

Decision

Smart Secure Electricity Systems: Implementing the load control licensing regime

Ofgem Consultation Response

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This is our decision on SSES: Implementing the Load Control Licence, which we [consulted](#) on in December 2025. This decision is part of a package of documents, which includes:

- Key milestones (Annex A)
- Terms and revocation schedule (Annex B)
- Post-consultation draft of the electricity licence application form – pending Parliament secondary legislation - containing questions for load control licence applicants ([Annex C](#))
- Final version of the [Consumer Protection Guidance](#)

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Foreword

The transition to a smarter, more flexible electricity system is central to delivering a secure, affordable and decarbonised energy system for consumers. As more households and small businesses use energy smart appliances such as electric vehicles, heat pumps and other flexible technologies, the role of load control will become increasingly important in helping the system operate efficiently and make better use of low-carbon generation.

The benefits of consumer-led flexibility will only be realised if consumers have confidence that these services are secure, reliable and fair. The load control licensing regime is an important part of that framework. It will introduce clear regulatory oversight for organisations providing flexibility services and controlling relevant domestic-scale devices, while supporting innovation and growth in a market that is still developing.

This decision sets out how Ofgem will implement the load control licensing regime, including the application process, our approach to monitoring, compliance and enforcement, and cyber security requirements.

We are grateful to all stakeholders who responded to the consultation and engaged with us as we developed our approach. Their feedback has helped shape important changes, including differentiated application pathways, targeted use of derogations where existing supply licence protections are sufficient, and the introduction of tacit authorisation to support continuity for applicants during implementation.

As the market evolves, we will continue to monitor risks, work closely with government and industry, and adapt our approach where needed. Our aim is to support a load control licensing regime that gives consumers confidence, enables responsible innovation and contributes to a secure, flexible and resilient electricity system.

Fiona Campbell

Deputy Director, Retail Flexibility and Consumer Experience

Executive summary

This document outlines Ofgem's decisions on the implementation of the Smart Secure Electricity Systems (SSES) load control licensing regime following our December 2025 consultation. The load control licence is being co-delivered by the Department for Energy Security and Net Zero (DESNZ) and Ofgem, with DESNZ establishing the legislative framework and Ofgem leading implementation of the licensing regime.

These decisions cover key aspects of how the load control licensing regime will operate, including the overall design and strategic approach, the licence application process, monitoring and data requirements, compliance and enforcement, cyber security implementation, the approach to managing licences once granted, and cost recovery. We consider that our implementation approach furthers Ofgem's principal objective to protect the interests of present and future consumers by supporting consumer confidence in flexibility services, protecting consumers from emerging harms, supporting secure system operation and enabling innovation and investment in flexibility markets.

Key decisions

Mechanisms to reduce supplier regulatory burden and align with wider reforms.

We have decided to take derogation powers with which to apply targeted derogations as merited, and to introduce other application flexibilities to reduce unnecessary regulatory burden on electricity suppliers. We had already aligned many of the load control licence conditions with the electricity supply licence to ensure a consistent standard of consumer protection for those engaging in flexibility services. At the same time, the retail regulatory framework is moving towards a more outcomes-based approach. To reflect this, the load control licence will include powers to derogate from certain conditions (as set out in the DESNZ consultation response), alongside bespoke application evidence requirements. We will apply targeted derogations where electricity supply licence protections already provide sufficient consumer protection. This approach minimises duplication and reduces the risk of regulatory divergence between the two regimes during the transition to wider retail reform.

Licence application routes. Electricity supply licence holders will have already undergone regulatory scrutiny relevant to much of the consumer-facing Flexibility Service Provider (FSP) activity of the load control licence, with the level of scrutiny depending on whether they hold a non-domestic-only electricity supply licence or a combined domestic and non-domestic electricity supply licence. This has led to the development of three different application pathways:

1. Non-supplier operators will need to provide evidence requirements against all relevant areas (Pathway A)

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2. Non-domestic electricity supply licence holders will need to provide evidence requirements, except those relevant to managerial and financial controls (Pathway B)
3. Domestic and non-domestic electricity supply licence holders will need to provide evidence requirements except those relevant to managerial and financial controls, and certain consumer protection requirements (Pathway C)

Revocation for NIS non-compliance. We will include, as a last resort, the ability to revoke a licence for non-compliance with Network and Information System (NIS) regulations, as set out in the revocation schedule (Annex B).

Tacit authorisation. We will introduce a provision for tacit authorisation, whereby operators are automatically granted a licence if Ofgem has not processed the application within a defined period initially set at nine months. Where Ofgem is unable to process an application within the nine-month period, a licence will be deemed granted in accordance with 19(5) of the [Provision of Services Regulations 2009](#).

1. Introduction

Section summary

This section explains the purpose of this document, gives key context on the Smart Secure Electricity Systems (SSES) Programme, and summarises the characteristics of the responses we received to our December 2025 consultation.

What are we deciding on?

- 1.1 This document sets out Ofgem’s decisions on how the load control licensing regime will be implemented, following our [Smart Secure Electricity Systems: Implementing the load control licensing regime](#) consultation published on 10 December 2025. It explains the key decisions we have made, the rationale for our approach, and how this has been informed by stakeholder feedback. It covers our strategic approach to the overall regime design, the licence application process, monitoring and data requirements, compliance and enforcement, cyber security implementation, managing licences once granted, and cost recovery.

Context

- 1.2 The Government is committed to introducing a new load control licensing framework under powers in the [Energy Act 2023](#), recognising the growing role of Energy Smart Appliances (ESAs) (defined in the 2025 [Delivering a smart and secure electricity system: implementation \(government response\)](#)) and third-party service providers in actively managing electricity demand. As the electricity system becomes more decentralised and the deployment of flexible demand grows, load control activity will deliver system benefits but also introduces new risks.
- 1.3 In particular, the Smart Secure Electricity Systems (SSES) Programme is intended to address risks associated with: (i) consumer protection in emerging business models and propositions; (ii) cyber security, given the increasing reliance on digitally controlled services; and (iii) grid stability, as larger volumes of load respond to signals and interact with system operations. The load control licence is a core part of this framework, intended to build consumer confidence and provide clear regulatory oversight where appropriate as the market develops.
- 1.4 To mitigate the risks described above, the load control licence will cover two distinct activities. Flexibility Service Providers (FSPs) are those organisations that offer flexibility products to consumers. Load Controllers are those organisations that send control signals to devices to alter demand patterns. Organisations will have to comply with different requirements within the load control licence depending on whether they are carrying out FSP and/or Load Controller activities. For both activities, this will only apply where domestic-scale technologies such as

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private EVs and charge points, relevant heat technologies, and home batteries are involved.

- 1.5 The SSES Programme supports the development of consumer-led flexibility (CLF), as set out in government's [Clean Flexibility Roadmap](#). CLF will shift consumers demand to times when energy is abundant, helping consumers reap the rewards of cheap renewable energy.
- 1.6 The roles and responsibilities of Ofgem and government within the SSES framework are clearly defined. DESNZ is responsible for the legislative and policy framework for the load control licence, including the regulations and the licence conditions that define the scope and obligations of the licensable activity. Ofgem's role is to implement the regime - including licence application requirements and processes, how Ofgem intends to monitor compliance and market developments, and how compliance and enforcement will be delivered in a proportionate way responsive to market developments.
- 1.7 This document focuses on Ofgem's implementation approach and should be read alongside the following two recent consultations published on 10 December 2025:
 - Ofgem's [Smart Secure Electricity Systems: Implementing the load control licensing regime](#), which included the 'Draft load control licence application form' (Annex C) and the 'Draft load control consumer protection guidance' (Annex D) proposing how the regime should be implemented and our expectations of licensees in line with the principles, policy design and enduring governance frameworks set out by DESNZ.
 - DESNZ's [Smart Secure Electricity Systems \(SSES\) Programme: draft load control licence regulations and conditions](#) which outlined the regimes' policy and legislative framework, including draft regulations to be implemented via a statutory instrument to establish load control as a licensable activity and define the scope of the licence, alongside draft licence conditions. The DESNZ decision to this consultation has been [published alongside this document](#).
- 1.8 As a part of its licensing consultation, DESNZ also consulted on the Tier 2 Cyber Assessment Framework (CAF) profile and accompanying guidance, which set out how Load Controllers below 300MW aggregate load should assess their cyber security and resilience.

Related publications

- 2022 DESNZ Consultation and 2023 Government response: [Delivering a smart and secure electricity system: the interoperability and cyber security of energy smart appliances and remote load control](#)

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- 2024 DESNZ Consultation and 2025 Government response: [Delivering a smart and secure electricity system: implementation](#)
- 2025 DESNZ Consultation on draft load control licence regulations and conditions: [Smart Secure Electricity Systems \(SSES\) Programme: draft load control licence regulations and conditions](#)
- 2025 DESNZ Consultation on SSES Enduring Governance and Government response: [Smart Secure Electricity Systems Programme \(SSES\): enduring governance](#)
- 2025 Ofgem Consultation on implementing the load control licensing regime: [Smart Secure Electricity Systems: Implementing the load control licensing regime](#)
- 2026 DESNZ Consultation on the Enduring Governance Framework: [Smart Secure Electricity Systems \(SSES\) enduring governance: governance framework](#)

Characteristics of responses received

- 1.9 We received 33 consultation responses. Of these, 18 were from organisations that will fall within the scope of the load control licence once it is in force, including 9 electricity suppliers. The remaining 15 responses were from organisations not currently operating in the load control sector including consumer and charity bodies, trade associations, system and network operators, and other interested stakeholders.

Decision-making stages

- | | |
|----------------|--|
| Stage 1 | Consultation open: 10 December 2025 |
| Stage 2 | Consultation closed: 18 February 2026 |
| Stage 3 | Responses reviewed and published: 07 August 2026 |
| Stage 4 | Consultation outcome: Decision published: 07 August 2026 |

2. Load control licensing regime: overview and strategic approach

Section summary:

In this section we summarise stakeholder views on our proposed strategic approach. We will apply DESNZ's Licence Policy Principles and Ofgem's Growth Duty to guide the development of our implementation proposals, adopt a proportionate approach and refine regulation as the load control market develops.

Questions from the consultation

- Q1. 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.
- Q2. 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.

What we consulted on

- 2.1 The consultation set out Ofgem's proposed approach to implementing load control licensing, including the purpose and scope of the regime and the strategic approach we intended to take.
- 2.2 We also sought views on two specific aspects:
- whether the Licence Policy Principles and Ofgem's [Growth Duty](#) should guide our implementation approach
 - whether there are additional measures Ofgem and DESNZ should consider to ensure the regime is proportionate and minimises unnecessary burden, including consideration of how to avoid duplication with existing regulatory frameworks, while ensuring that consumer protection and system resilience outcomes are delivered
- 2.3 DESNZ separately consulted on the scope of the licence and have decided in their [government response](#) to simplify the definition of Load Controller slightly, while retaining the policy intent of licensing Load Controllers who make decisions that determine, or intentionally alter, how load control is effected on an ESA. They have also decided not to make any changes to the definition of FSP, as well as the types of ESAs or consumers in scope. Following stakeholder feedback that load control activity falling within scope of the licence had extended beyond the policy intent they set out in their 2024 consultation, DESNZ have also decided to pursue

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an exemption for Load Controllers and FSPs that undertake respective load control activities which are not for the purpose of supporting the operation of the electricity system. DESNZ are currently asking for representations on the drafting of the exemptions order and have set out more detail regarding the policy intent of this exemption in their statutory notice.

- 2.4 A key issue was how the load control licensing regime should apply to existing licensed suppliers who hold a combined domestic and non-domestic supply licence where load control activities are closely linked to electricity supply. We set out potential approaches for managing interactions between the two regimes, including whether suppliers might follow a distinct application route where evidence available via the electricity supply framework could be relied upon, and whether utilising licence condition derogations would be appropriate in cases of significant overlap. We sought evidence on the impacts of these approaches and whether they would support proportionate and targeted implementation.

