
Frequently asked questions about Green Generation Networks Cymru Limited's Electricity Distribution Licence

Green Generation Energy Networks Cymru Limited gave [notice](#) that it had made an application to the Gas and Electricity Markets Authority¹ for an electricity distribution licence on 12 January 2023. The notice was published on 18 January 2023 and the closing date for comments on the licence application was 15 February 2023.

In response to the notice of application, we received a large number of representations. A range of matters were raised in the correspondence and not all of these are relevant to our determination of the licence applications.

We are aware that people may choose to raise a wide range of issues such as planning, environmental, tourism and issues surrounding the local economy. However, Ofgem is unable to comment on, or consider those concerns as they do not relate to our assessment of a licence. If you have concerns of this nature, they should be raised with the relevant public authorities that will be able to legitimately consider them.

Today we have published our minded to grant notice/decision for consultation. We are aware that some stakeholders may wish to submit representation during this period so we have provided guidance on the licensing process, matters we can consider.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

Ofgem's Role

1. What is Ofgem and what does the Licensing Team do?

Ofgem is the Office of Gas and Electricity Markets, the regulator for electricity and gas markets in the UK. We regulate the GB energy industry primarily by granting licences to companies intending to operate in these markets and ensuring that those companies comply with the requirements and conditions of their licence.

2. What is Ofgem's role when reviewing a licence application?

Ofgem's principal objectives are to protect the interests of existing and future consumers. These interests include the reduction of greenhouse gas emissions and security of supply. Our licensing processes exist as a key tool in achieving this objective.

In complying with our principal objective, we will consider the need to:

- Secure that licensees can finance their activities which are the subject of obligation under the Energy Act 2010, the Energy Act 2008, the Energy Act 2004, the Utilities Act 2000 or, as the case may be, the Gas Act 1986 (as amended) (the "Gas Act") or the Electricity Act 1989 (as amended) (the "Electricity Act"),
- secure that all reasonable demands for gas and electricity are met,
- contribute to the achievement of sustainable development, and have regard to the interests of particular customer groups, such as those with a disability, or those who are chronically sick.

3. What does an electricity distribution licence allow?

The holder of an electricity distribution licence will be able distribute electricity.

A company that wants to distribute electricity will require a licence. To acquire a licence, they must submit a licence application to Ofgem. The application is then reviewed against the criteria set out within our [guidance](#) to determine whether the company can carry out the licensable activity.

A company who distributes electricity will require infrastructure to facilitate distribution. The company should submit these plans to the relevant planning authority, and they should seek permission before building any infrastructure. Please note, land consents and the environmental impact are not relevant to determining the licence application. These will be considerations for the relevant planning authorities.

It is important to note that a company does not require planning permission or infrastructure to be in place at the time they apply for a distribution licence. Likewise, a company does not require a distribution licence to seek the relevant planning permission. However, a company must have a distribution licence before they can begin the activity of distributing electricity.

4. Can you please provide a link to the applicable guidance or legislation?

The link to our application guidance can be found [here](#).

The distribution Standard Licensing Conditions (SLCs) can be found [here](#).

The Electricity Act 1989 can be found [here](#).

Application Process

5. How long does it take Ofgem to review an application?

The processing time for licence applications can vary depending on their complexity and the completeness of the application. The timelines for different application types are set out in our application guidance. We are required to make a decision for electricity distribution applications within six months.

6. Can those application deadlines be extended?

If we believe there is information missing from an application or information has changed, we will 'stop the clock' until the information has been provided by the applicant. The clock then restarts from zero once the information has been provided by the applicant. As a result, this can extend the time taken to make a decision on an application.

In addition to this, in certain circumstances we may deem the application to be of a complex nature or raises significant policy issues that require careful consideration. Therefore, we may decide to extend the application deadline. This deadline can only be extended once, and we need to be clear with the applicant about the timeframes and the reason for the extension.

7. What checks do we carry out when we are considering an application?

We carry out checks and make enquiries that we consider relevant to our decision to grant a licence in line with our duties, this includes the suitability of an applicant to hold a licence. Our assessment checks and criteria are non-discriminatory and follow a risk-based approach.

8. What checks do Ofgem carry out on an applicant?

We conduct a review of directors, managers and key individual named on the application to ensure that they do not have any criminal convictions, disqualified, or have been made bankrupt or involved in insolvency of a business, which may impact on their ability to be a licence holder.

We risk assess all applications and may require additional information if this assessment highlights any potential concerns.

There are more details on the general information requirements and risk assessment criteria that we can request within section three of our [Guidance: Applying for gas or electricity Licence](#).

9. What information does Ofgem consider as part of the licensing process?

The risk assessment of applications will take into account:

unexplained omissions or discrepancies between the information provided in the application and the relevant company registry or other official sources, or difficulty verifying information provided;

readiness/intent to use the licence for the purpose for which it would be granted;

- the applicant's suitability to hold a licence;
- Whether any relevant licence-specific requirements and/or criteria have been satisfactorily met; and,
- any other information relevant to our decision to grant a licence which comes to, or is brought to, our attention during the course of the application process.

