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Dear Kate

**'Licence Lite': proposed updates to the SLC 11.3 operating guidance**

Thank you for providing SSE with the opportunity to respond to this consultation on Licence Lite. We welcome the interest in setting out more details of how it would be expected to work in practice and share the opinion that any proposed guidance is clear and comprehensive. With this in mind we have provided a response to consider some areas where additional clarification would be beneficial.

The latest consultation is entirely considerate of entrants to the electricity supply market which leaves uncertainty of how Licence Lite would cover gas supply. We understand that Licence Lite had the intent to assist participation of Distributed Energy (DE) generators but there may still be some benefit of considering the 'non traditional' business model seeking opportunities to enter the energy supply market. These type of new entrants may wish to supply both electricity and gas and so we would welcome details of whether this may require a separate contract.

At this stage, it is also thought that Licence Lite must broadly operate in the same way as a full licence with the direction relieving them of their obligations to be a direct party to SLC11.2. It would be beneficial to have clarity on the obligations of other SLCs.

The balance of responsibilities gives some concern when it comes to potential remedial or enforcement action. A Licence Lite operative could have failings with regards to its own billing system but the current details indicate that the Third Party Licensed Supplier (TPLS)

would be potentially accountable for such an instance. It would be more reasonable that they are only accountable for the services they complete and, again, this would benefit from further clarity.

The complexity of the Smart Energy Code would lead us to expect a separation between the TPLS overseeing the regulatory requirements and Licence Lite dealing with customer service.

We are of the position that the arrangements relating to Electricity Market Reform are sufficiently clear on roles and compliance obligations. Further to this, we would look to back the contract against whatever terms are required. Likewise, the terms around Social and Environmental Programmes are clear that the Licence Lite customers do not contribute to the TPLS figures but that even without reaching a mandatory threshold, the Licence Lite can choose voluntary participation.

Each Licence Lite having their own Market Participant Identifier (MPID) is regarded as being beneficial and so this may then necessitate amendment to the Balancing and Settlement Code (BSC). This would be desirable in making it clearer to identify which party has direct the relationship with the customer and, in the case of any failing, be useful should it necessary to pinpoint responsibility of the customer facing party.

It is a realistic concern that new entrants may not have sufficient credit for the necessary wholesale activity. In such an instance of this having an operational impact, we would make a case for the TPLS having a deemed contract or some opportunity to step in. This would be reasonable given they already have some level of involvement in the commercial arrangement.

The information to be considered for a Licence Lite is itself well reasoned. However, before gaining approval, it effectively requires a contract to be developed which could require considerable time and expense while still being exposed to the risk of rejection. These may not be the circumstances that are conducive to attracting non-traditional participants in the energy supply market. To avoid such a risk, it would be preferable to have an initial step with any necessary guidance being provided before a full application was made. There also needs to be clarification on how it would be reviewed; whether this would be a review from business lawyer or with some other method.

While Licence Lite provides opportunities for future partnerships, the overall weighting of risk is applied more on the TPLS. There is also a lack of necessary detail on to develop such a relationship for gas supply too. At present, we can only see a separate contract being required and increasing the difficulty of managing the partnership. It would be unfortunate if these combined factors resulted in an aversion to Licence Lite arrangements.



I hope you have found this input useful and we look forward to further consultation on the potential of Licence Lite.

Yours sincerely

Josh Henderson  
**Regulation**