Summary of responses

- 2.5 The majority of respondents, across various stakeholder types, strongly agreed that DESNZ's Licence Policy Principles provide an appropriate framework to guide implementation proposals. There was also strong endorsement for consideration of Ofgem's Growth Duty in developing our implementation plan. Respondents agreed that these would provide the right foundation for the regime and strike an appropriate balance between consumer protection, system security, and market growth.
- 2.6 There was also agreement with our policy intent to adopt a proportionate and iterative approach, continually monitoring and developing regulatory arrangements as the market evolves.
- 2.7 Some stakeholders stressed that the application of the principles, rather than the principles themselves, would be key to the regime's success. A minority of stakeholders cited the risk of disproportionate regulatory burden that could materially affect revenues in early stages of the regime. There were some calls to phase regulatory requirements as the market matures, prioritising highest-risk areas first.
- 2.8 We also received suggestions for additional measures and design aspects that Ofgem and DESNZ should consider such as derogations, the use of independent certification schemes as evidence in applications, clear guidance, and improved clarity on the licensing scope.
- 2.9 We received mixed feedback on the case for derogating existing supply licence holders from some licence requirements. Supplier respondents agreed that this was appropriate where there is clear overlap. Consumer groups, however,

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cautioned that this could undermine market monitoring proposals and could lead to poor outcomes for supply customers. A non-supplier operator also argued that derogations would give suppliers an unfair advantage.

- 2.10 Some stakeholders suggested that using existing licences, schemes and compliance mechanisms would provide an alternative solution to avoiding duplication and unnecessary regulatory burden.
- 2.11 There were calls for more clarity on definitions of licensable activities and scope, and for the publication of clear guidance that includes example evidence requirements and [Request For Information \(RFI\)](#) specifications.

Our decisions and rationale

- 2.12 We have decided to proceed with implementation on the basis of the Licence Policy Principles and Ofgem’s Growth Duty as proposed. We consider that these provide an appropriate and balanced framework for delivering the regime objectives, including protecting consumers, ensuring system security and supporting market development.
- 2.13 We have also decided to adopt the proposed proportionate and iterative approach and endorsed by respondents. This approach recognises the emerging status of the load control market and ensures that requirements remain targeted and adaptable as the market develops. It minimises unnecessary administrative burden while ensuring appropriate protections for consumers and the energy system. We do not consider that existing licences, schemes, and compliance mechanisms provide adequate consumer protection or system security.

Our approach to application routes and licence derogations

- 2.14 We recognise that there are areas of intersection between the load control licence – particularly for FSP activities – and the existing electricity supply licence. This is most relevant where licensed suppliers are offering consumer-facing tariffs that incorporate load control as part of a flexibility “add-on” or tariff offering.
- 2.15 In our December consultation we said government and Ofgem consider that licence condition derogations may be justified where a supply licensee delivering a combined supply and load control service is already subject to – and demonstrably complying with – supply licence conditions. We have decided to apply targeted derogations for two reasons.
- 2.16 Firstly, following further stakeholder engagement after the consultation, we concluded that where licensed suppliers already offer load control as part of a flexibility “add-on” or tariff offering it would be duplicative and disproportionate to require those suppliers to separately demonstrate compliance with the load control licence. We consider that the existing requirements of the supply licence

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can be applied to cover these activities to a sufficiently similar effect, and that any residual risks are proportionate.

- 2.17 Secondly, we are mindful of wider reforms to the retail regulatory framework, including the shift towards a more outcomes-based approach set out in Ofgem's Call for Input on [energy consumer outcomes](#), with a decision and further consultation published on 23rd June 2026. We intend to maintain close alignment between the load control licence and the electricity supply licence. As supply licence reforms are implemented, this is likely to lead to subsequent changes to the load control licence. We recognise that this could create disruption for organisations holding both licences during the transition period. Targeted derogations will help minimise that disruption while reforms are underway.
- 2.18 DESNZ will include derogation powers in the load control licence for consumer protection and financial management and control conditions. For the purposes of this decision, we will apply derogations only where there is significant overlap with supply licence requirements. In particular, this is for the FSP activity within the load control licence with requirements relating to consumer protection and financial management and controls.
- 2.19 Derogations for load control licence conditions related to financial and managerial controls (SLCs 3-5) will apply to FSPs that hold an electricity supply licence for both domestic and non-domestic consumers, and to FSPs that hold a non-domestic-only electricity supply licence, where the supply licence holder and the FSP are the same legal entity. Derogations for consumer protection load control licence conditions (SLCs 11-14) will apply to FSPs that hold an electricity supply licence for both domestic and non-domestic consumers, where they offer tariffs that include load control to domestic supply customers and where the supply licence holder and the FSP are the same legal entity. Consistent with this decision, we have also decided to introduce relaxations to specific application evidence requirements. This will avoid unnecessary duplication of regulatory scrutiny, while maintaining appropriate protections for consumers and the energy system. Table 1 provides a full breakdown of derogated licence conditions by applicant type.
- 2.20 We recognise there is no direct equivalent in the supply licence to the load control licence condition 13: Allowing customers to exit a service. However, the supply licence already provides established routes for customers to switch suppliers, offering appropriate protections under the derogation arrangements. In particular, SLC 14 prevents inappropriate blocking of customer transfers, SLC 24 sets out requirements for terminating domestic supply contracts, and SLC 11B requires compliance with the Retail Energy Code. Taken together, these provisions ensure that consumers engaging with a flexibility service through a domestic tariff offer are able to exit and switch, with appropriate safeguards in place.

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- 2.21 The load control licence also contains provisions ensuring that consumers are made aware of the implications of switching from one FSP to another FSP through principal term (e) (SLC 12.3). The supply licence does include broader principle-based protections that mitigate these risks. In particular, the Standards of Conduct (SLCs 0 and 0A) require licensees and their representatives to treat consumers fairly, act in a fair, honest and transparent manner, and provide information that is clear, complete and appropriate. SLC0.9, for example, makes clear that a licensee (or their representative) would not be regarded as treating a domestic consumer fairly if their actions or omissions give rise to a likelihood of consumer detriment.
- 2.22 To ensure these protections are effective in the context of flexibility services, we will establish clear expectations for supplier conduct. Suppliers will be required to provide consumers with clear and specific information about FSP-related activities, including the implications for switching and interoperability. We will incorporate a tailored version of Principal Term (e) within our consumer protection framework to support and reinforce compliance with these requirements. We consider these requirements provide a strong baseline of consumer protection, supported by our monitoring, compliance and enforcement approaches.
- 2.23 Derogations will be applied on a risk-based and discretionary basis. We will retain the ability to require full compliance with all licence conditions at the application stage on a case-by-case basis where concerns are identified. We will also retain the ability to amend or withdraw derogations where monitoring identifies new or emerging risks to consumers, the market, or the system. Applicants and licensees will also be required to provide Ofgem with information when requested. We intend to issue derogations on a class basis, so individual companies will not need to apply separately. We intend to issue these derogations before the licence legally comes into force in March 2028.
- 2.24 The [DESNZ consultation response](#), published alongside this decision, sets out the final position on the scope, and introduces the load control licence derogation powers.
- 2.25 For the avoidance of doubt, this approach does not remove the requirement to hold a load control licence, nor does it reduce or disapply Load Controller-specific requirements, including cyber security and grid stability obligations, which are not addressed through the supply licence. All organisations undertaking load control activities will be required to apply for a licence and comply with the relevant load control licence conditions.
- 2.26 These measures are being introduced to support effective implementation in a rapidly evolving market that protects the interests of existing and future consumers, and to enable Ofgem to continue its work on consumer outcomes without creating unnecessary complexity across intersecting regulatory

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frameworks. As this work and the market develops, we will keep our approach under review and retain the ability to adapt or refine these arrangements where appropriate.

How application routes and licence derogations apply to FSP applicants

2.27 The application requirements will depend on whether an applicant already holds an electricity supply licence and the type of supply activities they undertake. This will determine the required evidence and whether targeted licence condition derogations may apply. The applicant pathways and corresponding licence condition derogations are summarised in Table 1.

Pathway A: FSP applicants that do not hold an electricity supply licence

2.28 These applicants are subject to the full set of load control licence conditions relevant to the FSP activity.

2.29 They must complete all relevant sections of the application form, including providing evidence against financial management and consumer protection questions. This is because they have not previously been assessed against equivalent requirements under an electricity supply licence.

Pathway B: FSP applicants that hold a non-domestic-only electricity supply licence

2.30 These applicants may be derogated from financial and management control licence requirements and will not be required to provide evidence against these questions in the application form.

2.31 However, they must comply with, and provide evidence against, the consumer protection licence conditions.

2.32 This reflects that non-domestic supply licences do not include consumer protection obligations that are sufficiently aligned with load control licence obligations, specifically in that the load control licence extends consumer protections to small business consumers.

2.33 This approach only applies where:

- the applicant is the same legal entity as the supply licence holder
- Ofgem does not identify any existing compliance concerns in relation to the supply licence

Pathway C: FSP applicants that hold an electricity supply licence for both domestic and non-domestic consumers

2.34 These applicants may be derogated from financial and management controls, and from consumer protection licence conditions, and will not be required to provide evidence against the corresponding sections of the application form.

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2.35 This approach applies only where:

- the supplier is providing load control to domestic consumers as part of a flexibility “add-on” or tariff offering with domestic electricity supply
- the applicant is the same legal entity as the supply licence holder
- Ofgem does not identify any existing compliance concerns in relation to the supply licence

Table 1: Derogated load control licence conditions by applicant pathway

Applicant pathway	Application requirements	Derogated load control licence conditions
Pathway A FSP applicants that do not hold an electricity supply licence	• 1-8 (standard questions) • 10 (suitability to hold a licence) • 11 and 19.4 (operational capability) • 19.1-19.2 (application details) • 19.3 (financial responsibility) • 19.5 (consumer protection requirements only)	None
Pathway B FSP applicants that hold a non-domestic-only electricity supply licence	• 1-8 (standard questions) • 19.1-19.2 (application details) • 19.5 (consumer protection requirements only)	Financial and management control requirements: • LC4 - Financial responsibility principle; • LC5 - Ongoing fit and proper requirement
Pathway C FSP applicants that hold an electricity supply licence for both domestic and non-domestic consumers	• 1-8 (standard questions) • 19.1-19.2 (application details)	Financial and management control requirements: • LC4 - Financial responsibility principle; • LC5 - Ongoing fit and proper requirement Consumer protection requirements: • LC11 - Treating Customers Fairly; • LC12 - Recommending suitable service; • LC13 - Allow customers to exit a service;

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Applicant pathway	Application requirements	Derogated load control licence conditions
		• LC14 - Ensuring exit fees are proportionate

Overall approach and next steps

- 2.36 This targeted approach supports Ofgem’s efforts to improve consumer outcomes work for supplier-led flexibility propositions, reduce the burden for licensed parties, and support continued innovation in the flexibility sector. As reforms to the electricity supply licence develop, we will align the load control licence accordingly. In all cases, applicants intending to undertake Load Controller activities will still be required to apply for a licence and comply with the Load Controller-specific requirements in cyber security and grid stability. Further detail on application pathways, evidence requirements and how these apply to different applicant types is set out in Chapter 3.
- 2.37 This approach sufficiently reduces burden for supply licence holders and therefore removes the need to use existing voluntary compliance arrangements as evidence for applications, as suggested by some stakeholders.
- 2.38 We intend to address stakeholder calls for further clarity on the licensing regime in a number of ways. The DESNZ decision publication has further information on the licence scope, and Ofgem’s final consumer protection guidance is published alongside this decision. We will develop application guidance and a broader guide to the licence to better support prospective applicants to the load control licence. We will also continue close engagement with industry during implementation through established forums such as the SSES Licensing Working Group. Where there is need for further clarity we will consider issuing additional future publications in due course.

3. Licence application process

Section summary:

In this section we set out the original policy position on the licence application process and summarise stakeholder feedback. We set out our decisions on the licence application process, covering application questions, evidence requirements, application pathways (described in Chapter 2), and timescales for applications (including tacit authorisation). We have also incorporated feedback on the draft licence application form (Annex C) and consumer protection guidance (Annex D) within this chapter.

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Questions

- Q3. 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.
- Q4. Do you agree with the proposal for a 12-month transition period? Please provide reasons for your answer.
- Q5. 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.
- Q6. 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?
- Q7. Do you agree with our proposed application process for non-licensed suppliers? Please provide reasons for your answer.
- Q8. 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.
- Q9. Do you agree that our proposed timelines for licence application processing are reasonable? Please provide reasons for your answer.
- Q10. Do you agree with our proposal that tacit authorisation should not apply to the load control licence? Please provide reasons for your answer.
- Q11. Should Ofgem reconsider the question of tacit authorisation in future? Please provide reasons for your answer.

