

Decision on proposed updates to the 'Licence Lite' guidance

Final decision

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Overview:

In 2009, we introduced draft guidance¹ and standard licence condition (SLC) 11.3 to the electricity supply licence to make it easier for aspiring suppliers and distributed energy (DE) developers to operate as a licensed supplier on the public electricity network.

The guidance and licence modification are often referred to as 'Licence Lite'.

Following renewed interest in Licence Lite from a number of parties and in order to update the 2009 guidance to reflect changes in the market, we published a consultation on 'Proposed revisions to the 2009 operating guidance for implementation of Standard Licence Condition (SLC) 11.3' in October 2014.

In this document we set out our decision on the various issues raised in the consultation, and our reasoning for specific additions, updates and clarifications to the guidance.

We also set out (published separately from this document) the updated and revised operating guidance for implementation of SLC 11.3. This guidance will take effect from 1 April 2015, superseding the previous 2009 guidance.

¹Distributed Energy – Final proposals and statutory notice for electricity supply modification'
<https://www.ofgem.gov.uk/ofgem-publications/58104/definalproposals.pdf>

Context

The original rationale for the creation of Licence Lite was to enable DE developers to supply their generation directly to consumers rather than selling it to a third party.

Whilst this original purpose remains at the core of the policy, we are seeing significant interest in Licence Lite from a wide range of stakeholders, including government, third-party intermediaries (TPIs), local authorities and aspiring independent energy companies.

Within this wider context, relevant developments include:

- The development of community energy (CE) schemes within Great Britain, supported by government policy² and representative bodies³. The vast majority of CE projects are generation focused. However, many aspire to integrated approaches to energy generation, management, reduction and purchasing, and are looking at the potential of supplying electricity locally.
- In August 2014, DECC also instituted a Local Supply Working Group, with the aim of developing a clearer understanding of the issues associated with 'local' supply, and the scale of 'local' supply ambitions amongst community groups and other non-traditional market entrants.
- Policy interest in the role of local authorities in energy generation, distribution and supply has grown considerably with increasing interest not just in generating heat and power, but also in electricity supply.
- Since August 2014 we have been addressing barriers to entry and competition for independent suppliers as set out in the DECC-Ofgem Challenger Business Action Plan. This includes policy developments and stakeholder engagement to help independent suppliers comply and input into policy.
- In February 2015 we published a discussion paper⁴ on non-traditional business models in order to better understand the motivations and characteristics of innovative new entrants with the potential to transform the energy market, and their possible benefits to consumers.
- To recognise developments in the TPI market, we are taking forward a range of measures designed to enhance both TPI services and consumer experiences. Looking forward it is anticipated that TPIs could play an increasingly important role in facilitating consumer engagement and (potentially) providing a route to market for energy suppliers.

²DECC published the Community Energy Strategy in January 2014, followed by a Strategy update in March 2015. The Scottish government is reviewing responses to a consultation on its CE Policy Statement; the final Policy Statement is due for publication in summer 2015.

³At the national levels these include Community Energy England, Community Energy Scotland and Community Energy Wales. There are also a number of established and emerging sub-national and locally focused community energy umbrella groups.

⁴Ofgem (2014) <https://www.ofgem.gov.uk/publications-and-updates/non-traditional-business-models-supporting-transformative-change-energy-market>.

Associated documents

Distributed Energy - Final Proposals and Statutory Notice for Electricity Supply Licence Modification (February 2009)

<https://www.ofgem.gov.uk/ofgem-publications/58104/definalproposals.pdf>

'Licence Lite': proposed revisions to the SLC 11.3 operating guidance (October 2015)

<https://www.ofgem.gov.uk/ofgem-publications/90880/licenceliteconsultationoctober2014.pdf>

'Licence Lite': proposed revisions to the SLC 11.3 operating guidance - Summary of consultation responses (December 2015)

<https://www.ofgem.gov.uk/ofgem-publications/92103/licencelite-summaryofconsultationresponses.pdf>



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Executive Summary

In February 2009, we introduced an option within the electricity supply licence to allow for conditional derogation from the requirements under Standard Licence Condition (SLC) 11.2 to be a party to certain industry codes. The Codes under this licence condition are those assessed as presenting the highest cost and highest competency hurdles to accessing the public network and selling electricity to domestic and non-domestic consumers. This option – which has become known as 'Licence Lite' – was designed to overcome market entry barriers experienced by distributed energy (DE) generators.

