

**To: All holders of a gas supply licence**

**Gas Act 1986  
Section 23(1)(b)**

**Modification of the standard conditions of all gas 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 7A(1) of the Gas Act 1986 ('the Act').
2. Under section 23(2) of the Act the Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> gave notice on 15 December 2021 ('the Notice') that we propose to modify standard condition:
  - 19AA (Additional reporting requirement)
  - 28C (Milestone assessments)

We stated that any representations to the modification proposal must be made on or before 17 January 2022.

3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 16 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying Decision document.
5. We considered responses to the Notice and we have made some changes to our proposals, which are reflected in the Guidance documents. However, these changes do not require further amendments to the licence.
6. We are making these licence changes to increase regulatory scrutiny of supplier growth and to strengthen checks on significant commercial and personnel developments. The effect of these modifications is to temporarily constrain a supplier's ability to grow when it reaches certain customer thresholds while checks are conducted thereby protecting consumers from potential harm caused by unchecked, unsustainable supplier growth. The modifications are set out in Schedule 1 to this notice. The effect of these modifications is also to temporarily pause suppliers' significant commercial developments and certain personnel changes while the Authority conducts assessments aimed at guarding against these developments leading to consumer harm.
7. We intend these modifications to function together as part of a package. The effect of these modifications will also be to protect consumers by mitigating the harmful effects associated with unchecked and unsustainable supplier growth, and poor supplier business practices.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority

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

Rules<sup>2</sup> 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 23(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers contained in section 23(1)(b) of the Act, we hereby modify the standard licence conditions for all gas supply licences in the manner specified in attached Schedule 1. This decision will take effect from 1 April 2022.

This document is notice of the reasons for the decision to modify the gas supply licences as required by section 38A of the Act.

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**Rebecca Barnett,**  
**Deputy Director, Financial Resilience and Controls**

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

**4 February 2022**

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<sup>2</sup> CMA70 [Energy Licence Modification Appeals: CMA Rules \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

## Schedule 1: modifications to the standard conditions of all gas supply licences

New drafting is underlined while existing drafting being deleted is ~~struck through~~.

### **Condition 19AA. Additional reporting requirement Notification requirements regarding significant commercial/personnel developments**

19AA.1 The licensee must notify the Authority of any change in any of the matters listed in ~~19AA.2 SLC 19AA.5~~, promptly and within a reasonable timescale.

19AA.2 Unless the Authority otherwise directs, the licensee shall:

- a) not enter into a binding agreement for a Trade Sale or Trade Purchase;
- b) not conclude arrangements which, if carried into effect, will result in the creation of a Relevant Merger Situation;
- c) take all reasonable steps not to allow a change in Person with Significant Control in respect of the licensee; or
- d) take all reasonable steps not to allow a change in person with Significant Managerial Responsibility or Influence in respect of the licensee,

until such time as the licensee has provided any information required by the Authority (whether identified in any guidance issued under this SLC 19AA or in response to a notification from the licensee) to complete its SLC 19AA Assessment and the Authority has notified the licensee that it has completed a SLC 19AA Assessment.

19AA.3 The licensee must have regard to the findings of any SLC 19AA Assessment conducted pursuant to this SLC 19AA and notified to it.

19AA.4 The licensee is not required to comply with SLC 19AA.2 to such extent and subject to such conditions as the Authority may from time-to-time direct.

~~19AA.2~~19AA.5 The matters referred to in ~~paragraph~~ SLC 19AA.1 are the following:

- a) whether the licensee is entering into a binding agreement for a Trade Sale or a Trade Purchase, and for the avoidance of doubt, the notification should take place in accordance with the number of days required for notification as specified in or determined under guidance issued by the Authority on this SLC 19AA before the licensee enters into such an agreement;
- b) the address of the licensee's registered office;
- c) the e-mail address of the licensee's regulatory contact;
- d) whether the licensee is an Active Supplier in respect of Domestic Customers and / or Non-Domestic Customers;
- e) whether there is a reasonable prospect that a Relevant Merger Situation has arisen will arise in respect of the licensee and for the avoidance of doubt, the notification should take place in accordance with the number of days required for notification as specified in or determined under guidance issued by the Authority on this SLC 19AA before the licensee concludes the relevant arrangements;

