

Notice under Sections 6B(3) and 8A(3) of the Electricity Act 1989

The Gas and Electricity Markets Authority ("the Authority")¹ hereby gives notice pursuant to Sections 6B(3) and 8A(3) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to grant an electricity transmission licence ("the Licence") under Section 6(1)(b) of the Act to Mersey Reactive Power Limited (company number 12650628), whose registered office is situated at Gables Lodge, 62 Kenilworth Road, Leamington Spa, England, CV32 6JX, Great Britain ("the Company"). The application for a licence was made on 1 September 2020.
2. The Licence, if awarded, will authorise the Company to:
 - a. operate and maintain a 400kV shunt reactor under contract with National Grid Electricity System Operator Limited (NGESO);
 - b. participate in the transmission of electricity within the area specified in Schedule 1 to the Licence; and
 - c. undertake licensable activity for a period from 1 April 2022 until the Licence is revoked in accordance with its terms.
3. The reasons why the Authority proposes to grant the Licence are:
 - a. the Authority is satisfied that the Company meets the standard requirements in accordance with Authority's licence assessment checks²;
 - b. the Authority is satisfied that the proposed activity constitutes participation in the transmission of electricity and that the Company requires the Licence to operate the shunt reactor lawfully and fulfil its service contract with NGESO;
 - c. the Authority considers that there are no significant risk of adverse impacts on consumers from the granting of the Licence to the Company, particularly because the licence will be geographically limited and may be revoked once the Company's contract with NGESO terminates; and
 - d. the Authority has concluded that the modified standard conditions within the Licence are appropriate because the Company's participation in the transmission of electricity is limited to a narrow, specific purpose of delivering the reactive power service to the NGESO under a commercial agreement within a specific geographic area.

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

² <https://www.ofgem.gov.uk/industry-licensing/how-become-licensed-gas-or-electricity-company>

4. The Authority proposes to disapply certain standard conditions. The reasons and effects of these proposed modifications and other documents referred to in this Notice have been published on our website³, alternatively they are available from foi@ofgem.gov.uk.
5. The Authority proposes to apply a modified version of Standard Condition A1 in the Licence. The conditions that apply to the Licence are set out in the Terms of the Licence in appendix 1 to this Notice.
6. The effect of these modifications to Standard Condition A1 will be to:
 - a. restrict the area of operation of the Licence to the specific geographical area occupied by the shunt reactor, by modifying the definition of a transmission area; and
 - b. establish a direct link between the provision of services via contract to the system operator under the definition of a transmission business.
7. The Authority proposes to make these modifications because:
 - a. we consider there is a strong public interest in applying a specific geographic limitation to the transmission area for the Licence to prevent encroachment into the transmission activity areas of other Transmission Operators. This will mitigate the risk of more than one operator operating on the same site with potentially duplicate infrastructure, activities, and duties, which would result in significant additional costs being borne by consumers.
 - b. we consider it important to ensure the definition of “transmission business” is specifically linked to the contract between the Company and the system operator, as this contract is key to the operation of the transmission business and the expected term of the licence.
8. In accordance with s8A(6) of the Act, the Authority is of the opinion that, because the holders of transmission licences do not compete directly with each other, these modifications are such that:
 - a. the Company would not be unduly disadvantaged in competing with other holders of transmission licences; and
 - b. no other holder of a transmission licence would be unduly disadvantaged in competing with other holders of transmission licences.
9. Any representations or objections with respect to the proposed Licence or the proposed amendments to the Standard Conditions may be made on or before 9th February 2022 and should be addressed to: Industry Codes and Licensing, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to licensing@ofgem.gov.uk.

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David Hall

Duly authorised on behalf of the Authority

12 January 2022

Annex 1

STANDARD CONDITIONS PARTICULAR TO THIS LICENCE

Amended Standard Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

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| “transmission area” | means the area specified in Schedule 1 to the licensee’s transmission licence terms. |
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| “transmission business” | <p>means the authorised business of the licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance of a shunt reactor forming part of the national electricity transmission system, under contract with the system operator, but shall not include:</p> <ul style="list-style-type: none">(i) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or(ii) any other business of the licensee or any affiliate or related undertaking, including any business or activity not specified within this definition, or the provision of such services to any person other than the system operator. |