



Department for  
Business, Energy  
& Industrial Strategy

# Feed-in Tariffs and Contracts for Difference schemes and Guarantees of Origin

Consultation on the removal of scheme cost exemptions for green imported electricity and the recognition of EU Guarantees of Origin

Closing date: 10 May 2022



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)

---

# Contents

General information	4
Why we are consulting	4
Consultation details	4
How to respond	6
Confidentiality and data protection	6
Quality assurance	6
Introduction	8
Contracts for Difference Supplier Obligation	8
CfD green import exemption	9
Feed-in Tariffs Levelisation	10
FIT green import exemption	10
Proposals	12
The case for reviewing the green import exemptions	12
Options appraisal	12
Proposed approach	17
EU Guarantees of Origin	18
Timing of Implementation	19
CFD and FIT green import exemptions	19
Guarantees of Origin	19
Consultation questions	20

# General information

## Why we are consulting

Payments to electricity generators supported by the Contracts for Difference (CfD) scheme are funded through a compulsory levy on electricity suppliers in Great Britain, known as the 'Supplier Obligation'. The costs of the Feed-in Tariffs (FIT) scheme are also levied on GB suppliers. In each case, individual suppliers contribute to the costs of these schemes in proportion to their share of the GB electricity sales market.

Electricity suppliers can seek exemption from these costs in respect of renewable electricity generated in an EU member state and supplied to customers in GB. These exemptions are referred to in this document as the 'green import exemptions' or GIEs. Eligible imported electricity is not included in a supplier's market share of supply for the purpose of calculating their obligations to pay CfD and FIT scheme costs. This means that suppliers supplying electricity in GB which has been generated via renewable sources in an EU member state can reduce their liability to pay towards the costs of these domestic support schemes, with those costs being absorbed by other suppliers. The amounts of imported renewable electricity that can qualify under these exemptions is capped in accordance with criteria set out in regulations.

The green import exemptions were introduced as a condition of the State aid approvals granted by the European Commission to the CfD and FIT schemes. Now that the UK has left the EU, and to ensure that the UK continues to develop an equal opportunity to all potential trading partners, the Government believes it is appropriate to withdraw these exemptions. This consultation invites views on this proposal as well as on how and by when the exemptions will be withdrawn.

The Government also invites views on the timing implications of the intended removal of UK recognition of EU Guarantees of Origin (GoOs).

## Consultation details

**Issued:** 29 March 2022

**Respond by:** 10 May 2022

**Enquiries to:**

Tim Alsop  
Small Scale Renewable Team  
Department for Business, Energy and Industrial Strategy  
3rd Floor Spur  
1 Victoria Street  
London

SW1H 0ET

Tel: 020 7215 3624

Email: [regos@beis.gov.uk](mailto:regos@beis.gov.uk)

**Consultation reference:**

GIE and GOO Consultation 2022

**Audiences:**

Energy suppliers, broader industry and any other concerned parties

**Territorial extent:**

Great Britain

## How to respond

**Email to:** [regos@beis.gov.uk](mailto:regos@beis.gov.uk)

**Write to:**

Tim Alsop  
Small Scale Renewable Team  
Department for Business, Energy and Industrial Strategy  
3rd Floor Spur  
1 Victoria Street  
London  
SW1H 0ET

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

[Add details of any elements specific to this consultation, such as longer retention periods (over 3 years) or third-parties processing the responses.]

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

# Introduction

## Contracts for Difference Supplier Obligation

The Contracts for Difference (CfD) scheme is the government's main mechanism for supporting new, low carbon electricity generation projects. It applies to the United Kingdom but does not currently operate in Northern Ireland. A CfD is a private law contract between a generator of low carbon electricity and the Low Carbon Contracts Company (LCCC - the CfD Counterparty). The generator is paid the difference between the 'strike price' – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the 'reference price' – a cost measure of the average GB market price for electricity. CfDs incentivise investment by giving greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high.

