

Supply licence application improvements

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Executive summary

Ofgem is making changes to two key areas of the published licence application guidance to improve our processes, drive innovation and support the Government's policy to ensure that regulation supports growth.

Firstly, we are reducing the gas and electricity supply licence processing time period to six months for all new supply licence applications, replacing the nine-month period introduced during the supply crisis. This change reflects the now more stable retail market environment, supported by Ofgem's financial resilience framework. A six-month timeframe strikes the right balance between reducing the regulatory burden on applicants, supporting new and innovative market entrants, and maintaining the level of scrutiny needed to ensure applicants are financially and operationally suitable before entering the market.

Secondly, we are adding further detail to the guidance on applications for an individually modified supply licence. Our changes reflect Ofgem's aim to support innovation and investability in the retail market, as set out in our Markets Regulatory Strategy and Vision to 2030. The revised guidance provides clearer expectations for applicants and introduces defined assessment criteria, ensuring that applications are assessed transparently against consumer benefit, economic growth, competition impacts and legality. It also outlines potential guardrails to ensure that modified licences protect consumers while still enabling innovative business models to enter and evolve within the market.

1. Introduction

Purpose of this document

The purpose of this document is two-fold:

1. To reintroduce a six month application processing timescale for gas and electricity supply licences for the reasons set out in section 2 of this document.
2. To provide more detailed application guidance on our criteria and process for assessing individually modified supply licence applications, improving clarity for applicants and encouraging innovative applications in line with our current policy as set out in section 3 of this document.

Both of these amendments to the application guidance have been introduced with immediate effect in a new version 2.2 of the guidance.

Context and related publications

Following a [consultation](#) on updating the licence application guidance, we published a [decision](#) to introduce version 2.0 of our licence application guidance on 16 June 2025.

This update included:

1. A general review of the content to improve readability and accessibility
2. Additional clarification of expectations on applicants
3. Further guidance on applying for a restricted or specified area licence

More recently, on 26 January 2026, we published a further [update to the application guidance](#) to introduce the previous version 2.1 of the application guidance.

The current version of the application guidance is always available at any time as part of an [‘application pack’](#) on our website. Applicants and stakeholders are advised to always reference the latest version of the guidance rather than to refer to a copy held locally which may no longer be valid.

Feedback

If you have any feedback on the changes set out in section 2 or would like to discuss it further please contact: Licensing@ofgem.gov.uk.

If you have any feedback on the changes set out in section 3 or would like to discuss it further please contact: FutureConsumers@ofgem.gov.uk.

2. Six month supply application timescale

We are reducing the gas and electricity supply licence processing time period from nine to six months, to reduce the regulatory burden and decision timelines while still maintaining sufficient scrutiny to protect consumers.

Previous processing timescale

On 29 October 2021, Ofgem published an open letter titled [rising wholesale energy prices and implications for the regulatory framework](#) which, amongst other things, extended the period of assessment for supply licences from 75 working days, initially to a period of six months.

Then, in a further letter titled [Supply Licence Applications: Reasons for the decision to amend the time period for assessment and to remove tacit authorisation](#) published on 15 December 2021, the period for assessment of supply licence applications was further increased to nine months.

Considering the unprecedented situation in the energy markets at that time, this was a vital step taken in the interests of existing and future consumers to restore stability and to avoid creating unnecessary further risks.

Changes since the supply crisis

In its [new approach to ensure regulators and regulation support growth](#), the Government set out its plans to overhaul the regulatory system to better support growth, using targeted, proportionate, transparent, and predictable regulation that gives businesses certainty while protecting consumers and encouraging responsible behaviour. It also aims to ensure regulation keeps pace with innovation, enabling new technologies and industries to flourish while avoiding unnecessary, risk averse barriers to progress.

This is reflected in our [Call for Input on Energy Consumer Outcomes](#) published on 10 November 2025 which set out our aim to develop a clear and simple regulatory framework that drives a consumer centric culture in the energy sector.

Since the period for assessment of supply licence applications was increased to nine months in 2021, the retail market has stabilised and Ofgem has introduced a financial resilience framework as a result of the [action plan on financial resilience](#). Taken together, the risk encountered or posed by new entrants in the retail market has reduced.

New processing timescale

With this in mind, we have reviewed our period of assessment for supply licences and have decided to reduce it to six months. In line with our [Markets Regulatory Strategy](#)

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[and Vision to 2030](#), a six month timescale reduces regulatory burden and supports the entry of innovative business models, helping to improve investability in the retail market.