What we consulted on

- 3.1 The consultation outlined the approach for the load control licence application process, drawing on Ofgem's existing framework. This included amending the current electricity licence application form to bring the load control licence into scope (Annex C) and to specify the evidence applicants would need to provide, including consumer protection guidance (Annex D). Feedback on the draft application form has been integrated into this chapter. While these were separate annexes in the consultation, they form part of the overall licensing process and have therefore been considered alongside application design and requirements.
- 3.2 We also consulted on different application routes to reflect diversity in business models and regulatory intersection, including a streamlined route for licensed suppliers of domestic consumers. We set out that all organisations already undertaking load control activities would need to apply for and secure a licence by

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the end of DESNZ's proposed 12-month transition period to continue operating legally. We proposed that organisations wishing to continue load control activities from the end of the transition period should submit a licence application within 3 months of the licence application window opening. This would allow Ofgem 9 months to assess the application and make a decision.

- 3.3 The consultation set out that tacit authorisation would not apply to the load control licence reflecting the new and evolving nature of the market and to allow Ofgem to develop understanding of any potential risks.
- 3.4 We also set out proposed draft consumer protection guidance. This guidance is intended to support licensees in understanding how to comply with consumer protection licence conditions, including conditions related to treating customers fairly, transparency, complaints handling and support for vulnerable consumers.

Summary of responses

Application form

- 3.5 While we received a relatively small number of responses to the proposed application form, those stakeholders that did respond generally supported the approach and structure of the application form, considered the proposed evidence requirements to be clear and well structured, and viewed the form as aligned with the policy intent of the licensing regime. Respondents welcomed differentiation by applicant type and supported the tiered approach to evidencing, and welcomed the Tier 1 and Tier 2 structure, noting that this supported proportionality by differentiating evidencing requirements by applicant type and risk profile.
- 3.6 A significant amount of stakeholders raised concerns about potential duplication, for example, licensed suppliers of domestic consumers who provide similar information under the supply licence. More broadly, respondents also identified overlaps where applicants are already subject to other regulatory or assurance frameworks (such as industry codes or standards) where similar evidence may be required. While concerns about duplication were frequently raised, they were largely expressed as a general, high-level anticipated risk with few specific examples provided.
- 3.7 Respondents broadly found the overall structure and usability of the form clear and logical. Some stakeholders noted that applicants would need access to the supporting guidance (particularly cyber security and industry code requirements) in order to fully understand the information required as part of the application process. Several stakeholders from different groupings also noted that aspects of the form were difficult to assess fully in the absence of finalised frameworks and guidance.

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- 3.8 A few stakeholders also asked for clarification on whether Ofgem would prefer applications to be submitted as a single document or as separate attachments and suggested that sharper distinction in places between requirements for supply licence holders and non-supplier operators would improve clarity.

Application process for different types of licensees

- 3.9 There was strong support for our proposed streamlined route for licensed domestic suppliers, not only from suppliers themselves, but others including FSPs, Load Controllers, system operators and trade bodies – albeit for different reasons.
- 3.10 Suppliers consistently emphasised the need to avoid duplicative evidencing and additional burden where information is already provided under the supply licence. Non-supplier operators and system operators supported streamlining as proportionate, noting it reflects their differing roles and obligations. Consumer groups expressed mixed views on the lighter touch application process for licensed suppliers of domestic consumers. While they recognised that non-domestic suppliers are not subject to the same consumer protection requirements as domestic suppliers they emphasised that all suppliers should still be required to provide load control-specific evidence for conditions relating to consumer protection at a minimum, through a statement of intent.
- 3.11 A significant number of respondents agreed with the proposed application approach for non-licensed suppliers. They supported requiring more detailed evidence, as these non-supplier operators are not currently subject to the same level of regulatory oversight as licensed suppliers.

Application timescales and approach to tacit authorisation

- 3.12 While stakeholders broadly supported the need for a transition period, most considered a 12-month timeframe to be challenging and raised concerns about Ofgem's capacity to process applications within this period.
- 3.13 Concerns were also raised by non-supplier operators unfamiliar with licensing processes, with respondents warning that the limitations imposed by the proposed timelines could create barriers to entry and undermine Ofgem's Growth Duty.
- 3.14 A few stakeholders were concerned of a potential cliff-edge risk. In the absence of a tacit authorisation facility there is the risk that organisations which submit applications on time could be forced to cease operations, through no fault of their own, if the outcome of licence applications are not determined before the end of the transition period.

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Draft load control consumer protection guidance

- 3.15 We received relatively few responses about the draft load control consumer protection guidance, but those stakeholders that did comment broadly supported the rationale for publishing standalone consumer protection guidance to accompany the load control licence.
- 3.16 Stakeholders generally agreed that the draft guidance covered the primary consumer protection risks associated with load control activity. They noted the guidance was helpful in supporting licensees and sets clear expectation of their consumer-facing arrangements.
- 3.17 Consumer bodies in particular welcomed the guidance, noting that it helps make explicit the load control-specific risks to consumers and supports the case for clear expectations independent of supply licence protections.
- 3.18 Some stakeholders stressed that any requirements intended to be mandatory should sit in the licence itself, with guidance limited to explanation, and illustrative examples. There were also calls for greater clarity and precision in specific areas, particularly where load control services interact with supply arrangements or are included as part of a flexibility “add-on” or tariff offering.

Our decisions and rationale

Application form

- 3.19 We have made amendments to the application form (set out in Annex C and summarised in Table 2 below). These changes include updated questions and inclusion of the application fees.
- 3.20 These changes respond to stakeholder feedback that aspects of the form were difficult to assess in the absence of finalised frameworks and guidance, and to concerns about the potential regulatory burden of the application process. As a result, the application questions are now framed at a higher level.
- 3.21 This does not change the evidence requirements we consulted on. The detailed evidence requirements will instead be set out in licence application guidance. We will develop updated licence application guidance in summer 2026. We also intend to produce a guide to load control later this year.
- 3.22 This approach aligns the load control section with other licence-specific sections of the application form, particularly the supply licence questions. Placing the detail in guidance will allow the requirements to evolve as the market develops.

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Table 2: Updated load control licence application and requirements.

Regulation area	Description of evidence requirements
<u>Standard questions</u> (questions 1.1-8.4)	Details about the company, including structure and ownership, and any other licences held.
<u>Suitability to hold a licence</u> (questions 10.1-10.7)	Confirmation that directors and key senior individuals are fit and proper to hold a licence, and a declaration of the accuracy of information provided.
<u>Operational capability a): Proposed arrangements for commencing licensable activity</u> (question 11.1)	A summary of the systems, processes and financial arrangement that applicants will have in place to ensure they can meet licence obligations including intent to comply with or accede to relevant industry codes.
<u>Load control licensable activity</u> (questions 19.1-19.2)	Specify which licensable activity/ies will be undertaken (select all that apply): • Flexibility Service Provider • Load Controller – below 300MW • Load Controller – above 300MW
<u>Financial responsibility</u> (question 19.3)	Evidence of financial viability, which may include proof of funding, funding sources, and financial forecasts.
<u>Operational capability (b): Proposed plans for first two years' operation</u> (question 19.4)	Proposals for the first two years' operation following the licence being granted, to demonstrate they have made appropriate preparations, that plans are based on reasonable assumptions, and they are able to meet operational capability requirements.
<u>Commencing licensable activity</u> (question 19.5)	Statement of intent setting out the steps that will be taken to comply with regulations: • customer protection (FSP only) • grid stability (Load Controller only)
<u>Cyber security (Load Controllers only)</u> (question 19.6)	Details of approach to cyber security, including risk management, alignment with government expectations and recognised standards, and

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Regulation area	Description of evidence requirements
	assurance of effective ongoing cyber security controls.

Application pathways for different applicants

3.23 As set out in Chapter 2, we have decided to apply a differentiated application approach, introducing different pathways (set out in more detail below) which reflect the level of regulatory scrutiny an applicant has – or has not – already undergone. Electricity supply licence holders will have already undergone regulatory scrutiny relevant to the FSP activity of the load control licence, with the level of scrutiny depending on whether they hold a non-domestic electricity supply licence or a combined domestic and non-domestic electricity supply licence.

3.24 Therefore, for those organisations applying for the FSP activity of the load control licence:

- Non-supplier operators will need to provide evidence requirements against all relevant areas (Pathway A)
- Non-domestic electricity supply licence holders will need to provide evidence requirements, except those relevant to managerial and financial controls (Pathway B)
- Domestic and non-domestic electricity supply licence holders will need to provide evidence requirements except those relevant to managerial and financial controls, and consumer protection requirements (Pathway C)

3.25 These conditions are intended to ensure that reliance on existing regulatory arrangements is appropriate and does not undermine consumer or system protections.

3.26 Non-domestic supply licensees are subject to stricter obligations in relation to financial viability and management controls under their existing supply licence. We therefore consider it proportionate to allow reliance on these arrangements and to avoid duplicative application evidence in these areas.

3.27 However, consumer protection obligations applying to non-domestic-only supply licensees are not sufficiently aligned with the risks associated with load control activities. As a result, non-domestic-only supply licensees will be required to provide application evidence against consumer protection requirements. This is because the consumer protection conditions in the load control licence are designed to address specific risks faced by domestic and small non-domestic consumers, which are not sufficiently covered by existing rules for suppliers

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holding non-domestic-only licences. Licensed suppliers of domestic consumers are already subject to comprehensive and enforceable consumer protection and financial responsibility obligations under the electricity supply licence.

- 3.28 We recognise that consumer groups have raised concerns that this approach could give rise to gaps in consumer protection. While we have not seen evidence of consumer harm to date, we will actively monitor the sector to ensure this remains the case. If risks begin to materialise, or wider market developments indicate that additional protections are needed, we retain the ability to adjust our approach, including requiring further evidence from supply licence holders where appropriate.
- 3.29 Figure 1 illustrates the application process for licensed electricity suppliers who wish to undertake FSP activities, including the process for requesting additional information where compliance concerns are identified. This demonstrates the safeguards Ofgem retains when relaxing certain requirements for suppliers.
- 3.30 All licensed suppliers already or planning to operate as a Load Controller will need to provide evidence for the cyber security question of the application form, and a statement of intent to comply with any load control-specific grid stability requirements. This reflects that these will be new, bespoke requirements within the licensing regime intended to mitigate the high-priority risk to security of supply.

Pathway A: FSP applicants that do not hold an electricity supply licence

- 3.31 We have decided to proceed with the application process for non-supplier operators as consulted on. Organisations that are not already licensed suppliers, including those already undertaking load control activities before the application window opens, will be subject to the full evidence requirements when applying for the licence.
- 3.32 This is because these organisations have not previously undergone any process of regulatory scrutiny, and it is therefore important for Ofgem to assess their readiness and ensure they are suitable to be licensed. We will support applicants through guidance and worked examples so requirements can be met in a proportionate way, particularly for those organisations less familiar with licensing processes.
- 3.33 As the licensing regime matures, we will continue to ensure the application process is proportionate to reflect the needs of an emerging market.

Pathway B: FSP applicants that hold a non-domestic electricity supply licence

- 3.34 These applicants will not be required to provide evidence against financial and management control licence requirements questions in the application form.

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However, they must comply with, and provide evidence against, the consumer protection licence conditions.

3.35 This reflects that non-domestic supply licences do not include consumer protection requirements that are sufficiently aligned with load control licence obligations, specifically in that the load control licence extends consumer protections to small business consumers.

3.36 This approach only applies where:

- the applicant is the same legal entity as the supply licence holder
- Ofgem does not identify any existing compliance concerns in relation to the supply licence

Pathway C: FSP applicants that hold an electricity supply licence for both domestic and non-domestic consumers

3.37 These applicants will not be required to provide evidence against the financial and management controls, and consumer protection licence conditions of the application form.