10. What checks do Ofgem undertake to ensure that an applicant is a fit & proper person?

The licence application process requires applicants to provide information relating to their suitability to hold a licence. Ofgem also seeks its own information on applicant suitability.

11. What experience is required to apply for a licence?

The applicant is required to demonstrate they have the relevant experience to carry out the licensable activity.

As part of the review process, we verify that the applicant has qualified individuals present at both board and senior management levels to give us assurance that there will be effective and proper management of their business operations.

Our review considers whether they have the relevant processes in place to become an electricity distribution licence holder and this includes a review of their Safety and Security of Supplies Enquiry Service (SSSES) Statement.

12. What information do Ofgem request about the applicant's financial background?

The [electricity distribution Standard Licence Conditions \(SLCs\)](#), published on the Ofgem website include the network financial ringfence conditions.

The [amended standard conditions for an IDNO](#) include amended standard condition BA3 "Credit Rating of Licensee" which allows approved alternative arrangements for an IDNO.

This licence applicant will not have licensable electricity distribution activity until the network is constructed and customers are connected.

An electricity distribution network is a natural monopoly on which consumers and the ESO rely for continuity, so it needs to be able to survive financial distress in electricity generation or supply licensee companies in the group which operate in competitive markets.

The Licensee will be required to have in place arrangements to meet the financial ringfence requirements in time for the start of licensable network activity.

13. Does the applicant need to consult with local residents about their plans or licence application?

The applicant is not required to conduct a consultation as a prerequisite for applying for a licence. However, the applicant may want to engage with residents about their plans; this could be for a few reasons and connected to a variety of steps that the business undertakes.

The applicant alone is responsible for engaging with the public as they consider appropriate. Ofgem does not assess the applicant's suitability based on the efficiency of public engagement that they have taken up voluntarily. We are aware that there may be other statutory processes that may have consultation requirements, but this is not a requirement of the licence process.

14. What is minded to grant?

We intend to grant a licence. We will only consult on an application if we have reached a decision that we are minded to grant the licence.

When we are minded to grant a distribution licence, then we need to publish this decision on our website.

When this decision is about a proposed electricity distribution licence, we are required to consult on the proposed modifications to the licence with key stakeholders. This includes The Secretary of State, The Welsh government, The Scottish government, Citizen's Advice, all current licence holders, and any other key stakeholders.

15. What happens if Ofgem grant a licence?

We will issue the licence grant to the applicant by email, provide them with a pdf copy of the licence, and publish a notice of licence grant on our website, at this point, relevant documents relating to the licence will be published on our [Electronic Public Register](#).

16. What happens if you grant a licence, and the applicant then fails to meet all of its obligations?

An applicant is expected to comply with the conditions of their licence from the date it is granted. If they fail to meet those conditions, we have the power under sections 28-30F of the Gas Act and sections 25-27F of the Electricity Act to take enforcement action for breach of their licence. Ofgem also has the power to revoke a licence in certain circumstances if required.

Consultation Process

17. What is Ofgem's consultation process?

Where we are minded to grant an electricity distribution licence, we have a statutory requirement to consult with stakeholders on the proposed modifications to the licence.

We will publish a consultation and the relevant documents on our website which will be open for no less than 28 working days.

Under section 8A (2) of the Electricity Act, we typically propose to modify the licence's standard conditions by removing the entire Section B (Additional Standard Conditions for Electricity Distributors who are Distribution Service Providers) and we also typically propose to insert into the licence a new section BA to include the following amended conditions:

- (a) Standard Licence Condition BA1. Not used
- (b) Standard Licence Condition BA2. Regulation of charging arrangements
- (c) Standard Licence Condition BA3. Credit Rating of Licensee
- (d) Standard Licence Condition BA4. Indebtedness; and
- (e) Standard Licence Condition BA5. Valid Bad Debt Claims

Once the consultation is closed, we will review any representations or objections in relation to these modifications.

18. When is the consultation window is open?

The consultation is now open and is published **here**. The deadline for representations is **084 May 2024**.

19. If I want to submit a representation, what should I do?

If you want to submit a representation or objection, then please email licensing@ofgem.gov.uk. Please note, we cannot consider representations received before or after the consultation window or representations which are not regarding the licence modifications.

20. What needs to be included in the representation?

Those responding to the consultation are free to highlight their concerns. We will only consider and respond to representations which raise concerns relevant to the modifications being made to the licence.

We are aware that people may choose to raise concerns about a wide range of issues such as planning, environmental, tourism and issues surrounding the local economy. However, Ofgem is unable to comment on, or consider those concerns as they do not relate to our assessment of a licence. If you want to raise those concerns, then they should be raised with the relevant public authorities.

21. Can I have access to the application to allow me to submit my comments in relation to the application?

We are unable to share information provided as part of the application as this is commercially sensitive nature. The Utilities Act 2000 sets out in section 105(3) the limited number of gateways that would facilitate disclosure of the information received by Ofgem under Part 1 of the Electricity Act 1989.

The nature of this information is such that we are not able to confirm or deny holding any such information associated with our engagement with an applicant.

