

1. Are further clarifications regarding the functioning of a Licence Lite arrangement required from the regulator, and if so, in what areas?

CWH administers and manages the Pimlico District Heat Undertaking (PDHU), which is a combined heat and power station (CHP) entirely owned by Westminster City Council (WCC). PDHU has an annual electricity output of 14 GWh and is constitutionally unable to directly supply anyone other than the City Council. At the moment, all of PDHU's electricity generation is exported onto the grid. In an attempt to improve the benefits of exporting the electricity generated by PDHU, CWH would like to investigate the option of becoming a supplier.

As a result of conducting initial research into becoming a supplier, CWH would like further clarification on the option of 'licence exempt' supply which is mentioned in the "Licence Lite": Proposed updates to the SLC 11.3 operating guidance' paper as an alternative option to Licence Lite (LL) for existing electricity generators wishing to become suppliers. It is stated that supply (and generation) exemptions are available as set-out in the government's Electricity (Class Exemption from the Requirement for a Licence) Order 2001. CWH's position may be better suited to becoming a licence exempt supplier than a Licence Lite supplier (LLS) because PDHU's generation capacity is under 5MW.

Another important factor which appears to differentiate CWH's position from the guidance found within LL is that if CWH becomes a supplier, using electricity generated by PDHU, it will not be supplying to individual customers. Instead CWH will be supplying to its own premises (notably Westminster City Hall) and would as a consequence expect to be treated in the same fashion as an 'on-site' generator/supplier. The scenario of onsite generation and supply which CWH would like to closely follow is commonly found and successfully practiced in energy intensive industrial sectors, whereby a company generates its own electricity onsite for its own means, and at no point is the electricity sold to an external customer. CWH will be supplying electricity to WCC buildings that are located 'off-site' from PDHU, and thus would need access to the distribution network and would expect to pay distributed use-of system (DUoS) charges.

CWH would like to see a system implemented that builds upon the services already provided by National Grid (NG) and Elexon to balance DE and community energy in the simplest possible way. This would hopefully reduce the administrative burden and make it more likely for DE generators and community energy groups to become suppliers. CWH would still expect to pay DUOS charges for use of the distribution network.

2. Do you agree that our position over the balance of responsibilities and regulatory obligations is: a) sufficiently clear to allow parties confidence to enter into commercial agreements, and b) a proportionate approach?

It is clear that the third party licensed supplier (TPLS) is responsible for SLC 11.2 compliance, and the TPLS would bear the responsibility for any breaches of the SLC 11.2 codes in connection with the LLS's activities as well as its own. This appears to be sufficiently clear and will hopefully form the basis for a commercial agreement to occur between a current generator and a licensed supplier (LS).

A practical concern for CWH, which affects its confidence to successfully enter into a sound commercial contract with a TPLS, is the apparent reluctance of LS (notably the so-called 'Big 6') to engage with License Lite. Being denied access to buying electricity on the wholesale market which is produced by DE and community energy groups because generators are becoming LLS and selling to their own customers clearly presents a barrier to their current profit-oriented business models. CWH struggles to see the benefit of being the TPLS to a DE or community energy scheme for a large energy company in comparison to simply marking up bought electricity for sale on the retail market. As a result, CWH believes that negotiating a sensible price for the SLC 11.2 services required from a TPLS may be difficult to achieve. This problem is only exacerbated when one considers that current LS are provided no additional obligation or incentive to provide this service. Current LS are likely to ask for 'over the odds' prices to provide SLC 11.2 compliance, and this would clearly detract from the benefit to the consumer of being supplied by DE or community energy groups. Although there are murmurings of a step change within the energy industry with the emergence of more socially responsible energy companies such as Ovo Energy, there still appears to be some way to go in gaining widespread support from LS.

(3/4/5). Do the 'Licence Lite' arrangements relating to the non-SLC 11.2 obligations (Smart Energy Code, Electricity Market Reform, Social and Environmental programmes) provide sufficient clarity over roles and compliance obligations between parties?

CWH would not be overly concerned about being subjected to the Smart Energy Code (SEC) under SLC 48.1. CWH is confident that it can adequately supply smart meters into any buildings it intends to supply electricity to without any undue issues. As already described, all the sites which CWH is intending to supply in the near future are under the ownership of WCC and the majority already have a smart meters installed or installation could be easily facilitated.

As part of the Electricity Market Reform (EMR) and being a supplier we will be required to pay the Carbon Contracts Companies for Contract for Difference (CFDs) and the Electricity Settlements Companies for the Capacity Market. We would not be eligible for an exemption because we will not be supplying for energy intensive industry or sourcing our generation from imported renewable generation. Following research, it appears that the obligation would not substantially affect the cost of electricity, so CWH would feel content in paying the obligations and administering EMR responsibilities itself. It is imagined that the cost of EMR obligations would simply be passed onto the total cost of

the electricity, as proposed by DECC. Ofgem provides sufficient clarity over compliance with obligations that are associated with EMR.

