



UK Government

RO to Exchequer and ECO Costs Schemes

Guidance for suppliers



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1 RO to Exchequer and ECO Schemes

- 1.1 The Secretary of State for Energy Security and Net Zero has made a Direction pursuant to section 22(1)(b)(iv) of the Energy Prices Act 2022.
- 1.2 The ministerial direction can be found at [Domestic energy tariff reductions 2026: ministerial direction - GOV.UK](#).
- 1.3 The ministerial direction applies to all domestic electricity suppliers. For obligations related to ECO4 and GBIS closure, both domestic gas and electricity suppliers are obligated if they have existing obligations under the ECO and GBIS schemes ('ECO schemes'). Together these are referred to as 'domestic suppliers' or 'domestic energy suppliers'.
- 1.4 The purpose of the Direction is to ensure that domestic energy suppliers make adjustments to energy tariffs on 1st April 2026, reflecting a 75% reduction in domestic Renewables Obligation costs and closure of the Energy Company Obligation (ECO), and submit to the reporting, audit and financial management requirements of these schemes.
- 1.5 In exchange for applying a discount at the tariff level to reflect the reduction in domestic RO costs, the government will provide electricity suppliers with grant funding. In line with government grant rules, to deliver the RO to Exchequer scheme the Department has executed a deed with each domestic electricity supplier. This will place compliance with the Direction as a condition of receipt of the grant, allowing for the grant funding to be recovered or withheld in cases of non-compliance.
- 1.6 This guidance is issued by the Secretary of State for Energy Security and Net Zero (DESNZ) to relevant energy suppliers to support the implementation of the RO to Exchequer and closure of the ECO schemes by explaining the operation of these schemes in plain language. The ministerial direction and deed remain authoritative as the agreement between DESNZ, suppliers, and Ofgem.
- 1.7 DESNZ will update the guidance as needed based on further scheme requirements and supplier information needs. Updated guidance will be circulated to all supplier contacts and can be found at [Domestic energy tariff reductions 2026: guidance for energy suppliers - GOV.UK](#).
- 1.8 All words and expressions defined in the Direction have the same meaning in this guidance.

Roles and Responsibilities

Role of the Department for Energy Security and Net Zero (DESNZ)

- 1.9 DESNZ is responsible for overseeing the implementation of the RO to Exchequer scheme and ending the ECO schemes. This includes:
- Notifying suppliers of the amount and timing of the tariff reductions they need to deliver to customers.
 - Paying initial grant payments to suppliers to replace domestic customer funding for their tariffs, and ensuring that these payments are reconciled using actual supply volumes figures on a quarterly basis.
 - Ensuring suppliers are complying with the Direction, including via contracting with a third party scheme auditor, engaging with suppliers where issues have been identified, and working with suppliers to remediate those issues.
- 1.10 Monitoring application of the discount to tariffs:
- Subject to the price cap but priced below it before application of the discount.
 - Not legally bound to price cap changes.
- 1.11 Referring non-compliance cases under clause 6 of the deed to Ofgem, if necessary, for enforcement activity.
- 1.12 Issuing and maintaining up-to-date guidance for suppliers over the course of the scheme.

Roles of Energy Suppliers

- 1.13 Energy suppliers are responsible for applying the cost reduction to their domestic tariffs and meeting their obligations as set out in the ministerial direction and deed to support implementation of the scheme. This includes:
- Reducing their electricity and gas charges by reducing (on a p/kWh basis) the tariffs that would otherwise be charged, with effect from 1 April 2026, to reflect the RO to Exchequer scheme and ending of ECO schemes.
 - Completing and executing the deed by the required date.
 - Cooperating with the process for RO cost payments including with respect to any overpayment or reconciliation.
 - Complying with their scheme obligations in respect of administrative matters including the appointment of a designated officer, operation of a qualifying bank account, and signing solvency statements.

- Submitting to the audit and compliance requirements of the scheme.

Role of Ofgem

- 1.14 Ofgem is responsible for monitoring, compliance, and enforcement, alongside DESNZ, and in line with the Memorandum of Understanding signed with the Department. This includes:
- Setting the energy price cap at a level which takes into account the 75% reduction in RO costs and ending of the ECO schemes.
 - Utilising the existing standard tariff investigation processes to identify any default tariff that exceeds the relevant price cap allowance.
 - Sharing relevant non-personal data with DESNZ to enable the Department to monitor compliance and calculate payments, as permitted under the Utilities Act 2000.
 - Notifying DESNZ where it is identified that an energy supplier has not removed 75% of the RO costs from tariffs subject to the price cap. If a supplier has failed to engage with Ofgem or remediate the overcharge, Ofgem will refer the case to DESNZ which will then engage its own compliance process.
- 1.15 Making all decisions relating to potential enforcement action which includes considering whether to open an investigation and taking any subsequent enforcement action. Where DESNZ believe there are grounds to refer a case to Ofgem for possible enforcement action DESNZ will provide relevant details and information to Ofgem.
- 1.16 Notifying DESNZ of new domestic market entrants and electricity supplier mergers on an ad-hoc basis as that information is obtained.
- 1.17 Continuing to engage with suppliers on all other price cap compliance matters as normal.

Contact

- 1.18 The DESNZ team can be contacted at LowerBillsTeam@energysecurity.gov.uk.
- 1.19 The Ofgem team can be contacted at priceprotectioncompliance@ofgem.gov.uk.

Data sharing and data privacy

- 1.20 Ofgem will share non-personal data with DESNZ in the form of aggregate level reporting data, to minimise reporting burden for suppliers. This will include RFI (Request for Information) collected at tariff level. This will also include tariff-level data collected by Ofgem's market monitoring function on a weekly basis, which will be shared

confidentially. This information sharing is necessary for the purpose of enabling DESNZ to monitor compliance.

