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By email only to: sustainable.energy@ofgem.gov.uk

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Dear Kate

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

Thank you for the opportunity to respond to the above consultation.

This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. Our response is not confidential and can be published via the Ofgem website.

Our answers to the consultation questions are set out in the appendix to this letter and we hope that you will find our comments helpful. If any part of our response requires further explanation or clarification, please do not hesitate to contact me.

Yours sincerely



Keith Hutton
Head of Regulation
UK Power Networks

Copy Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

‘Licence Lite’: proposed updates to the SLC 11.3 operating guidance

UK Power Networks’ answers to the consultation questions

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

While the changes set out in the consultation document are a useful step forward from the current version, we believe that further clarification is needed in a number of areas – please see our answers to questions 2 to 10.

Question 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 arrangements, and b) a proportionate approach?

In general we agree that Ofgem’s approach is sufficiently clear and proportionate. However, we think it would be helpful to provide potential Licence Lite suppliers with additional clarification and guidance on access to Code body services and change processes. The Licence Lite supplier would only be able to access these services and processes via the third party licensed supplier (TPLS), and the contract between the Licence Lite supplier and the TPLS will need to reflect this.

Question 3: Do the Licence Lite arrangements relating to the Smart Energy Code – as set out in this consultation and in paragraphs 1.39-1.41 of the proposed guidance – provide sufficient clarity over roles and compliance obligations between parties?

We generally agree that the Licence Lite arrangements are sufficiently clear in this respect. We understand that a Licence Lite supplier operating in the domestic market would need to comply with all aspects of the Smart Energy Code; this could be achieved via their TPLS. However, the SEC security arrangements may prevent the TPLS from passing data on to the Licence Lite supplier, and the Licence Lite supplier may not be able to access DCC services directly.

Question 4: Do the Licence Lite arrangements relating to the Electricity Market Reform – as set out in this consultation and in paragraphs 1.42-1.46 of the proposed guidance – provide sufficient clarity over roles and compliance obligations between parties?

We have no comments in respect of this question.

Question 5: Do the Licence Lite arrangements relating to the government’s social and environment programmes – as set out in this consultation and in paragraphs 1.42-1.46 of the proposed guidance – provide sufficient clarity over roles and compliance obligations between parties?

We believe that electricity suppliers are better placed to comment on this aspect of the consultation. However, we do think that more guidance on participation in the government’s social and environmental programmes would be helpful. If the TPLS is not a participant in a particular scheme – the Green Deal, for example – this could create difficulties for a Licence Lite supplier who wishes to voluntarily participate in the scheme.

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

Modifying the Balancing and Settlement Code to enable a TPLS to request an additional MPID to meet their contractual Licence Lite supplier requirements would appear to be a positive step. Please also see our answer to question 7.

Question 7: Are there any complications (not identified in the consultation) to uniquely identifying a Licence Lite supplier's customers on central systems?

We envisage no technical changes to processes and systems providing a Licence Lite supplier's metering points are allocated to an MPID with a role code of X (supplier).

Question 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?

We have no comments in respect of this question.

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

We have no comments in respect of this question.

Question 10: Are there any relevant milestones which are omitted from the proposed guidance?

We have not identified any omissions.