CWH requires further clarification on what extra social and environmental programmes/policy obligations a LLS must fulfil on top of its current obligations as a generator. It has been stated that the specifics of the extra obligations which the LLS is subject to depend on customer numbers and/or are sized according to market share. CWH will be generating and supplying electricity for its own use, so no external customer base will be involved. CWH would seek clarification that it is not required to participate in the Energy Companies Obligation (ECO), the Renewables Obligation (RO) the Warm House Discount (WHD), Feed in Tariffs (FITs) the Government Electricity Rebate (GER) and the Green Deal (GD).

CWH is already responsible for submitting its carbon emissions annually and submits a payment for the Carbon Price Support (CPS) every quarter as part of its liabilities as a generator. PDHU is exempt from the Climate Change Levy (CCL) because it supplies Good Quality CHP and it also supplies heat for domestic use. It would be worth Ofgem considering what kind of generation the potential LLS is offering and the carbon savings it is already providing from its current operation before burdening it with further policy constraints. Any further significant policy involvement/obligations could act as a barrier to market entry as a supplier for CWH and other potential suppliers if the additional costs and complexities are considered disproportionate to the potential benefits.

6. Does the potential impact of the MPID restriction warrant a modification to the Balancing and Settlement Code?

CWH believes that the modification of the BSC to increase the amount of MPIDs current LS have to offer is a necessary step. This builds upon earlier advice suggesting that some LS will be more accommodating to potential LLS than others. If the more accommodating LS have all of their available MPIDS already used this could provide a barrier to other potential LLS who will be forced to negotiate with LS with less compatible business models, who might offer them an unfavourable contract to provide their SLC 11.2 services. This scenario should be avoided, as it would hinder the growth of LLS participation for generators wanting to become suppliers.

7. Are there any complications to uniquely identifying a Licence Lite supplier's customers on a central system?

CWH believes that there are no extra complexities or complications which would create a problem in identifying LLS's customers on a central system. CWH would not be overly concerned because at this present moment in time it is not anticipating on having a large amount of separate customers but instead supplying primarily WCC commercial property.

8. Are the risks to Licence Lite Suppliers inherent in the current operation of supplier of last resort arrangements in the event of TPLS failure sufficient to

justify backstop measures, and if so, what measures would be appropriate and why?

It does appear entirely appropriate that if a TPLS was to fail, Ofgem would appoint a Supplier of Last Resort (SoLR) so that the LLS's customers are not left without any electricity. If the TPLS which CWH has contracted failed we would have no concerns with an additional SoLR being appointed by Ofgem until CWH contracted a fresh TPLS. This would be achieved as quickly as possible so we could use our own generation again. If a TPLS was to fail CWH it may take some time to establish a fresh contract with a TPLS, therefore CWH would be like to understand how it would then sell its electricity. It is imagined that if CWH electricity generation is out of contract due to the failure of the TPLS it would only receive system sell price (SSP) for its electricity until it renegotiates another contract with another LS to provide its SLC 11.2 codes. However, this would need clarification. Likewise, clarification is needed as to how electricity is provided when the PDHU is not producing and exporting electricity but electricity is being consumed within the WCC buildings. This may occur if planned maintenance occurs, in some instances this may last up to two weeks with no generation being provided. CWH imagines that this imbalance will be remedied using system buy price (SBP). This all needs clarification and would strongly influence the likeliness of CWH being a supplier of its own electricity.

9. Is the information required for a Licence Lite application appropriate for all potential applicants?

There are still some areas which need to be improved upon, although the 'Licence Lite': proposed updates to the SLC 11.3 operating guidance does serve as a sound starting block for any organisation which is beginning to research the potential of becoming a LLS. The principal area which needs clarification on is how does system balancing occur if the PDHU is not functioning due to a planned outage for maintenance or if the TPLS fails and a SoLR is appointed what would happen to the PDHU's electricity export. Also, a question remains as to how would CWH's sites supplied if our electricity generation was not working for whatever reason. We imagine that this would be done on the simple SSP or SBP to solve any potential imbalances. If SSP and SBP are used then the question is highlighted - can this be used to balance supply all the time for CWH and remove the need for a TPLS?

As previously mentioned, LL appears not to be a good fit for CWH as it has no customer base. Instead, CWH is supplying electricity to WCC property, in effect WCC is supplying electricity for its own means, and there is no customer involvement. Therefore it seems feasible for CWH to be treated in a similar fashion as an onsite generator but probably with the need to pay DUoS charges. CWH would like to know whether Licence Lite is the best step forward considering our situation or would Class A exemption provide a better fit for CWH in becoming a supplier? Far more depth and clarity is required on how CWH can operate under the class A licence exemption, which has not been offered to date.