

Green Gas Support Scheme

Annual Report 2021-2022

ofgem

Making a positive difference
for energy consumers



Foreword

It is my pleasure to introduce the first Green Gas Support Scheme (GGSS) annual report.

Decarbonisation of heat is central to achieving net zero, and the schemes we administer are an important part of the government's plan to tackle this. The Green Gas Support Scheme launched in November 2021, to provide financial support to those wishing to increase the proportion of green gas in the gas grid. According to estimates from the Department for Business, Energy & Industrial Strategy (BEIS), the scheme is expected to yield savings in the region of 8.2 million tonnes CO_{2e} over its lifetime.

With events worldwide resulting in rises in wholesale gas prices, the GGSS will also help to reduce our reliance on imported gas by increasing domestic production of biomethane.

This document is the first in a series of annual reports we will publish to keep stakeholders updated on the progress of the scheme. It contains information on the applications we have received, including the number of applicants and their intended capacity, and information on the associated Green Gas Levy which funds scheme payments. Future iterations of this report will also provide information on the payments made to scheme participants as the GGSS progresses.

In our role as scheme administrator, I'm proud of the work that Ofgem has done to oversee the successful launch of the GGSS. In addition to the GGSS we also deliver a number of other government schemes that support both decarbonisation and some of the most vulnerable in society. We are committed to helping support the UK's transition to net zero and these schemes are an important part of the changes we need to achieve this.

Philippa Pickford

Director, Delivery and Schemes



**Net
Zero**

The GGSS scheme will help decarbonise Great Britain's gas supplies by increasing the proportion of 'green' gas in the grid. The scheme forms an important part of the UK government's strategy to achieve net zero emissions by 2050.

**30 November
2021**

The scheme opened to applicants on 30 November 2021, and is open for applications for four years from this date.

**15
Years**

15 years of financial support is provided to registered biomethane producers.

**200k
Homes**

According to estimates from the Department for Business, Energy & Industrial Strategy (BEIS), during peak years of production, biomethane produced under the scheme will be enough to heat around 200,000 homes.

**8.2
Million
Tonnes CO₂e**

BEIS also estimate that 8.2 million tons of CO₂ equivalent in carbon savings will be achieved over the scheme's lifetime. This is equivalent to taking approximately 3.6 million cars off the road for a year.

Executive summary

This is the first Green Gas Support Scheme (GGSS) annual report, which provides an update on activity under the GGSS and associated Green Gas Levy (GGL) from launch on 30 November 2021 through to 31 March 2022.

The Green Gas Support Scheme

The GGSS opened to applications on 30 November 2021. Prospective scheme participants are required to follow a three-stage application process, which first involves securing a 'tariff guarantee' (TG) before their equipment is commissioned. Once commissioned, tariff guarantee holders may apply for full registration on the scheme. Once registered, scheme participants who meet the eligibility criteria and continue to comply with the scheme requirements, may receive quarterly periodic support payments on the eligible biomethane they inject into the grid for up to 15 years.

As of 31 March 2022 no biomethane plants had achieved registration on the scheme.

In total we received 11 applications for TGs during 2021-22. Of these, eight were issued with provisional TG notices and five of the eight went on to be granted a TG. There were also two that had their application's rejected.

As no biomethane plant had successfully registered by the end of March 2022, no biomethane was produced or payments made under the scheme during 2021-22.

The Green Gas Levy

In total there were 98 obligated suppliers under the GGL, and one supplier that was determined to be provisionally exempt for 2022-23.

The first levy payment was not due to be paid until May 2022, so as of the end of the scheme year no levy payments had been made by scheme suppliers.

On 25 February 2022, Ofgem confirmed credit cover requirements for the upcoming quarter to scheme suppliers. The deadline to provide credit cover, if required, was 24 March 2022. There were three cases of non-compliance, two instances due to providing credit cover after the deadline and one instance of credit cover not being provided.

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Feedback

We value your feedback on this report. Please contact us at SchemesReportingFeedback@ofgem.gov.uk with any comments or suggestions.

About the scheme

The Green Gas Support Scheme (GGSS) is a government scheme designed to increase the proportion of green gas in the gas grid, by supporting the deployment of new anaerobic digestion (AD) biomethane plants. The scheme is open to applications from eligible plants in England, Scotland and Wales until 30 November 2025.

