice to every Supplier. The notice shall set out the total volume of electricity which was the subject of applications under regulation 3(1) of the Regulations in that quarterly obligation period.
39. If EMRS determines that an amount of electricity is GEE, that GEE is excluded from the calculation of CFD daily and quarterly contributions under regulations 4 and 5 of the ESO Regulations. This means that that the exemption will only take effect through reconciliation of a supplier's CFD period contribution (see paragraph 44 below for more information on the calculation of CFD daily and quarterly contributions).
40. Reconciliation will take place three months after the month in which the determination is made. An example is provided below of the GEE timeline, which is further illustrated in Figure 1. in Annex 1.

Worked example:

- a) *If, for example, a Supplier wishes to make an application under regulation 3(1) of the Regulations for electricity supplied during the period 1 April to 30 June 2017, it must apply to EMRS between 1 July and 5 pm on 31 December 2017 for a determination. Please be advised that late applications will not be accepted.*
- b) *As soon as reasonably practicable after the end of the six-month application period, i.e. 31 December 2017, and by the end of January 2018, EMRS will:*
- i. validate applications;*
 - ii. make a determination;*
 - iii. determine whether the level of the cap has been exceeded;*
 - iv. make a re-determination, in the event the cap has been exceeded; and*
 - v. give a notice to the applicant with respect to the determination.*
- c) *EMRS will also, around this time, send out a notice to every Supplier setting out the total amount of electricity included in applications with respect to the period 1 April to 30 June 2017.*
- d) *Reconciliation of a Supplier's CFD period contribution with respect to applications for the quarterly obligation period 1 April to 30 June 2017 will be undertaken in April 2018.*
41. Note that there may be further adjustments to reconciliation payments as an outcome of the comprehensive validation exercise outlined in paragraph 28, above.

Calculating an electricity supplier's CFD period contribution

42. A Supplier's CFD period contribution in respect of a quarterly obligation period is the sum of: (a) CFD daily contributions for each day on which that Supplier supplies electricity in that period calculated in accordance with regulation 4 of the ESO Regulations; and (b) a CFD quarterly contribution for that period calculated in accordance with regulation 5 of the ESO Regulations.
43. Regulations 4 and 5 of the ESO Regulations have been amended, respectively, by regulations 16 and 17 of the Regulations, to amend the formulas used to calculate Suppliers' underlying liabilities with respect to their CFD period contribution to take account of GEE (and EII excluded electricity).

44. Electricity determined by EMRS as GEE will consequently be excluded from the calculation of a Supplier's CFD period contribution. For CFD daily contributions, the total amount of eligible exempt electricity supplied by a supplier during a quarter will be divided across all the days in the quarter, and this daily amount of eligible exempt electricity will be deducted from the Supplier's total electricity supply for that day. For CFD quarterly contributions, the total amount of eligible exempt electricity supplied during the quarter will be deducted from the total supplied by the Supplier in the quarter.
45. Furthermore, note that all Suppliers' liabilities with respect to their CFD period contribution will be adjusted in the event that the determination (or re-determination) of an amount of electricity is GEE. Where EMRS has determined that an amount of electricity is GEE, the respective Suppliers' liabilities will reduce having a corresponding increase on other Suppliers' liabilities. If EMRS later determines that an amount of electricity should not have been classified as GEE, there will be a subsequent reconciliation of Suppliers' liabilities to reflect this.

Forecasting GEE

46. Please note that LCCC does not intend to forecast GEE (nor include such a forecast within LCCC's 'transparency tool') as Suppliers are likely to have better information about the future availability of eligible generation which could be imported under this scheme.

Next steps

47. LCCC started collecting the Interim Levy Rate and Total Reserve Amount on 1 July 2016, to enable it to make payments to CFD generators from 1 July 2016. Suppliers considering making an application for GEE with respect to this period and beyond should familiarise themselves with this guidance, the Regulations, the ESO Regulations and Ofgem's spreadsheet for Fuel Mix Disclosure.
48. Any queries in relation to this guidance should be sent to: info@lowcarboncontracts.uk

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