Since the introduction of the Licence Lite guidance no parties have applied to use this option. One potential reason is a lack of clear understanding amongst aspiring suppliers over the precise functioning of a Licence Lite arrangement and the balance of responsibilities between parties. In addition, since 2009 there have been a number of strategic, legislative and regulatory changes to the energy supply and retail market which may have compounded market uncertainty in relation to Licence Lite.

To address these issues – and to reflect the growing interest in Licence Lite amongst government, third-party intermediaries (TPIs), local authorities and aspiring independent energy companies – in October 2014 we consulted on proposed revisions to the 2009 guidance, focussing on three main areas:

- main industry functions, activities and expectations
- application procedures and assessment criteria
- compliance and enforcement issues.

We received 17 responses to the consultation, which closed on 5 December 2014. We also held a consultation workshop on 7 November 2014. Documents relating to the workshop and all non-confidential consultation responses have been published on the Ofgem website.

In chapter two of this document we set out our decisions based on responses to our consultation and our subsequent analysis. In most cases our position remains materially unchanged from the proposed guidance, and we have explained our reasoning for any changes.

We also set out (separately from this decision document) the updated and revised operating guidance for implementation of SLC 11.3. This guidance will take effect from 1 April 2015, superseding the previous 2009 guidance.

1. Updating the guidance

Introduction

- 1.1. We consulted on proposed revisions, updates and clarifications to the 2009 guidance during late 2014 and received 17 consultation responses.
- 1.2. Having considered these responses, in this document we set out our decisions and the reasoning for specific additions, updates and clarifications to the guidance.
- 1.3. These decisions relate to the following areas:
 - balance of responsibilities between parties
 - clarifying obligations on parties under the Smart Energy Code
 - clarifying obligations on parties under the government's Electricity Market Reform (EMR) arrangements and Social and Environment Programmes
 - identification of Licence Lite supply points and volumes
 - clarifying Supplier of Last Resort (SoLR) arrangements for both Licence Lite and third party licensed suppliers
 - clarifying application processes for prospective Licence Lite suppliers.
- 1.4. We also set out:
 - proposals for monitoring the policy's effectiveness, through a 12 month monitoring period
 - improvements to online information, guidance and documents relating to Licence Lite, as well as links to relevant resources such as our licensing webpages.
- 1.5. In addition to this decision document, we have also separately published the updated and revised operating guidance for implementation of SLC 11.3. This guidance will take effect from 1 April 2015, superseding the previous 2009 guidance.

Timing of the updated guidance and market monitoring

- 1.6. We are aware that prospective Licence Lite suppliers have expressed scepticism about whether, in a competitive market and the absence of any form of compulsion, existing suppliers would be willing to offer third party licensed supplier (TPLS) services – particularly at a reasonable price.



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- 1.7. During the consultation we highlighted a number of potential measures to address these concerns. However, respondents indicated that either no barriers existed or that the market for such services was too immature at this stage to warrant further action.
- 1.8. Separately from the consultation, however, we are aware of anecdotal evidence that prospective Licence Lite suppliers are experiencing difficulty in engaging with suppliers over requests for TPLS services.
- 1.9. At present, it is unclear whether this is due to a lack of cooperation from existing suppliers, unreasonable expectations from prospective Licence Lite suppliers or the more generic barriers to entry and competing experienced by new entrants. The latter are currently being considered by our DECC-Ofgem Challenger Business Action Plan and other initiatives such as the Competition and Markets Authority's (CMA's) investigation into the energy market.
- 1.10. At present, we are aware of a number of parties interested in taking forward a Licence Lite arrangement. These parties are all at differing stages of development but crucially some of these demonstrate active TPLS engagement.
- 1.11. We are also of the view that many are awaiting a successful 'first mover' in this area before proceeding further, and any delay in finalising the regulatory position on SLC 11.3 may be a factor affecting market interest.
- 1.12. The evidence is therefore inconclusive, but we acknowledge that the issue of a viable market for TPLS services remains central to the success of the Licence Lite policy and its intended outcomes (to encourage the emergence of greater levels of decentralised energy in a manner consistent with energy market rules and the regulatory framework).
- 1.13. We have therefore decided to proceed with publication of the updated SLC11.3 operating guidance. This will provide regulatory certainty to those currently considering or engaged in negotiations over a Licence Lite arrangement.
- 1.14. However, we will simultaneously initiate a period of active market monitoring. This will commence from the publication of this decision document and apply for a period lasting up to 12 months. This will provide us with a mechanism to monitor the development of the Licence Lite policy as the TPLS market develops and prospective suppliers' proposals become more informed and consistent.
- 1.15. It will also allow for the effect of wider developments to be felt, such as any conclusions from the CMA investigation and relevant Ofgem consultations.
- 1.16. At an appropriate point during this monitoring period we will issue a status update on the development of Licence Lite and the emergence of a TPLS market.