The electricity Supplier Obligation is a compulsory levy on licensed electricity suppliers to meet the cost of CfDs. It was introduced by The Contracts for Difference (Electricity Supplier Obligation) Regulations 2014<sup>1</sup> (the ESO Regulations 2014). Obligation payments are collected by the LCCC who make payments to CfD generators for the renewable electricity that they generate. The Supplier Obligation is also the mechanism through which any payments back from CfD generators to the LCCC are paid to electricity suppliers when the reference price is higher than the strike price. It is expected that suppliers pass on the net cost of the CfD levy to consumers through electricity bills.

The Obligation consists of a series of pre-payments from suppliers, and a reconciliation process. The pre-payments comprise mainly of:

- An Interim Levy Rate (ILR), which is determined by LCCC by reference to forecasts (of demand, generation, market prices, weather, etc.) and paid daily by suppliers on a £ per MWh supplied basis. The ILR is intended to cover payments to CfD generators over a given calendar quarter (known as the 'rate period');
- A lump sum 'reserve' payment - the Total Reserve Amount (TRA) - paid at the start of each quarter (proportional to each supplier's share of the market in the preceding quarter). Reserve payments are intended to cover the risk that payments to CfD generators are higher than forecast or electricity demand is lower than forecast and to ensure there is no shortfall between inward payments from suppliers and outward payments to generators in most scenarios (to a 95% level of confidence). Reserve payments help to manage unpredictability, volatility and cash flow timing mismatches that may arise.

The LCCC sets and notifies suppliers of the ILR and TRA around one calendar quarter in advance of the rate period. The amounts are based on the LCCC's forecast for generation,

---

<sup>1</sup> <https://www.legislation.gov.uk/uksi/2014/2014/contents>

demand, and wholesale prices during the relevant levy period. At the end of every quarterly levy period, the LCCC undertakes a reconciliation of suppliers' interim payments against their share of actual payments to (or from) CfD generators during the period. Reconciliation payments to (or from) suppliers are netted off the following quarter's reserve payments.

## CfD green import exemption

Electricity suppliers may apply to the LCCC for an exemption from their obligation to make CfD payments in respect of renewable electricity generated in an EU member state and supplied to customers in GB. The provisions are set out in Part 2, Chapter 1 (regulations 3-5) of The Electricity Supplier Obligation (Amendment & Excluded Electricity) Regulations 2015<sup>2</sup> and were implemented following consultation<sup>3</sup> (The 2015 regulations are referred to in the rest of this document as the ESO Amendment & Excluded Electricity Regulations 2015). The exemption does not apply to the operational costs levy, which funds LCCC's operational management of CfD contracts and the supplier obligation payment mechanism.

Suppliers must submit evidence of eligible imports to the LCCC within six months of the end of the quarter in which the electricity was supplied. Evidence includes the presentation of GoO certificates, which are validated by Ofgem. Only electricity generated from stations which were commissioned after 1 April 2015 is eligible for the exemption. The LCCC determines the amount of electricity that qualifies as green imported electricity<sup>4</sup> according to criteria set out in the ESO Amendment & Excluded Electricity Regulations 2015 and takes this into account when calculating suppliers' reconciliation payments under the ESO Regulations 2014.

The 2015 regulations cap the total amount of electricity that can be determined as green imported electricity in any quarter. The level of the cap was set in the regulations at 1,844,830 MWh for each quarterly obligation period in the financial year 2015/16, rising by 10% on 1 April of each subsequent year. If the cap is breached in any quarter, the exemption provided to each supplier is pro-rated according to each supplier's share of total eligible imported renewable electricity for that quarter.

The LCCC has published guidance<sup>5</sup> on how it administers applications from electricity suppliers seeking a determination that an amount of electricity they have supplied in GB is 'green excluded electricity' under the ESO (Amendment & Excluded Electricity) Regulations 2015.

