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Dear Marzia

SMART SECURE ELECTRICITY SYSTEMS: IMPLEMENTING THE LOAD CONTROL LICENSING REGIME

We welcome the opportunity to respond to Ofgem's consultation on implementing the load control licensing regime in support of the Smart Secure Electricity Systems programme. We recognise the importance of consumer protection, cyber security and system stability as load control and flexibility markets develop.

We support Ofgem's proposal for a lower application threshold for licensed domestic suppliers acting as Flexibility Service Providers, as this proportionately reflects the obligations and risks suppliers already carry under the supply licence.

We also support DESNZ's approach of aligning the load control licence with the supply licence to avoid duplication and ensure regulatory coherence. Where equivalent protections already exist, we encourage Ofgem to apply clear, market-wide derogations rather than bespoke arrangements. As both licences evolve, this alignment should be actively maintained to prevent regulatory divergence and unnecessary burden.

We would also support the consistent application of cyber security assurance levels across industry, with the Cyber Resilience Audit (CRA) scheme providing the clearest benchmark for demonstrating compliance. The licence should be explicit that compliance with the Network and Information Systems Regulations 2018 (directly supported by the CRA) is mandatory, and that licensees must be able to evidence their ongoing compliance at regular intervals. Greater clarity in the licence on expectations, thresholds, remediation processes and enforcement pathways would support proportionate and well-understood compliance activity across all licensees.

We support effective monitoring and compliance but urge Ofgem to ensure Requests for Information are proportionate and focused on high quality, decision-useful data.

Information already submitted under existing frameworks should be reused to avoid duplication and unnecessary reporting effort.

Moreover, we encourage Ofgem to coordinate compliance and enforcement across different licences. Overlapping or siloed actions should be avoided, with clear points of contact and consistent expectations for organisations holding multiple licences.

Yours sincerely,

A handwritten signature in blue ink that reads "Richard Sweet". The signature is written in a cursive, flowing style.

Richard Sweet
Director of Regulatory Policy

**SMART SECURE ELECTRICITY SYSTEMS: IMPLEMENTING THE LOAD CONTROL
LICENSING REGIME – SCOTTISHPOWER RESPONSE**

Section 1: Strategic approach and proportionality

Question 1: Do you agree that the Licence Policy Principles, as well as Ofgem's Growth Duty, are the correct principles to guide the development of Ofgem's implementation proposals? Please provide reasons for your answer.

Question 2: Are there other measures Ofgem and DESNZ should consider in order to ensure the regime is proportionate and our approach minimises unnecessary burden? Please provide reasons for your answer.

We agree that the Licence Policy Principles and Ofgem's Growth Duty provide an appropriate framework for implementation. However, it is essential that the regime is streamlined for existing licensed suppliers to avoid unnecessary regulatory burden that could hinder innovation.

Licensed suppliers already operate under extensive consumer protection, financial and governance obligations and carry greater delivery and reputational risk due to their direct customer relationships. Additional or duplicative requirements under the load control licence may unnecessarily restrict suppliers' ability to develop and scale innovative flexibility offers. Suppliers are well placed to deliver load control at scale, and their effective participation will be critical to meeting the objectives of SSES and the Growth Duty.

We welcome the proposed lower application standard for suppliers acting as flexibility service providers (FSPs). We also welcome the current alignment between the load control licence and the supply licence, but this alignment will need to be actively maintained over time as both regimes evolve, to avoid future unintended regulatory drift.

We strongly support the use of derogations to manage instances of significant overlap between Supply and Load Control Licences, with the supply licence taking precedence. Any derogation or disapplication of licence conditions for suppliers should be clearly defined and easy to operationalise, recognising that suppliers are already subject to robust consumer protection, financial resilience and governance requirements. In the context of domestic suppliers, derogations from load control licence conditions should be transparent, predictable and applied on a market-wide basis (ie applying to all domestic suppliers), rather than relying on bespoke or case-by-case interpretation.

Moreover, Requests for Information (RFIs) and monitoring requirements should be minimised for suppliers wherever equivalent data is already provided under the supply licence, and duplication should be avoided over time as monitoring frameworks evolve. Ofgem should explicitly recognise that excessive reporting and administrative requirements risk reducing suppliers' ability to develop and offer innovative flexibility propositions to customers, which would ultimately undermine the Growth Duty and the objectives of SSES.

Section 2: Licence application process and transition

Question 3: Do you agree with the proposed application form evidence requirements for each area? Please provide reasons for your answer, including any concerns with providing the requisite information and why.

Question 4: Do you agree with the proposal for a 12-month transition period? Please provide reasons for your answer.

We are broadly supportive of Ofgem's proposed licence application process and timelines. The proposed 12-month transition period and application processing timelines appear reasonable and should provide sufficient time for existing providers to prepare and apply, provided guidance and application materials are published early and clearly.