- 1.21 Ofgem will also share non-personal backdated and quarterly validated Relevant Domestic Electricity Supplied (RDES) data with DESNZ relating to domestic electricity supply volumes on an ongoing basis in order to calculate supplier grant payments.
- 1.22 Ofgem and the Department will also sign a Memorandum of Understanding and will set up a contract with the external auditor which sets out what data will be shared and how we will share it securely.
- 1.23 DESNZ have made an Order which creates an exemption to the general prohibition on data sharing set out in section 105 of the Utilities Act 2000 to facilitate the data sharing described above.¹

¹ <https://www.legislation.gov.uk/uksi/2026/149/contents/made>

2 Operations and readiness

Ministerial direction

- 2.1 There are two policy interventions being delivered through the ministerial direction:
- Removing 75 per cent of domestic Renewables Obligation (RO) costs from the electricity bills of domestic customers from 1 April 2026 until scheme close on 31 March 2029, through commensurate HMG grant payments to suppliers. The ministerial direction obligations apply to licenced electricity suppliers with domestic tariffs.
 - Reflecting savings achieved via the close of the ECO schemes in energy bills of domestic customers from 1 April 2026. Both electricity and gas suppliers obligated under the ECO schemes are in scope of the ministerial direction obligations.
- 2.2 The ministerial direction sets an overarching legal obligation for all domestic electricity suppliers, and all ECO obligated suppliers, to apply a tariff level discount on 1 April 2026. Sections 3 and 4 set out how the discount is calculated and applied.

Deed

- 2.3 To enable the Exchequer to replace 75% of domestic RO costs, DESNZ is required to set up a grant funding programme. A requirement of delivering the grant funding is executing a deed between electricity suppliers and DESNZ.
- 2.4 The RO to Exchequer deed sets out the terms under which DESNZ will make payments under the Direction.
- 2.5 By signing the deed and returning a copy to the Secretary of State for Energy Security and Net Zero, the domestic electricity supplier agrees to be bound by the deed and to comply with all obligations set out in both the deed and the Direction.
- 2.6 DESNZ and the supplier each hold an original of the deed; together, these originals constitute a single instrument. DESNZ has shared the deed via email with supplier.
- 2.7 The deed must be signed by a senior authorised individual (e.g. Finance Director, CEO, or equivalent). An e-signature or an ink signature scanned into a PDF is acceptable.
- 2.8 The resulting PDF must be certified as a true copy of the original by the *designated officer* or by a solicitor. The designated officer for the scheme should be a member of

the board of directors, who is responsible for the finances, or responsible for regulatory compliance.

- 2.9 The certified PDF must be emailed to DESNZ, who will print it and retain it alongside DESNZ's own original of the deed.
- 2.10 The certified copy, together with DESNZ's original (which will carry the DESNZ seal), will together constitute the executed deed, with each party retaining an original for administrative purposes.
- 2.11 To execute the deed, the supplier must return the certified copy of the signed deed to the Secretary of State for Energy Security and Net Zero. The deed takes effect once both parties have signed.

Supplier information

- 2.12 For the purposes of administering the scheme suppliers are required to provide details of a *designated officer* by 25 March 2026.
- 2.13 The designated officer must be a member of the energy supplier's board of directors with specific responsibilities for financial or compliance matters. The designated officer will be primarily responsible for ensuring the domestic supplier complies with its scheme obligations and will be the primary point of contact for government relating to the scheme.
- 2.14 Suppliers should send the name, position, and contact details of the designated officer (including business postal and email address, as well as at least one mobile number) to DESNZ by 25 March 2026, as well as the details of another senior executive to act as a second point of contact. If the energy supplier appoints a replacement designated officer they should notify DESNZ of the appointment and the new details on the next working day.

Supplier bank accounts

- 2.15 To receive the grant funding, suppliers will be required to maintain a bank account for the duration of the scheme. The account must be incorporated or authorised in the United Kingdom. To receive the grant funding, bank account details should be provided (account name, account number, bank sort code) and any changes to the bank account during the scheme should be notified to DESNZ.
- 2.16 Suppliers can choose whether they use their usual business bank accounts or a RO Credit Cover Trust Account. If a supplier chooses to use a RO Credit Cover Trust Account, they should notify DESNZ alongside providing their bank account details.

- 2.17 In exceptional circumstances DESNZ may require suppliers to use a RO Credit Cover Trust Account for the purposes of the scheme. In this scenario, suppliers will receive a notification from the Secretary of State specifying a specific date that they should use that account as their qualifying bank account. There is a legal obligation to comply with this notice.
- 2.18 The grant funding will replace revenue previously collected from customers. The grant funding will be safeguarded using existing RO ring fencing provisions set out in Standard Licensing Condition 30.
- 2.19 A domestic electricity supplier must give the Secretary of State any information about its qualifying bank account when asked. It must also keep that account open until at least 31 March 2029 (or any later date set by the Secretary of State) unless it has written permission from DESNZ close it.

Managing the risks of fraud

- 2.20 Suppliers must at all times avoid bribery, fraud, corruption, and other financial irregularities in relation to performance of their scheme obligations, and comply with all relevant legislation outlined in the ministerial direction.
- 2.21 Suppliers must provide all information required to support:
- Pre-contracting checks;
 - A Solvency statement (See Section 8 of this guidance)
 - Details of a Designated Officer (See Paragraphs 2.12-2.14 of this guidance)
 - ongoing due diligence checks, including (but not limited to):
 - credit worthiness assessments (e.g. CreditSafe); and
 - any other financial, commercial or governance checks required by the SoS.
 - other relevant documents required to submit for the audit / assurance processes, such as anonymised household-level billing data sent by suppliers to customers pre and post 1 April 2026 (allowing for a comparison to see that the account has had the saving applied).
- 2.22 Timelines for providing this information to DESNZ will be outlined in the relevant sections of the ministerial direction, deed, and in the scheme calendar (Annex A).