- f) whether there is a reasonable prospect that there will be a change in any Person with Significant Control in respect of the licensee (whether by virtue of one or more persons ceasing to have Significant Control and/or by virtue of one or more person who does not have Significant Control acquiring it) and for the avoidance of doubt, the notification should take place in accordance with the number of days required for notification as specified in or determined under guidance issued by the Authority on this SLC 19AA before the licensee makes such change;
- g) whether there is a reasonable prospect that there will be a change in any Person person with Significant Managerial Responsibility or Influence in respect of the licensee (whether by virtue of one or more persons ceasing to have Significant Managerial Responsibility or Influence and/or by virtue of one or more person who does not have Significant Managerial Responsibility or Influence acquiring it) and for the avoidance of doubt, the notification should take place in accordance with the number of days required for notification as specified in or determined under guidance issued by the Authority on this SLC 19AA before the licensee makes such change;
- h) whether the licensee supplies any Customers through a White Label Tariff;
- i) any significant changes that may affect how a licensee operates.

19AA.6 The licensee must have regard to any guidance on SLC 19AA (including in respect of definitions which appear in standard condition 1) which, following consultation, the Authority may from time-to-time revise.

### **Definitions for condition**

~~19AA.3~~19AA.7 For the purposes of this condition:

**Person with Significant Control** has the same meaning as under section 790C of the Companies Act 2006.

**Relevant Merger Situation** has the same meaning as under section 23 of the Enterprise Act 2002.

**SLC 19AA Assessment** means an assessment of significant commercial/personnel developments by the Authority against the requirements set out in guidance issued by the Authority on this SLC 19AA and (subject to the licensee's provision of information required by the Authority) to be carried out within the period specified in such guidance.

### **Condition 28C. Milestone Assessments assessments**

28C.1 The licensee must notify the Authority, in writing, when there is a reasonable prospect that it will imminently reach, or at the latest when it reaches its first 50,000 Domestic Customers, or such other number of Domestic Customers as directed by the Authority, for the purpose of undergoing the relevant milestone assessment.

28C.2 The licensee must notify the Authority, in writing, when there is a reasonable prospect that it will imminently reach, or at the latest when it reaches its first 200,000 Domestic Customers, or such other number of Domestic Customers as directed by the Authority, for the purpose of undergoing the relevant milestone assessment.

28C.3 The licensee must notify the Authority, in writing, when there is a reasonable prospect that it will imminently reach, or at the latest when it reaches such number of Domestic Customers as may be specified by the Authority in a direction, for the purpose of undergoing the relevant milestone assessment.

28C.4 From the earlier of the time at which the licensee either:

- a) submits a notification to the Authority as required by SLC 28C.1, SLC 28C.2 or a direction issued by the Authority in respect of this SLC 28C; or
- b) has reached the specified number of Domestic Customers specified in SLC 28C.1, SLC 28C.2 or a direction issued by the Authority in respect of this SLC 28C,

unless directed otherwise by the Authority, the licensee must not enter into any new Domestic Supply Contracts, unless that Domestic Supply Contract is a Deemed Contract or a Contract with a Domestic Customer with whom that Supplier already has a Contract, until such time as the Authority has notified the licensee that it has completed the relevant milestone assessment in line with the timescale set out by the Authority in any guidance issued on SLC 28C. To the extent that this SLC 28C.4 applies, the licensee shall not be obliged to comply with SLC 22.2.

28C.5 The licensee must have regard to the findings of any milestone assessment conducted pursuant to this SLC 28C and notified to it.

~~28C.3~~28C.6 The licensee must have regard to any guidance on ~~standard condition~~ SLC 28C (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.

28C.7 The licensee is not required to comply with SLC 28C.4 to such extent and subject to such conditions as the Authority may from time to time direct.

**Schedule 2: list of the relevant licence holders in relation to this modification**

Gas Supply licence holders are listed at: [List of all gas licensees including suppliers | Ofgem](#)