

Licensed generators and all other interested parties

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Date: 5 December 2013

Dear colleague

Modifications to the electricity generation licence standard conditions to reflect offshore developments

We seek comments on proposed modifications to the electricity generation licence (the "Licence").

We propose to update certain conditions and definitions to reflect changes to the Electricity Act 1989 (the "1989 Act") through the provisions of section 89 of the Energy Act 2004 (the "2004 Act"). It follows amendments made to Schedule 1 of the Licence, extending its scope to the Renewable Energy Zone (REZ) (subject to commencement of section 89).

Background

The Gas and Electricity Markets Authority (the "Authority") authorises electricity generation in accordance with the provisions of the 1989 Act. Section 4 of the 1989 Act prohibits the generation of electricity for the purposes of supply to any premises without a Licence (or exemption). This applies to Great Britain and the territorial waters adjacent to Great Britain.

When section 89 of the 2004 Act is fully commenced section 4 of the 1989 Act will mean you also require a licence or an exemption to:

- (i) generate electricity in the REZ; and
- (ii) generate electricity for the purposes of supply to any premises situated in the REZ or otherwise situated in a 'designated area'¹.

We are working with government who will determine the most appropriate timing of full commencement of section 89 of the Energy Act 2004.

Amendments to date

In November 2012, we issued an open letter² confirming that the geographic scope of the Licence, provided for in Schedule 1 of the Licence, is to be extended to cover the REZ (the "Schedule 1 Amendment"). Licences have since been granted with the Schedule 1 Amendment. The Schedule 1 Amendment only applies upon full commencement of section 89 of the Energy Act 2004.

¹ Designated under section 1(7) of the Continental Shelf Act 1964.

² http://www.ofgem.gov.uk/Licensing/Work/Documents1/Gen%20licence_open%20letter_30%20Nov%202012.pdf

Scope of the proposed modifications

The proposed modifications are, where appropriate, consistent with previous modifications to transmission licences and industry codes, which were made as part of the implementation of the offshore transmission regime in 2004 as the Licence requires updating in this respect (for example, definitions of "national electricity transmission system" and "customer").

We propose modifications to the conditions that require a generator to comply with industry codes where that generator is constructing or operating a generating station in Great Britain; namely condition 9 (Balancing and Settlement Code and NETA Implementation), condition 10 (Change Co-ordination for BSC) and condition 19 (Compliance with CUSC) so that these are consistent with the geographic scope of the Licence, provided for in Schedule 1 to the Licence, which has been extended to cover the REZ from full commencement for new Licences issued since 30 November 2012 i.e. by removal of reference to "Great Britain" we extend the scope of the requirement to apply to any generating station within the specified area in schedule 1. We do not consider it is necessary to repeat the geographic scope of the Licence in these conditions but welcome views on this.

A table setting out the proposed modifications, their intended effects and the reasons for proposing them is included as an annex to this letter. We also attach extracts from the Licence illustrating the proposed modifications.

Since the proposed modifications do not affect any substantive obligations placed upon any generators, we consider that the proposed modifications do not require an impact assessment under Section 5A of the Utilities Act 2000, or otherwise, and therefore do not intend to publish an impact assessment.

We welcome views on whether:

- (i) the proposed modifications to the relevant definitions are appropriate,***
- (ii) the proposed modifications to the conditions of the Licence reflect that generators may be generating in the REZ, and***
- (iii) any other modifications that may be required to the Licence to reflect the forthcoming extension of the prohibition on generation.***

Next steps

We welcome views from stakeholders on the proposed modifications to the Licence. All responses received will be placed on our website unless marked as confidential.

Responses should be sent by 13 February 2014 to:

Yvonne Naughton
Offshore Team
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Cornerstone
107 West Regent Street
Glasgow
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Or by email to: offshorelicensing@ofgem.gov.uk

Subject to considering all responses duly made, we plan to initiate a statutory consultation under section 11A of the 1989 Act. We expect to issue this statutory consultation in early 2014. Subject to consultation, we intend to modify the Licence under section 11A of the Act. Any such modifications will not take effect until the full commencement of section 89 of the Energy Act 2004.