Early publication of final guidance and application materials will be important to ensure applications can be submitted promptly and to avoid congestion during the transition period.

Question 5: Do you agree with our proposed application process for certain licensed suppliers? Please provide reasons for your answer. Note, please refer to the DESNZ Licensing Consultation for a specific question on licence condition derogations.

We support the proposed lower application standard for licensed suppliers acting as FSPs. Suppliers are already subject to extensive consumer protection, financial resilience and governance obligations under the supply licence, and a streamlined application process appropriately avoids duplication while maintaining protections for consumers.

Question 6: Do you agree that the proposed application process for certain licensed suppliers should apply to licensed domestic suppliers, and not licensed suppliers who supply non-domestic customers only?

We agree that the streamlined application process should apply to licensed domestic suppliers only. Domestic suppliers already operate within a well-established consumer protection framework, which provides a clear and appropriate basis for a reduced evidential threshold. These consumer protections do not apply for non-domestic only suppliers therefore it is appropriate that those suppliers would be required to meet the higher thresholds in the full application process.

Question 7: Do you agree with our proposed application process for non-licensed suppliers? Please provide reasons for your answer.

Question 8: Do you agree that the proposed application process for different types of applicants is proportionate and reflects the SSES purpose and Licence Policy Principles? Please provide reasons for your answer.

We support the requirement for non-licensed providers to meet a higher application threshold. These providers are not subject to existing supply licence protections, and the additional evidential requirements are proportionate to the consumer, cyber security and system risks associated with load control activity.

Having a lower threshold for licensed domestic suppliers and a higher threshold for non-domestic only suppliers and non-licensed providers appropriately reflects differences in existing regulatory oversight, risk exposure and consumer protections.

Question 9: Do you agree that our proposed timelines for licence application processing are reasonable? Please provide reasons for your answer.

We agree that the proposed timelines for licence application processing are reasonable. Clear guidance and early publication of application materials will be important to ensure applications can be submitted efficiently, particularly during the transition period.

Question 10: Do you agree with our proposal that tacit authorisation should not apply to the load control licence? Please provide reasons for your answer.

Question 11: Should Ofgem reconsider the question of tacit authorisation in future? Please provide reasons for your answer.

We agree that tacit authorisation would be inappropriate given the consumer, cyber security and system risks associated with load control. Requiring organisations to hold an explicit licence before continuing activity is an appropriate safeguard and provides regulatory clarity for both market participants and consumers.

Section 3: Monitoring and data requirements

Question 12: Do you agree with the proposed approach to compliance-related monitoring? Please provide reasons for your answer.

Question 13: Do you agree with the proposed approach to market insights-focused monitoring, and are there any additional market indicators we should consider tracking? Please provide reasons for your answer.

Question 14: Are the proposed RFIs proportionate and manageable? Please provide reasons for your answer.

We support the principle of monitoring to support effective oversight of the load control licensing regime. However, from a supplier perspective, we have strong concerns that the proposed monitoring and data requirements risk being disproportionate, duplicative and inefficient unless a clearer focus on data minimisation is adopted.

Licensed suppliers already provide extensive operational, financial and consumer data to Ofgem under existing regulatory frameworks. While we recognise the value of monitoring to identify emerging risks and market developments, the current proposals appear to rely on highly detailed, siloed and overlapping RFIs, which risk imposing significant administrative burden without delivering commensurate regulatory insight. One such area is that the proposals appear to take a different, and much more onerous and prescriptive, approach to reporting in certain areas compared to the existing supply licence conditions for similar obligations, but without providing any justification for the need for a different approach.

For example, the supply licence currently places an obligation on suppliers to inform Ofgem of certain situations or changes when they take place (see for example SLC 19AA with requirements on notifications on changes to Fit and Proper personnel and material changes to systems, processes or ownership). If no such situation or action takes place, there is no such reporting requirement. Similar obligations exist in the draft load control licence conditions, however Ofgem appears to also be proposing that FSPs have to inform Ofgem each year within an RFI that no such changes have taken place. We would welcome Ofgem's justification of why it considers the need to have an annual RFI as well as the ongoing obligation to notify Ofgem of any changes.

From a supplier perspective, this creates an inefficient use of time and resource that could otherwise be directed towards improving customer experience and developing flexibility propositions. There is a risk that volume-based reporting displaces the focus on high-quality, decision-useful data, undermining both proportionality and effectiveness.

Therefore, monitoring requirements should be designed around data minimisation, prioritising a small number of high-quality, clearly defined indicators that directly support regulatory outcomes. Where equivalent or comparable data is already collected under the supply licence, this should be reused rather than re-requested, with duplication actively avoided. Ofgem should consider how monitoring data is integrated across teams and regimes to avoid fragmented or siloed reporting requests over time.