Support under the GGSS is provided to registered biomethane producers based on the volume of eligible biomethane (produced from AD) that they inject into the gas grid. Prospective scheme participants are required to follow a three-stage application process, which will first involve securing a 'tariff guarantee' before their equipment is commissioned. Once commissioned, tariff guarantee holders may apply for full registration on the scheme. Once registered, scheme participants who meet the eligibility criteria and continue to comply with the scheme requirements may receive quarterly periodic support payments for the eligible biomethane they inject for up to 15 years.

The GGSS is funded through the Green Gas Levy (GGL), which places an obligation on all licensed fossil fuel gas suppliers in Great Britain (excluding those who supply at least 95% certified green gas) to pay a quarterly levy based on the number of meter points they serve.

Ofgem (on behalf of the Gas and Electricity Markets Authority) is the administrator of the GGSS and associated GGL. We administer the GGSS in line with the Green Gas Support Scheme Regulations 2021¹, which came into force on 30 November 2021.

The GGSS opened to applications at 9am on 30 November 2021 when our application portal ("the GGSS Portal")² went live.

Our dedicated GGSS and GGL web pages³ provide further information for prospective applicants, obligated suppliers or those interested in finding out more about the scheme. This includes information on the eligibility requirements, the tariffs that are available, how to apply and information on supplier obligations.

We have also published dedicated GGSS⁴ and GGL⁵ guidance documents, which further explain our administration of the scheme, including guidance on:

¹ [Green Gas Support Scheme Regulations 2021](https://www.legislation.gov.uk/ukxi/2021/1335/contents/made)
<<https://www.legislation.gov.uk/ukxi/2021/1335/contents/made>>

² [The GGSS portal](https://ggss.ofgem.gov.uk/) <<https://ggss.ofgem.gov.uk/>>

³ [Green Gas Support Scheme and Green Gas Levy webpages](https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy)
<<https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy>>

⁴ [GGSS Guidance](https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance) <<https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance>>

⁵ [GGL Guidance](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance) <<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>>

GGSS

- How to apply for a tariff guarantee
- How to register as a scheme participant once commissioned
- Tariffs, tariff tiers and tariff start dates
- Ongoing obligations on participants
- How to submit periodic data and receive payments

GGL

- How to submit meter point data
- The provision of credit cover
- Making levy payments
- Our approach to compliance and enforcement
- Levy exemptions

This report fulfils our obligation to publish a report annually by 31 July⁶, containing information on scheme activity. This first annual report covers the period from scheme launch on 30 November 2021 to 31 March 2022.

⁶ Regulation 65(3)(b) of the Green Gas Support Scheme Regulations 2021

1. Applications for Registration

- 1.1. Prospective scheme participants are required to follow a three-stage application process which will first involve securing a 'tariff guarantee' (TG) before their equipment is commissioned. Once commissioned, tariff guarantee holders may apply for full registration on the scheme. Once registered, scheme participants who meet the eligibility criteria and continue to comply with the scheme requirements may receive quarterly periodic support payments on the eligible biomethane they inject into the grid for up to 15 years.

Registered Scheme Participants

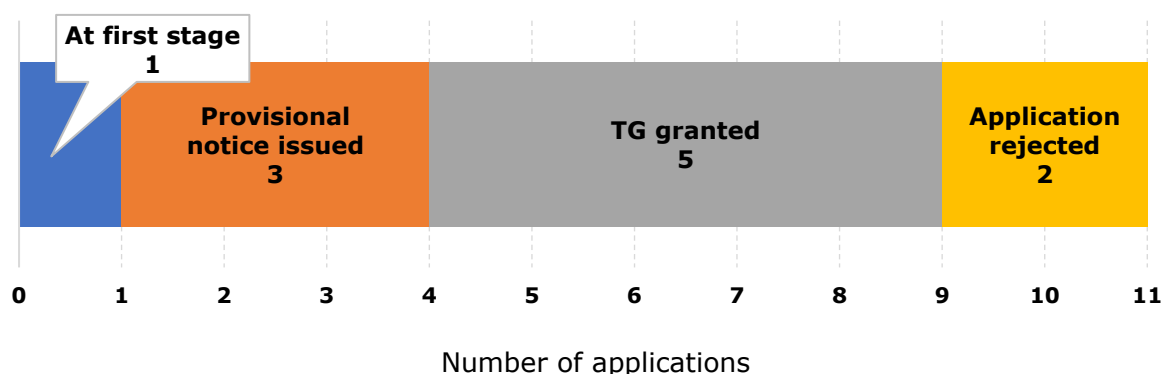
- 1.2. As of 31 March 2022 no biomethane plants had achieved registration on the scheme.