3 Applying the discount

- 3.22 There is an overarching obligation for all domestic tariffs in the market to reflect the RO and ECO savings (where applicable) on 1 April 2026. This will be delivered either through tariff level adjustments based on changes to the price cap or through applying a volumetric discount provided for in the direction.
- 3.23 All domestic electricity suppliers will be mandated through the ministerial direction to apply a volumetric tariff reduction to reflect a 75% reduction of domestic RO costs from its supply of electricity, calculated through one of the routes outlined in Section 4.
- 3.24 All domestic gas and electricity suppliers who are ECO obligated suppliers will also be mandated through the ministerial direction to apply a volumetric tariff reduction to reflect the ending of the ECO schemes.
- 3.25 All domestic electricity and gas customers are eligible for the discount, as defined in Ofgem's [electricity](#) and [gas](#) supplier licensing conditions.
- 3.26 For tariffs that are not legally bound to the price cap, both RO and ECO cost reductions should be applied to all tariffs that are active up to and including 31 March. The discount should apply to all energy used from 1 April 2026. This includes any domestic tariffs active on or before 31 March but scheduled to come on supply on or after 1 April.
- 3.27 In exceptional cases, where a supplier considers that neither of the two RO discount methodologies can be applied to a tariff, the supplier must notify DESNZ no later than 1 April 2026 or as soon as possible after the tariff is brought to the market. In these instances, suppliers must provide evidence to justify why the tariff in question should not apply the RO discount. DESNZ will then review this evidence and determine whether the RO discount is required to be applied to the tariff. Any volumes of energy delivered to customers to which the discount has not been applied will be subject to the adjustments process outlined in paragraphs 6.19 – 6.22.
- 3.28 The different discount approaches are summarised in Table 1 below.
- 3.29 To ensure suppliers pass on the RO and ECO price reductions to customers, DESNZ has developed a robust audit and assurance process. This is outlined in Section 7.

Applying the discount to different tariff types

- 3.30 The process for applying this discount to a given tariff is dependent on whether the tariff pricing is linked to Ofgem's price cap and the point in time at which the tariff is active and on supply.

- 3.31 Tariffs which are legally bound to the price cap will automatically receive the RO and ECO discount through the removal of these costs from the price cap methodology from 1 April 2026. This includes any price tracker tariffs held by customers covered by the 28AD obligations. Accordingly, suppliers will not be obligated to apply an additional p/kWh RO discount to these tariffs, as the discount is delivered automatically via the price cap.
- 3.32 For tariffs that are
- a. not legally bound to the price cap; and
 - b. active and on supply on or before 31 March 2026
- 3.33 There are four methodologies (outlined in Section 4) available to choose from to apply volumetric discounts reflecting both RO and ECO savings. These will result in p/kWh discounts being applied to the electricity and/or gas unit rates at the tariff level.
- 3.34 DESNZ expects that for the majority of tariffs, suppliers will choose to apply the specific p/kWh discount to the unit rate, and that most tariffs using the volume-weighted average unit rate approach will be non-standard tariffs. However, suppliers ultimately have the flexibility and discretion to choose the discount approach they consider most appropriate for each of their tariffs.
- 3.35 For all new tariffs on supply from 1 April, DESNZ expects the RO and ECO discount will be priced in indirectly via market competitiveness in line with the removal of these costs in the price cap methodology. However, there is an overarching obligation that these tariffs reflect the RO related savings for the RO to Exchequer scheme period.

Table 1: Summary of RO and ECO discount approaches across tariff types.

Tariff Pricing	How 75% RO discount is applied		How the ECO discount is applied	
	Is the tariff <i>active and on supply</i> on or before 31 March 2026?	Is the tariff new from 1 April 2026?	Is the tariff <i>active and on supply</i> on or before 31 March 2026?	Is the tariff new from 1 April 2026?
Legally bound to the price cap e.g. <i>standard variable tariffs</i>	Ofgem price cap adjustment	Ofgem price cap adjustment	Ofgem price cap adjustment	Ofgem price cap adjustment
Not legally bound to the price cap e.g. <i>fixed term, standard variable with price cap derogations, non-standard tariffs</i>	Ministerial direction obligation: (i) 2.45 p/kWh discount to the electricity unit rate* OR (ii) Discount applied to the volume-weighted average unit rate**	Market driven	Ministerial direction obligation: (i) 0.31 p/kWh reduction for gas unit rate 0.89 p/kWh reduction for electricity unit rate OR (ii) Specific p/kWh reduction to unit rates only suppliers can provide evidence on every tariff that the true ECO costs have been removed. OR discount (i) or (ii) applied to the volume-weighted average unit rate**	Market driven

* p/kWh discount for 26/27 only. The ministerial direction denotes the formula used to calculate the volumetric discount, rather than the p/kWh itself (see para 4.3)

** to ensure the reduction in the volume-weighted average unit rate is equal to the standard volumetric discount

4 Support rate details

Applying mandated tariffs

- 4.1 All domestic electricity suppliers on supply before the 1 April will be obligated to apply the discount via a p/kWh reduction to the electricity unit rate.
- 4.2 There are two ways in which the unit rate reduction can be calculated. While we expect the standard discount formula will be used for the majority of tariffs, suppliers have discretion to use either formula.

Standard RO volumetric discount formula

- 4.3 For standard tariffs (fixed and variable) where a single unit rate is applied, we expect suppliers to use the discount formula as set out below:
- Discount (p/kWh) = $(0.75 \times a \times b) / 10$
 - Where:
 - a is the RO Buyout Price (£/ROC) for the first scheme year (2026/2027) [£69.34 using CPI percentage of 3.4% for 2025]
 - b is the renewables obligation (ROCs/MWh) [0.472 ROCs/MWh in Great Britain] for the first scheme year (2026/2027)
- 4.4 Applying the above estimates would result in a volumetric discount for 2026/2027 of 2.45 p/kWh, this should be calculated to two decimal places. This figure excludes any additional savings following a reduction in VAT.

Volume-weighted average unit rate discount formula

- 4.5 For the small number of non-standard tariffs without a single unit rate or which include additional charges for different supply types, suppliers can choose to apply the standard volumetric discount described above to a volume-weighted average unit rate. Alternatively, suppliers also have the option to apply the standard volumetric discount uniformly as they would for a standard tariff.
- 4.6 The volume-weighted average unit rate is defined as the average unit rate charged, adjusted for varying consumption levels over different time periods or supply types. Examples of tariffs where suppliers may adopt this approach include (but are not limited to) time-of-use tariffs, and bolt-on tariffs with a primary unit rate and a secondary rate (either a unit rate or fixed charge) for a specific type of supply (e.g. EV charging). This approach is not expected to apply to bolt-on tariffs with a primary unit rate and an additional charge for a service which does not relate to electricity supply (e.g. boiler

servicing). For such tariffs, we would expect suppliers to apply the standard volumetric discount described above.

