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for energy consumers

To:
Mersey Reactive Power Ltd

Electricity Act 1989
Section 11A(2)

Notice of statutory consultation on a proposal to modify Standard Conditions of the electricity transmission licence held by Mersey Reactive Power Ltd

1. The Gas and Electricity Markets Authority ('the Authority')[1] proposes to modify the Standard Conditions of the electricity transmission licence held by the above licensee ("the licensee") granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending the following standard licence conditions:
    a. A1: Definitions and interpretation; and
    b. B6: Restriction of Activity and Financial Ring Fencing.

2. We are proposing these modifications to give effect to our ring fence review policy decision[2]. The licence modifications are intended to:
    a. improve clarity regarding the scope of the Ultimate Controller definition and the persons or entities to which it applies; and
    b. amend the licence condition so that it refers to the use of audited 'historical cost accounting statements' rather than regulatory accounts.

3. The full text of the proposed modifications is detailed in Appendix I of this notice.

4. For reference, further details and background regarding the proposed changes made as part of the ring fence review are set out in the following documents:

    a. Ring fence review: energy networks call for input[3]; and
    b. Energy Networks Ring-fence Review consultation[4].

5. Any representations with respect to the proposed licence modifications must be made on or before 12 August 2026 to: Andrew Ryan, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to Andrew.Ryan@ofgem.gov.uk.

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 However, if you do not wish your response to be made public then please clearly mark it as not for publication.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.

[1] The terms "the Authority", "we" and "us" are used interchangeably in this document.
[2] https://www.ofgem.gov.uk/consultation/energy-networks-ring-fence-review-consultation
[3] https://www.ofgem.gov.uk/call-for-input/ring-fence-review-energy-networks
[4] https://www.ofgem.gov.uk/consultation/energy-networks-ring-fence-review-consultation

7. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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Mick Watson
Deputy Director
Duly authorised on behalf of **13/07/2026**
the Gas and Electricity Markets Authority

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Schedule I – Proposed modifications

This schedule sets out the proposed modifications to the Electricity Transmission Standard Licence Condition A1: Definitions and interpretations, and to Electricity Transmission Standard Licence Condition B6: Restriction of Activity and Financial Ring Fencing. Any additions are shown as black double-underlined and any deletions are shown as black single strikethrough.

Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

   ….

"ultimate controller" means

(a) a holding company of the licensee which is not itself a subsidiary of another company or entity; and

(b) any person or entity (including a general partner of a limited partnership, whether an individual or corporate body) who (whether alone or with a person or persons connected with ~~him~~ them is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of:

   (i) rights under contractual arrangements to which they are a party or of which ~~he is~~ they are a beneficiary; or

   (ii) rights of ownership (including rights attached to or deriving from securities, partnership interests or rights under a trust) which are held by them ~~him~~ or for which they are ~~he is~~ a beneficiary but excluding any director or employee of a corporate body in ~~his~~ their capacity as such

(c) for the purposes of sub-paragraph (b) a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph; and

(d) for the purposes of sub-paragraph (b), rights under contractual arrangements shall not include any rights in or arising under the STC Framework Agreement which are exercisable by the ISOP or a transmission licensee over the activities of, or as against, another transmission licensee.

Condition B6: Restriction on Activity and Financial Ring Fencing

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transmission business.

1A The licensee must not own, develop, manage or operate an electricity storage facility, except where the licensee owns or operates an electricity storage facility which is situated on a site on which the licensee carries out its transmission business, for the purpose of continuity of supply and system resilience, or energy management and the electricity storage facility is not used to buy or sell electricity in the electricity markets.

2. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:

   (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;

   (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the transmission business; or

   (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom.

3. Subject to the provisions of paragraph 2, nothing in this condition shall prevent:

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(a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;

(b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;

(c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or

(d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.

4. Subject to paragraph 1A, nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a "relevant associate") from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:

(a) For the purpose of this paragraph, "de minimis business" means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:

(i) the transmission business; and

(ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).

(b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:

(i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the transmission business, as shown by the most recent audited ~~regulatory~~ historical cost accounting statements of the licensee ~~produced under paragraph 3(b) of standard condition B1 (Regulatory Accounts~~); and

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(ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in the licensee's transmission licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited ~~regulatory~~ historical cost accounting statements of the licensee ~~produced under paragraph 3(b) of standard condition B1 (Regulatory Accounts~~);.

(c) For the purpose of sub-paragraph (b) above, "investment" means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.

(d) At any relevant time, the amount of an investment shall be the sum of:

(i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to the date this condition comes into effect in the licensee's transmission licence (or, where the investment was not so included, zero);

(ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and

(iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,

less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect of such investment in all completed accounting reference periods since the accounting reference date referred to in sub-paragraph (d)(i).

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5. For the purposes of paragraph 4, “equity share”, in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

6. In this condition:

   “electricity markets” means markets for electricity, including over-the-counter markets and electricity exchanges, markets for the trading of energy, capacity, balancing and ancillary services in all timeframes, including forward, day-ahead and intraday markets;

   “electricity storage” means the conversion of electrical energy into a form of energy that can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy;

   “electricity storage facility” means a facility where electricity storage occurs; and

   “system resilience” means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity.”

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