Because the assessments are now more detailed than in 2021, when the timescale was extended, we do not consider it possible or appropriate to reduce the processing period below six months.

A six-month timeframe provides the right balance between enabling innovation, reducing the burden on applicants, and meeting our primary duty to protect current and future consumers. It gives us sufficient time to carry out the necessary checks to ensure each applicant is suitable and market ready.

Implementation

We are implementing the new six month processing timescale for gas and electricity supply licence applications with immediate effect. All new applications will be assessed under the new six month timescale.

Version 2.2 of the guidance now shows a '6 month' processing period in the table at paragraph 4.3, replacing the previous nine month timeframe. This change is demonstrated in Appendix 1 of this document with new content double underscored and deleted content struck through.

Applications already submitted will continue to be processed under the previous nine month timescale. As we aim to determine applications without undue delay, all applications will continue to be determined in order of receipt, except where justified by specific case factors.

While we are shortening our timescale to six months, other aspects of the licensing processes remain as set out in the application guidance, including our Stop the Clock approach as set out in paragraphs 4.10-4.12. Where the clock is stopped on an application that is subject to the nine month timescale, this would only be reduced to six months if it is subsequently Duly Made.

Further details

Reducing the time period for assessment of supply licence applications does not mean that all supply licences will be granted in six months. There are common circumstances in which timescales are extended and applicants are strongly encouraged to ensure that they provide full and accurate information to avoid any delays to their application being processed.

As set out in paragraphs 4.5-4.6 of our application guidance, the relevant time period for each application may be extended once by Ofgem, for a period of time specified by us. We will continue to apply extensions where justified by the complexity of an application, including significant policy or consumer protection considerations.

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If having made an application duly made initially, the information necessary for us to make a determination is incomplete or changes to the application are made, we will continue to make an application not duly made. The processing time period will then be reset so that the clock will restart from zero days. Once the outstanding information is provided, we will confirm that the application is duly made again and that we will have a new six month period to complete the assessment.

3. Applications for individually modified supply licences

We are updating our guidance on applying for individually modified supply licences to clearly set out our expectations and encourage applications from new entrants with innovative business models in the interests of consumers and the wider economy.

Previous guidance on individually modified supply licences

The [gas and electricity licence application forms](#) allow an applicant to apply for an individually modified licence and where they wish to do so, they are required to answer question 9.1.

However, the previous application guidance gives limited detail on the requirements for an individually modified supply licence application, leaving prospective applicants potentially unclear about the information they need to provide and how we will assess their application.

Policy context for proposed changes

On 18 November 2025, Ofgem published its [Markets Regulatory Strategy and Vision to 2030](#). This set out how in 2030 we want to see energy markets that work for all consumers, through regulation which provides confidence and protections to consumers whilst enabling innovation, investability, supporting Clean Power 2030 targets and economic growth.

We want to see market participants providing a range of new and engaging products and services that suit different consumer needs and preferences. We are already starting to see this through innovative tariff designs and technology integration. However, we recognise that there is a big opportunity to do more to enable improved customer service, lower bills and transition to net zero through innovation. As part of this, in our [Proposed Forward Work Programme for 2026 to 2027](#) we committed to considering how we can support participants to bring their propositions forward to market.

As outlined in our [innovation in the energy retail market](#) consultation, we believe that one avenue we can use to encourage innovation and specialisation is through issuing individually modified supply licences in specific cases. This could help unlock more innovative products and services by providing a bespoke licence that meets the specific requirements of the prospective business model.

Changes to the guidance

To give prospective applicants more detail on the information they are required to provide in completing the relevant application form questions, we have made updates to the application guidance. These changes are demonstrated in Appendix 2 of this document with new content double underscored and deleted content struck through.

Consultation Supply licence application improvements

We are publishing the criteria we will use to assess applicants' information and decide whether to grant an individually modified licence. These are grouped into four criteria: legality, benefit to consumers, economic growth, and the impact on competition (see paragraph 8.88).

To protect consumer interests and manage potential risks, we will apply guardrails to modified licences where necessary. These might include time limits, customer number caps, geographic or customer type restrictions, additional monitoring or rules (see paragraphs 8.96-8.100). If guardrails are required, Ofgem will work with the applicant to agree suitable wording but retains full discretion over the final terms. Applicants may withdraw their application or the requested modification if they do not wish to accept the revised wording.