- 4.7 The formula below details the calculation of the volume-weighted average unit rate for tariffs containing multiple unit rates for different time periods (e.g. time-of-use tariffs), multiple charges for different consumption types (e.g. bolt-on tariffs including EV charging). We are aware that in some cases these additional services are charged on a fixed basis rather than via a unit rate. In either case, we would expect the same volume weighting approach to apply. However, the “Fixed Charge” components of the formula would only be applied to relevant tariffs and would be equal to zero for those without such components (e.g. time-of-use tariffs).

- $$W = \frac{(Ct1 \times URt1) + (Ct2 \times URt2) + \dots + (Ctn \times URtn) + (FCt1) + (FCt2) + \dots + (FCtn)}{\sum_{t=1}^n Ct}$$
- Where:
 - W = Weighted average unit rate
 - Ct = Estimated energy supply in period t or for consumption type t within the supply period for which W is to be calculated;
 - URt = Unit rate applicable in period t ;
 - FCt = Fixed charge for other types of RO obligated supply, where applicable.
 - $\sum_{t=1}^n Ct$ = aggregate supply across all periods or consumption types, including consumption which are charged at FCt .

- 4.8 Suppliers are expected to use the formula above to calculate the volume-weighted average unit rate for that tariff prior to the discount being applied. The supplier is then expected to revise the rates in each supply period to ensure that, after accounting for the estimated consumption splits, the reduction in the volume-weighted average unit rate is equal to the standard volumetric discount. We expect suppliers to set the revised unit rates in each period using historical supply estimates and then apply these rates to all customers on that tariff for the duration of their contract. Illustrative examples are provided in Tables 2 and 3.

- 4.9 We recognise that the supply weightings will need to be determined prior to the rates being set and are therefore likely to be estimates based on historic supply splits from previous periods. In practice, this means that customers on that tariff may receive either more or less than the full saving on aggregate depending on outturn supply splits. We are willing to accept such a discrepancy materialising provided suppliers can evidence that their estimated splits were based on robust evidence at the time of calculation, and that customers would have received the full saving on aggregate had they matched the outturn splits.

- 4.10 Suppliers will have some discretion in calculating these weightings but must ensure the evidence they are based upon is reasonable and robust. We also understand that by

using this formula, the volumetric discount may look different for individual customers on that tariff depending on their consumption profile, and when compared to other standard tariffs.

- 4.11 Table 2 below contains an illustrative example of a time-of-use tariff comprised of two pricing periods. It is assumed that a discount of 2.45p/kWh is to be applied. Prior to the discount being applied, the volume-weighted average unit rate is calculated as 21.25p/kWh. The supplier re-calculates the rates by applying a volumetric discount of 6.53p/kWh and 0.00p/kWh in period 1 and period 2, respectively. The discount in each period is set by accounting for the estimated supply splits in each tariff, thereby ensuring that the expected discount to the volume-weighted average unit rate is equal to the desired 2.45p/kWh volumetric discount.

Table 2: Volume-weighted average unit rate illustrative example for a time of use tariff

Estimated Energy Supply, Ct (kWh)		Time Period, t		Total
		1	2	
		3.00	5.00	8.00
Pre-Discount	(1a) Unit Rate, UR (p/kWh)	40.00	10.00	N/A
	(1b) Consumption x Unit Rate, (Ct x UR)	120.00	50.00	170.00
	(1c) Weighted Average Unit Rate, W (p/kWh)	N/A	N/A	21.25
Post-Discount	(2a) Unit Rate, UR (p/kWh)	33.47	10.00	N/A
	(2b) Consumption x Unit Rate, (Ct x UR)	100.40	50.00	100.40
	(2c) Weighted Average Unit Rate, W (p/kWh)	N/A	N/A	18.80
Discount	(2a) – (1a) Change in Unit Rate, UR (p/kWh)	-6.53	-0.00	N/A
	(2c) – (1c) Change in Weighted Average Unit Rate, W (p/kWh)	N/A	N/A	-2.45

- 4.12 Table 3 below contains a further illustrative example of a bolt-on tariff comprised of a primary unit rate of 40p/kWh and a fixed daily rate of 50p for EV charging. It is assumed that the discount of 2.45p/kWh is to be applied. Prior to the discount being applied, the volume-weighted average unit rate is calculated as 36.25p/kWh. The supplier opts to retain the same fixed daily charge for EV charging and re-calculates the primary unit by applying a volumetric discount of 3.27p/kWh. The discount in this period is set by accounting for the estimated supply for each consumption type, thereby ensuring that the expected discount to the volume-weighted average unit rate is equal to the desired 2.45p/kWh volumetric discount.

Table 3: Volume-weighted average unit rate illustrative example for an EV Bolt On

		Consumption Type, t		Total
		1 Non-EV (Unit Rate)	2 EV (Fixed Charge)	
Estimated Energy Supply, Ct (kWh)		6.00	2.00	8.00
Pre-Discount	(1a) Charging Rate (Unit Rate or Fixed Charge)	40.00p/kWh	50.00p	N/A
	(1b) Consumption x Unit Rate, (Ct x UR)	240.00	50.00	290.00
	(1c) Weighted Average Unit Rate, W (p/kWh)	N/A	N/A	36.25
Post-Discount	(2a) Charging Rate (Unit Rate or Fixed Charge)	36.73p/kWh	50.00p	N/A
	(2b) Consumption x Unit Rate, (Ct x UR)	220.40	50.00	270.40
	(2c) Weighted Average Unit Rate, W (p/kWh)	N/A	N/A	33.80
Discount	(2a) – (1a) Change in Charging Rate (Unit Rate or Fixed Charge)	-3.27p/kWh	0.00p	N/A
	(2c) – (1c) Change in Weighted Average Unit Rate, W (p/kWh)	N/A	N/A	-2.45

ECO

- 4.13 Obligated suppliers will be expected to apply a discount of 0.31 p/kWh reduction for gas and 0.89 p/kWh reduction for electricity to unit rates for their domestic customers from 1

April 2026 – to reflect the removal of the ECO costs in the price cap savings. These reductions are exclusive of VAT.