Tariff Guarantee Applications

- 1.3. TGs are designed to provide increased certainty to developers and investors, by allowing a tariff rate to be secured before an installation is commissioned and fully registered on the scheme. They also act as an important budget control mechanism.
- 1.4. **Figure 1.1** below gives an overview of the status of TG applications received as of the end of March 2022.⁷

Figure 1.1: Status of TG applications received during 2021-22

This chart shows the status of the 11 TG applications received during 2021-22. One is at the first stage of review, three have provisional notices issued, five TGs have been granted and two have been rejected.



⁷ Information on the application process and up to date information on the applications received can be found on our website. [Information on GGSS application process and applications received](https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy/applicants): <<https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy/applicants>>

- 1.5. The expected maximum initial capacity (MIC)⁸ of biomethane in relation to the five granted TG applications, is 52,998,000 m³. If tariff guarantees are issued in relation to the remaining four applications, the total expected MIC would be 84,534,000 m³.
- 1.6. The TG applications received are split between Scotland and England with five in Scotland and four in England. At the time of writing, no applications have been received from projects in Wales.

Additional Capacity Applications

- 1.7. In addition to the MIC applicable to their initial registration, scheme participants may also apply to register additional capacity which is subject to the same application process.
- 1.8. As of 31 March 2022, we had received no applications for additional capacity. Applications for additional capacity may only be made by registered participants, so we cannot receive any applications for additional capacity until participants have been registered.

⁸ "Maximum initial capacity" means the maximum volume of biomethane, expressed in cubic metres per year, which a biomethane producer is entitled to supply for injection under the 'network entry agreement' between the biomethane producer and the relevant network.

2. Biomethane produced & payments made

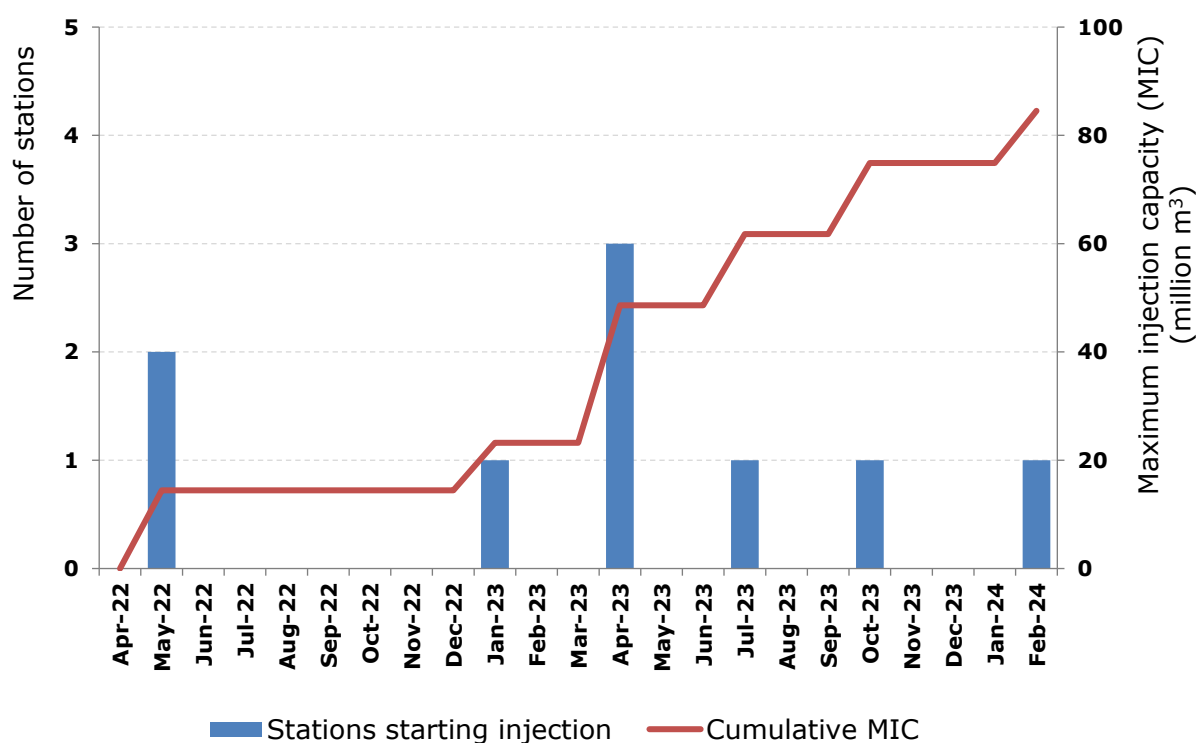
- 2.1. As no biomethane plant had successfully registered by the end of March 2022, no biomethane was produced or payments made under the scheme during 2021-22.

