



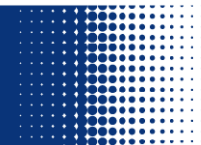
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**ENERGY**



# THE EXEMPTIONS ORDER 2001: FROM PART OF THE PROBLEM TO PART OF THE SOLUTION

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## ❖ GENERAL EXEMPTIONS BACKGROUND

- Electricity Act 1989: an offence to generate, transmit, distribute, or supply electricity unless authorised by either (i) a licence granted under the Act or (ii) an exemption granted under the Act
- Exemptions are within the gift of BERR, not Ofgem, and they may be granted to either a class of persons or an individual person
- However, in order to protect interests of consumers (via Ofgem, for example), BERR may attach conditions to any exemption
- BERR can grant an exemption for a limited or unlimited period and can also vary or revoke an exemption (after consulting Ofgem)
- Exemptions Order 2001 is badly drafted, opaque, and not

## ❖ SERIOUS PROBLEMS AND MODEST CHANGES

- A company supplying up to 2.5MW of self-generated power to domestic customers cannot be 'associated with' a licensed supplier
- And a company distributing up to 2.5MW of power to enable a supply to be given to domestic customers cannot be 'associated with, connected to, or related to' a licensed distributor
- So, in EDF Energy's case, for example, under Companies Act rules:
  - \* the supply exemption will only be available to a company that is not a subsidiary of any of EDFE's supply companies or of EDFE itself, and
  - \* the distribution exemption will not in any circumstances be available for **any** corporate entity that is part of the EDFE group
- Change 1: Domestic distribution and domestic supply to have a new common exemption limit of 2.5MW