- 4.14 Obligated suppliers may alternatively provide evidence to show all the ECO costs have been removed if they can provide evidence on every tariff to auditors that the true ECO costs have been removed from tariffs for energy supplied after 1 April.
- 4.15 For the small number of non-standard tariffs without a single unit rate, we expect suppliers to pass on the standard volumetric discount using either of the methods described above, albeit applied to the volume-weighted average unit rate rather than the unit rate and using the methodology described in paragraphs 4.5 - 4.12.

5 Communicating the cost saving

Implementing the ministerial direction

- 5.1 Domestic energy suppliers must ensure that they communicate the following message to each of their customers: "your energy bill [has been / will be] discounted [from the 1 of April] following action taken by the UK Government in the 2025 Budget. You can find more information at www.gov.uk/government/news/your-energy-bill-from-april-whats-changing."
- 5.2 Energy suppliers may also communicate the messaging using short URLs gov.uk/your-energy-bill for written communications and gov.uk/yourenergybill for spoken communications.
- 5.3 Energy suppliers are permitted to translate the statement into other languages.
- 5.4 This communication should be provided using the most relevant and timely business as usual communication approach by which it is entitled to communicate as Relevant Billing Information (as defined under SLC 31H). This can include an app or in-home display. Where possible, energy suppliers are encouraged to include this message as part of the first energy bill or statement to which the cost reduction has been applied.
- 5.5 The requirements set out in the direction apply to all existing customers on 1 April 2026.

Wider communications

- 5.6 In addition to implementing the direction, energy suppliers who have passed on the cost saving related to the RO to Exchequer scheme are encouraged to inform customers of the cost reduction for the duration of the scheme, including as part of pricing information for customers signing new tariffs after 1st April.
- 5.7 Energy suppliers should use reasonable endeavours to ensure that when bills or statements of account are sent to customers, those customers are made aware that the cost saving has been applied and of its effect.
- 5.8 Where referencing the cost reduction in communications energy suppliers should signal that this is due to the action taken by the UK Government.
- 5.9 Energy suppliers should use all existing channels to communicate the cost reduction to customers, for example through customer domestic electricity bills, supplier apps, website, social media etc.
- 5.10 Suppliers are encouraged to signpost to the RO to Exchequer and ECO schemes factsheet where possible. This can be found at: gov.uk/your-energy-bill.

- 5.11 Suppliers and consumer groups are also encouraged to make use of the wider 'Help for Households' campaign, which gives clear information about the exceptional payments, energy support and existing support schemes available, so the public know what is available and where they can find help. The homepage can be found at: <https://helpforhouseholds.campaign.gov.uk/>.
- 5.12 Suppliers will be asked by DESNZ to provide examples of communication with customer and information on the channels and regularity of communications they send to customers. This will include whether the requirements in the ministerial direction have been implemented and support DESNZ with its assessment of how far the scheme has been understood. These communications will not form part of regular reporting and will not be a legal requirement.

6 Supplier payment procedures

Providing the RO to Exchequer scheme grant to suppliers

- 6.1 Over the course of the scheme, DESNZ will provide each RO obligated supplier in Great Britain with funding to provide a discount to domestic customers equivalent to 75% of the domestic proportion of the Renewables Obligation.
- 6.2 Payments will be made monthly; they will be calculated using supplier's domestic supply volume data for the equivalent quarter of the previous year. In exceptional circumstances, such as energy supplier mergers, the methodology for calculating payment amounts may vary to account for instances where domestic supply volumes have significantly changed since the previous year. A quarterly reconciliation process will use actual quarterly supply data to retrospectively calculate payment amounts, allowing for any overpayment or underpayment to be reconciled (please see section paragraphs 6.12 to 6.14 for further details on reconciliation). Monthly payments will be made to suppliers by the 5th working day of each month for the duration of the scheme. The initial payment for the scheme was made on the 13th of April 2026.
- 6.3 Funding will not be provided to suppliers for scheme administration. Suppliers may provide DESNZ with cost impact analysis, highlighting any systematic and material net cost increases resulting from active government schemes.
- 6.4 To receive this payment, suppliers must be compliant with the ministerial direction and deed, have notified DESNZ of their qualifying bank account, and comply with scheme requirements. Supply volume data used for calculating payment amounts will be supplied by Ofgem.
- 6.5 The scheme is expected to run until March 2029. We expect a final reconciliation process will take place in the following quarter after scheme end. Suppliers must retain information related to the scheme for audit purposes for 7 years following scheme closure. DESNZ will provide further guidance on scheme closure in due course.

Calculating payments to suppliers

- 6.6 To calculate the payment amounts to each supplier, DESNZ will use RO ringfencing data, provided by Ofgem, that provides figures for each supplier's domestic electricity supplied over a quarterly period – the relevant domestic electricity supplied (RDES).
- 6.7 There is a quarterly lag on this data. To provide advance payments to suppliers, DESNZ will calculate payments using the RDES data from the previous year for the equivalent quarter. We are making payments in this way to mimic as closely as possible the payments that suppliers would have received from their domestic customers.

- 6.8 A supplier's monthly payment will be calculated by multiplying the RDES monthly supply volume estimate by the volumetric discount detailed in section 4.3 – 4.4.
- 6.9 The quarterly payment amount calculated will be divided into three equal instalments, with a payment to be made in each calendar month. This results in the "baseline" monthly payment amount. From the Year 1, Second quarter of the scheme, a "reconciliation" amount (see Payment Reconciliation section below) will either be added to or subtracted from the "baseline" monthly payment to make up the "Confirmed Payment" amount in the third month of that quarter. "Confirmed payment" amounts will be communicated to suppliers via a grant determination letter sent via email 2 working days prior to the payment date. No further action is required from Suppliers regarding the grant determination letter.
- 6.10 Please note that the "confirmed" monthly payment amounts are subject to adjustments as part of the reconciliation process, using actual supply volumes for the relevant period as the basis for determining payment amounts.
- 6.11 As DESNZ will be calculating both the "baseline" and "reconciliation" amounts using validated RDES data supplied by Ofgem, we are not expecting there to be errors in the calculated payment amounts. However, should a Supplier believe that an error has taken place, they should contact DESNZ (energyprocessing@energysecurity.gov.uk) as soon as practicable with information on the error.

