

To: All holders of an electricity supply licence

**Electricity Act 1989
Section 11A(1)(b)**

Modification of the standard conditions of all electricity supply licences

1. Each of the licensees to whom this document is addressed has a supply licence which has been granted or treated as granted under Section 6(1)(d) of the Electricity Act 1989 (the Act).
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 15th December 2021 ('the Notice')² that we propose to modify the standard conditions (SLC) under section 11A(1)(b) of the Act by introducing a new SLC 24A: "Market Stabilisation Charge" (MSC). We stated that any representations to the modification proposal must be made on or before 17th January 2022.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 23 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website³. Our response to these comments is set out in the accompanying Decision document:

<https://www.ofgem.gov.uk/publications/decision-short-term-interventions-address-risks-consumers-market-volatility>
5. It is necessary to make a few minor alterations to the modifications set out in the Notice. These alterations are shown in the attached Schedule 1 and are designed to:
 - a. clarify which documents licensees will need to look to for the relevant mechanics of the MSC and for the creation of the obligation to pay;
 - b. remove a placeholder reference to a specific part of the Retail Energy Code, as the specific part of the Retail Energy Code that will contain the administrative details has not yet been identified;
 - c. allow the Authority to withdraw the mechanism if it has cause to do so;
 - d. correct a typographical error in the numbering convention; and
 - e. correct an internal cross reference.
6. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 of this Decision Notice are to clarify policy intent based on consultation responses and to correct minor typographical errors.

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

²³ Statutory consultation (Statutory Consultation on potential short-term interventions to address risks to consumers from market volatility, December 15, 2021): <https://www.ofgem.gov.uk/publications/statutory-consultation-potential-short-term-interventions-address-risks-consumers-market-volatility>

7. We are inserting the condition on a temporary basis 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 decision document.
8. In summary, the effect of this proposed modification is to help further stabilise the retail market by addressing the risks posed to consumers by the current extraordinary market conditions.
9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules⁴ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(b) of the Act, we hereby modify the standard licence conditions for all electricity supply licences in the manner specified in attached Schedule 1. This decision will take effect from 14 April 2022.

This document is notice of the reasons for the decision to modify the electricity supply licences as required by section 49A(2) of the Act.



**Neil Barnes,
Deputy Director, Retail Policy & Innovation**

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

16th February 2022

⁴ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Schedule 1 - Proposed modifications to the standard conditions of all Electricity Supply Licences

New text is denoted by double underlining, deletions are shown in strikethrough and changes from the Notice are highlighted in yellow

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) calculated in accordance with the ~~any~~ guidance issued by the Authority on this SLC 24A; and
- (b) administered in accordance with 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.23~~ 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.34 SLC 224A 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 unless the Authority specifies that the condition will cease to have effect at an earlier date by publishing a statement in Writing.

Definitions for condition

24A.45 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.

Schedule 2 - List of the relevant licence holders in relation to this modification

This modification is applicable to all Electricity Supply (Domestic Only) licence holders as listed on our website:

<https://www.ofgem.gov.uk/publications/list-all-electricity-licensees-including-suppliers>