3.38 This approach applies only where:

- the supplier is providing load control to domestic consumers as part of a flexibility “add-on” or tariff offering with domestic electricity supply
- the applicant is the same legal entity as the supply licence holder
- Ofgem does not identify any relevant compliance concerns in relation to the supply licence

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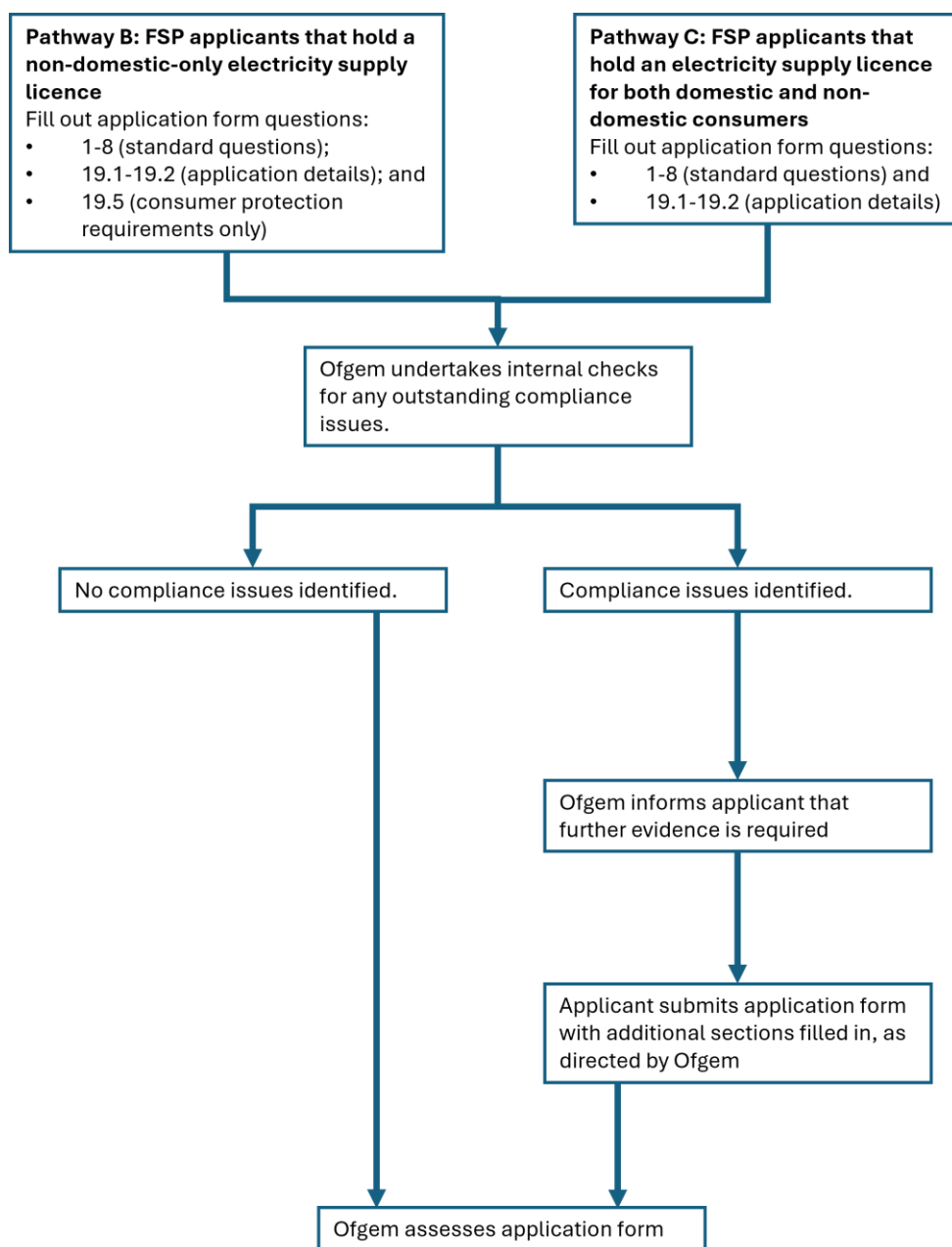


Figure 1: Updated worked example – process for Pathways B and C, for licensed suppliers to become an FSP.

Application fee

3.39 We will grant a single load control licence covering two distinct activities: FSP and/or Load Controller. We have set the application fee accordingly, to reflect the resource required to assess an application.

3.40 Table 3 sets out the fees for the application of one or both activities, as well as for the future extension (to add an additional licensable activity) or restriction (to remove an activity) of a licence already granted.

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- 3.41 The full table of application fees for all electricity licences can be found in the application form (Annex C).
- 3.42 All applicants will pay the same fees, regardless of what licence they currently hold. This reflects the regulatory effort to assess applications. These fees are likely to make up a small portion of the overall cost of maintaining a load control licence.

Table 3: Fees payable for the application, extension, and restriction of a load control licence.

Description of application	Fee payable (£)
Application for a licence to undertake both flexibility service provider and Load Controller activities	1,650
Application for a licence to undertake either flexibility service provider or Load Controller activities	1,100
Application for any extension	825
Application for any restriction	550

Timescales for applications and approach to tacit authorisation

- 3.43 Government's decision is to proceed with a 12-month transition period starting from when the application window opens, intended to be 01 March 2027. During this period, it will not be an offence to undertake the licensable activities without a licence.
- 3.44 We recognise industry concerns about the potential impact on business continuity of requiring organisations to apply for and obtain a load control licence before it comes into effect. We also recognise that, unlike the established supply licensing regime, opening the application window is likely to result in a high initial volume of applications from existing operators. We are putting appropriate resourcing in place to manage this demand and are confident that applications can be processed within the proposed nine-month timeframe.
- 3.45 However, to address industry concerns, we have decided to include a provision for tacit authorisation within the load control licence application process. This is a change from our December consultation position and means that if Ofgem is unable to determine an application within the transition period, the licence will be deemed granted in accordance with section 19(5) of the [Provision of Services Regulations 2009](#).

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- 3.46 The tacit authorisation period will be set at nine months. To be assured of business continuity once the licence comes into effect, applicants must submit their application within the first 3 months of the application window opening.
- 3.47 We will keep the application processing period under review as the regime evolves.

What this means for applicants

- Government has set a 12-month transition period, during which organisations may continue carrying out load control activities without a licence.
- After the transition period ends, carrying out licensable activities without a licence will become an offence.
- Ofgem has nine months to assess a complete licence application. If a decision is not made within that time, a licence will be deemed granted (tacit authorisation).
- This means that applicants must submit a complete application within the first three months of the application window opening if they wish to be assured of continuity of operations beyond the transition period.
- Submitting an application does not guarantee a licence will be granted. All applications will be assessed on their merits, and Ofgem may refuse an application where requirements are not met.

Load control licence consumer protection guidance

- 3.48 We believe there is not sufficient evidence to support extensive changes to the load control consumer protection guidance. We have therefore decided to publish the guidance largely as consulted on, with one clarification to Standard Licence Condition 12. Consistent with our decision on derogations in Chapter 2, this clarification makes explicit that FSPs are expected to provide consumers with clear and specific information about the implications of signing up their ESA to another provider, including the implications for switching. The final guidance is published at this [link](#).
- 3.49 From the limited number of stakeholder responses regarding the load control consumer protection guidance, there was broad support for the guidance, with stakeholders noting it was helpful in making the load control-specific risks to consumers clearer.
- 3.50 We have noted stakeholder concerns that the guidance requires obligations beyond what is set out in the licence conditions. However, we consider that the guidance sufficiently elaborates on the licence obligations without creating new requirements. The guidance remains an advisory document and the licence itself is the enforceable regulation.

3.51 There were also some stakeholder requests for further clarity in specific areas of the guidance. However, we consider that the risks in these areas is minimal, and we have seen no significant evidence to support additional detail.

3.52 We will continue to keep the guidance under review and update it when needed.

4. Monitoring and data requirements

Section summary:

In this section we set out the proposed approach to monitoring and data requirements, summarise stakeholder feedback and provide the rationale for our decision and next steps. The stakeholder feedback, our decisions and rationale for cyber security monitoring can be found in Chapter 6.

Questions

- Q12. Do you agree with the proposed approach to compliance-related monitoring? Please provide reasons for your answer.
- Q13. 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.
- Q14. Are the proposed RFIs proportionate and manageable? Please provide reasons for your answer.
- Q15. 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.

What we consulted on

- 4.1 We proposed a proportionate and iterative approach to monitoring and data requirements. We took into account that new entrants may be less familiar with regulation and may need time to build their understanding.
- 4.2 We proposed compliance related monitoring, market insights-focused monitoring, and a bespoke approach to cyber security monitoring (Chapter 6). We stated that Ofgem would use its existing statutory powers and new licence conditions to request information through targeted RFIs, issued on a regular or ad-hoc basis as required.

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- 4.3 The proposed scope of information to support monitoring of compliance with licence conditions included areas such as consumer protection, operational capability and financial and management controls. These requirements were intended to be tailored by activity and licensee type and aligned with existing data collections where possible.

Summary of responses

Monitoring approach

- 4.4 There was support for the overall intent of a risk-based monitoring framework and market-insights data gathering proposals from across the stakeholder spectrum.
- 4.5 Some respondents highlighted the importance of ensuring that monitoring arrangements are proportionate in practice. There were also calls to streamline RFIs to avoid duplication where possible.

Compliance-related monitoring

- 4.6 Stakeholders generally agreed with the proposals for compliance-related monitoring and indicated strong support for a proportionate approach and the use of complaints data to help identify potential consumer harm.
- 4.7 Many stakeholders supported the intention behind RFIs, viewing them as necessary to gather information and agreed they should be targeted and proportionate, and align with other existing reporting obligations where possible.
- 4.8 There was notable concern from a variety of stakeholders about the cost implications of the frequency and scope of information requests proposed in the consultation. For example, some considered that applying quarterly RFIs uniformly could create a disproportionate administrative and financial burden on licensees, particularly smaller or newer entrants.
- 4.9 Most respondents also questioned whether indicative cost estimates as outlined in the DESNZ [Final Stage Impact Assessment](#) reflected the effort required for organisations that may need to establish new systems and processes to respond to data requests. Some asked for the differences in scale, activity and risk profile to be considered.

Market insights-focused monitoring

- 4.10 Most stakeholders supported Ofgem's proposal to collect market insights data as part of the monitoring framework. A majority of stakeholders agreed that such data would be valuable to track market development and participation. Some respondents said market insights monitoring should be proportionate and encouraged Ofgem to make use of data already collected where feasible to reduce administrative burden.

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- 4.11 While stakeholders agreed that monitoring switching data is vital, some questioned the desirability and viability of gathering switching data at this stage of the market's development. A supplier highlighted that switching data in the flexibility market is not standardised as it is for supply, which increases the difficulty of gathering data. Additionally, a Load Controller argued that switching data is not an effective indicator of the flexibility market's health when it is at a nascent stage and, as many flexibility propositions are coupled with supply offerings, there is a risk of double counting switching data.
- 4.12 A minority of stakeholders highlighted that it is not yet clear what Ofgem intends to monitor in relation to switching, or how this would interact with the developing [consumer outcomes framework](#), and requested further clarity in this area.

Our decisions and rationale

Monitoring approach

- 4.13 Our decision is to adopt a proportionate, phased approach to monitoring and data collection under the load control licence, with a strong emphasis on embedding load control licence requirements within existing regulatory frameworks and developing monitoring arrangements collaboratively ahead of the licence becoming enforceable at the end of 2027.
- 4.14 This is consistent with the Licence Policy Principles set by government, and with feedback from stakeholders emphasising the importance of proportionality, clarity and regulatory coherence. As noted by some stakeholders, this also aligns with Ofgem's consumer outcomes work, which will play a key role in shaping how monitoring requirements evolve to ensure they are outcomes-focused and proportionate to consumer risks.
- 4.15 We have decided to implement a monitoring approach which allows us to assess licence compliance and cyber security compliance, and track market developments. Our approach to licence compliance and market insights monitoring are set out in paragraphs 4.20 to 4.28, and in Chapter 6 for our cyber security monitoring.
- 4.16 We recognise that many future licensees may be new to regulation and will need time to develop systems and understanding. Monitoring requirements will be clearly tied to licence obligations and risks and are expected to adapt as the market matures.
- 4.17 In applying this framework, we will develop monitoring arrangements that are risk-based, targeted and proportionate, particularly in the early years of the licence.