Expected Injection Dates

- 2.2. **Figure 2.1** shows when applicants expect to commence injection, after which they will start to receive support payments should they successfully register as a GGSS participant. Please note that applicants have until 182 days after their expected injection date or 30 November 2025 (whichever is earlier), to commence injection and submit their properly made application for registration. Therefore, the dates illustrated below may vary accordingly.

Figure 2.1: Expected commencement of injection forecast

This chart shows a forecast of when TG applicants expect to commence injection. Two of the nine are in May 2022, with the remainder spread between January 2023 and February 2024. The MIC rises to a total of over 84 million m³ by February 2024.



3. The Green Gas Levy

- 3.1. The GGSS is funded by a levy placed on all licensed fossil fuel gas suppliers in Great Britain, known as the Green Gas Levy (GGL). The levy rate is set annually by BEIS, and the obligation period runs the full duration of a scheme year (1 April to 31 March). Levy payments are due on a quarterly basis, and the first levy payment was due to be made in May 2022.
- 3.2. At the start of each quarter, all licensed suppliers are required to submit meter point data. For each gas supply licence held, suppliers must provide the cumulative sum of gas supply meter points served each day of the previous quarter.⁹ This data will be used by Ofgem to calculate each supplier's levy obligation for that quarter, as well as the following quarter's credit cover requirement.
- 3.3. It is the supplier's responsibility to confirm accurate meter point data for each licence within the timeframes set out in the published scheme schedule which is available on the Ofgem website.¹⁰
- 3.4. Prior to a levy payment being due, obligated suppliers are required to have a sufficient level of credit cover¹¹ lodged. This helps ensure levy payments are collected in a timely manner and reduces the likelihood of a mutualisation¹² event being required. Where a supplier fails to make a levy payment or mutualisation payment in full by the due date, Ofgem will draw down funds from a supplier's lodged credit cover.
- 3.5. Suppliers of at least 95% green gas can be exempted from paying the levy. Before each scheme year, suppliers may submit evidence to Ofgem demonstrating the likelihood that they will be providing at least 95% green gas in that scheme year and Ofgem will determine whether that supplier should be 'provisionally exempt'. Provisionally exempt suppliers will not have to pay the levy or provide credit cover during the scheme year.
- 3.6. At the end of the relevant scheme year, provisionally exempt suppliers must demonstrate that they have supplied at least 95% green gas during that year. If they cannot demonstrate this, they will no longer be exempt from the levy and will be required to make backdated levy payments.

⁹ Regulation 48 of the Green Gas Support Scheme Regulations 2021

¹⁰ [GGL scheme schedule Feb 2022 to March 2023](https://www.ofgem.gov.uk/publications/green-gas-levy-annual-scheme-schedule-february-2022-march-2023): <<https://www.ofgem.gov.uk/publications/green-gas-levy-annual-scheme-schedule-february-2022-march-2023>>

¹¹ Credit cover can be in the form of a cash payment made to Ofgem, a suitable letter of credit or a combination of these. [Further details in our Guidance on the GGL scheme](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance): <<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>>

¹² For further information on mutualisation please refer to chapter 6 of our GGL guidance.

Scheme Suppliers and Levy Payments

- 3.7. **Table 3.1** shows the number of obligated suppliers under the scheme. The number of obligated suppliers can vary quarter to quarter dependent on licence revocation and/or approval of gas supply licenses. One supplier has been determined to be provisionally exempt for 2022-23.
- 3.8. The first levy payment was not due to be paid until May 2022, so as of the end of the scheme year no payments had been made by scheme suppliers.