Payment reconciliation

- 6.12 The domestic supply volumes data used to calculate payments operates on a quarterly lag. As such, the exact payment amounts due, based on actual domestic supply volumes, are confirmed in the subsequent quarter. A reconciliation process will therefore operate alongside the monthly process to account for any under or overpayments made in the previous quarter. Monthly payments will be adjusted to account for any changes needed following reconciliation.
- 6.13 DESNZ will notify suppliers of any payment adjustments due to reconciliation in their grant determination letter, with reconciled payments being adjusted as part of Payment 3 in each quarter (starting in Year 1, Quarter 2).
- 6.14 If the "reconciliation" amount is negative, and the "baseline" monthly payment is not sufficient to recover all funds in that month, DESNZ will seek to recover funds in future months of the scheme, or exceptionally, request that Suppliers repay the "reconciliation" amount. For negative reconciliation amounts in the last quarter of the scheme, DESNZ will request the return of funds.

Overpayments and underpayments

- 6.15 An overpayment or underpayment is defined as if the payment received by the supplier exceeds or falls short of the amount set out in the grant determination letter received by the supplier. If a supplier or DESNZ becomes aware of an over or underpayment, they must notify the other party.
- 6.16 If a supplier receives a payment from DESNZ that exceeds the amount set out in the most recent grant determination letter, the Department may notify the supplier that a subsequent payment will be decreased to account for the overpayment. At discretion, the Department may notify the supplier that they must repay an overpayment in part or in full within seven working days.
- 6.17 Any repayments received after the seven working day period will be subject to interest, as outlined in the ministerial direction.
- 6.18 If the supplier receives a payment from the Department that is less than the amount set out in the most recent grant determination letter, the Department will notify the supplier within seven working days that the next payment will be increased by the amount of the underpayment or, at discretion, pay the supplier within seven working days the amount that was underpaid.

Unapplied discount adjustments

- 6.19 The intention of the RO to Exchequer scheme is to lower customers' bills. Therefore, suppliers should not receive support rate payments in respect of volumes and quantities to which the discount was not applied.
- 6.20 The volumes and quantities to which the discount are not applied are as described in paragraph 9 of the [Ministerial Direction](#).
- 6.21 To account for any of these volumes, suppliers should follow the below process to ensure that these undiscounted supply volumes are reported to DESNZ:
 - a) Following the end of each quarter, suppliers should submit a provisional undiscounted volume of energy for the previous quarter via email to LowerBillsTeam@energysecurity.gov.uk.
 - b) The submission should be completed using the template provided by DESNZ via email and be sent to the inbox no later than the 20th day of the month following the end of a quarter.
 - c) DESNZ will confirm receipt of these volumes and, if required, request any clarifications.

d) DESNZ will confirm the supply volume amount, and the funding proportional to these volumes will be adjusted into the reconciliation calculation made in month 3 of the following quarter, working as an additional adjustment to the reconciliation process.

e) DESNZ make reconciliation adjusted payment that includes adjustment for actual data from previous quarter, as well as for the unapplied discount volumes.

- 6.22 The intention of the RO to Exchequer scheme is to lower customers' bills. Therefore, suppliers should not receive support rate payments in respect of volumes and quantities to which the discount was not applied.
- 6.23 To account for this, following the end of each quarter suppliers should submit a provisional undiscounted volume of energy for the previous quarter. This is the volume of energy which was supplied but was not billed to a consumer or to which the discount was not applied. Further detail on this process including timings for reporting will be provided as part of subsequent guidance.
- 6.24 These volumes will be confirmed by DESNZ and grant funding proportional to these volumes will be adjusted into the reconciliation payment made in month 3 of the following quarter, working as an additional adjustment to the reconciliation process.
- 6.25 Suppliers should provide to DESNZ any further clarification as required for the purposes of verifying a suppliers estimates of the undiscounted volume.

7 Audit and compliance requirements

- 7.1 To ensure suppliers pass on the RO and ECO schemes discounts to customers, DESNZ has developed a multi-strand audit and assurance process, depending on tariff type. This will require suppliers to provide evidence demonstrating they have applied the mandated volumetric discount to either the unit rate, or the volume-weighted average unit rate for those tariffs with more than one unit rate, on 1 April 2026, ensuring customers receive the appropriate savings. Ofgem has set the price cap from 1 April 2026 to include the impact of these policy changes, which means the RO and ECO savings are already incorporated into the price cap level.
- 7.2 DESNZ, working closely with Ofgem, will use a proportionate and risk-based audit and assurance approach to consumers. By utilising existing processes and data provided to Ofgem where possible, DESNZ aims to minimise unnecessary administrative and financial burdens on suppliers. The overall audit and assurance approach is outlined below. We are still developing this approach, and this guidance will be expanded and updated as we finalise the detail.
- 7.3 In exceptional cases, where DESNZ agrees that a tariff cannot reasonably apply either of the two RO discount methodologies, suppliers should notify DESNZ as soon as possible (paragraph 3.6). This will ensure that such tariffs are not flagged as non-compliant and ensure recovery of any overcompensation of RO grant payments.

Tariffs subject to the price cap:

- 7.4 For tariffs legally subject to the price cap, no additional audit or passthrough assurance requirements will apply.
- 7.5 Ofgem will oversee and monitor relevant tariffs through the established price cap compliance framework. The price cap methodology for April 2026 incorporates the RO and ECO savings from 1 April 2026 onwards. This means the discount is automatically reflected in these tariff prices. Because these discounts are built directly into the price cap level, there is no role for DESNZ, with suppliers not required to provide any additional information and data to DESNZ. Ofgem will notify DESNZ if they deem a supplier to not be applying the RO or ECO discounts correctly.
- 7.6 SVTs which are not legally subject to the price cap, such as those with price cap derogations, will not automatically receive the discount and will be subject to the audit and passthrough requirements outlined below.

Tariffs not subject to the price cap and on supply on/before 31 March 2026

- 7.7 These tariffs are defined as active tariffs, which are not legally bound to the price cap, on supply up to and including 31 March 2026.