22. Can you please provide evidence of how the applicant will meet all its obligations under your standard conditions?

We have a risk-based approach when handling applications and we will seek the necessary assurances that an applicant can meet their obligations.

Ofgem's licence determination is made with the information held at that time, the model of companies that we license will be likely to change over time. Our Compliance and Enforcement teams are at the forefront of ensuring that licence holders continue to meet their obligations.

23. What happens after the consultation deadline?

Ofgem will consider all representations or objections which have been made in relation to the proposed modifications and will take these into consideration before making a decision on whether or not to grant a licence.

We will publish all relevant representation unless we have been advised not to publish. Ofgem will then either grant or refuse the licence.

If the results of our checks and assessments against all relevant criteria are satisfactory, the application notice period has expired, and there are no outstanding issues or questions arising from our assessment of the application, we will proceed to grant the licence.

24. How will I know what decision Ofgem makes?

We will issue the licence grant to the applicant by email, provide them with a pdf copy of the licence, and publish a notice of licence grant on our website, at this point, relevant documents relating to the licence will be published on our [Electronic Public Register](#).

If the results of our checks and assessments against all relevant criteria are not satisfactory and we propose to refuse the licence application, this will be communicated to applicant directly.

25. If you refuse an application can the applicant apply again?

Yes, applicants who are refused a licence are not prevented from reapplying at a later date.

Independent Distribution Network Operators (IDNOs)

26. Does Ofgem direct applicants to deliver the lowest cost network solutions?

Licensed electricity distributors have an obligation under the Electricity Act 1989 to develop and maintain an efficient, co-ordinated and economical system of electricity distribution. IDNOs are also required to have in place a connection charging methodology that has been approved by Ofgem. The methodology (amongst other things) must result in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its Distribution Business.

27. A licence being granted would allow the transmission of electricity and therefore they would not be independent distributors.

The applicant has applied for a distribution licence therefore, if granted, they would only be able to distribute electricity for that purpose. The Electricity Act 1989 says any who participants in the transmission or distribution of electricity shall be guilty of an offence unless he is authorised to do so by the relevant licence.

Distribution and transmission systems are defined in the Electricity Act 1989 with reference to the voltages they are operating at. The voltages being considered do not exceed 132 kilovolts and therefore would be considered distribution and therefore a distribution licence is correct.

28. Standard Condition 31D of the Electricity Distribution Licence appears to prohibit the licensee from generating electricity?

There are restrictions in place across the licence and other legislation that prevents parties holding multiple licenses and ensuring sufficient separation between related undertakings.

29. Does a company need to distribute power to an end user?

The Electricity Act 1989 says "distribute", in relation to electricity, means distribute by means of a distribution system, that is to say, a system which consists (wholly or mainly) of low voltage lines and electrical plant and is used for conveying electricity to any premises or to any other distribution system". Therefore, it does not always need to be a premises/end user.

30. How can Ofgem guarantee security of energy?

There are various obligations in the licence that focus on security of supply for example Standard Licensing Condition (SLC) 8. Whilst IDNOs are not part of the RIIO price control, any evidence that licence obligations may be breached would be investigated and could result in the licence being withdrawn.

Other Questions

31. The power lines and pylons would ruin previous and vulnerable landscape cherished by residents and visiting tourists.

We understand and are aware that people may choose to raise concerns such as planning, environmental impact, tourism and other issues surrounding the local economy. However, Ofgem is unable to comment on, or consider those concerns as they do not relate to our assessment of a licence. If you want to raise those concerns, then they should be raised with the relevant public authorities.

32. Ofgem granting an electricity distribution licence would be granting a monopoly as they already have an electricity distribution licence.

An electricity network is a natural monopoly. This licence applicant does not already have an electricity distribution licence; that is why they are applying for a licence.

33. Standard Condition 31D of the Electricity Distribution Licence appears to prohibit the licensee from generating electricity?

The licence prohibits the licensee from generating electricity but does not prohibit other companies in the group from doing so. Instead, the licence requires separation of the network business from the generation business.

34. Does the granting of a licence afford powers under the Electricity Act 1989 seek compulsory purchase powers?

Yes. The relevant powers are contained within Schedule 3 of the Electricity Act 1989 and the Standard Licence Conditions for Electricity Generation Licences.

Schedule 3 Electricity Act 1989 – Paragraph 10 of the Schedule states that the Secretary of State may authorise a licence holder to compulsorily purchase any land required for any purpose connected with his authorised activities. This power also sets out that land includes any rights over land and gives the power to the Secretary of State to authorise the acquisition the rights over the land, which can also include the creation of new rights as well as acquiring existing ones.

35. Does a licence allow a licensee to go onto anyone's land to carry out a survey or any other work associated with a project without permission?

Schedule 4 Paragraph 10 – States a person authorised in writing by a licence holder may, at any reasonable time, enter upon and survey any land for the purpose of ascertaining whether the land would be suitable for use for any purpose connected with the carrying on of the activities which the licence holder is authorised by his licence to carry on. A person authorised to enter upon any land under this section shall not demand to do so as of right unless—

14 days' notice of the intended entry has been given to the occupier; and

if required to do so, he has produced evidence of his authority.

