



**E.ON's Response to Ofgem's November 2014 consultation  
on proposals to modify Standard Licence Conditions 14 and 15 of the  
electricity generation licence**

E.ON supports Ofgem's proposals of 28 November 2014 to modify the Generation Licence Condition 14 (Compulsory Acquisition of Land etc.) and Generation Licence Condition 15 (Other powers etc.). These proposed modifications should help in the development of wind generation and thus in the reduction of CO<sub>2</sub> emissions. However, we would have liked to see the proposed modifications for both Licence Conditions better support the development of generation with district heating and district cooling schemes, by more fully reflecting the existing powers and rights conferred to licenced generators under the Electricity Act 1989 ("the Act").

Generation coupled with district heating and district cooling schemes is a thermally efficient way of utilising the heat from generation plants to provide heat or cooling to local businesses and homes. This use of the generation plant's heat means that generation with district heating and district cooling schemes, like wind generation, contributes to an overall reduction of CO<sub>2</sub> emissions.

While thermally efficient, the introduction of district heating and district cooling schemes within existing urban areas do have the problem that they will often involve the installation of pipes to connect a number of unrelated legal entities' premises. This can mean gaining access to install and maintain pipes within third parties' premises, some of which may not be connecting to the actual scheme. Consequently, as the number of such schemes being developed increases, it is likely that generation licensees will need to use the powers given to them under the Act's Schedule 3 (Compulsory Acquisition of Land etc. by Licence Holders) and Schedule 4 (Other Powers etc. of Licence Holders) more frequently. Without the ability to use all of the powers and rights conferred under the Act, the efficiency benefits of generation's heat being used to provide heat for heating and cooling may not be fully realised.

The Act and Generation Licence Condition 14

Under the Act and subject to specified limitations;

*"the Secretary of State may authorise a licence holder to purchase compulsorily any land required for any purpose connected with the carrying on of the activities which he is authorised by his licence to carry on."*<sup>1</sup>

However, the proposed modified Licence Condition 14's paragraph 2 still restricts the generator's powers and rights to enable it to carry on;

*"the activities authorised by this licence and which relate to:*

---

<sup>1</sup> Electricity Act 1989 Schedule 3 paragraph 1(1).



- (a) *the construction or extension of a generating station;*
- (b) *the operation of a generating station; and*
- (c) *the installation, inspection, maintenance, adjustment, repair, alteration, replacement or removal of electric lines and electrical plant associated with them, and any structures for housing or covering such lines or plant, connecting a generating station with:*
  - (i) *the national electricity transmission system; or*
  - (ii) *a distribution system.*

*including, for the avoidance of doubt, works preliminary to those activities, whether those activities are carried out by the licensee or another licence holder."*

In support of generation with district heating and district cooling schemes, in particular, we would ask that the powers and rights conferred to licenced generators under the provisions of Section 10 (Powers etc. of licence holders) of the Act are fully reflected in Licence Condition 14, by its paragraph 2 being amended to read;

*"the activities authorised by this licence and which relate to:*

- (a) *the construction or extension of a generating station;*
- (b) *the operation of a generating station; and*
- (c) *the installation, inspection, maintenance, adjustment, repair, alteration, replacement or removal of electric lines, electrical plant associated with **the electric lines, pipes and associated plant and equipment in relation to such pipes and any structures for housing or covering such lines, pipes, plant or equipment**, connecting a generating station with:*
  - (i) *the national electricity transmission system;*
  - (ii) *a distribution system; and*
  - (iii) ***any purpose connected with the supply to any premises of heat produced in association with electricity and steam produced from air and water heated by such heat.***

*including, for the avoidance of doubt, works preliminary to those activities, whether those activities are carried out by the licensee or another licence holder."*

To ensure that cooling, as well as heating, is covered by Licence Conditions 14 and 15, it would also be helpful for clarity if Licence Condition 14 paragraph 3 had an addition of;



***"(c) The heat, produced in association with electricity and steam produced from air and water heated by such heat, includes heat in the forms of steam, hot water or chilled liquids."***

This would reflect Section 10 (3A) of the Act, which provides that;

*"Subsection (3) applies in relation to any purpose connected with the supply to any premises of any gas or liquid subjected to a cooling effect produced in association with electricity as it applies to a purpose mentioned in that subsection."*

It would also be consistent with the Energy Performance of Buildings Directive (Recast) 2010/31/EU, where district heating and district cooling mean:

*"the distribution of thermal energy in the form of steam, hot water or chilled liquids, from a central source of production through a network to multiple buildings or sites, for the use of space or process heating or cooling."*

#### The Act and Generation Licence Condition 15

The proposed modified Generation Licence Condition 15 paragraph 2(e) does not appear to fully reflect powers and rights conferred to licenced generators under the provisions of the Act. Under the Act;

*"[A generation licence may provide that Schedule 4 to this Act shall have effect in relation to the licence holder as if] any reference to any purpose connected with the carrying on of the activities which he is authorised by his licence to carry on included a reference to any purpose connected with the supply to any premises of heat produced in association with electricity and steam produced from and air and water heated by such heat;"<sup>2</sup>*

However, the proposed modified Licence Condition 15 paragraph 2(e) still appears to restrict the generator's powers and rights to;

*"in relation to electric lines or electrical plant as if the references to them in Schedule 4 to the Act included pipes for conveying directly to consumers' premises heat produced in association with electricity and steam produced from air and water heated by such heat and associated works in relation to such pipes and as if "associated works" had the meaning given in section 10(3) of the Act".*

This suggests that while the Act encompasses "any purpose connected with the supply to any premises of heat produced in association with electricity and steam produced from and air and water heated by such heat"<sup>3</sup>, the proposed licence modification continues to restrict such purposes to "conveying directly to consumers' premises heat produced in association with electricity and steam produced from air and water heated by such heat"<sup>4</sup>. Consequently, while the Act facilitates such activities, the proposed modified

<sup>2</sup> Electricity Act 1989 Part 1 Section 10(3)(a).

<sup>3</sup> Electricity Act 1989 Part 1 Section 10(3)(a).

<sup>4</sup> Generation Standard Licence Condition 15 Other powers etc. paragraph 2(e).



licence condition seems to continue in precluding activities such as connecting steam or hot water pipes from generation stations to new or existing district heating schemes.

In support of generation with district heating and district cooling schemes in particular, we would ask that the powers and rights conferred to Licenced Generators under the provisions of Section 10 (Powers etc. of licence holders) of the Act are fully reflected in Licence Condition 15 by its paragraph 2(e) being amended to read;

*"(e) in relation to electric lines or electrical plant as if the references to them in Schedule 4 to the Act included pipes for **any purpose connected with the supply to any premises** heat produced in association with electricity and steam produced from air and water heated by such heat and associated works in relation to such pipes and as if "associated works" had the meaning given in section 10(3) of the Act."*

In conclusion, the proposed modifications to both Licence Conditions, should help in the development of wind generation and thus in the reduction of CO<sub>2</sub> emissions. However, while carrying out the modifications, the opportunity should be taken to also support other means of reducing CO<sub>2</sub> emissions, such as generation with district heating and district cooling schemes. This should be through additional modifications to the two Licence Conditions, so as to better reflect the powers and rights conferred to Licenced Generators under the Act.