

To: All holders of an electricity generation licence

NOTICE OF PROPOSED MODIFICATION PURSUANT TO SECTION 11A OF THE ELECTRICITY ACT 1989 OF THE STANDARD CONDITIONS OF THE ELECTRICITY GENERATION LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(a) OF THE ELECTRICITY ACT 1989.

WHEREAS:

1. Each of the companies to whom this Notice is addressed holds an electricity generation licence granted, or treated as granted, pursuant to section 6(1)(a) of the Electricity Act 1989 (the "Act").
2. In accordance with section 11A(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority") gives notice ("Notice") that it proposes to modify the standard conditions of the electricity generation licences by:
 - a. amending standard condition 1.1; and
 - b. amending standard condition 16B.
3. Subject to responses, it is intended that the modifications will take effect on 4 May 2010.
4. The reasons why the Authority proposes to make these modifications have been published by the Authority in the following documents:
 - a. Ofgem's covering letter dated 4 February 2010;
 - b. Energy Supply Probe - Proposed Retail Market Remedies (99/09), 7 August 2009;
 - c. Energy Supply Probe - Proposed Retail Market Remedies (41/09), 15 April 2009;
 - d. Energy Supply Probe - Initial Findings Report (140/08), 6 October 2008.

These documents are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003) or from the Ofgem website at www.ofgem.gov.uk.

5. The main effects of the proposed licence modifications are summarised as follows:
 - a. to ensure that the definition of "Affiliate" in standard condition 1.1 relates to the provisions of the Companies Act 2006;
 - b. in relation to standard condition 16B:
 - i. to clarify that the requirements only apply to a Relevant Licensee;
 - ii. to give Relevant Licensees a choice as to whether they provide reconciliation information in relation to either UK statutory accounts or consolidated group accounts.

6. The proposed modifications are set out in the schedule to this Notice.
7. Any representations or objections to the proposed modifications may be made before 18 March 2010 and sent to:

Stefan Bojanowski
Retail Markets
Ofgem
9 Millbank
London SW1P 3GE

Or by email to energysupplymarketsp@ofgem.gov.uk

8. Although any person may make representations, only those licensees who are "relevant licence holders" under paragraph section 11A(10) of the Act may register a formal objection to any proposed modification.

Andrew Wright
Senior Partner, Markets
Ofgem
Authorised on behalf of the Authority

04/02/2010

SCHEDULE

PROPOSED MODIFICATION PURSUANT TO SECTION 11A OF THE ELECTRICITY ACT 1989 OF THE STANDARD CONDITIONS OF THE ELECTRICITY GENERATION LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(a) OF THE ELECTRICITY ACT 1989.

1. Proposed modifications to the definition of "Affiliate" in paragraph 1 of standard condition 1:

"affiliate" in relation to any person means any holding company of such person, any subsidiary of such person or any subsidiary of a holding company of such person, in each case within the meaning of sections ~~1159 and 1160 of the Companies Act 2006~~ ~~736, 736A and 736B of the Companies Act 1985.~~

2. Proposed modifications to standard condition 16B:

Condition 16B. Financial information reporting

1. The Relevant Licensee must prepare and publish on its Website a Consolidated Segmental Statement in respect of information relating to the revenues, costs and profits of ~~the licensee's~~ activities in the generation and supply of electricity and the supply of gas to any premises taking account of the Guidelines.
2. Where applicable, the Relevant Licensee must prepare and publish the Consolidated Segmental Statement referred to in paragraph 1 in conjunction with any Affiliates (the "Relevant Affiliates") which hold any or all of the following:
 - (a) a supply licence granted or treated as granted under section 6(1)(d) of the Act;
 - (b) a generation licence granted or treated as granted under section 6(1)(a) of the Act;
 - (c) a supply licence granted or treated as granted under section 7A(1) of the Gas Act 1986.
3. The Relevant Licensee must in conjunction with the Relevant Affiliates prepare and publish a Consolidated Segmental Statement no later than six months after the end of the ~~Relevant Licensee's~~ financial year.
4. The Relevant Licensee may for the purpose of preparing the statement referred to in paragraph 3 prepare and compile the information according to the licensee's annual accounting procedures. The ~~Relevant Licensee's~~ must include in every such statement an explanation:
 - (a) of how ~~the licensee's~~ defines the terms revenues, cost and profits;
 - (b) of how the revenues, costs and profits can be reconciled with ~~the licensee's~~ UK statutory accounts ~~and where applicable or~~ the consolidated group accounts; and
 - (c) of ~~the licensee's~~ transfer pricing methodology and how this relates to the revenues, costs and profit information published.

5. The Relevant Licensee must ensure that all the information prepared and made public pursuant to paragraph 3 is in all material respects consistent with the information prepared pursuant to paragraph 4 and the information is presented with a clear and full explanation.
6. The Authority shall prepare Guidelines in relation to the requirements of this condition and may modify, in whole or in part, the Guidelines following consultation with the Relevant Licensees.
7. For the purposes of this condition:

"Consolidated Segmental Statement" means a statement as described in the Guidelines.

"Guidelines" mean the document prepared by the Authority pursuant to paragraph 6 setting out the nature of the information required and the template for the presentation of the financial information.

"Relevant Licensee" means the holder of an electricity -generation licence granted or treated as granted under section 6(1)(a) of the Act if any of ~~the—licensee's~~ Relevant Affiliates- Affiliates jointly supply electricity to more than 50,000 customers or gas to more than 50,000 customers respectively.

"Website" means a website controlled and used by the Relevant Licensee~~licensee~~ for the purposes of providing information and communication.