A streamlined, outcomes-focused monitoring approach would better support Ofgem's objectives while ensuring that regulatory burden does not undermine innovation or delivery of flexibility services.

Question 15: Please estimate the costs for your organisation for responding to the proposed RFIs. In the impact assessment accompanying the DESNZ Licensing Consultation government estimated indicative costs of approximately £7,000 to £24,000 per annum. Is this estimate appropriate? Please provide reasons for your answer.

Ofgem's 2021 Final Impact Assessment relies on inaccurate cost assumptions for RFI activity: the quoted £6,000-£20,000 figure applies only to a single RFI, whereas costs increase significantly when multiple RFIs are issued.¹ The current proposal mentions around seven annual RFIs for load control licensees, which, if poorly aligned with existing supplier reporting, could add around £100,000 in additional annual costs under Ofgem's central data provision scenario.

To reiterate the points made in response to Questions 12-14, the number of RFIs must be minimised, streamlined and well aligned with existing supplier reporting requirements. This is essential to avoid unnecessary cost, duplication and administrative burden, and to ensure the monitoring regime remains proportionate and focused on delivering regulatory outcomes.

Section 4: Compliance and enforcement

Question 16: Do you agree with our proposed risk-based and proportionate approach to compliance under the load control licensing regime? Please provide reasons for your answer.

Question 17: Are there additional factors we should consider when determining the level of compliance engagement for different types of licensees (eg new entrants vs licensed suppliers)? Please provide reasons for your answer.

We agree a risk-based and proportionate approach to compliance. This is particularly important for licensed suppliers, who are already subject to extensive regulatory oversight, and should help ensure that additional compliance activity under the load control licence is targeted and justified.

We note Ofgem reference to the revised approach to compliance engagement issued by its Markets division in September 2025. We welcome this reference as we think this revised

¹ Ofgem, 'Final proposals and statutory consultation - Reviewing the Consolidated Segmental Statement', June 2021, page 51

approach will support the building of more trusting relationships between Ofgem and suppliers which will facilitate better outcomes for customers than Ofgem's historic approach. It is helpful that Ofgem has set out clearly that it intends this approach to apply in relation to load control licensees, and would encourage it to ensure it applies this approach across all of its activities as much as possible. In this context, we think the account manager will play a particularly important role in providing advice and guidance to licensees, particularly new entrants to the market. Historically, Ofgem has not taken an approach that provided support of this nature to licence holders, and we welcome the more constructive approach taken by Ofgem in recent periods, which we believe will be to the benefit of consumers and delivering good outcomes in all the activities Ofgem regulates, but particularly in those activities that are innovative and evolving.

Question 18: Do you support the proposal to use informal account management relationships to support licensees into compliance in the early years? Please provide reasons for your answer.

We agree with the proposal to use the current account manager process for compliance engagement as from our experience it is a helpful tool in building trusting relationships between Ofgem and licence holders which supports early identification and resolution of issues, both from a compliance perspective, but more generally in supporting the development of a robust and appropriate regulatory framework as the process supports licence holders in sharing feedback and experiences directly to Ofgem. We also agree that it makes sense to have a single account manager for organisations who hold both supply and load control licences, rather than creating additional or parallel points of contact.

Question 19: Do you agree with the proposed priority areas for compliance engagement? Please provide reasons for your answer.

Question 20: Do you agree with our proposal to align enforcement under the load control licensing regime with Ofgem's existing enforcement approach, outlined in the Enforcement Guidelines? Please provide reasons for your answer.

Question 21: Do you agree with our proposed enforcement approach for multiple licence holders?

We support aligning compliance and enforcement under the load control licence with Ofgem's existing Guidelines. Consistency across regimes is important for regulatory certainty and fairness, particularly for organisations operating under multiple licences. In the context of compliance, where the guidance is not as formal as for enforcement, we would refer to our response above regarding the published document setting out Ofgem's Markets division's intended approach to compliance, which is largely replicated within this document. As we have noted above, we welcome this change in approach to compliance engagement from Ofgem and agree that it should be extended to load control activities, alongside other areas under Ofgem's remit to support trusting and constructive relationships between Ofgem and the organisations it regulates.

However, from a supplier perspective, it is critical that this alignment translates into consistent, coordinated and clearly communicated compliance and enforcement activity in practice. Suppliers are subject to multiple regulatory regimes, and there is a real risk that compliance activity becomes fragmented or siloed across teams unless actively managed.

Expectations, escalation pathways and points of contact should be clear and consistent, avoiding parallel or duplicative engagement. Where organisations hold multiple licences,

Ofgem should continue to take a holistic view of compliance, ensuring actions are proportionate and coherent across the regulatory framework.

Section 5: Cyber security implementation

Question 22: Are the regulatory requirements for different types of Load Controller sufficiently clear? Please provide reasons for your answer.