Lastly, we explain the process for our consideration of an individually modified licence application (see paragraphs 8.101-8.105), that we must conduct a consultation on a proposed modification prior to granting any such licence and that the Secretary of State has the power of veto over the modification though not the grant of a licence.

As we gather evidence and insight from the determination of modified licence applications in this evolving space, we will update our guidance further as and when required.

Implementation

We are implementing these changes with immediate effect. These will apply to all new and existing applications. We consider it justified to implement these changes with immediate effect because they offer clearer guidance to prospective applicants and enhance consumer protection.

Appendix 1. Revised guidance re: processing timescales

4.3 The relevant time periods are below:

Licence type	Time period
Gas or electricity supply	9 6 months
Gas transporter	8 months
Electricity distribution	6 months
Electricity transmission	6 months
Gas shipper	65 working days
Electricity generation	65 working days
Gas or electricity interconnector	65 working days

~~4.4 The maximum assessment time for a supply licence application is currently 9 months. Given our principal objective to act in the interests of existing and future consumers, and in light of the recent market uncertainty, we consider this is a necessary and proportionate course of action, justified by overriding reasons of public interest.~~

4.5 The time period is longer for gas transporter applications compared to electricity distribution because we are required to give two months' notice of a proposal to grant a gas transporter licence.

Appendix 2. Revised guidance re: modified licences

Other information relating to supply licence applications

Individually modified licence

8.82 We can grant an individual licence with modifications to the standard conditions applicable only to that licensee, when such changes are in consumers' interests. Section 8, Part 1 of the Gas Act 1986 and Section 8A, Part 1 of the Electricity Act 1989 outline our powers in granting modifications to standard conditions of licences.

8.83 As stated in our Markets Regulatory Vision and Strategy to 2030, the energy system is undergoing rapid transformation, making retail market reform key to ensuring a fair and affordable transition for consumers. To support this, we plan to regulate and shape future markets by fostering innovation and specialisation, for example by being more open to, and receptive of, individually modified licences applications in specific situations.

Information required for an individually modified licence application

8.84 If an applicant applies for an individually modified licence, then they must complete Section 9 of the application form in full. They are required to provide the following information:

- **Full details of the modification requested:** a full draft of the proposed modification to the licence.
- **The grounds on which they believe that the modification is required to meet the circumstances of their particular case:** a detailed explanation of why the applicant believes the proposed licence modification is necessary.
- **The reasons why the applicant believes that the modification would not unduly disadvantage themselves or other licensees (it is for the applicant to make their case, which we will assess):** a comprehensive assessment of the positive and negative impacts of the requested

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modification on the licensee and any other holders of the same licence type.

8.85 The above information must be provided as a minimum. However, we may ask for further evidence and information from the applicant as part of the assessment process.

8.86 Because any application for an individually modified licence is likely to be novel, we strongly encourage prospective applicants to engage with our Licensing team or Innovation Hub ahead of application. Licensing can provide early advice and guide the applicant through the process. The Innovation Hub can provide regulatory guidance where a proposed product, service, business model, or methodology for which a licence is sought is innovative. Early engagement can help applicants understand regulatory expectations and shape their proposals, facilitating a shorter application timeframe and reducing the risk of refusal.

8.87 Once an application has been submitted, the Licensing team will be the lead point of contact for the applicant but will engage with other Ofgem teams such as Innovation Hub as appropriate.

Assessment of individually modified licence applications

8.88 In considering an application for an individually modified licence, we will assess the information provided in section 9 of the application form against the criteria outlined below. All applicants must demonstrate how their application meets these requirements, set out in more detail below:

- i. **Legality:** that Ofgem has the power to issue the requested modification and that all statutory requirements are satisfied.
- ii. **Benefit to consumers:** the benefits and detriments to consumers.
- iii. **Economic growth:** the impact on economic growth.
- iv. **Impact on competition:** the positive or negative effects of the proposed modified licence on competition.

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8.89 To support clean power 2030, the Markets Regulatory Vision and Strategy to 2030 outlines our ambitions to enable innovation, investability, and create a market where participants create a range of inspiring and engaging products and services. In assessing modification requests we will also ensure an applicant’s request is aligned with our vision.