Suppliers who benefit from the green import exemption can reduce their liability to pay towards the costs of the CfD scheme because imported electricity is not taken into account when calculating their market share of domestic electricity sales. The cost of the exempted electricity is displaced onto those suppliers who only supply electricity generated in GB. This, in theory, means that their customers will pay more for their electricity than the customers of suppliers who benefit from the green import exemption.

---

<sup>2</sup> <https://www.legislation.gov.uk/ukxi/2015/721/made>

<sup>3</sup> <https://www.gov.uk/government/consultations/emr-changes-to-the-cfd-supplier-obligation>

<sup>4</sup> Referred to as 'green excluded electricity' in the ESO (Amendment & Excluded Electricity) Regulations 2015.

<sup>5</sup> <https://www.lowcarboncontracts.uk/publications/revised-guidance-on-green-excluded-electricity-gee>

## Feed-in Tariffs Levelisation

The Feed-in Tariffs (FIT) scheme was introduced across Great Britain in 2010 to encourage deployment of small-scale low-carbon electricity generation, particularly amongst those who had not traditionally engaged in the electricity market. The scheme closed to new applications in March 2019.

The scheme is administered by Ofgem and requires certain licensed electricity Suppliers to pay fixed tariffs to micro and small-scale renewable and micro-CHP generators for electricity generated and exported to the Grid. These suppliers have specific FIT obligations under Conditions 33 and 34 of the Standard Conditions of Electricity Supply Licences.<sup>6</sup>

Levelisation is the mechanism by which the total cost of the FIT scheme is apportioned across all licensed electricity suppliers. Periodic levelisation is undertaken on a quarterly basis with annual levelisation occurring at the end of each FIT year. The process of levelisation is set out in Articles 25-30 of The Feed-in Tariffs Order 2012<sup>7</sup>. All licensed electricity suppliers that have supplied electricity in GB, within the relevant FIT year or quarter are obligated to participate in the FIT levelisation process. Suppliers have to declare the amount of electricity they have supplied and make a financial contribution towards the scheme in proportion to this, whilst taking into account any FIT contribution they have already made.

### FIT green import exemption

The FIT scheme also provides an exemption for renewable electricity sourced from outside of the UK through the green import exemption. This is set out in Articles 27 and 27A of The Feed-in Tariffs Order 2012.

In the levelisation process, suppliers must provide information on their exempted supply. This is electricity that is produced from renewable sources outside of the UK and within the EU, that is supplied to customers in Great Britain. Only electricity generated from stations with a capacity of less or equal to 5MW which became operational on or after 1 April 2010 is eligible for the exemption and is verifiable with a Guarantee of Origin certificate (GoOs). The process for submitting GoOs is the same as that for Fuel Mix Disclosure (FMD)<sup>8</sup> under the scheme. Ofgem have produced detailed guidance for suppliers on the levelisation process.<sup>9</sup>

A cap on the amount of overseas renewable electricity that can be exempted was introduced for FIT Year 7 (2016-17)<sup>10</sup>. This was set at 8,117,254 MWh with a 10% rise in subsequent FIT years. If the cap is breached in any FIT year, the exemption provided to each supplier is pro-

---

<sup>6</sup>

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

<sup>7</sup> <https://www.legislation.gov.uk/ukxi/2012/2782/contents>

<sup>8</sup> <https://www.ofgem.gov.uk/publications/guidance-organisations-presenting-guarantees-origin-goos-use-gb-fuel-mix-disclosure-fmd-and-feed-tariffs-fit-annual-levelisation>

<sup>9</sup> <https://www.ofgem.gov.uk/publications/feed-tariffs-guidance-licensed-electricity-suppliers>

<sup>10</sup> <https://www.legislation.gov.uk/id/ukxi/2015/2045>

rated according to each supplier's share of total eligible overseas renewable electricity for that year.

As with the CfD, this means that suppliers which benefit from the green import exemption can reduce their liability to pay towards the costs of the FIT scheme.