Question 23: Do you agree with the proposed approach to cyber security assessments for load control licence applications? Please provide reasons for your answer.

We support maintaining a high cyber security bar and recognise this licence as an opportunity to strengthen standards across the sector.

We believe that the role of the Cyber Responsible Officer requires clearer definition. The licence or guidance should specify expected seniority, accountability, reporting lines and how the role interacts with existing NIS governance. Without this clarity, there is a risk of inconsistent application across the market.

Additionally, requiring both a detailed Cyber Assessment Framework (CAF) self-assessment and progression towards a CRA risks duplication. If a CRA (or equivalent) is required, this should serve as the primary assurance mechanism. A more streamlined approach would maintain rigour while reducing unnecessary administrative burden. Greater clarity on how CAF, CRA and NIS requirements interrelate would be helpful.

Question 24: Do you agree with the proposed approach to cyber security monitoring and compliance? Please provide reasons for your answer.

We agree that cyber security is a critical component of the load control licensing regime and welcome Ofgem's emphasis on addressing cyber risk. The introduction of this licence presents a clear opportunity to raise the profile and maturity of cyber security across the flexibility market.

Load control introduces new and potentially systemic cyber risks, particularly as participation scales. We support the principle of differentiated requirements based on risk and aggregate load, and agree that alignment with existing frameworks, including the Network and Information Systems (NIS) regime, is appropriate.

However, from a supplier perspective, the interaction between the load control licence and the NIS framework would benefit from greater clarity and explicit articulation within the licence itself. Where NIS applies, this should be clearly reflected and embedded in the licensing framework to avoid ambiguity, overlap or inconsistent expectations.

Ofgem should use the introduction of the load control licence as an opportunity to clearly anchor cyber security expectations to the NIS regime, rather than creating parallel or less explicit requirements.

The licence and supporting guidance should clearly set out how cyber obligations differ by risk profile and aggregate load, and how responsibilities are split between Ofgem and other bodies. Clear, consistent articulation of cyber requirements will help elevate standards across the market while giving regulated parties confidence in how compliance will be assessed and enforced.

Question 25: What would you suggest is a reasonable equivalent of a Cyber Resilience Audit (CRA)? Please provide reasons for your answer.

We support retaining the CRA as the standardised audit mechanism. A single, recognised framework promotes consistency, comparability and regulatory certainty, particularly given the availability of multiple audit providers.

If alternatives are permitted, they should meet clearly defined equivalent standards. A fragmented or loosely defined approach risks diluting cyber expectations.

Question 26: Do you agree with the inspection process outlined for the cyber security of below 300MW Load Controllers? Please provide reasons for your answer.

We agree that inspection and audit powers are necessary given the potential systemic risks associated with load control.

However, it would be helpful to have clearer assurances that inspection activity will be proportionate and risk-based in practice. Greater transparency on how Ofgem intends to trigger audits, assess risk, and determine escalation would provide regulatory certainty and help organisations prepare appropriately.

Section 6: Managing a licence once granted

Question 27: Do you agree with our proposed approach to licence modifications? Please provide reasons for your answer.

Question 28: Do you agree with our proposed process for the transfer of a load control licence? Please provide reasons for your answer.

Question 29: Do you agree with our proposed approach to extending/restricting a licence? Please provide reasons for your answer.

We agree with the proposed approach to modification, transfer and extension/restriction of licence. Alignment with existing supply licence transfer processes is welcome and will provide regulatory certainty.

It is important, however, that any modifications to the load control licence remain aligned with the supply licence where obligations overlap. As both regimes evolve, this alignment should be actively maintained to avoid duplication, inconsistency or unintended regulatory burden for suppliers.

Question 30: Do you agree with our proposed approach to revocation of the load control licence, including our proposal to include a revocation item on the basis of failure to comply with the NIS regulations? Please provide reasons for your answer.

We agree with the inclusion of revocation grounds linked to non-compliance with the NIS regime. Given the seriousness of cyber security risks, this is appropriate.

However, the interaction between NIS requirements and the load control licence would benefit from greater clarity within the licence itself, to ensure expectations, thresholds, remediation and enforcement pathways are clearly understood.

The process should be clearly defined and transparent, including a requirement and opportunity for the licensee to submit a remedial action plan to restore NIS compliance, clear remediation timeframes and assurance thresholds and a structured escalation route if compliance is not achieved. Greater clarity on remediation and assurance expectations will help ensure enforcement remains firm but proportionate, with a clear focus on restoring compliance wherever possible.

Section 7: Cost recovery

Question 31: Do you agree with our proposed approach to cost recovery for the load control licensing regime? Please provide reasons for your answer.

We agree with the proposed approach to cost recovery as it aligns with existing processes.

ScottishPower
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