If you have any queries in relation to other aspects of this letter please contact Yvonne Naughton (yvonne.naughton@ofgem.gov.uk or 0141 331 6006).

Yours faithfully

Yvonne Naughton
Senior Manager, Offshore Transmission

Annex 1 – list of proposed modifications to the Licence

Condition	Reason for proposed modification
Condition 1: Definition of "ancillary services"; "distribution system"; "grid supply point" and "licensee's transmission system" Condition 14(2)(c)(i), Condition 15(3)(a)(i) Condition 18(7)(b)	Amend "GB transmission system" to "national electricity transmission system" to reflect modification to definition of "GB transmission system" described below.
Condition 1: Definition of "customer"	To extend this definition to cover persons that are required to be supplied or are supplied with electricity at premises that are in the REZ. This is consistent with previous modifications to transmission licences and industry codes which were made as part of the implementation of the offshore transmission regime.
Condition 1: Definition of "GB transmission system"	Amend "GB transmission system" to 'national electricity transmission system' consistent with previous modifications to transmission licences and industry codes which were made as part of the implementation of the offshore transmission regime and to make it clear that the national electricity transmission system includes lines owned or operated by transmission licensees including those offshore by deleting the words "within Great Britain".
Condition 1: Definition of "renewable energy zone"	Move definition of "renewable energy zone" to Condition 1 from Condition 20 because it applies throughout the Licence, not just to that Condition. Amend "renewable energy zone" by deleting the words "designated by order" to make it clearer that the REZ has the meaning within section 84(4) of the Energy Act 2004 should it change in the future.
Condition 9. Balancing and Settlement Code and NETA implementation	Amend Paragraph 1 to recognise that the Licence holder should be a party to the BSC Framework Agreement and comply with the BSC. This modification is consistent with the geographic scope of the Licence, provided for in Schedule 1 to the Licence, which has been extended to cover the REZ from full commencement for new Licences issued since 30 November 2012 i.e. by removal of reference to "Great Britain" we extend the scope of this requirement to apply to any generating station within the specified area in schedule 1 of the Licence.
Condition 10. Change Co- ordination for BSC	Amend paragraph 1 to recognise that the Licence holder should comply with the change co-ordination obligations. This modification is consistent with the geographic scope of the Licence, provided for in Schedule 1 to the Licence, which has been extended to cover the REZ from full commencement for new Licences issued since 30 November 2012 i.e. by removal of reference to "Great Britain" we extend the scope of this requirement to apply to any generating station within the specified area in schedule 1 of the Licence.
Condition 14. Compulsory	Amend defined term from "GB transmission system" to "national electricity transmission system" in paragraph 2 (c) to reflect

acquisition of land etc	modification to this defined term in Condition 1 (explained above).
Condition 15. Other powers etc	Amend defined term from "GB transmission system" to "national electricity transmission system" in paragraph 3 (a) (i) to reflect modification to this defined term in Condition 1 (explained above).
Condition 18. Generating Unit Availability	Amend paragraph 17(b) to cover distribution systems of all authorised electricity operators including those that may be in the REZ in the meaning of total system by removing the words 'which are located in Great Britain' so that distribution systems of all authorised electricity operators offshore are covered as appropriate. This modification is consistent with previous modifications to transmission licences and industry codes which were made as part of the implementation of the offshore transmission regime.
Condition 19. Compliance with CUSC	Amend Paragraph 1 to recognise that the Licence holder should be a party to the CUSC Framework Agreement and comply with the CUSC. This modification is consistent with the geographic scope of the Licence, provided for in Schedule 1 to the Licence, which has been extended to cover the REZ from full commencement [for new Licences issued since 30 November 2012 i.e. by removal of reference to "Great Britain" we extend the scope of this requirement to apply to any generating station within the specified area in schedule 1.
Condition 20. Transmission Constraint Licence Condition	Delete definitions of 'national electricity transmission system' and 'renewable energy zone' as these should move to Condition 1 of the Licence because these definitions now apply to the whole licence, not just Condition 20.