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Government decision on complaints regulations and alternative dispute resolution (ADR)

- 4.18 In the [Government response](#) to the 2025 SSES Licensing consultation on proposals on load control licence and regulations, government decided that FSPs will fall within the scope of regulation 11 of the [Gas and Electricity \(Consumer Complaints Handling Standards\) Regulations 2008](#).
- 4.19 This will require licensees to have complaints processes, publish annual complaints reports, and provide data on complaints volumes and resolution timescales to Ofgem. FSPs will also be required to join the [Energy Ombudsman scheme](#) to resolve disputes with consumers. Alongside the quarterly complaints RFI, FSPs will therefore submit an annual complaints report, which we intend to supplement through an information-sharing agreement with the Energy Ombudsman. We also propose annual returns on licence areas not covered by complaints data, such as financial controls.

Compliance-related monitoring

- 4.20 We have decided to continue using RFIs as the primary mechanism for gathering compliance-related monitoring data, drawing on licence conditions relating to provision of information, and openness and cooperation. We consider RFIs an effective means of gathering essential monitoring data.
- 4.21 We have decided to retain the compliance-related monitoring RFI proposals we consulted on, including their scope and frequency. While we recognise stakeholder concerns about the administrative and cost burden of RFIs, we consider this frequency necessary to gather the insight needed in an emerging market. Much information, such as complaints data, will already be gathered by businesses as part of their routine management information. This information will help us understand how the load control market is developing, identify any consumer harms that may require further investigation, and inform our future approach to compliance and monitoring.
- 4.22 We will keep our approach to compliance-related monitoring under review as the market develops and will seek to minimise administrative and cost burdens by aligning load control RFIs with existing supply reporting frameworks where possible. In addition, work is underway more broadly to reduce the administrative burden of RFIs, and we will seek to ensure that the load control RFI approach aligns with that work.
- 4.23 Table 4 and Table 5 below provide a summary of the compliance related monitoring RFI framework.

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Table 4: Summary of monitoring approach for consumer protection licence conditions (applicable to FSPs only)

Monitoring focus	Proposed approach
Treating Customers Fairly • Licensees' fair treatment of consumers • Customer service arrangements – easy to contact licensee, prompt and courteous response to mistakes, arrangements thorough and fit for purpose • Evidence that licensees seek to identify domestic customers in vulnerable situations take this into account	• Quarterly RFI on complaints including type and volume, service & product performance • Annual licensee complaint report • Annual return covering elements not covered by complaints data, for example identification of domestic customers in vulnerable situations
Recommending suitable services and prohibiting mis-selling • Rewards offered by licensee are understandable • Evidence that licensees don't mislead, use inappropriate / high pressure sales tactics and only recommend services that are appropriate • Evidence of how a consumer's characteristics and/or preferences are identified	• Quarterly RFI on complaints type and volume • Annual licensee complaints report • Formal data sharing set up with the Energy Ombudsman
Allow customers to exit a service • Steps required to enable customers to exit a consumer led flex service are clear • Customers are not unduly prevented from changing FSP	• Quarterly RFI on complaints type and volume • Annual licensee complaints report • Annual RFI on what exit fees FSPs are charging • Formal data sharing set up with the Energy Ombudsman

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Monitoring focus	Proposed approach
Proportionate Exit Fees - That exit fees are proportionate and don't exceed economic loss - Steps taken to make sure calculations of exit fee are clear	- Quarterly RFI on complaints type and volume - Annual licensee complaints report - Formal data sharing set up with the Energy Ombudsman

Table 5: Summary of proposed monitoring approach for conditions related to financial and management controls (applicable to all licensees)

Monitoring focus	Approach
Operational Capability - Licensees have and maintain robust capability, systems, and processes - Licensees have sufficient control (as defined in the load control licence) over material assets needed for the business	- Quarterly RFI on complaints type and volume (FSPs only). - Annual licensee complaints report (FSPs only) - Annual RFI highlighting any significant changes to processes
Financial Responsibility Principle - Evidence that Licensees are financially responsible - Licensees must report any change that could have a material adverse effect on the licensee's ability to comply with the financial resilience licence obligations	Annual RFI confirming no material adverse change affecting compliance with financial resilience obligations.
Fit and proper persons - That persons of significant managerial responsibility or influence are fit and proper - Processes are in place to ensure ongoing fit and proper assessments occur	Annual RFI confirming that persons of significant managerial responsibility or influence are still 'fit and proper'

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Market insights-focused monitoring

- 4.24 We have decided to proceed with the market insights-focused monitoring proposals set out in the implementation consultation. In addition to compliance monitoring, we will collect a limited set of market insights data to help us understand how the load control sector is developing and how the load control licensing regime is contributing to programme objectives, including Clean Power 2030.
- 4.25 We intend to collect this data through a combination of RFIs and external data sources (through formal data-sharing arrangements with external bodies). We recognise stakeholder concerns about the administrative and cost burden of RFIs. However, we consider RFIs to be an established and effective means of gathering market insights data, and an essential tool for monitoring this nascent market effectively.
- 4.26 We have decided to take an iterative approach to market insights-related monitoring, initially focusing on a small number of priority areas set out in our implementation consultation. Our approach to data collection for these priority areas is set out in Table 6 below.

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Table 6: Summary of proposed approach for market insights related monitoring

Market insights monitoring indicators	Monitoring approach
FSP customers and propositions: - Domestic and small business customer numbers for FSP services, alongside detailed information on the types of services offered by providers, including where FSP services are included as a flexibility “add on” or tariff offering. Load Controller customer numbers and propositions: - Consumer numbers enrolled in load control including details on the capacity of load controlled by each Load Controller, the types and number of devices they control. Tariff data and product offerings: - Data on FSP and Load Controller product offerings Switching data: - Switching rates between FSPs	- Annual RFI on customer numbers, service offerings and propositions including where FSP services are included as a flexibility “add on” or tariff offering. - Annual RFI on load capacity, device types and volumes. - Switching data initially collected annually through targeted RFIs, pending development of more robust market data sources. - Potential formal data-sharing arrangements with external bodies could include complaints and dispute data from the Energy Ombudsman, and market-level data published by Elexon where relevant and available. - We will keep the approach under review as external data availability improves, and the wider flexibility market develops.

- 4.27 We expect to further develop the monitoring framework during the transition period in 2027, ahead of the licence requirements coming into force. This will include refining data requirements, reporting formats and assessment approaches to ensure they are straightforward, proportionate, risk-based and aligned with licensees’ obligations.
- 4.28 We will also consider introducing some market insights monitoring before the load control licence becomes legally enforceable in late 2027, where external data sources can be used. This will help us understand how the market is developing and identify which indicators should be prioritised for future monitoring.

5. Compliance and enforcement

Section summary

In this section we set out the original proposals for compliance and enforcement of the load control licence, summarise stakeholder feedback and outline our decisions on how we will approach compliance and enforcement. The compliance and enforcement approach for cyber security requirements is covered in Chapter 6 of this document.

Questions

- Q16. 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.
- Q17. Are there additional factors we should consider when determining the level of compliance engagement for different types of licensees (e.g. new entrants vs licensed suppliers)? Please provide reasons for your answer.
- Q18. 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.
- Q19. Do you agree with the proposed priority areas for compliance engagement? Please provide reasons for your answer.
- Q20. 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.
- Q21. Do you agree with our proposed enforcement approach for multiple licence holders?

What we consulted on

- 5.1 In the consultation, we outlined a risk-based and proportionate approach to compliance and enforcement of the load control licence. We proposed that our compliance framework would focus on early engagement, relationship-building, and supporting licensees following the launch of the regime, while prioritising areas presenting the greatest potential risk to consumers.
- 5.2 We set out that compliance and enforcement activity would be informed by market intelligence, targeted monitoring and clear prioritisation, taking account of the scale, maturity and risk profile of different licensees, and focusing on ensuring compliance with ongoing obligations while minimising unnecessary burden.

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- 5.3 We also proposed to align enforcement under the load control licence with Ofgem’s existing enforcement approach as outlined in the [Enforcement Guidelines](#).

Summary of responses

Approach to compliance

- 5.4 The vast majority of stakeholders supported the proposed risk-based and proportionate approach to both compliance and enforcement as outlined in the consultation.
- 5.5 There was strong support for informal account management arrangements, which a large majority of stakeholders viewed as particularly valuable. There was broad acknowledgement that this would support compliance, growth, and onboarding particularly for smaller and newer market entrants.
- 5.6 However, concerns were raised around the risk of duplication and the concept of double jeopardy (for bodies that already hold a supply licence) with respondents emphasising the importance of coordination, clear prioritisation, and consistent treatment across licences.

Priority licence areas for compliance

- 5.7 A significant proportion of stakeholders agreed that consumer protection and cyber security are appropriate priority areas for early compliance engagement. Respondents supported a risk-based approach that focuses regulatory attention on areas with the greatest potential for consumer or system harm and considered this consistent with the objectives of the regime.
- 5.8 A small number of stakeholders suggested that priority areas should be developed over time, rather than set in advance, to ensure that compliance engagement remains flexible and can be refined in response to market intelligence and real-world behaviours.

Approach to enforcement

- 5.9 Stakeholders broadly supported the proposal to align enforcement of the load control licensing regime with Ofgem’s existing enforcement approach. Respondents across stakeholder groups considered alignment with established enforcement processes to be appropriate, clear, and consistent.
- 5.10 A minority of stakeholders from across the spectrum also advocated for a more outcomes-based approach to compliance and enforcement, emphasising the importance of focusing on remediation and improvement, especially in the early years of the regime. They argued this would raise standards, improve

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transparency, and align load control enforcement with wider Ofgem initiatives.

One stakeholder argued that as the load control licence conditions are predominantly principles-based, the enforcement approach should reflect this by focusing compliance on achieving intended outcomes, rather than mandating specific methods of compliance.

Enforcement approach for multiple licence holders

5.11 The majority of stakeholders that responded to this question generally supported the proposed enforcement approach for multiple licence holders, agreeing that a coordinated approach would facilitate consistent outcomes and work effectively alongside the use of single account managers.

5.12 Respondents recognised that managing issues through a single, joined-up enforcement process where matters span load control and supply activities could mitigate concerns of double jeopardy as it would help reduce possible duplication. However, suppliers and trade bodies emphasised the importance of clear coordination, single investigations for related issues, and transparent communication of expectations and escalation pathways.

Our decisions and rationale

5.13 We have decided to adopt a proportionate, risk-based compliance and enforcement approach that is embedded within Ofgem's existing compliance and enforcement frameworks. This reflects our intention to ensure that compliance is effective, proportionate, and outcome-focused, while minimising unnecessary regulatory burden. We recognise that in the initial stages of the licensing regime coming into effect, a supportive approach will need to be taken. Our emphasis in the first one to two years after the transition period will be to support licensees to understand and embed compliance, while retaining the ability to escalate matters to enforcement where risks to consumers or the market are significant.

5.14 For cyber security requirements Load Controllers will have a timeframe, defined by DESNZ, from the publication of CAF Tier 1 and Tier 2 profiles to achieve attainment levels. We set out this decision in more detail in Chapter 6.

Approach to compliance

5.15 The introduction of a new licensing regime presents implementation risks, particularly for operators that are unfamiliar with regulation. Early compliance

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activity should focus on relationship-building, clarity of expectations, and practical support, rather than on early punitive action.

- 5.16 DESNZ has decided to include derogation powers in the load control licence for consumer protection and financial management and control conditions. We intend to grant derogations to licensed suppliers undertaking FSP activities as described in Chapter 2. As a result, depending on whether the licensed suppliers meet the requisite conditions, compliance arrangements for managerial and financial controls and consumer protection licence conditions will not apply to electricity suppliers. Compliance and enforcement arrangements for any organisation carrying out the Load Controller activity will still apply, as set out in Chapter 6 of this decision.
- 5.17 We acknowledge stakeholder concerns regarding the risk of duplication and potential double jeopardy. However, in light of the decision set out in Chapter 2 to include derogation powers within the load control licence, we consider that this risk is appropriately addressed.
- 5.18 We have decided to integrate load control licence compliance into existing account management and monitoring processes. This supports consistency, efficiency and regulatory coherence and also enables Ofgem to respond flexibly to emerging risks using established tools and decision-making frameworks. Engagement will be targeted initially on the priority risk areas of consumer protection and cyber security, while remaining responsive to market developments and intelligence arising from monitoring and supervision activities. Formal account management relationships will be a central mechanism for engagement, particularly for larger or more complex operators.
- 5.19 We intend to align the load control licence compliance approach with emerging changes to Ofgem's retail compliance operating principles, including a greater focus on consumer outcomes where appropriate. The development of the load control compliance framework will take account of this direction as it develops, particularly in shaping both proactive and reactive compliance activity.
- 5.20 Decisions on whether to open a compliance case will follow existing Ofgem practice and will be informed by an assessment of the level and nature of potential consumer harm, the breadth and sector-wide implications of the issue, and whether there are patterns of repeated or persistent non-compliance.

