

To: All holders of an electricity generation licence

Electricity Act 1989

Section 11A(2)

**Notice of statutory consultation on a proposal to modify the standard conditions
of all electricity generation licences**

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the standard conditions of all electricity generation licences granted or treated as granted under 6(1)(a) of the Electricity Act 1989 by adding a new standard licence condition, standard licence condition 20B.
2. We are proposing this modification to reduce the high balancing costs being incurred by consumers due to generators with long Minimum Zero Times revising their Physical Notifications to OMW and having excessively high offer prices accepted in the balancing mechanism for extended durations.
3. The effect of this proposed modification is to prohibit generators from taking advantage of their dynamic parameters in order to obtain excessive benefit from offers when their units are operated in a manner that limits their responsiveness to market and system conditions. More detail on this can be found in the accompanying Statutory Consultation, Impact Assessment and draft Guidance.
4. A copy of the proposed modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
5. Any representations with respect to the proposed licence modification must be made on or before 27 July 2023 to: *Luke McCartney, Office of Gas and Electricity Markets, Commonwealth House, 32 Albion Street, Glasgow, G1 5ES* or by email to luke.mccartney@ofgem.gov.uk.

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

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 However, if you do not wish your response to be made public then please clearly mark it as not for publication.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 modification it will take effect not less than 56 days after the decision is published.

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Grendon Thompson
**Acting Deputy Director – Institutions for Net Zero
Energy Systems Management and Security**

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

29 June 2023

Appendix 1 – Proposed modifications to the standard conditions of the electricity generation licence

(New text is double underlined)

Condition 20B. Inflexible Offers Licence Condition

1. The licensee must not obtain an excessive benefit from electricity generation in respect of a Settlement Period in relation to which it has revised its Physical Notification (in respect of a unit which has a Minimum Zero Time of longer than 60 minutes) from a positive MW value to zero MW within the Operational Day.
2. For the purposes of paragraph 1, the licensee shall be considered to have obtained an excessive benefit from electricity generation in relation to a Settlement Period (where each of the other requirements of paragraph 1 is met) if each of the following conditions apply in relation to that Settlement Period:
 - a. the licensee and the system operator enter into, or have entered into, Relevant Arrangements in respect of a Balancing Mechanism Unit owned or operated by the licensee; and
 - b. under the Relevant Arrangements and in connection with an increase in electricity generation the licensee is paid or seeks to be paid, an excessive amount by the system operator.
3. For the purposes of paragraph 2 the reference to an increase in electricity generation by the licensee in respect of a particular Settlement Period means an increase in comparison to the licensee's Physical Notification of zero MW.
4. This licence condition shall be interpreted and enforced in accordance with guidance published by the Authority.
5. Before this condition comes into force the Authority shall publish the guidance referred to in paragraph 4.
6. Before the Authority publishes the guidance referred to in paragraph 4 the Authority shall consult:
 - a. the holder of any licence under section 6(1)(a) of the Act; and
 - b. such other persons as the Authority thinks it appropriate to consult.

7. The Authority may from time to time revise the guidance referred to in paragraph 4 and before issuing any such revised guidance the Authority shall consult such person as specified in paragraph 6 setting out the text of, and the reasons for, the proposed revisions.
8. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee’s compliance with this condition.
9. In this condition:

<u>“Balancing Mechanism”</u>	<u>means the mechanism for the making and acceptance of offers and bids to increase or decrease the quantities of electricity to be delivered to, or taken off, the total system at any time or during any period so as to assist the system operator in coordinating and directing the flow of electricity onto and over the national electricity transmission system and balancing the national electricity system pursuant to the arrangements contained in the BSC;</u>
<u>“Balancing Mechanism Unit”</u>	<u>means a unit of trade within the Balancing Mechanism</u>
<u>“Physical Notification”</u>	<u>means a notification of the intended level of generation made by the licensee to the system operator for a period pursuant to the notification arrangements established by BETTA and the BSC;</u>
<u>“Relevant Arrangements”</u>	<u>means arrangements entered into by the licensee and the system operator within the Balancing Mechanism, and the entering of such arrangements shall include the making of an offer by the licensee whether or not that offer is accepted by the system operator.</u>
<u>“Settlement Period”</u>	<u>has the meaning given in the Grid Code</u>
<u>“Minimum Zero Time”</u>	<u>means either the minimum time that a Balancing Mechanism Unit which has been exporting must operate at zero or be importing, before returning to exporting or the</u>

	<u>minimum time that a BM Unit which has been importing must operate at zero or be exporting before returning to importing, as a result of a Bid-Offer Acceptance, such minimum time being as per the most recent notification by the licensee to the ESO pursuant to the Grid Code;</u>
<u>“Operational Day”</u>	<u>has the meaning given in the Grid Code</u>