



Making a positive difference  
for energy consumers

Electricity distribution and supply  
licensees and licence applicants,  
and all other interested parties

Direct Dial: 020 7901 7000  
Email: [licensing@ofgem.gov.uk](mailto:licensing@ofgem.gov.uk)

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Dear colleague,

### **Change to the electricity distribution and supply licences to extend the geographic scope to include a Renewable Energy Zone**

This letter is to advise interested parties of changes to the geographic scope of electricity distribution and supply licences which have been brought about by full commencement of section 89 of the Energy Act 2004<sup>1</sup> (the 2004 Act).<sup>2</sup> These changes mean that it is prohibited to (i) distribute electricity in a Renewable Energy Zone (REZ)<sup>3</sup> and (ii) distribute or supply electricity to any premises situated in a REZ, or at a place that is not a REZ but is an area designated under section 1(7) of the Continental Shelf Act 1964 without a licence or exemption.

#### **Background**

Prior to the full commencement of section 89 of the 2004 Act, the Electricity Act 1989 (the Act)<sup>4</sup> prohibited a person from distributing and/or supplying electricity to any premises in Great Britain unless authorised to do so by a licence or exemption. The Authority authorises electricity distribution and supply in accordance with the provisions of the Act. The Act authorises electricity distribution licensees to distribute electricity for the purposes of giving a supply to any premises in the "specified area" set out in their licence. Similarly, the Act authorises electricity supply licensees to supply electricity to premises in the area specified in their licence. The terms of these licences currently provide that the specified area is "Great Britain".

With full commencement of section 89 of the 2004 Act, the prohibition on distribution and/or supply of electricity without a licence or exemption now includes Great Britain, the territorial sea adjacent to Great Britain and any REZ, or at a place that is not a REZ but is an area designated under section 1(7) of the Continental Shelf Act 1964.<sup>5</sup>

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<sup>1</sup> Section 89 of the Energy Act 2004 can be found here: <http://www.legislation.gov.uk/ukpga/2004/20/section/89>.

<sup>2</sup> The Energy Act 2004 (Commencement No.11) Order 2014:  
<http://www.legislation.gov.uk/uksi/2014/1460/contents/made>

<sup>3</sup> A REZ is defined in section 84 of the Energy Act 2004. This essentially covers areas outside GB's territorial sea but within which the UK has rights for energy production.

<sup>4</sup> The Electricity Act 1989 can be found here: <http://www.legislation.gov.uk/ukpga/1989/29>.

<sup>5</sup> The prohibition on electricity generation without a licence for the purpose of supplying any premises will also extend to cover Great Britain, the territorial sea adjacent to Great Britain and any REZ, or at a place that is not a REZ but is an area designated under section 1(7) of the Continental Shelf Act 1964. We issued an open letter in November 2012, setting out that we will be granting new generation licences that will cover generation in these areas upon full commencement of section 89 of the 2004 Act: <https://www.ofgem.gov.uk/ofgem-publications/59442/gen-licenceopen-letter30-nov-2012.pdf>

There are class exemptions that cover certain activities that may take place in a REZ.<sup>6</sup> However, certain distribution and/or supply activities may not be exempt and so would still require a licence.

## **Next Steps**

We note that not all distribution and/or supply licensees will seek to undertake prohibited activities (as described above) in a REZ, or at a place that is not a REZ but is an area designated under section 1(7) of the Continental Shelf Act 1964. We also note, as set out above, that certain activities may be covered by an exemption. However, in order to remove any potential constraint on distribution and supply activities that may be prohibited without a licence or exemption, we propose to extend the specified area in new distribution and supply licences that we will grant from today. Therefore, from today, all new distribution and supply licences will define the specified area as Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone, or at a place that is not a REZ but is an area designated under section 1(7) of the Continental Shelf Act 1964. Annex 1 and 2 to this letter sets out the extended geographic area for all new electricity distribution and supply licences that we will grant from today.

It is a matter for individual electricity supply or distribution licence holders to identify whether the changes to the Act, as set out above, impact them or are likely to impact them and whether they may need to apply for an extension to their specified area to include the REZ, or an area designated under section 1(7) of the Continental Shelf Act 1964.

Please contact our Licensing Team ([licensing@ofgem.gov.uk](mailto:licensing@ofgem.gov.uk)) if you wish to discuss any of the issues in this letter.

Yours faithfully

**Lesley Nugent**  
**Head of Industry Codes and Licensing**

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<sup>6</sup> Electricity (Class Exemptions from the Requirement for a Licence) Order 2001, [SI 2001/3270](#), as amended by [SI 2005/488](#), [SI 2007/629](#).

## **Annex 1 – Electricity Distribution Licences**

This annex sets out the revised drafting of the terms and Schedule 1 to the electricity distribution licence that prescribes the “specified” area for new electricity distribution licences. Note that schedule 1 has been split into two schedules for simplicity and ease of reference.

Under paragraph 1 of the terms of the licence, licensees are authorised “to distribute electricity in the area specified in Schedule 1A for the purpose of giving a supply to any premises in the area specified in Schedule 1B”.

### **SCHEDULE 1A**

#### **SPECIFIED AREA**

Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone.

where:

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

### **SCHEDULE 1B**

#### **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 1984.

where:

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

## **Annex 2 – Electricity Supply licences**

This annex sets out the revised drafting of the terms and Schedule 1 to the electricity supply licence that prescribes the “specified” area for new electricity supply licences.

Under paragraph 1 of the terms of the licence, licensees are authorised “to supply electricity to premises in the area specified in Schedule 1”.

### **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 1984.

where:

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