# Proposals

## The case for reviewing the green import exemptions

The CfD scheme received State aid approval in July 2014. As a condition of that approval<sup>11</sup>, the UK agreed that eligible renewable electricity imported from EU member states and supplied to consumers in Great Britain would not bear the costs of CfD payments. The FIT scheme received its State Aid approval in April 2010. As with the CfD scheme, this approval<sup>12</sup> came with a condition that electricity imported from EU member states and supplied to consumers in Great Britain would carry none of the costs of FIT payments.

This accommodation was agreed to ensure that the requirements of the Supplier Obligation mechanism and levelisation process complied with Articles 30 and 110 of the Treaty on the Functioning of the European Union (TFEU). Articles 30 and 110 respectively prohibit the imposition of customs duties on imports or exports between member states and the imposition of taxes on the products of other member states in excess of those imposed on domestic products.

The UK left the European Union on 31 January 2020 and the Implementation Period, during which the UK remained part of the EU Single Market and Customs Union, ended on 31 December 2020. The Government therefore believes that it is now appropriate to review the continued operation of the CfD and FIT green import exemptions.

## Options appraisal

We have considered three options in review of the green import exemptions:

- **Option 1 (do nothing option): Retain the green import exemptions in their current form**
- **Option 2: Extend the green import exemptions to all international trading partners**
- **Option 3 (our preferred option): Repeal the green import exemptions ensuring scheme costs are equally distributed across suppliers**

---

<sup>11</sup> Paragraphs 87-96 of the European Commission's State letter of 23 July 2014 granting State aid approval to the Contracts for Difference scheme:

[https://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=3\\_SA\\_36196](https://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_36196)

<sup>12</sup> Paragraph 46 of the European Commission's letter of 14 April 2010 granting State aid approval to the Feed-in Tariffs scheme:

[https://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=3\\_N94\\_2010](https://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_N94_2010)

## Impacts of the green import exemptions and of proposed options

The Green Imported Electricity for both CfD and FIT Schemes offer suppliers a way to avoid paying the otherwise fixed policy costs on a portion of their purchased electricity. This creates a market distortion allowing suppliers to reduce their contribution to policy costs for no discernible benefit.

Given the way the costs are imposed on suppliers, through a calculation based on the suppliers' GB market share, the overall cost to suppliers and consumers in removing the availability of the cost exemptions for electricity imported from the EU is zero. Instead, support costs are redistributing to suppliers that do not benefit from the exemptions. Therefore, removing the availability of the green import exemptions would redistribute costs more evenly across suppliers.

Suppliers who do not benefit from the green import exemptions may experience a reduction in their scheme cost obligations as a result of the redistribution of costs and the recalculating of the suppliers' market share. The opposite is true for suppliers who do benefit from the exemptions, though this might be offset to some extent, if suppliers are able to purchase UK Renewable Energy Guarantees of Origin (REGOs) certificates more cost-effectively than EU GoOs.

Cost increases or savings to suppliers could be passed on to a supplier's customers through a change to consumer bills. As discussed below, any increase is likely to be negligible and short lived due to the cap on electricity eligible for the cost exemptions, as well as the competitive nature of the market and the fluid customer base of suppliers, which enhances the competitive pricing dynamic of available tariffs.

### **Option 1 - Retain the current exemptions and continue to provide exemptions for EU green imported electricity.**

This option is the do-nothing approach, used as a counterfactual, where the green import exemptions would be retained in their current form.

There are several reasons why we do not favour this option:

First, given the UK departure from the EU, Government has a responsibility to review its trade agreements to ensure it develops a fairer approach to trade which includes equal opportunity for all international trading partners. Since the end of the Implementation period, the UK is no longer part of the EU Single Market and operates outside of the EU Customs Union, with no trading arrangement which includes the green import exemptions, so we should review exemptions such as these on those grounds.

