

'Licence Lite': consultation on proposed revisions to the SLC 11.3 operating guidance – workshop note

This note summarises discussions at the Licence Lite workshop on 7 November 2014.

From	Ofgem
To	Interested parties
Date	14 November 2014

1. Purpose of the event and relevant material

1.1. The purpose of this workshop was for Ofgem to seek views on the consultation on the proposed revisions to the Standard Licence Condition (SLC) 11.3 operating guidance, a licensing option known as 'Licence Lite'.¹ This workshop allowed us to gain early feedback from stakeholders and inform formal consultation responses, ahead of the consultation deadline on 5 December 2014. There is a list of workshop attendees in the annex to this note.

2. Licence Lite consultation: introduction and key changes

2.1. James Luger (Senior Manager, Ofgem) opened the event by explaining the original policy context for Licence Lite, and the regulatory basis for a functioning Licence Lite arrangement (essentially an aspiring supplier can request relief from the non-scaleable, technically challenging and costly elements of complying with the full supply licence, as long as these elements are covered off via a commercial arrangement with a third party licensed supplier). He explained that the consultation was being conducted now due to changes in consumer protection arrangements and the retail market, the introduction of new supplier obligations and the emergence of new market entrants. There has also been renewed interest in Licence Lite arrangements since 2012.

2.2. James drew attention to slide nine indicating that the proposed changes aim to update and clarify the main industry functions and activities, compliance and enforcement issues and application procedures and criteria relevant to Licence Lite. He then set out the key changes to the 2009 guidance proposed in the consultation.

3. Presentations from external speakers

Department of Energy and Climate Change (DECC)

3.1. Afsheen Rashid (Senior Policy Advisor, DECC) presented the government's vision for community energy. Afsheen set out the Community Energy Strategy and progress on implementing it to date. She then described the potential role for community energy in local supply and enabling non-traditional suppliers (such as local authorities), and highlighted how Licence Lite fits into this policy landscape.

Greater London Authority (GLA)

3.2. Robert Tudway (Energy Markets and Regulation, GLA) set out what progress the GLA has made with Licence Lite to date, why it was the most appropriate option for them and how they developed their approach. Robert indicated that the GLA's business model for Licence Lite focuses on simplicity, with limited numbers of generation sources and consumers, and the close matching of generation and consumption profiles.

¹ 'Licence Lite' : proposed updates to the SLC 11.3 operating guidance, <https://www.ofgem.gov.uk/ofgem-publications/90880/licencelitereconsultationoctober2014.pdf>

4. Table discussions

Following the opening presentations, the workshop moved to table discussions. A variety of views were expressed, which are summarised below

General points

Value Propositions

Several attendees sought clarity on (i) the additional / unique benefits of Licence Lite compared to existing arrangements (eg back-to-back PPA agreements or White Labels) and (ii) how these benefits accrue between different parties (eg generators, aspiring Licence Lite suppliers and third party licensed suppliers).

Timing

4.1. Some attendees expressed concern that the revised guidance would be published before the outcome of the first application was known.

Wider Issues

4.2. Several attendees requested further capacity building support. This request reflected a need for both introductory guidance ('quick guide', FAQs) as well as more detailed technical support for those parties interested in becoming a Licence Lite supplier – for example, one attendee requested that further guidance on market entry options be made available.

4.3. Attendees expressed an appetite for an even lighter licence and queried the potential for this to arise in the future.

Specific Issues

Market participant IDs (MPIDs)

4.4. There was discussion of the requirement for Licence Lite supplier customers to be identifiable within the central Meter Point Administration Service and their TPLS' systems. Discussion focused on the merits and disadvantages of MPIDs and Balancing Mechanism Units (BMUs) as a potential alternative.

4.5. Attendees indicated that the current MPID restriction limits the TPLS from offering services to more than two parties, potentially limiting the number of Licence Lite arrangements. Discussion indicated that any modification to the Balancing and Settlement Code to allow extra MPIDs for this purpose would require conditions to retain the objective of the current restriction.

