

To: All holders of an Electricity Supply Licence

**Electricity Act 1989
Section 11A(2)**

**Notice of statutory consultation on a proposal to modify the standard conditions
of all Electricity Supply Licences**

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the standard conditions of all electricity supply licences granted or treated as granted under 6(1)(d) of the Electricity Act 1989 by amending standard licence conditions (SLC) under section 11A (1)(b) of the Act by inserting SLC 24A to all the Electricity Supply Licences as set out in Appendix 1 to this notice.
2. We are proposing this modification to require all suppliers acquiring a domestic customer to pay a 'Market Stabilisation' charge (representing a portion of the cost to the losing supplier of unwinding their hedge) to the losing supplier once wholesale prices have fallen below a pre-set trigger point. A detailed description of the reasons for and the effects of this proposed licence modifications has been published by the Authority in the accompanying consultation, which can be found at:
 - www.ofgem.gov.uk/publications/building-energy-market-resilience
 - Alternatively, they are available from foi@ofgem.gov.uk.
3. The effect of this proposed modification is to protect consumers from substantial SoLR/SAR mutualisation costs and/or long term reductions in competition if wholesale market volatility forces supplier exits.
4. The proposed modifications are set out in Appendix 1. One term in Appendix 1 is expressed in square brackets ([]). This is because the section of the Retail Energy Code that will contain the payment mechanism is to be determined by a Working Group which is to be convened in January 2022. Ofgem intends to make a minor administrative change to insert the correct cross reference into the licence at the point we publish our decision once the Working Group has identified the appropriate section. Alongside this notice we have published a consultation setting out the background to the proposed amendments.
5. Any representations with respect to the proposed licence modification/modifications must be made on or before Monday 17th January 2022 to: Henry Kemp, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to retailpolicyinterventions@ofgem.gov.uk.
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

¹ ¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

[Signature of SP/Acting SP/AP]

.....
**[SP/Acting SP/AP Name] Duly authorised on behalf of the
Gas and Electricity Markets Authority**

[Date]

Appendix 1 - Proposed modifications to the standard conditions of all electricity supply licences

New text is denoted by double underlining.

Condition 24A. Market Stabilisation Charge

Obligation to pay Market Stabilisation Charge

24A.1 If the licensee is an Acquiring Supplier in respect of a Domestic Customer, and the Losing Supplier Loss Trigger is met in respect of that Domestic Customer, it must pay the Market Stabilisation Charge (if any) calculated, administered and otherwise in accordance with:

- (a) any guidance issued by the Authority on this SLC 24A; and
- (b) the requirements of [section x] of the Retail Energy Code,

24A.2 to such person as may be specified in the Retail Energy Code and for the benefit of the relevant Losing Supplier.

Guidance

24A.3 The licensee must have regard to any guidance on this SLC 24A (including in respect of definitions which appear in standard condition 1) which, following consultation, the Authority may issue and may from time-to-time revise.

Duration of the obligation to pay the Market Stabilisation Charge

24A.4 SLC 22A will cease to have effect at 23:59 on 30 September 2022, or such later date, no later than 31 March 2023, as specified by the Authority publishing a statement in Writing.

Definitions for condition

24A.5 For the purposes of this condition:

Acquiring Supplier means in respect of a Domestic Customer, a licensee to whom a Domestic Customer switches from a Losing Supplier.

Losing Supplier means, in respect of a Domestic Customer the licensee from whom a Domestic Customer switches to an Acquiring Supplier.

Losing Supplier Loss Trigger shall, in respect of a Domestic Customer, have the meaning set out in guidance issued by the Authority on this SLC 24A.

Market Stabilisation Charge means, in respect of a Domestic Customer, the fee of that name calculated in accordance with guidance issued by the Authority on this SLC24A.