Second, as the UK is no longer subject to the terms of the TFEU, the need to ensure compliance with Articles 30 and 110 of that Treaty no longer applies. The original justification for introducing the green import exemptions has therefore fallen away.

Third, the green import exemptions distort the market by enabling a number of suppliers to avoid meeting the full proportional cost of their market share through importing renewable electricity from the EU, while the remaining suppliers will continue to pay proportionately more. In removing the exemptions, the cost distribution is more evenly spread.

Fourth, the green import exemptions incentivise the purchasing of non-UK generated renewable electricity, therefore, retaining the exemptions would mean that a higher proportion of GB revenue would continue to go to the costs of electricity generated in the EU and supplied in GB. The government believes that this would be unnecessary and inappropriate.

Fifth, the government has committed to end the recognition of EU GoOs. Given the use of these certificates in the administration of the GIEs for both CfD and FIT schemes, the current system would no longer be able to function as it currently exists.

### **Option 2 – extend the exemptions to all international trading partners**

To ensure a fairer trading arrangement we could extend the green import exemptions to all international trading partners. In reality the number of countries capable of supplying electricity to the UK, e.g., through interconnectors, and benefitting from the exemptions, is currently relatively small.

Nevertheless, extending the exemptions to even a small number of countries would be a significant undertaking. Practical considerations include the challenges around agreeing arrangements with several individual countries for the validation and certification of imported renewable electricity in a way which ensured we are in compliance with international rules, determining the overall size of the exemptions and deciding on each country's share of renewable electricity that would fit under the caps for exempted electricity, as well as making the necessary legislation to enact these agreements.

The Government considers that this option offers no obvious benefits to the UK and could further distort the market. On balance, therefore, the Government does not favour this approach.

### **Option 3 – repeal the exemptions (preferred option)**

This is the government's preferred approach. This is the most straightforward option and would ensure a fair opportunity for all potential trading partners. It would simplify the operation of the Supplier Obligation and the levelisation process and restore a level playing between all GB suppliers, in that each supplier's contribution to CfD and FIT costs would match more closely their market share of GB electricity sales, thereby removing market distortions and red tape.