- 7.8 As part of the audit process for this cohort, DESNZ will request anonymised household-level billing data for consumption from energy suppliers. This will cover bills issued immediately before 1 April, and the first bills issued on or after 1 April. A sample of these accounts will be selected for review by a third-party independent auditor, who will assess whether that the RO discount and ECO savings has been correctly applied.
- 7.9 Non-standard tariffs can be described as any tariffs that fall outside standard SVT or fixed tariff structures. This can include (but is not limited to) tariffs without a single unit rate, or those which include additional charges for different supply types. For some non-standard tariffs², suppliers may apply a discount to the volume-weighted average unit rates based on average supply profiles for customers on that tariff. By using average supply weightings, we recognise that the volumetric discount may look different for individual customers on that tariff depending on their consumption profile.
- 7.10 The supply weightings will also need to be determined prior to the rates being set and are therefore likely to be based on historic supply weightings. This means that customers on that tariff may receive either more or less than the full saving on aggregate depending on the outturn supply profile (i.e. the profile of supply volumes which materialises in practice over the period that the discount is applied). The risk appetite is to accept a limited degree of customer level over/under compensation, on the basis that the delivery complexity of re-weighting would be disproportionate and potentially increase rather than diminish the risk to miscalculation.
- 7.11 Where the volume-weighted average unit rate approach is adopted, suppliers are not expected to evidence that every customer on that tariff has received the exact p/kWh volumetric discount required under the scheme. Instead, suppliers must be able to evidence that customers on that tariff would have received the full saving on aggregate had their estimated supply weightings matched the outturn supply profile. For the purposes of audit, this would likely involve providing the estimated supply profiles used to determine the unit rates, the outturn supply profiles to determine the aggregate saving by customers on that tariff, and individual customer consumption profiles to determine the actual saving received.
- 7.12 DESNZ will also compare individual sampling data with quarterly RFI (Request for Information) data, provided via an existing process to Ofgem from energy suppliers. These returns will be shared with DESNZ, who will examine the following:
- single unit rates (p/kWh)
 - multi-tier volume breaks
- 7.13 This data (again comparing the data set immediately before 1 April 2026 against the returns after 1 April 2026) will confirm that suppliers have correctly applied the mandated volumetric discount to either the unit rate, or the volume-weighted average

² *Non-standard tariffs* refer to any tariff that falls outside the Standard Variable Tariff or Fixed Tariff structures, including (but not limited to) those without a single unit rate or those which include additional charges for different supply types.

unit rate, which will confirm that customers have received the appropriate RO and ECO saving.

Tariffs not subject to the price cap and on supply on/after 1 April 2026

- 7.14 These tariffs are defined as tariffs that are on supply from, and after, 1 April 2026 - regardless of end date, which are not legally bound to the price cap. For these tariffs, suppliers will be incentivised to maintain the correct RO discount in order to provide a competitive rate. A lighter touch process will monitor the overall market and identify outliers who may not be applying the discount correctly.
- 7.15 Given the scale of Exchequer funding involved, it is essential to provide Ministers with assurance that the RO discount is being applied accurately across all tariffs throughout the intervention (2026-29), ensuring that public money is used appropriately and delivers value.
- 7.16 We will use market monitoring data provided by Cornwall Insights to provide assurance over future fixed price tariffs. We will apply three tests which, when taken together, deliver a proportionate and risk-based assurance approach towards monitoring these tariffs. This will cover both fixed tariffs and non-standard tariffs. Suppliers will not need to provide supplementary information provided that the relevant tariff passes at least one of these tests. The tests are outlined below as follows:

Test 1: Comparison with the price cap

- This test compares fixed tariffs to the level of the price cap under which they were introduced.
- Fixed tariffs which are offered at cheaper rates than the current price cap level are therefore considered highly likely to be compliant with the correct application of the RO discount (and ECO/GBIS costs reduced to zero).
- Tariffs which fail this test would move onto Test 2.

Test 2: Continuous elevation above the price cap

- This test assesses whether a fixed tariff is priced above the price cap on a one-off basis or persistently over time. Tariffs will initially be monitored over an 8-week period (we reserve the right to amend frequency as needed following the launch of the process).
- The test is designed to identify tariffs that are priced above the price cap on a consistent basis rather than merely temporarily elevated. This is particularly relevant where tariffs might be re-issued with a different pricing (for example, to reflect rising/falling commodity prices).

- By focusing on sustained elevation, this check helps distinguish genuine compliance risks from short term market movements or data anomalies, thereby reducing the risks of false positives.

Test 3: Elevated fixed tariff reasoning

- This test checks whether a fixed tariff which has failed the first two tests has done so because it is taking place during a period where wholesale prices are rising. This figure will be calculated using the wholesale cost look-ahead data available to DESNZ through ICIS. This is particularly important where elevated commodity prices could skew results above the price cap for a sustained period.

Crisis contingency

- 7.17 Should more than 50% of fixed tariffs fail all 3 tests, price changes will be treated as subject to external market forces. Under this scenario, DESNZ will continue monitoring fixed price tariffs however compliance actions will not be taken.
- 7.18 DESNZ will keep this approach under review and retains the right to refine the process where appropriate, including amending the 50% threshold if required.

Compliance actions

- 7.19 Should a fixed tariff fail all three tests, the DESNZ steady state team will contact the energy supplier via email. The supplier will be asked to demonstrate the following:
- a. That the rise in fixed tariff pricing is not caused by failure to pass on the correct RO discount rate
 - b. To do this, a supplier can either:
 - i. Demonstrate that the unit rate for the RO is applied at the equivalent level within the price cap, or below.
 - ii. If they cannot isolate the unit rate for the RO to demonstrate this, then they must evidence why the rise in costs is due to other line items in their calculations (e.g. a green energy tariff could demonstrate that gas costs, rather than electricity, have driven the rise in costs).
- 7.20 If the assurance provided at this first stage insufficient, the supplier will be requested to provide further evidence that the RO discount has been applied correctly at a meeting with DESNZ officials.
- 7.21 If the outcome of this meeting is that the RO discount has not been applied correctly, DESNZ will engage the compliance levers in the deed and may request the supplier submits a remedial action plan (paragraphs 7.21 – 7.26).