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- 5.21 Where potential issues are identified, we will typically begin with an initial assessment and information-gathering exercise. We will distinguish between ongoing account management engagement, which is focused on supporting compliance, and the opening of formal compliance cases where concerns are more substantive.
- 5.22 Where non-compliance is identified, our response and expectations will be pragmatic and proportionate, taking into account the circumstances of the breach, including whether it arose from error, negligence, or deliberate action. We will also consider how the licensee responded, including whether the issue was self-reported and the remedial steps taken to address it.

Priority areas for compliance

- 5.23 Whilst we acknowledge the suggestion from a small number of stakeholders to develop priority areas for compliance over time, we believe that the risk for consumers and the electricity system associated with non-compliance is great enough to warrant prioritisation from the beginning. We have therefore decided to initially prioritise compliance engagement in three areas.
- 5.24 The first priority area is cyber security, recognising the systemic risks posed by cyber security incidents and the need for a proportionate approach. We have set out our approach to cyber security compliance separately in Chapter 6.
- 5.25 The second priority is treating customers fairly, particularly for licensees without a supply licence. Compliance activity in this area will focus on clear communication, effective customer service and appropriate support for vulnerable consumers. Please consult the [Load Control Consumer Protection Guidance](#) for further information on compliance expectations.
- 5.26 Finally, the third area we will prioritise will be operational, financial and managerial controls, especially for non-supply licensees, to ensure adequate governance, financial resilience and operational capacity.

Approach to enforcement

- 5.27 We have noted the suggestion from a significant number of stakeholders to take an outcomes-based approach to enforcement. While work is ongoing within Ofgem to explore an outcomes-based approach across licences, we do not intend to pre-empt supply licence reform. For now, we are prioritising clarity and consistency by aligning with the existing framework and will update our approach

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in line with any future reforms. Therefore, we have decided that enforcement under the load control licence will align with Ofgem's existing [Enforcement Guidelines](#) and processes. Decisions will be taken on a case-by-case basis, with priority given to the seriousness of the potential breach and behaviours or conduct of the business in question.

- 5.28 Where appropriate, 'Alternative Action' may be used as a way of bringing the business into compliance and remedying the consequences of any non-compliance. Alternative Action may include remedies such as non-statutory undertakings or assurances to ensure future compliance, independent audits of conduct and/or voluntary action to remedy any concerns, which could include redress payments to affected parties and/or into the Ofgem voluntary redress fund. Enforcement activity will be tailored to the scale, maturity and risk profile of the licensee, with particular emphasis on cases involving significant consumer detriment.

6. Cyber security implementation

Section summary

In this section, we set out our proposed approach to cyber security assessments, monitoring, assurance and SSES governance for load control licensing. We summarise stakeholder feedback, including concerns around clarity, proportionality, duplication and governance arrangements. We then outline our decisions and how we will seek to implement a proportionate, risk-based and transparent framework.

Questions

- Q22. Are the regulatory requirements for different types of Load Controller sufficiently clear? Please provide reasons for your answer.
- Q23. Do you agree with the proposed approach to cyber security assessments for load control licence applications? Please provide reasons for your answer.
- Q24. Do you agree with the proposed approach to cyber security monitoring and compliance? Please provide reasons for your answer.
- Q25. What would you suggest is a reasonable equivalent of a CRA Audit? Please provide reasons for your answer.
- Q26. Do you agree with the inspection process outlined for the cyber security of below
- Q27. 300MW Load Controllers? Please provide reasons for your answer.

What we consulted on

- 6.1 The consultation set out the proposed cyber security regulatory framework for Load Controllers within the scope of the load control licence. This included proposals for assessing cyber security at licence application stage, as well as our approaches for ongoing assurance, monitoring, compliance, and enforcement for Load Controllers in scope both below and above the 300MW threshold.
- 6.2 The load control regulatory regime is designed to align with the Cyber Security and Resilience Bill (CSRB). Load Controllers operating an aggregate load of 300MW or above that fall within the scope of large load control are expected to be designated as Operators of Essential Services (OES) by DESNZ after a licence has been granted. Once designated as OES, they will transition into the Network and Information Systems (NIS) regime and NIS requirements will supersede cyber security licence obligations set out in the licence conditions. Load Controllers operating at an aggregate load below 300MW that fall within the scope of the load control licence are expected to be subject to load control licence conditions, unless separately designated as OES by DESNZ.
- 6.3 DESNZ is finalising cyber security requirements for Load Controllers and developing Tier 1 and Tier 2 Cyber Assessment Framework (CAF) profiles to support the assessment of cyber resilience against those requirements. The Tier 1 profile is intended for Load Controllers with an aggregate capacity of 300 MW or above, while the Tier 2 profile is intended for those below 300 MW.
- 6.4 The consultation sought views on approaches to obtaining independent cyber assurance, including reasonable alternatives to the Cyber Resilience Audit (CRA) scheme.
- 6.5 The consultation also invited views on the proposed cyber security governance arrangements, including the responsibilities of the Security Governance Group (SGG), established under the SSES Enduring Governance Framework¹ and administered by Elexon through the Balancing and Settlement Code (BSC).

Stakeholder responses

Cyber security assessments for licence applications

- 6.6 The majority of respondents supported the introduction of cyber security assessments at licence application stage. They recognised the need for minimum cyber security standards to protect consumers and maintain system resilience as remote load control continues to scale.

¹ [Governance Framework - SSES](#)

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- 6.7 While respondents broadly understood the high-level distinction between different categories of Load Controller, many considered that the proposed regulatory requirements lacked sufficient clarity in practice. Some respondents noted that the consultation did not clearly distinguish between requirements at application stage and obligations that would apply after a licence was granted. This was seen to create uncertainty around the scope, timing, and proportionality of evidence requirements at application stage, particularly as Tier 1 and Tier 2 CAF profiles are still being finalised.
- 6.8 Respondents noted that this uncertainty limited their ability to understand what evidence would be required, how compliance would be assessed, and how requirements would differ between Load Controller types. This was compounded by the lack of clarity around the methodology for calculating aggregate load, and how obligations change when crossing the 300MW threshold.
- 6.9 This lack of clarity was seen as particularly challenging for intermediated, Application Programming Interface (API)-based models, where different applications communicate with each other, and automated control models. Several respondents highlighted that cyber security risk in such arrangements may arise from interactions across systems and actors, rather than solely within a single organisation. Respondents cautioned that requirements framed only at organisational level may not adequately reflect system-level and interface-related risks.
- 6.10 Respondents also sought clarity on process, including whether rejected applications would be required to restart the process from the back of the queue, how remediation would be handled, and whether applicants could remain “in progress” while addressing identified issues. There were calls for greater clarity on how ongoing improvement plans would be managed, particularly when the SGG takes on responsibility for assessing cyber security evidence as part of Load Controller licence applications and ongoing compliance and monitoring.
- 6.11 Many respondents therefore suggested a “staged” assurance approach, with high-level cyber security information provided at application stage and more detailed assurance delivered once a licence has been granted. This was seen as a proportionate way to manage risk and reduce barriers to entry, particularly for Small and Medium Enterprises (SMEs) and new entrants, while requirements continue to be clarified.

Monitoring, Assurance and Compliance: above 300MW Load Controllers

- 6.12 The majority of respondents supported the use of existing NIS monitoring, assurance, compliance and enforcement arrangements for Load Controllers operating at or above 300MW, where they are subject to the NIS regulations.

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- 6.13 Respondents emphasised the importance of avoiding duplication across regulatory regimes and expressed concern about the potential for overlapping enforcement routes and penalties. They therefore sought clearer articulation of how licence obligations interact with NIS-based enforcement, including during transitions across the 300MW threshold.

Monitoring, Assurance and Compliance: below 300MW Load Controllers

- 6.14 The majority of respondents supported the proposed inspection and monitoring approach for Load Controllers below 300MW, particularly where it aligns with NIS-based principles to promote consistency and reduce duplication. Respondents indicated broad agreement with the direction of travel, provided implementation is proportionate and risk-based.
- 6.15 Respondents emphasised that MW capacity alone is not a reliable proxy for cyber security or system risk. Respondents suggested that assurance activities should reflect factors such as operational context, complexity of automation, interface risks, and local or systemic impact. Several respondents cautioned that Load Controllers below 300MW could still pose significant risks depending on how control is operationalised.
- 6.16 A further theme in stakeholder responses was the practicality of inspection methods. Respondents raised concerns that traditional physical inspections may not be appropriate for cloud-based, distributed, or internationally operated services. Many suggested that assurance should instead prioritise evidence-based and remote assessment methods, focusing on data flows, control interfaces, auditability and system interactions rather than physical site visits.
- 6.17 Respondents also highlighted uncertainty around transition arrangements and sought clarity on how Load Controllers moving across the 300MW threshold would be treated, including what additional evidence would be required and how proportionality would be maintained.
- 6.18 The majority of respondents agreed that any reasonable equivalent to a Cyber Resilience Audit (CRA) should be assessed based on the assurance outcomes achieved, rather than the name or accreditation status of a specific audit scheme.
- 6.19 Respondents emphasised that equivalent assurance should be independent, competent, and repeatable, with explicit mapping to the outcomes in the Tier 1 and Tier 2 CAF profiles, supported by evidence. Many highlighted the importance of demonstrating operational effectiveness, including technical validation where appropriate, and having clear processes for tracking and closing remediation actions.
- 6.20 While responses did not converge on a single suggested equivalent to a CRA, several respondents identified recognised assurance standards, such as ISO

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27001 audits and SOC 2 Type II reports, as potentially viable equivalents where appropriately scoped and mapped to the outcomes in the Tier 1 and Tier 2 CAF profiles. Respondents also raised concerns about capacity constraints in the CRA auditor market and supported a degree of flexibility to allow organisations to transition towards CRA over time.

SGG Responsibilities

- 6.21 The majority of respondents supported the proposed split of responsibilities for SSES Enduring Governance, with the SGG supporting cyber security assurance for Load Controllers below 300MW and Load Controllers equal to or above 300MW overseen through existing NIS-based arrangements. Respondents considered this division proportionate and aligned with system risk, provided roles, responsibilities and decision boundaries are clearly defined.
- 6.22 However, many respondents expressed concerns regarding the independence and transparency of the SGG in carrying out assessment and assurance activities. Respondents questioned the appropriateness of an industry-linked body supporting the assessment of load control licence applications in cases where commercially sensitive information or intellectual property may be disclosed. These concerns focused on potential conflicts of interest, risks to market confidence and perceptions of anticompetitive behaviour, which some respondents considered could undermine confidence in the process.
- 6.23 Respondents also raised concerns about the structure and operation of the SGG and associated committees. Several highlighted the risk that governance arrangements could become overly siloed or concentrated in authority, with a potential lack of inclusivity.
- 6.24 While some respondents considered a committee-based model acceptable during a transition phase, there were concerns that such an approach may not be appropriate for long-term operational governance. Some respondents warned that concentrating authority within a single panel or committee could hinder collaboration and reduce adaptability as the market evolves and could introduce delays where applications depend on committee availability or frequency of meetings.
- 6.25 Across responses, there were strong and consistent calls for clearer and more robust governance safeguards for load control licensing. Respondents emphasised the need for explicit confidentiality and data-handling protections, transparent decision-making processes, consistent assessment methodologies, clear audit triggers and well-defined escalation routes.
- 6.26 Many respondents emphasised the need for formal clarification, appeal or dispute resolution mechanisms for applicants who disagree with SGG input or recommendations. Alongside this, respondents called for greater clarity on the

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respective responsibilities of Ofgem, the SGG, and other governance bodies, including the scope of the SGG's role and its decision-making processes.