Table 3.1: Scheme suppliers and levy payments made

Number of scheme suppliers	98
Number of provisionally exempt scheme suppliers	1
Sum of the quarterly levy payments paid by scheme suppliers	N/A

Supplier Compliance

- 3.9. On 25 February 2022, Ofgem confirmed credit cover requirements for the upcoming quarter to scheme suppliers. The deadline to provide credit cover, if required, was 24 March 2022. There were three cases of non-compliance over the reporting period, two instances due to providing credit cover after the deadline and one instance of credit cover not being provided.
- 3.10. Ofgem is required by GGSS Regulations to publish certain information about such defaults on the Green Gas Levy default register.¹³ The three incidents were added to the default register and published on the Ofgem website on 04 April 2022. These incidents will also be added to the Supplier Performance Report (SPR).¹⁴ In subsequent reports, after the first levy payments have been made, we may report here on:
- Instances of a supplier failing to pay, or making a late payment of:
 - A quarterly levy payment
 - A levy credit payment
 - A payment of additional credit cover
 - A mutualisation payment
 - Instances of Ofgem:
 - Drawing down on a supplier's credit cover
 - Carrying out a mutualisation process

¹³ [Green Gas Levy default register](https://www.ofgem.gov.uk/publications/green-gas-levy-default-register) <<https://www.ofgem.gov.uk/publications/green-gas-levy-default-register>>

¹⁴ [Information on the SPR](https://www.ofgem.gov.uk/supplier-performance-report-spr): <<https://www.ofgem.gov.uk/supplier-performance-report-spr>>

4. Looking forward

- 4.1. The 2022-23 year will mark the scheme moving into a new phase and also see the first anniversary of the November 2021 launch of the GGSS. Following the granting of tariff guarantees, we expect to receive the first applications for registration and make the first GGSS payments. As the scheme progresses we will review our administrative processes to ensure they are working as expected and effectively.
- 4.2. In 2022-23 we expect to see the first annual sustainability and Renewable Transport Fuel Obligation (RTFO) interaction audit reports being submitted. Our own audit programme will also commence, and it remains our intention that all registered installations will be subject to a site audit during the first year after commissioning. This will provide us with robust assurance that participants are complying with scheme rules. It also gives participants an opportunity to rectify any issues identified, early in their GGSS registration lifetime.
- 4.3. The GGSS is still in the early stages of delivery and we will continue to develop the user experience for applicants and participants. As a part of this we will continue to refine the online GGSS Portal to improve usability and accessibility.
- 4.4. User testing is a cornerstone of our development, providing invaluable feedback from a variety of stakeholders, including those with additional access needs. If you are interested in participating in our user testing, please contact us at Future.Heat@ofgem.gov.uk.
- 4.5. In addition to developing our external user portals, we also look for opportunities to refine our GGSS and GGL guidance. The aim of our guidance is to explain the regulatory and administrative framework in which we deliver the GGSS and GGL. Ultimately, for eligible applicants and participants this will help them to make successful applications and receive payments, and help suppliers understand how to meet their levy obligations. Any updates made to guidance are listed in the 'Updates to GGSS/GGL Guidance' document which is published alongside the GGSS and GGL guidance on our website. This helps to provide transparency around this process.
- 4.6. Stakeholder engagement is vital for the success of the GGSS, and we are committed to continuing the open dialogue we have established with industry stakeholders. We have presented at industry events and hosted our own GGSS Forum, which was a success that helped lay the groundwork for future engagement over the lifetime of the scheme. Future GGSS Forums will be used to discuss how the scheme administration is working for stakeholders.

Appendix 1: Associated documents

- The Green Gas Support Scheme Regulations 2021 can be viewed on the legislation.gov.uk website:
[Green Gas Support Scheme Regulations:](https://www.legislation.gov.uk/uksi/2021/1335/contents/made)
<<https://www.legislation.gov.uk/uksi/2021/1335/contents/made>>
- Guidance documents on the GGSS can be viewed on the Ofgem website:
[Ofgem's GGSS guidance:](https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance)
<<https://www.ofgem.gov.uk/publications/green-gas-support-scheme-guidance>>
- Guidance documents on the GGL scheme can be viewed on the Ofgem website:
[Ofgem's GGL guidance:](https://www.ofgem.gov.uk/publications/green-gas-levy-guidance)
<<https://www.ofgem.gov.uk/publications/green-gas-levy-guidance>>
- More information on the GGSS & GGL can be found by using the link to the Ofgem website below:
[Information about the GGSS and GGL schemes:](https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy)
<<https://www.ofgem.gov.uk/environmental-and-social-schemes/green-gas-support-scheme-and-green-gas-levy>>
- The Department for Business, Energy & Industrial Strategy (BEIS) is responsible for the GGSS and GGL policy.
[BEIS website on the GGSS & GGL scheme:](https://www.gov.uk/government/publications/green-gas-support-scheme-ggss)
<<https://www.gov.uk/government/publications/green-gas-support-scheme-ggss>>