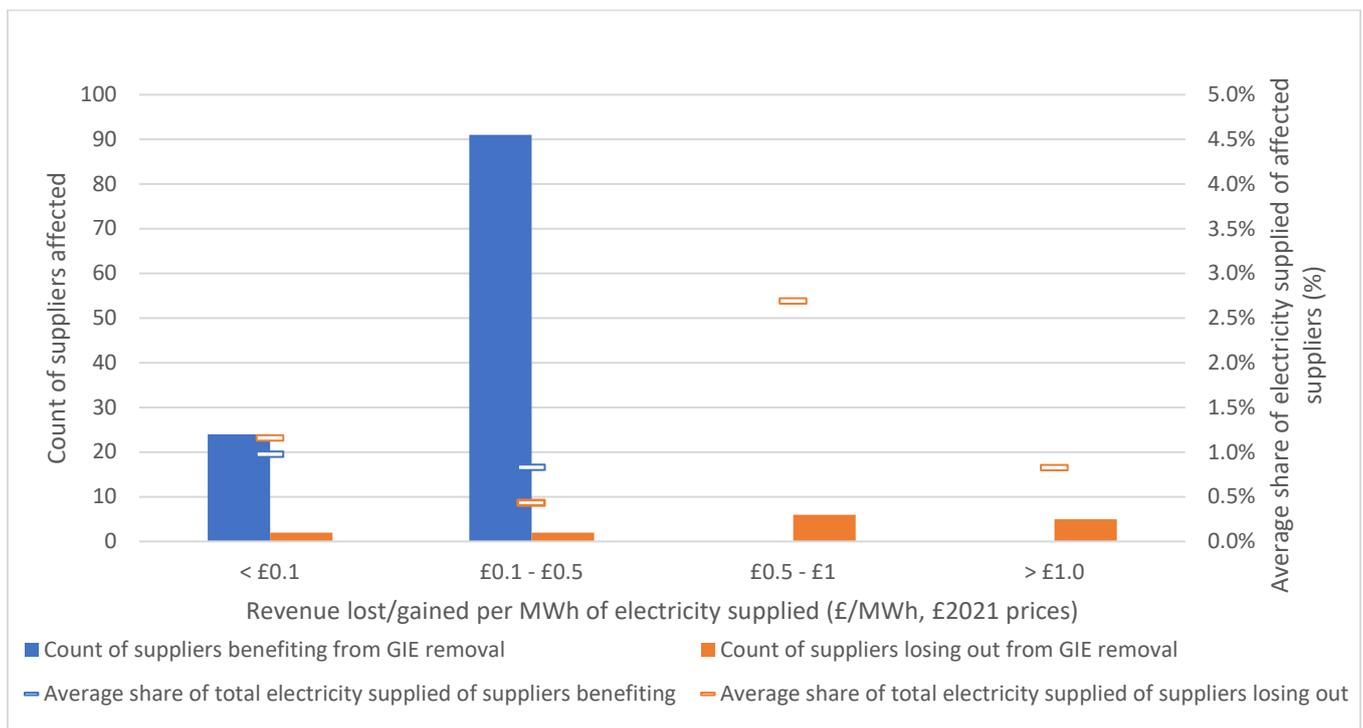
### **Impact on suppliers**

As discussed above, removing the GIEs will have no net impact to suppliers. A small group of suppliers that benefit from GIEs are expected to be negatively affected by the loss of this exemption. This impact could be partially offset if suppliers choose to purchase UK REGOs instead of importing EU GoOs, which, historically, trade at a higher value given EU GoOs

benefit from the GIEs. In turn, removing the GIEs will then proportionately benefit a larger number of suppliers as their levelisation costs are distributed more evenly.

It is possible that those suppliers impacted negatively will be smaller licensees operating on a greener business model. These suppliers form part of the cohort that government and Ofgem have championed as injecting diversity into the energy market. Due to ongoing market pressures and the persistence of supply uncertainty, we understand that many may be feeling the strain and we have worked hard to understand the magnitude of this impact

As data on the use of GIEs by suppliers is market sensitive, and not available publicly, we have used anonymised analysis provided by Ofgem on levelisation costs with and without GIEs.<sup>13</sup> This is based on year 11 annualisation data, which corresponds to the period from the 1<sup>st</sup> of April 2020 to the 31<sup>st</sup> of March 2021. It is not a projection of future impacts but does provide a reasonable indication of the likely impacts in future years. This data includes a number of suppliers that have since left the market as a result of rising energy costs. While we have not been able to remove these from the anonymised data, we do not expect this to affect our conclusions below.<sup>14</sup>



**Figure 1 – Anonymised analysis provided by Ofgem of the impact of removing the Green Import Exemption on suppliers using Y11 annualisation data**

The figure above demonstrates the impact over this period of removing GIEs to suppliers’ levelisation bills per MWh of electricity they provided, as well as the average share of total

<sup>13</sup> See sections above on CfD Green Import Exemptions and Feed in Tariffs for a summary of the levelisation process.

<sup>14</sup> Suppliers exiting the market have typically been small licensees, whose are less likely to benefit from the exemptions and whose exit will not materially change the relative market shares of remaining suppliers used to proportion levelisation costs across suppliers.

electricity provided by supplier, aggregated into brackets.<sup>15</sup> It suggests that many suppliers would have benefited from the removal of GIEs but around 14% of suppliers would have faced higher levelisation bills. However, the impact of removing GIEs would have been relatively small, at less than £1/MWh for around 95% of suppliers. For comparison, this is equivalent to 0.2% of the average household combined gas and electric retail bill in 2021 (before the increase in the energy price cap)<sup>16</sup> of £460/MWh.<sup>17</sup>

Additionally, suppliers that would face a £0.5-£1/MWh increase in levelisation bills supplied a significantly higher average share of total electricity. This shows that these tend to be larger, better-established suppliers with the financial stability to accept the increase in costs. While we cannot say the same for the suppliers that would face the highest increase in levelisation costs (more than £1/MWh), given the increase in costs remains relatively small (the biggest increase was £1.7/MWh) we expect the impact to be minor.