- 6.27 Overall, respondents stressed that confidence in the SGG will depend on transparent SSES governance, clearly defined roles and responsibilities, effective confidentiality safeguards and accessible mechanisms for clarification or challenge. These elements, alongside independence, were seen as essential by respondents to ensuring fairness, trust and credibility in the cyber security assurance process.

Our decisions and rationale

Cyber security assessment at application stage

- 6.28 As set out in Chapter 3, we have amended the application form and will set out detailed evidence requirements in the licensing application guidance. The guidance, which will be published prior to the application window opening, will include a section that details the information and supporting cyber evidence that the applicants are required to submit. This responds to stakeholder requests for greater clarity on the application process.
- 6.29 We have decided to implement the cybersecurity requirements as consulted on. Applicants will be required to submit evidence of cyber security maturity and commitments to meet cybersecurity requirements at the application stage. Full alignment with the Tier 1 CAF profile outcomes (for licensed load controllers designated as OES) and the Tier 2 CAF profile outcomes (for licensed load controllers operating below 300 MW) will be expected within the Government-defined timelines. We consider this meets the recommendation of a staged assurance approach suggested by consultation respondents.
- 6.30 At application stage, evidence including a self-assessment against the relevant CAF Profile mentioned above and a statement of intent to achieve compliance by the Government-defined timelines must be submitted. In the unlikely event that the CAF Profiles are not finalised in advance of the applicant submitting its licence application, the applicant should provide a CAF assessment against the generic guidance available on the National Cyber Security Centre's (NCSC) website². We have designed this approach to enable Ofgem to assess applicants' preparedness and intention to achieve compliance within the Government-defined timelines. We consider this balances stakeholder support for a consistent approach to assessing cyber security at licence application stage against concerns that such requirements could create disproportionate barriers for SMEs.

² [Introduction to the Cyber Assessment Framework | National Cyber Security Centre](#)

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- 6.31 We note concerns that a SGG committee-based model could introduce delays in application assessments or licencing decisions. We have designed our approach to enable applications to be reviewed efficiently, effectively and proportionately while providing sufficient information for Ofgem to maintain appropriate and proportionate regulatory oversight. The regime also includes a tacit authorisation provision, as set out in sections 3.45 and 3.46, whereby an operator will automatically be granted a licence if Ofgem does not reach a decision within the specified period, initially set at nine months. We consider that these measures will protect against licence application decisions being delayed, regardless of the SGG's assessment model for the cyber security requirements.
- 6.32 Although the SGG will assess the cyber security aspects of the applications and provide a recommendation to Ofgem, the decision on whether to grant a licence will remain with Ofgem. Where an application is refused on cyber security grounds, applicants will be provided with clear reasons for the decision and will have the opportunity to make representations. Where appropriate, Ofgem will engage with applicants during the assessment process, to clarify information and allow proportionate updates to an application before a final decision is made. However, where proposed changes are material, it may not be possible to accommodate them through updates, and they may require a new application. This approach is consistent with existing licence application processes.
- 6.33 Further details on the timeframe for demonstrating compliance with the associated cyber security requirements and how to obtain copies of the CAF profiles are available in DESNZ publications: [Smart Secure Electricity Systems \(SSES\) Programme: draft load control licence regulations and conditions - GOV.UK](#) and [Large Load Controllers: Tier 1 Cyber Assessment Framework and associated guidance - consultation document \(accessible webpage\) - GOV.UK](#)
- 6.34 We note concerns that MW capacity does not equate to cyber security risk and that organisational controls alone may not fully address cyber security risks arising from system-level interactions. Ofgem's implementation plan is designed to support the SSES regime policy as set by Government.

Monitoring, Assurance and Compliance: above 300MW Load Controllers

- 6.35 For licensed Load Controllers designated as OES under NIS, we will utilise the existing NIS enforcement framework as set out in the NIS Enforcement Guidelines³, with a view to providing a single, coherent approach and avoiding duplication. In addition, licence revocation may be used where a licensee fails to comply with relevant NIS obligations. Clear escalation processes and

³ [Network and Information Systems Enforcement Guidelines and Penalty Policy | Ofgem](#)

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opportunities for remediation will apply in line with our existing approach, with licence revocation intended only as a last resort.

- 6.36 This approach takes into account stakeholder support for reliance on existing NIS-based monitoring, assurance, compliance and enforcement arrangements for Load Controllers designated as OES, alongside concerns regarding potential duplication and the need for a coherent regulatory framework. We believe that maintaining primary reliance on NIS-based arrangements provides a clear and consistent approach for load control licensees designated as OES.
- 6.37 We recognise stakeholder concerns regarding the interaction between licence obligations and NIS enforcement, particularly where operators transition across the 300MW threshold. These issues will be addressed through further clarification in DESNZ guidance but do not affect the core implementation approach set out above.
- 6.38 Where a load controller has systems subject to both the NIS regime and the SSES regime, the CAF profile containing the higher requirements will take precedence.

Monitoring, Assurance and Compliance: below 300MW Load Controllers

- 6.39 We have decided to adopt independent third-party assurance reviews focused on achievement of the relevant CAF profile outcomes. The CRA may be used as one means of demonstrating assurance outcomes, but our approach provides flexibility where CRA is not appropriate for a licensee. This addresses stakeholder preference for flexibility while ensuring that assurance remains robust, independent and aligned with the outcomes within the relevant Tier 1 or Tier 2 CAF profile. This approach also reflects stakeholder feedback, helps to mitigate capacity constraints in the CRA auditors' market, and provides a clear, workable, proportionate and independent assurance route supported by stakeholders.
- 6.40 While some respondents favoured prescribing specific assurance methodologies, such as ISO 27001 audits and SOC 2 Type II, we consider it more appropriate to align with the wider NIS assurance approach and focus on assurance outcomes rather than a particular methodology. We have therefore decided to require independent assurance reviews by suitably qualified and independent third-party assurance providers against the relevant CAF profile outcomes, while allowing flexibility in how assurance is obtained and evidenced.
- 6.41 We have decided for monitoring and assurance that load controllers' annual submissions, once the licensing regime goes live, will include CAF assessment with an independent assurance review report, risk assessments, improvement plans including remedial actions, and other relevant information as required. This aligns with stakeholder feedback that monitoring and assurance for below 300MW Load Controllers should be evidence-based, proportionate, risk-based, compatible with modern operating models and aligned with

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NIS-based processes. The licence conditions have been amended to specify the annual submission requirements, including the information to be provided, and the arrangements for independent assurance reviews.

- 6.42 We recognise that some uncertainty may initially arise regarding acceptable assurance approaches and evidence required. To address this, we plan to begin engagement with industry on associated guidance and suggested templates latest by mid-2027.
- 6.43 As part of the SSES Enduring Governance arrangements, the SGG and Elexon will support Ofgem's monitoring and compliance activities, including engagement with load controllers where appropriate.
- 6.44 Ofgem does not require independent third-party assurance reviews to be conducted at the time of licence application. Independent assurance reviews are required to be conducted annually following a licence grant. This is intended to give the Load Controllers sufficient time to embed these assurance activities within their governance and assurance processes.
- 6.45 We have also decided to remove the inspection requirements for below 300MW load controllers at this time and instead rely on Ofgem-defined third-party independent assurance reviews, with onsite assurance checks undertaken where necessary. Ofgem's licence powers will enable us to request information and commission additional independent third-party assurance reviews, where appropriate, to provide assurance of licensees' compliance with their obligations. We will keep this approach under review. This approach also addresses stakeholder concerns regarding the practicality of traditional inspection models, particularly for cloud-based, distributed and internationally operated systems, while retaining the ability to obtain additional evidence where necessary. The licence conditions have been amended to reflect this change.

SGG Responsibilities

- 6.46 DESNZ consulted on and published the SSES Enduring Governance Framework⁴ on 22 May 2026. This framework sets out the functions, responsibilities and operating model of the SGG, a subcommittee established under the BSC and administered by Elexon.
- 6.47 In the first year of load control licence applications, Ofgem will undertake the assessment of all applications. After this, and consistent with the Government's position, the SGG will support Ofgem by undertaking technical cyber security assessments of licence applications for load controllers within scope, and by supporting compliance monitoring and assurance activities for load controllers

⁴ [Governance Framework - SSES](#)

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below 300 MW under a load control licence. This includes liaising with load controllers where appropriate, analysing aggregated risk data and providing system-level insights and recommendations. Ofgem retains responsibility and independence for all regulatory decisions and outcomes including load control licence application determinations, assurance, compliance monitoring, enforcement action, escalations and dispute resolution. The licence conditions have therefore been amended to reflect that the information, updates and supporting evidence can be submitted to an authorised party directed by the Authority.

- 6.48 In response to stakeholder feedback, we would like to clarify that the SSES Governance Framework includes specific safeguards to protect confidentiality, support appropriate information handling, manage conflicts of interest and support the independence and impartiality of the SGG. These include defined information classifications, restrictions on access and disclosure, confidentiality obligations and requirements related to conflicts of interest, appropriate security clearance and vetting of participants involved in SSES governance. The framework also provides for tiered access to sensitive information and controls the use and disclosure of regulatory assurance data. Together, these measures are intended to protect the inappropriate disclosure or use of commercially sensitive information and mitigate conflicts of interest and anti-competitive risks associated with industry participation in SSES governance.
- 6.49 In forming our final position on SSES Enduring Governance, we have weighed stakeholder support for industry involvement against the need to maintain regulatory independence, confidentiality and market confidence. While some respondents advocated for a more limited role for the SGG, and others supported a broader role we consider that a clearly defined advisory function, supported by transparent roles and responsibilities and appropriate mechanisms for clarification and challenge, provides the most appropriate balance at this stage of the regime. Ofgem will retain responsibility for all regulatory decisions and outcomes.
- 6.50 We will keep the role of the SGG under review to ensure that the SSES governance arrangements remain effective, proportionate, and inclusive. Ongoing governance oversight and periodic reviews of the SGG's performance and effectiveness will help ensure that governance arrangements do not become siloed and continue to reflect a broad range of stakeholder perspectives.
- 6.51 The transition of responsibilities to the SGG will be implemented through a robust and agreed transition plan for which Ofgem will remain accountable. This will include appropriate arrangements under which Ofgem will complete the review of

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ongoing application assessments, improvement plans, assurance activities, or other regulatory matters prior to transition, to ensure proper handover, and continuity to avoid any disruption. Governance arrangements are expected to evolve over time in line with government policy and the ongoing development of the licensing regime.

7. Managing a licence once granted

Section summary

In this section we set out the proposed approach to the different elements of managing a licence after it has been granted, summarise stakeholder feedback and provide the rationale for our decision and next steps.

Questions

- Q28. Do you agree with our proposed approach to licence modifications? Please provide reasons for your answer.
- Q29. Do you agree with our proposed process for the transfer of a load control licence? Please provide reasons for your answer.
- Q30. Do you agree with our proposed approach to extending/restricting a licence? Please provide reasons for your answer.
- Q31. 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.

What we consulted on

- 7.1 We explained our proposed approach to the different elements of managing a licence after it has been granted. This included licence modifications, transfers, extensions/restrictions and revocations. In addition, the full draft terms and revocation schedule was amended from the supply licence and included in the consultation as part of Annex B.
- 7.2 We proposed that these processes would closely follow the general approach used in the supply licence and other standard licence frameworks, with some key differences. We acknowledged the importance of maintaining, where appropriate, alignment between the supply licence and the load control licence to ensure that protections are consistent and to minimise regulatory burden for licensees.

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- 7.3 We outlined the process for the load control licence either aligning with these established processes or diverging where necessary, explaining both the reasons for any differences and how they might operate in practice.

Summary of responses

Licence modifications

- 7.4 A broad spectrum of stakeholders supported the proposed approach to licence modifications, particularly the alignment with existing supply licence processes, which respondents welcomed as consistent and clear.
- 7.5 Some respondents cautioned that divergence between the two licences over time could increase complexity and regulatory uncertainty and emphasised the importance of clear communication of any modifications. A variety of stakeholders also highlighted the importance of iterative changes to the licence to strengthen protections as the market evolves.