2. Consultation responses and our decision

Consultation process

- 2.1. Between October and December 2014 we consulted on proposed revisions to the 2009 guidance, focussing on three main areas:
 - main industry functions, activities and expectations
 - application procedures and assessment criteria
 - compliance and enforcement issues.
- 2.2. We received 17 responses to the consultation, which closed on 5 December 2014. We also held a consultation workshop on 7 November 2014. Documents relating to the workshop and all non-confidential consultation responses have been placed on our website.
- 2.3. Each of the areas addressed in this chapter follows a similar structure. Firstly we present the issue(s) and summarise stakeholder responses. We then set out our decision, and (if appropriate) explain any next steps resulting from this position.

Balance of Responsibilities

Issues

- 2.4. Under the terms of an SLC 11.3 direction, the Licence Lite supplier is relieved of the obligation to be a party to and comply with the SLC 11.2 Codes on the condition that there are robust arrangements with a TPLS in place. Under these arrangements, the TPLS would be responsible for complying with the SLC 11.2 Codes. The TPLS would therefore bear the responsibility for any breaches of the SLC 11.2 Codes in connection with the Licence Lite supplier's activities as well as its own.
- 2.5. We stated in the consultation that we did not believe it was appropriate to modify the TPLS' licence to make these obligations explicit. We also asked stakeholders whether this position was both sufficiently clear to provide all parties with the confidence to enter into commercial agreements, and a proportionate approach.

Stakeholder views

- 2.6. The majority of the twelve responses to this question felt that the balance of responsibilities set out in the consultation was both clear and proportionate.
- 2.7. All but one respondent favoured a commercial expression of the TPLS' obligations over a regulatory measure. Conversely, one respondent took the view that modifying the SLCs to clarify TPLS responsibility would avoid this becoming a significant point of negotiation between the parties.
- 2.8. In response to this question, a further issue emerged. Some respondents suggested that it may be difficult to secure a reasonable price for TPLS services without placing obligations on suppliers. Several proposed a size threshold above which it would be mandatory for licensed suppliers to offer TPLS services and below which interested suppliers could voluntarily offer terms, to ensure competition and fair treatment. Two respondents went further and suggested that such an obligation should require the terms offered by TPLSs to be reasonable and include the option of regulatory referral in the case of disputes.

Decision

- 2.9. As it was supported by the majority of respondents, we confirm our position that the guidance is sufficiently clear regarding each supplier's obligations and a licence modification is not required to make them explicit at this stage.

Next steps

- 2.10. We acknowledge stakeholders' concerns that, in the absence of an active TPLS market, prospective Licence Lite suppliers may experience difficulties in securing TPLS services. To help address these concerns we will initiate an active market monitoring period commencing on publication of the revised guidance and lasting up to 12 months.
- 2.11. During this period, we will monitor applicant rates and market development, and, if necessary, propose measures to address the issues noted above.

Identification of Licence Lite supply points and volumes

Issues

- 2.12. It will be important in a number of situations to be able to identify sites supplied by the Licence Lite supplier on the TPLS' systems. This will be necessary, for example, to accurately assign environmental and social obligations. In our consultation we therefore proposed to require that a



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Licence Lite supplier's customers be uniquely identifiable within the central Meter Point Administration Service (MPAS) systems, and therefore by default on their TPLS' systems.

- 2.13. To accomplish this, the TPLS may choose to register the Licence Lite supplier with a unique Market Participant Identifier (MPID). However, the Balancing and Settlement Code (BSC) limits the number of MPIDs to no more than three for which the supplier is the first holder of the ID.⁵ This limit of three MPIDs means some suppliers may not have remaining MPIDs to offer. If necessary, one option to resolve this issue would be a modification to the BSC to allow additional MPIDs for this purpose.
- 2.14. In the consultation we asked whether the MPID restriction warrants a modification to the BSC, and whether there are any further complications to uniquely identifying a Licence Lite supplier's customers on central systems.