4.6. An attendee raised concerns that MPIDs are neither the most viable or cheapest solution to this requirement, and proposed BMUs as a viable alternative. Another attendee highlighted the Green Deal arrangements as a potentially simpler way of managing customer ID and payment flows.

Supplier of last resort (SoLR)

4.7. There was also discussion of the clarification provided in the proposed guidance that if a TPLS were to fail, we would (ultimately) assign the Licence Lite supplier's customers to a Supplier of Last Resort (SoLR).

4.8. An attendee raised the point that Licence Lite suppliers would have fixed costs for which they would still be liable if their customers were re-assigned in this scenario.

They expressed the concern that the risks of SoLR may deter some Licence Lite applicants and lead to a limited number of Licence Lite business models being viable.

4.9. Attendees also noted that this position could lead to a substantial preference for 'Big 6' TPLSs due to their arguably lower risk of failure.

Documentation

4.10. Attendees expressed a desire to see the GLA's TPLS contract, tender documents and legal terms (within the bounds of commercial confidentiality) to give a form of guidance on the documentation required. A stakeholder queried the possibility of the development of templates.

Topics for further guidance

4.11. Attendees requested further clarity in the revised guidance on a number of points, including:

- the viability of having multiple TPLSs simultaneously, either providing the ability to switch between them or to separate domestic and non-domestic services
- how Green Deal and ECO obligations apply under different Licence Lite scenarios
- payments required for Code compliance that a commercial contract would need to account for
- where obligations regarding agent performance assurance fall
- whether certain legal relationships between a Licence Lite supplier and their TPLS are required or precluded
- the ownership of the power under a Licence Lite operation.

5. Summary and next steps

5.1. Ofgem noted that there seemed to be broad support for the proposed guidance, and that points raised in the workshop would be considered alongside other consultation responses.

5.2. Stakeholders were informed that the consultation on 'Licence Lite': proposed revisions to the SLC 11.3 operating guidance closes on 5 December, and we aim to publish the final revised guidance as soon as possible.

5.3. Stakeholders were invited to contact the sustainable energy policy team (via sustainable.energy@ofgem.gov.uk) should they wish to submit responses to the consultation, including with respect to any of the issues raised at the workshop.

Annex – attendees

Afsheen Rashid	DECC
Andrew Lewis	CityWest Homes
Andrew Padmore	Egnida
Andy Knowles	Gemserv
Andy Pike	Cory Environmental
Anne Geilen	Ovo Energy
Archana Sengar	Npower
Bindi Patel	Energy UK
Christopher Trigg	Clearer Energy
Colin Prestwich	Smartest Energy
David Gudgin	Albion Community Power
Ed Morris	Elexon
Henrietta Cooke	BuroHappold Engineering
James Luger	Ofgem
James Priestley	Elexon
Jenny Mills	Ofgem
John Lancaster	Bath and west community energy
Jonathan Graham	Combined heat and power association
Kate Thompson	Ofgem
Kevin Baillie	Ofgem
Lawrence Chamboko	Cofely energy services
Layo Yusuf	AlphaGenesis Consultancy Ltd
Mark Howell	Vital Energi
Mark Swancott	Sheffield city council
Martin Hewitt	UK power networks
Michael Sozansky	Ofgem
Nick Adlam	Consumer first, Eastbourne Borough Council
Nick Reading	Citygate Dewe Rogerson
Pauline Spetsioti	DECC
Peter Sermol	Northstar solar ltd
Philip Hicken	DECC
Rachel Magrill	Ofgem
Ramon Tinubu	AlphaGenesis consultancy
Robert Tudway	GLA
Ruben Pastor-Vicedo	Ofgem
Sandy Abrahams	Temple Bright
Sonya Bedford	Stephens Scown Solicitors
Stephen Bass	Ofgem
Stephen Packer	Arup
Tom Bainbridge	Temple Bright
Vaughan Williams	Ofgem
Wendy Wilks	UK Healthcare
Will Chilvers	ESB International