We are therefore confident that the effect of this option would likely have relatively minor distributional impacts across suppliers. Given its small magnitude, we conclude the change is unlikely to materially impact the finances of any supplier.

### Impact on consumers

In theory, this impact on suppliers could impact consumer bills if suppliers choose to pass on the increased costs or savings from removing the GIEs. In practice, we believe the likelihood of this to be low.

Our analysis shows that most suppliers would likely benefit while the minority of suppliers negatively impacted would face an increase in their levelisation bill of less than £1/MWh.<sup>18</sup> This increase in bills could also be partially offset if suppliers choose to purchase UK REGOs instead of EU GoOs, which likely have a higher value given the benefit of the GIEs. It is also unclear whether suppliers would factor the value of GIEs into their price setting as prices are set out in advance while the potential future benefit of GIEs is uncertain and depends on competitors' behaviour. As most suppliers would benefit from the removal of the GIEs, consumer bills may fall though the savings would be small. While some suppliers will face higher levelisation costs, even if these costs were passed on in full this would equate to a 0.2% increase in annual energy bills for their customers (based on average bills before the recent increase in the price cap).<sup>19</sup>

---

<sup>15</sup> Given the market sensitive nature of this data, suppliers are aggregated into brackets to ensure that no supplier is identifiable.

<sup>16</sup> See [Ofgem announcement on Price Cap Increase](#)

<sup>17</sup> Estimated based on the provisional average combined domestic energy bill for 2021 of £1,339, from the BEIS [Quarterly Energy Prices Statistics](#) (December 2021), and the average household consumption of 2.9MWh, based on [Ofgem typical domestic consumption values](#).

<sup>18</sup> The impact of this could be offset to some extent if suppliers pay a premium for EU GoOs, to benefit from the exemptions, and can choose to switch to domestic REGOs. However, we have not been able to verify this as public information is limited, markets for EU GOOs and REGOs are not stable, and recent trends suggest suppliers may now favour and be willing to pay more for domestic REGOs.

<sup>19</sup> Estimated based on the provisional average combined domestic energy bill for 2021 of £1,339, from the BEIS [Quarterly Energy Prices Statistics](#) (December 2021), and the average household consumption of 2.9MWh, based on [Ofgem typical domestic consumption values](#).

Given the competitive nature of the market, suppliers' price setting behaviour is also more likely to be driven by the cost of their competitors. As noted in the previous section, the benefit of the GIEs is predominantly claimed by a small section of suppliers while price setting is industry-wide, with suppliers setting their price in consideration of the likely price of their competitors.

As a result, we expect the distributional impacts to consumers to be minimal as suppliers are unlikely to factor in the value of GIEs into their price setting behaviour. Any impact of removing GIEs is unlikely to be passed on to consumers and, in the event they are, the impact is likely relatively small.

### Proposed approach

The Government proposes to implement option 3. We would do this by bringing forward an amendment to repeal regulations 3-5 of Part 2, Chapter 1 of the ESO Amendment & Excluded Electricity Regulations 2015 and (amend the levelisation provisions in The Feed-in Tariffs Order 2012). The effect of this is the green import exemptions would no longer be available to suppliers of electricity in GB. Suppliers could no longer request an exemption in respect of any electricity that they import from the EU. Such electricity would no longer be considered when calculating a supplier's market share of GB electricity sales for the purposes of determining the level of their contribution towards the cost of CfD and FIT payments. From the date of implementation, all suppliers would more closely contribute to the cost of CfD and FIT payments in proportion to their share of the GB electricity sales market.