- 7.22 Should the supplier provide the necessary assurances that the discount has been applied correctly, the relevant tariff will be marked as approved for future checks. If it remains at the same proportionate level above the price cap, no further evidencing will be required during its lifetime.

Compliance levers in the deed (RO to Exchequer only)

- 7.23 The deed supplements the direction and sets out the terms under which DESNZ will provide grant funding to electricity suppliers.
- 7.24 The deed sets out under what circumstances the Department might take compliance action with a supplier, called an 'Event of Default'. These circumstances are as follows:
- A supplier fails to meet any of its obligations under the scheme.
 - The Secretary of State reasonably believes the supplier is about to fail to meet one of its scheme obligations.
 - The supplier provides information that is materially wrong or misleading.
 - The supplier is involved in bribery, fraud, or corruption connected to the RO costs scheme or their obligations.
 - The supplier acts dishonestly or with improper behaviour
 - An insolvency event has happened or is about to happen.
 - A court, tribunal, independent body, or the Secretary of State requires RO costs to be recovered because the supplier's actions have put the UK in breach of domestic subsidy control rules or international agreements.
 - After consulting Ofgem, the Secretary of State decides that taking action is necessary to achieve the aims of the policy, or to ensure the supplier complies with its obligations.
- 7.25 In these circumstances, DESNZ will write to the supplier explaining what has happened and setting out relevant details. If DESNZ considers that the situation is not capable of remedy it may take action at this stage: it has to discretion to suspend, reduce, or terminate the RO cost payments; require the supplier to repay all or part of the costs payment paid to the supplier.
- 7.26 If DESNZ takes the view the problem can be fixed, the supplier will be given a chance to remedy the situation under a remedial action plan which explains what went wrong and how the supplier intends to fix it. On receiving the written note from DESNZ, the supplier has five working days to submit this remedial action plan.
- 7.27 The remedial action plan must set out details of the issue and the steps which the supplier proposes to take to address it. This must include how the supplier will ensure that any reduction in household energy charges that should previously have been applied; or should be applied in future, will be given effect. It must also set out the timescales for taking the relevant remedial action.

- 7.28 DESNZ may approve or reject the plan, or ask the supplier to revise it. DESNZ will provide comments to the supplier as soon as reasonably practicable. If DESNZ rejects the remedial action plan, it will give the supplier its reasons for doing so and set out whether the supplier is required to submit an amended plan.
- 7.29 If DESNZ directs the supplier to submit an amended plan, DESNZ will set out a timeline for the supplier to provide this.
- 7.30 If DESNZ does not approve the final plan or the supplier fails to carry it out once approved, DESNZ may at its discretion take action such as suspending, reducing, or stopping RO cost payments, or requiring the supplier to repay some or all of past payments. DESNZ may take whichever of these steps it deems appropriate in the circumstances and this will be reflected in the grant determination letters.

End of scheme compliance

- 7.31 Suppliers will be required to engage with any end of scheme compliance requirements. DESNZ will provide further guidance on scheme closure in due course.

8 Insolvency processes

- 8.1 To receive each monthly payment for the following quarter of the scheme, suppliers are required to provide a declaration, signed by their Finance Director or someone in a similar senior financial compliance role.
- 8.2 The solvency template has been provided to suppliers in Annex 2 of the ministerial direction. Note that limb (a)(ii) of the definition is not intended to cover the withholding of payment where there is a bona fide dispute over e.g. whether a payment is due under a contract or the amount that is to be paid.
- 8.3 The declaration must confirm that an insolvency event has not occurred and that, having made reasonable enquiries, the Finance Director is not aware of any circumstances that could reasonably be expected to give rise to such an insolvency event for the quarter in which the statement is to be given.
- 8.4 An alternative provision will be put in place for any supplier operating under a Special Administration Regime (SAR), details of which will be communicated to them.
- 8.5 The declaration must cover the upcoming quarter for the duration of the scheme as follows:
- April 2026 and each April following;
 - July 2026 and each July following;
 - October 2026 and each July following;
 - January 2027 and each January following.
- 8.6 The declaration must be provided by no later than the 25th day (or the next working day if the 25th falls on a bank holiday or weekend) of the calendar month immediately prior to the relevant scheme quarter, or there is a risk of not receiving the payment. The declaration must be submitted to energyprocessing@energysecurity.gov.uk.

9 Annex A: Scheme Calendar

Table 4: Scheme Calendar

Timing	Action	Purpose
25 th March 2026, or two working days after a new supplier is granted a license	Name and contact details of the designated officer submitted by supplier	Support administration of the scheme
25 th March 2026, or two working days after a new supplier is granted a license	Supplier bank account details submitted by supplier	Supplier account set-up to receive payments
25 th March 2026, or two working days after a new supplier is granted a license	Deed signed and returned by supplier	Legal requirement to receive payments
25 th March, and then the 25th day (or the next working day if the 25 th falls on a bank holiday or weekend) of the calendar month immediately prior to the relevant scheme quarter	Solvency Statement provided by supplier to DESNZ	Secure release of payments
1 st April 2026, or as soon as possible after the tariff is brought to market	Suppliers request exemption from RO discounts (as set out in paragraph 9 of the ministerial direction)	Exemption granted by DESNZ
13 th April 2026, and then 2 working days before each subsequent payment is due	Grant determination letter issued to suppliers.	To inform suppliers of the pending payment amount under the RO to Exchequer scheme.
15 th of April 2026, and then the 5 th working day of each month	Monthly “confirmed” payment amount issued by DESNZ to supplier (baseline payment, and in the third month of the quarter, the reconciliation).	Payment issue
Third payment of each quarter	DESNZ will adjust “baseline” payment amounts to account for “reconciliation” amount to make up the “confirmed” payment amount.	Payment issue
Auditor Awarded	End of May	Decide external auditor for scheme
Audit goes live	June/July	Implement scheme audit process

This publication is available from: [Domestic energy tariff reductions 2026: guidance for energy suppliers - GOV.UK](#)

Any enquiries regarding this publication should be sent to us at:
LowerBillsTeam@energysecurity.gov.uk