



Gas and electricity licensees,  
potential new entrants,  
Consumer groups, and  
any other interested parties.

*Promoting choice and  
value for all customers*

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Date: 4 May 2007

Dear colleagues

**Open Letter: Gas and electricity licence applications - Application Regulations consultation – Generation licence applications**

**Purpose of this letter**

On 5th April 2007 we published a consultation document setting out proposed changes to the Gas and Electricity Application Regulations and our Guidance Document on licence applications<sup>1</sup>. The deadline for responses to this consultation is 16 May 2007.

The purpose of this open letter is to clarify an issue with respect to this consultation, specifically, the proposed new electricity Application Regulations ("the Application Regulations") and generation licence applications. No other licence types are affected.

**Issue**

It is the Authority's practice not to include any limitation on where electricity can be generated, or to the premises to which it can be supplied when granting a generation licence. This is because the current provisions in section 4 and section 6 of the Electricity Act 1989 (the Act) do not refer to limiting the generation of electricity or the supply of electricity generated to any premises.

The terms of a generation licence provide that the holder is permitted to generate electricity for the purpose of giving a supply (or enabling supply to be given) to any premises in the area specified in Schedule 1. The area specified in Schedule 1 is Great Britain, which is the whole of the territorial area to which sections 4 and 6 currently apply.

The effect of this is that a generation licence holder is authorised to operate a generator at any premises in Great Britain and to supply (or enable supply to be made) to any premises

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<sup>1</sup> Gas and electricity licence applications - Application Regulations and Guidance Document. Ref: 82/07. 5 April 2007.  
<http://www.ofgem.gov.uk/Licensing/Work/Documents1/Application%20Regs%20and%20Guidance%20Cons%20FINAL.pdf>

in Great Britain. It is not, however, obliged to do so, and would be permitted to operate in or supply to a limited location.

All other types of licence specifically envisage that they can include territorial limitation and, with the exception of interconnector licences, the Act provides a procedure by which any such limitation can be modified. However, no such modification procedure is provided in respect of generation licences, so that a generator wishing to widen a limitation could only do so by applying for a further licence.

### **What we propose to do**

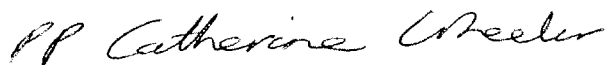
Given this, it is our view that it is inappropriate and not in line with our better regulation duty to include in the Application Regulations paragraph 1 of Part 1 of Schedule 2. A copy of the text of this paragraph is attached at Annex 1. This is because the inclusion of this paragraph could be said to suggest that the Authority is likely to grant a generation licence which limits the area in which the holder may operate.

If this paragraph is omitted, Part 1 of Schedule 2 is superfluous and would be removed which will require consequential changes to the numbering of the Parts of that Schedule and to regulation 6.

Accordingly, the Authority proposes to remove this paragraph when it makes the new Application Regulations. We would like to hear the views of any interested parties in relation to this proposal. Any comments on this proposal should be made within the same time frame as the April consultation (by no later than 16 May 2007).

Responses should be sent to [ikbal.hussain@ofgem.gov.uk](mailto:ikbal.hussain@ofgem.gov.uk). Should you have any queries please contact me by email or on the above telephone number.

Yours faithfully,



Ikbal Hussain  
**Licensing Manager**

**ANNEX 1**

**SCHEDULE 1**

Regulation 6

**PART 1**

**FURTHER INFORMATION AND DOCUMENTS TO ACCOMPANY AN APPLICATION IN  
RESPECT OF A GENERATION LICENCE**

1. A generation licence may authorise the holder to operate—

- (a) throughout Great Britain; or
- (b) within a specified area or areas or at specified premises.

Please specify which of (a) or (b) is applicable, and in the case of (b) provide a sufficient description adequately specifying the area or premises to which the application relates<sup>(2)</sup>.

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<sup>(2)</sup> The description should enable the areas to be adequately and readily identified by map if the applicant so desires or by any other convenient means.