## EU Guarantees of Origin

Guarantees of Origin (GoOs) are certificates used by electricity suppliers to demonstrate that a portion of supplied electricity is renewable or from high-efficiency cogeneration. In the UK they are issued by Ofgem and are then used by electricity suppliers to back up the renewable and/or green electricity tariffs offered to consumers.

GoOs are also used by suppliers to evidence the renewable electricity imported from the EU which is eligible for CfD and FIT green import exemption and used by LCCC and Ofgem to administer these exemptions.

Given this significant interaction between how the CfD and FIT schemes are calculated and some of the policy changes we will be making in due course to the UK recognition of EU GoOs, we are also using this consultation to seek your views on the timings of government's intention to amend The Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003<sup>20</sup>.

As of 1 January 2021, the EU no longer recognises UK REGOs. As a result, there is currently an asymmetry, whereby the UK recognises EU GoOs issued in the EU, while the EU no longer recognises REGOs issued in the UK. To remedy this lack of reciprocity, we intend to cease the recognition of EU GoOs through legislation so that, longer term, domestic recognition of GoOs issued in EU countries will take place only on a reciprocal basis.

This work is underway and we are currently assessing the best approach in order to deliver to our commitment, part of which is to understand the best timing for those impacted by the change.

---

<sup>20</sup> <https://www.legislation.gov.uk/uksi/2003/2562/contents/made>

# Timing of Implementation

## CFD and FIT green import exemptions

In the implementation of the proposed approaches, it is crucial to consider the implication of timing and the part it plays in the successful delivery of the changes.

In determining the most suitable timing for these changes to come into force, we considered our motivation for proposing the changes, who might be impacted by such changes and how, and the environment in which the changes would take effect.

As such we are proposing two options:

1 October 2022: In determining this proposed coming into force date we have considered the soonest best date which would comfortably allow industry and administrator partners to prepare for the changes. This date is day 1 of the 2<sup>nd</sup> quarter of the annual generation reporting period and should allow process changes to be developed and implemented.

1 April 2023: This would allow the entire reporting period to come to an end before any changes came into effect. It would also supply a greater period for industry and administrator partners to prepare their process changes to reflect the new rules.

## Guarantees of Origin

Given the green import exemptions for both FIT and CfD schemes rely on the recognition of EU GoOs, it is vital that we continue to recognise EU GoOs until the proposed removal of the green import exemptions has been made. As such, we are proposing a coming into force date of ceasing the recognition of EU GoOs in line with those proposed for the FIT and CfD amendments.

The options we ask you to consider are:

1 October 2022: Again, this allows a period of time for industry and administrator partners to prepare for the upcoming changes. It coincides with day 1 of quarter 2 of the generation reporting period, in determining this date we aimed to ease the accounting burden of those impacted.

1 April 2023: Given the advanced planning made by administrators of the scheme and electricity suppliers, through first allowing the 2022/23 reporting year to end, we aim to provide a period during which changes to operations can come to an end and make way for new ways of operating.

# Consultation questions

## Changes to the CfD and FiT Scheme

**The government welcomes views on the possible and likely impacts, to generators, suppliers and consumers, of the proposed options for any changes to the green import exemptions for the CfD and FIT schemes. Please provide information which supports your views.**

**The government welcomes views and preferences on the proposed timings for the coming into force of any changes. Please provide information which supports your views.**

## Recognition of EU GoOs

**The government welcomes views on the proposed timings for ceasing recognition of EU GoOs, to minimise negative impact on UK generators, suppliers and consumers. Please provide information which supports your views.**

---

This consultation is available from: [www.gov.uk/government/consultations/feed-in-tariffs-and-contracts-for-difference-proposals-relating-to-guarantees-of-origin](http://www.gov.uk/government/consultations/feed-in-tariffs-and-contracts-for-difference-proposals-relating-to-guarantees-of-origin)

If you need a version of this document in a more accessible format, please email [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.