Transfer of a licence

- 7.6 A large majority of stakeholders agreed with the proposed approach to licence transfers, with broad support for the alignment with existing supply licence arrangements. Respondents agreed that ensuring transferees are assessed to equivalent standards as new applicants is important in maintaining fairness and trust for both consumer and market.
- 7.7 However, some stakeholders highlighted the administrative complexity associated with licence transfers, drawing on experience from supply licences, and suggested that further guidance on acceptable transfer plans and processes would help streamline implementation.

Extending/restricting a licence

- 7.8 There was strong support across stakeholder types for the proposed approach to extending or restricting a licence, with respondents agreeing that it supports regulatory coherence and predictability for industry by replicating an established process.
- 7.9 Respondents to this question welcomed the intention to apply proportionate evidence requirements when licences are extended or restricted and allows licences to reflect changes in business activities over time.

Licence revocation

- 7.10 Stakeholders broadly supported our proposed approach to revocation of the load control licence in the case of serious non-compliance, which would include, but

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not be limited to, a failure to meet licence conditions or to comply with enforcement action.

- 7.11 There were also some suggestions to align more closely with the NIS framework, clearer articulation of how the two regimes interact and consideration of other graduated steps before revocation is pursued. We will be pursuing this approach - please refer to chapter 6 for further information.

Our decisions and rationale

- 7.12 We have decided to proceed with the proposed approach to managing a load control licence once granted as set out in the consultation. We are therefore not making changes to the proposals consulted on in relation to licence modifications, transfers, extensions or restrictions. We consider that the proposed framework provides an appropriate balance between regulatory oversight, consumer and system protection, and flexibility for licensees as the market evolves.
- 7.13 This approach also closely aligns with existing supply licence processes, reflecting our intention to maintain consistency in consumer standards across different licences. We will continue to actively work to maintain alignment between the load control licence and the supply licence over time.
- 7.14 In relation to the draft terms and revocation schedule (Annex B), our decision is to broadly maintain the draft as set out in the consultation. However, we have amended the revocation schedule relating to non-compliance with final and provisional orders. The amendment reinstates provisions requiring Ofgem to provide written notice of non-compliance before the rectification period begins and clarifies that revocation action will not be pursued while any statutory challenge to the relevant order remains ongoing. We consider these changes to improve procedural clarity and ensure greater consistency with established sectoral licence revocation arrangements.
- 7.15 A number of respondents raised concerns that linking licence revocation to NIS non-compliance could diverge from enforcement approaches applied to other OES, with several emphasising that revocation should be used only as a last resort. The decision has been taken to retain this targeted revocation power for OES-designated Load Controllers, ensuring action can be taken where serious NIS breaches create material cyber security risk, while mitigating concerns through aligned enforcement processes and clear escalation and remediation pathways.
- 7.16 While we recognise stakeholders' concerns that this approach differs from enforcement arrangements applied to other OES, we think it is important to maintain broadly consistent enforcement powers across operators below and

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above 300 MW. This is to avoid circumstances where licence revocation is available for one class of operator but not another. We also emphasise that licence revocation would only be used as a last resort.

- 7.17 We consider that the proposed approach provides an appropriate and proportionate framework for managing licence revocation and are satisfied that no changes are required.

8. Cost recovery

Section summary

This section sets out our proposed approach to cost recovery for the load control licensing regime, summarises stakeholder feedback, and provides the rationale for our decision and next steps.

Question

- Q32. Do you agree with our proposed approach to cost recovery for the load control licensing regime? Please provide reasons for your answer.

What we consulted on

- 8.1 The consultation proposed that Ofgem would recover costs related to our administration of the licensing regime via an annual licence fee and the usual licence cost recovery mechanism. This is an existing and well-established mechanism whereby revenue is collected as an annual fee via network charges from holders of certain licences (gas transportation, certain electricity transmission licences, and electricity distribution licences). These costs are ultimately passed on to consumers through bills.

Summary of responses

- 8.2 We received broad support from organisations currently undertaking FSP or Load Controller activities. However, a sizeable minority of respondents expressed the view that alternative approaches, including recovering costs through licence fees, be considered, and that costs should scale with the size of the licensed entities.
- 8.3 A small number of additional concerns were raised about the fairness of the approach, particularly given its impact on consumers. These respondents also noted that the mechanism could affect individuals who may never directly benefit from CLF, including vulnerable consumers, and questioned whether it was equitable to pass on these costs to such groups.

Our decision and rationale

- 8.4 Our decision is to pursue cost recovery as set out in the consultation. We assess this is the most cost-effective and simplest approach and do not consider that establishing a bespoke cost recovery mechanism would be proportionate at this stage.
- 8.5 We recognise that a small number of respondents expressed concerns regarding the fairness of the proposed cost recovery approach. However, we consider that our approach supports the wider strategic objectives of the SSES programme to enable a more flexible energy system, the benefits of which are expected to be realised across all consumers, not only those who directly participate in CLF. The load control licence will also address cyber security and grid stability risks to the benefit of all energy customers. By adopting this cost recovery approach, we aim to support a robust and resilient energy system that serves the interests of both consumers and operators.
- 8.6 In line with the government's position set out in its response to the [2024 Consultation on Delivering a Smart and Secure Electricity System](#), we remain open to greater costs being recovered from load control licensees more directly as the market grows.

9. Annex A – Key Milestones

- 9.1 DESNZ intends to introduce secondary legislation into Parliament in Autumn 2026 to determine the load control standard licence conditions and give Ofgem powers to grant licences. Subject to Parliamentary approval, Ofgem intends to begin accepting licence applications from March 2027. Organisations who are already undertaking load control and FSP activities and wish to continue would need to apply for the licence and will be encouraged to do so as early as possible, within three months of applications opening. There will then be a 12-month transition period after which there will be a legal requirement for organisations undertaking FSP and Load Controller activities to hold a licence.
- 9.2 From the end of the proposed transition period, the licence requirements would apply, and Ofgem expects to begin monitoring licensees' compliance for non-cyber security aspects of the licence. We may begin broader monitoring of the market prior to this in order to begin gathering insights. Ofgem expects to commence compliance and enforcement activity from the end of the transition period when the licence comes into effect.
- 9.3 Subject to the passage of the Cyber Security and Resilience Bill through Parliament, Load Controllers with above 300MW aggregate load who are designated by DESNZ as OES will be required to adhere to cyber security requirements as set out under the NIS regulations, rather than the cyber security requirements set out in the load control licence – further information on this is set out in Chapter 6. We expect the Security Governance Group to take on the role of assessing cyber security sections of licence applications from the end of the transition period. The SGG is expected to begin monitoring and compliance against cyber licence requirements for Load Controllers of aggregate load below 300MW from the end of the transition period, at the same time as Ofgem commences monitoring and compliance against the NIS regime for Load Controllers of above 300MW aggregate load. Ofgem will retain responsibility for enforcement in relation to cyber security, which we expect to take place from the end of the transition period.
- 9.4 Government and Ofgem expect the licence requirements to continue to evolve in order to remain reflective of current risks whilst ensuring continued alignment with Ofgem's Growth Duty.

10. Annex B – Draft terms and revocation schedule

10.1 This section sets out the full draft terms and revocation schedule.

PART I. TERMS OF THE LICENCE

1. This licence granted under Chapter 6(1)(d) of the Electricity Act 1989 ("the Act") authorises [*company name*] (*a company registered in [country location(s)] under company registration number [registration number]*) ("the licensee") whose registered office is situated [*office location*], to provide load control arrangements /load control services to premises in the area specified in Schedule 1 during the period specified in paragraph 3 below,

subject to -

(a) the standard conditions of load control licence referred to in -

(i) paragraph 1 of Part II below, which shall have effect in the licence; and

(ii) paragraph 2 of Part II below, which shall only have effect in the licence if brought into effect in accordance with the provisions of standard conditions 2 and 3,

subject to such amendments to those conditions, if any, as are set out in Part III below (together "the conditions");

(b) the special conditions, if any, set out in Part IV below ("the special conditions"); and

(c) such Schedules hereto, if any, as may be referenced in the conditions, the special conditions or the terms of the licence.

2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, the special conditions or the conditions.

3. This licence shall come into force [12 months after the passing of the load control statutory instrument, or immediately, whichever is later] and unless revoked in accordance with the provisions of Schedule 2 shall continue until determined by not less than 25 years' notice in writing given by the Authority to the Licensee, such notice must not be served earlier than a date being 10 years after the Licence comes into force.

4. The provisions of section 109(1) of the Act (service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "this licence".

5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in

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like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.

6. References in this licence to a provision of any enactment, where after the date of this licence –

(a) the enactment has been replaced or supplemented by another enactment, and

(b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter, shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

PART II. THE STANDARD CONDITIONS

1. Standard conditions in effect in this licence

<i>For Flexibility Service Providers</i>	<i>For Load Controllers</i>
<i>Standard condition 1</i>	<i>Standard condition 1</i>
<i>Standard condition 2</i>	<i>Standard condition 2</i>
<i>Standard condition 3</i>	<i>Standard condition 3</i>
<i>Standard condition 4</i>	<i>Standard condition 4</i>
<i>Standard condition 5</i>	<i>Standard condition 5</i>
<i>Standard condition 6</i>	<i>Standard condition 6</i>
<i>Standard condition 7</i>	<i>Standard condition 7</i>
<i>Standard condition 11</i>	<i>Standard condition 8</i>
<i>Standard condition 12</i>	<i>Standard condition 9</i>
<i>Standard condition 13</i>	<i>Standard condition 10</i>
<i>Standard condition 14</i>	

2. Standard conditions not in effect in this licence

There are no standard conditions not in effect in this licence.

Note: A copy of the standard conditions of load control licences as determined by the Secretary of State together with subsequent can be inspected at the principal office of the Authority. The above lists are correct at the date of this licence but may be changed by subsequent modifications to the licence.

PART III. AMENDED STANDARD CONDITIONS PARTICULAR TO THIS LICENCE

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There are no amendments to the standard conditions.

PART IV. THE SPECIAL CONDITIONS

There are no special conditions.

SCHEDULE 1

SPECIFIED AREA

Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone, or at a place that is not a Renewable Energy Zone but is in an area designated under section 1(7) of the Continental Shelf Act 1964.

where:

Renewable Energy Zone has the meaning given by section 84(4) of the Energy Act 2004.

SCHEDULE 2

REVOCATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(e)) in writing to the licensee:

(a) if the licensee agrees in writing with the Authority that the licence should be revoked;

(b) if the licensee fails:

(i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or

(ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;

(c) if the licensee fails to comply with:

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- (i) an order made by the court under section 34 of the Competition Act 1998;
 - (ii) an order made by the Authority under sections 158 or 160 of the Enterprise Act 2002;
 - (iii) an order made by the Competition Commission under sections 76, 81, 83, 84 and 161 of the Enterprise Act 2002;
 - (iv) an order made by the Secretary of State under sections 66, 147, 160 or 161 of the Enterprise Act 2002;
 - (v) an enforcement notice or penalty notice served by the Authority under regulations 17(1) or 18(3A) of the Network and Information Systems Regulations 2018;
- (d) if the licensee:
- (i) has not within 1 year after the date on which this licence comes into force, commenced the provision of load control services to any customers within the specified area in Schedule 1 to the licence; or
 - (ii) has ceased to provide load control services to all of those customers within the specified area in Schedule 1;
- (e) if the licensee:
- (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 2 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any compromise or scheme of arrangement or moratorium (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority) or the occurrence of any analogous event;
 - (ii) has a receiver (which expression shall include but not be limited to a fixed charge receiver, a receiver appointed pursuant to the Law of Property Act 1925, an administrative receiver within the meaning of section 29 of the Insolvency Act 1986 in England and Wales or a receiver within the meaning of section 70 of the Insolvency Act 1986 in Scotland) of the whole or any material part of its assets or undertaking appointed;
 - (iii) enters administration within the meaning of paragraph 1 of Schedule B1 to the Insolvency Act 1986;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or

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(vi) has any event occur, or proceedings taken, in any jurisdiction to which it is subject, that has an effect equivalent or similar to any of the events mentioned above.

2. The Licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(e)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

3. The Authority may at any time revoke the licence by giving no less than 7 days' notice in writing to the Licensee where the Authority is satisfied that there has been a material misstatement (of fact) by, or on behalf of the Licensee, in making its application for the Licence.

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.