I. Legality

8.90 Firstly, we can only grant a modification if we have the power to do so and it would be consistent with our broader legal and statutory duties. We note that there are some licence conditions that we are unable to modify (eg where these licence conditions derive from legislative requirements and government schemes and we have not been given derogation powers). Example of such conditions include:

- SLC 28D Regulation of charges for Domestic Customers supplied under certain Domestic Supply Contracts which relates to both the Price Cap and the Warm Home Discount
- SLC 33/34 relating to Feed in Tariffs
- SLC 26 covering the Priority Services Register and provisions for disability, which is rooted in the Equality Act 2004.

8.91 Secondly, in considering whether to grant the modification, we must apply the statutory requirements set out in Section 8, Part 1 of the Gas Act 1986 and Section 8A, Part 1 of the Electricity Act 1989. In particular, we must consider whether granting the proposed modification would unreasonably and disproportionately disadvantage a licence holder (including the applicant) in competing with other holders of the same licence.

II. Benefits to consumers

8.92 We will assess whether the application is in consumers’ interests generally and whether any trade-off between the interests of consumers served under the modified licence and other consumers is justifiable.

8.93 To do so, we will use the consumer interest framework as initially set out in Ofgem’s Forward Work Programme – 2024/25 to assess the possible benefits

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and detriments to consumers utilising our desired consumer outcomes of fair prices, quality and standards, low-cost transition and resilience.

- **Fair prices:** we will consider whether an application for a modified licence will have an impact on fair price factors such as excessive profits, cost efficiency and consumer welfare risks.
- **Quality and standards:** we will consider the impact of a modified licence on the accessibility and responsiveness of services, transparency and choice, and the enhanced protections we have in place for vulnerable consumers.
- **Low-cost transition:** we will consider the impact the proposed modified licence will have on innovation and enabling the infrastructure and markets required to achieve net zero targets. Our assessment will consider whether or not the proposed modified licence will minimise the cost of the transition for consumers.
- **Resilience:** we will also consider the impact of the requested modified licence on resilience, focusing on the potential impacts on security of supply (including grid stability), robustness to external shocks and the ability to invest in the sector.

III. Economic growth

8.94 Our assessment will include an evaluation of the impact an application for a modified licence will have on economic growth. For example, the impact on jobs, investment opportunities, and innovation.

IV. Impact on competition

8.95 We will assess competition impacts using our competition framework for the household retail market, applying it where possible to the non-domestic market. Applying this framework gives us the opportunity to gauge the effects that it may have on the market, whether or not it will positively or negatively impact competition and the potential trade-offs.

Guardrails

8.96 Where an applicants proposed modifications might require guardrails, based on the assessment criteria above and to ensure consumer protection, the

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applicant must consider the relevant guardrails outlined below and include them in their application as appropriate.

8.97 Ofgem may also apply guardrails as conditions of granting an individually modified licence in order to protect consumer interests and mitigate potential risks. We will consider any guardrails applicants proactively propose in our assessment, however, Ofgem has the power to modify a licence at the time of issue to impose any guardrails it deems necessary and may impose additional guardrails as required.

8.98 We will always seek to balance the interests of consumers served by the holder of a modified licence with those of the wider consumer base. To achieve this, we will seek to agree guardrails with the applicant that reflect its business model and consider broader consumer, system, and market implications.

8.99 Our decision on what guardrails are necessary will be determined by the proposed modification and its anticipated effects. Our approach to guardrails could evolve over time, depending on monitoring and market conditions at the time of application.

8.100 In accordance with the nature of the modified licence, we will need to determine how flexible or stringent the guardrails should be. Examples of potential guardrails include:

- **Time limits:** we could consider a time limit on any modification.
- **Customer number caps:** we could impose a cap on the number of customers that the individually modified licence holder could serve.
- **Geographic or customer type restrictions:** we could limit the modification to specific regions or customer types.
- **Additional monitoring:** we will include additional reporting requirements to gather evidence and monitor any key risks.
- **Additional rules:** we could introduce additional rules to protect customers.

Process

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- 8.101 In addition to our regular duties in assessing licence applications, we will undertake an assessment of the proposed licence modification against the criteria detailed above, using the information provided by the applicant.
- 8.102 Having assessed the modification, we will determine whether the modification could be granted. We will also consider whether additional guardrails might be required to meet the circumstances of the case and to prevent disadvantage to licence holders and the market outcomes we aim to achieve.
- 8.103 Where we deem that a requested modification might need to be altered or that additional guardrails are required, we will enter a dialogue with the applicant and seek to agree a suitable wording. However, Ofgem has full discretion in determining the appropriate wording and guardrails and it might not be possible for us to grant the modification sought by the applicant. In such circumstances, the applicant can withdraw their application if they do not wish to accept our proposed wording as it does not meet their expectations. Alternatively, they can advise us that they would like the application to proceed without modification.
- 8.104 Having considered an application for a modified licence and following an initial consultation following publication of a notice of application, we must then conduct a statutory consultation on the modification as required by Section 8(4), Part 1 of the Gas Act 1986 and Section 8A(3), Part 1 of the Electricity Act 1989. This provides stakeholders an opportunity to submit representations on the proposed modification which we must consider, and it is only after the resolution of that process that we can consider granting the application.
- 8.105 The Secretary of State has the power to veto any modification of licence conditions, though not the licence grant itself. They have the power under Section 8(6), Part 1 of the Gas Act 1986 and Section 8A(5), Part 1 of the Electricity Act 1989 to direct Ofgem not to make the proposed modification in granting a particular licence. The SoS must follow a due process and take all factors into consideration when making a decision, but Ofgem must comply with any veto decision. Should the SoS direct Ofgem not to make the

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modification, we will work with the applicant to discuss the options available to them.

Specified area or specified type of premises

~~8.82~~ We have powers to grant supply licences that are restricted to a specified
8.106 geographic area and/or specified types of premises (all “premises” need to be in a “relevant place” i.e. within Great Britain, in the territorial sea adjacent to Great Britain or in a Renewable Energy Zone).

~~8.83~~ There are different ways in which a specified area could be defined:

- 8.107
- Devolved nation (eg Scotland, Wales)
 - Local government (eg County councils, district councils, borough councils, city councils, unitary authorities, London borough, metropolitan boroughs, combined authorities)
 - Mayoral region (eg London, Manchester, West Midlands)
 - City/town/village (eg Glasgow, Darlington, Bangor)
 - Housing estate, business estate or industrial park

~~8.84~~ If an applicant wishes to request a supply licence that is restricted to a specific
8.108 geographic area other than ‘Great Britain’ inclusively, and/or a specific type of premises (ie a supply licence that it is restricted to any premises apart from ‘Domestic and non-domestic premises’ or ‘Non-Domestic premises’) they must provide a clear explanation of:

- The proposed restriction to the specified area or type or premises
- Why they wish to have this restriction in place
- Why approving their application for a restricted licence is in consumers’ interest (eg does it better achieve consumer interests, as defined by our consumer interest framework)

~~8.85~~ Before we issue any restricted licence, we will apply the assessment given above
8.109 in paragraph 8.88 ~~consider whether there is an over-riding reason of public interest for us to do so. We will assess the competition impacts of any restricted licence supply application. We will assess competition impacts using our~~

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~~competition framework for the household retail market, applying it where possible to the non-domestic market. We will also assess whether the application is in consumers' interests (eg would approving the application help deliver fair prices, improved quality and standards, drive a lower cost transition or improved resilience), and is consistent with our principal objective and statutory duties. Additionally, we will consider any potential constraints on the applicant's ability to do business in Great Britain if the restricted licence is not provided.~~

~~8.86~~ Legislation limits who we can issue restricted licences to. We will not grant a 8.110 supply licence where we consider the description or area of the premises to be supplied would artificially include in the restriction or exclude from the extension, vulnerable consumers. Please refer to our Consumer Vulnerability Strategy for our latest definition of consumer vulnerability.

~~8.87~~ It is important that consumers are able to maintain continuity of supply. For 8.111 applicants proposing to only supply a specified type of premise, we would also need information on how the applicant proposes to manage the risk of a premises changing definition. We will check that proposals for ensuring continuity of supply are sufficient to deliver the following:

- notify existing and affected consumers of the effects of any restriction
- secure alternative supply for affected consumers on the same terms as nearly as is possible to the existing contract
- ensure that any prospective supplier is licensed

~~8.88~~ See Chapter 14 for information on how we would handle applications to extend, 8.112 restrict and/or modify a 'specified area' or 'specified type of premises'.

Individually modified licence

~~8.89~~—We are able to grant a licence with modifications to the standard licence conditions that are applicable only to that licensee, where this is considered requisite to meet the circumstances of the particular case. This enables us to

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~~assess an application for an individually modified supply licence. However, the Secretary of State is able to veto any proposed individually modified licence.~~