Stakeholder views

- 2.15. The fifteen respondents to this section agreed that Licence Lite supply points must be uniquely identifiable within a TPLS' systems.
- 2.16. Of the proposals put forward to achieve this, the majority of respondents indicated a preference for using an MPID to differentiate between Licence Lite and TPLS customers. Although views differed amongst respondents on the need for and appropriate scope of any proposed BSC modification, all respondents said a modification must be well-justified and evidenced, and proposed by a signatory to the BSC.
- 2.17. Some respondents suggested other means of identifying supply points, such as the use of Balancing Mechanisms Units, a specific Licence Lite identifier within the BSC, and separation within the TPLS' systems.
- 2.18. Regarding further complications, one respondent noted that incorporating an additional MPID into their IT systems would incur additional IT costs for some TPLSs.
- 2.19. One stakeholder also queried whether the Licence Lite MPID would be stored in the MPAS along with or instead of the TPLS MPID, as the former would require significant changes to both distributor and supplier systems. Another sought assurance that a supplier role code would be used.

Decision

- 2.20. We have reviewed respondents' suggestions regarding options for identifying the Licence Lite supplier's supply points and volumes, and consulted Code Administrators on their practical implications. We remain of the view that

⁵See section S 1.3.5 of the BSC.



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identification of supply points within the MPAS systems ensures compatibility with the broader operation of the electricity system.

- 2.21. We therefore expect the majority of Licence Lite arrangements to use an MPID to identify their supply points and volumes on central systems. Where applicants propose an alternative approach, we will assess these proposals on a case by case basis, and suggest that applicants contact us prior to submitting their application.
- 2.22. We have reflected this perspective in the guidance. We have also included some further detail on the practicalities of using MPIDs for this purpose (such as the implications of transferring from one TPLS to another, and of a TPLS working with more than one Licence Lite supplier).
- 2.23. We do not consider the potential IT costs to the TPLS to be a systematic barrier, as this was only raised by one respondent. We have included it in the guidance as an advisory point parties may wish to consider in their commercial negotiations.
- 2.24. We can also confirm that only the Licence Lite supplier's MPID will be stored in the MPAS, so no system change to create an extra data field will be required; and that a supplier role code would be used to allocate a Licence Lite supplier's metering points to an MPID. However, as these are implementation points which will be managed by the relevant systems providers and/or Code Administrators and do not directly affect the Licence Lite supplier or TPLS, we have not included these points of information in the guidance.

Next steps

- 2.25. Should restricted availability of MPIDs become an issue, we would anticipate a relevant party raising a code modification to allow suppliers to hold more than three MPIDs. Information on how to address this and any potential issues is available on Elexon's website.⁶
- 2.26. Parties may wish to be aware that the current restriction is aimed at achieving efficient system management. It may therefore be necessary to draw restrictions around the purpose of additional MPIDs in any proposed BSC modification. Some stakeholders have indicated during informal discussions that this should be restricted to Licence Lite applications only, while others see value in a more flexible scope to allow for the development of alternative business models involving similar inter-supplier partnerships in the future. We would expect this to be considered in the development of any potential future modification proposal, if appropriate.

⁶<https://www.elexon.co.uk/change/>

Supplier of Last Resort

Issues

- 2.27. In the event of a supplier failure, our priority is to ensure that consumers continue to receive electricity from a licensed supplier. This can be achieved either through an administrator-led trade sale, or through regulatory intervention.
- 2.28. Under a conventional arrangement, continuity of supply would be maintained either via a licensed supplier agreeing to purchase failed parties' consumers, or via re-allocation of consumers (and associated industry process obligations) to a Supplier of Last Resort (SoLR). This process is set out in our revised guidance on the SoLR arrangements.^{7, 8}
- 2.29. Under a Licence Lite arrangement, supplier failure can potentially affect either the Licence Lite supplier or the TPLS.

Stakeholder views

- 2.30. The consultation document outlined the implications for Licence Lite and TPLS operations under an SoLR scenario, and queried whether the risks associated with SoLR (eg possible removal of customers) were significant enough to warrant mitigation measures.
- 2.31. The majority of the fourteen responses on this issue confirmed that SoLR arrangements in the event of a TPLS failure should represent a commercial risk for Licence Lite suppliers to assess and manage. They felt that alternative mechanisms would not currently be proportionate. However, respondents were divided on whether removing the Licence Lite supplier's customers was justifiable.
- 2.32. Mitigation measures suggested by respondents included:
- commercial mitigation (procurement of back office services from a third party to reduce overheads, and procurement of a back-up TPLS)
 - temporary SoLR arrangements so supply points could be returned to the Licence Lite suppliers
 - taking steps to ensure a more liquid TPLS market to support the Licence Lite supplier in swiftly identifying an alternative TPLS.

⁷<https://www.ofgem.gov.uk/publications-and-updates/supplier-last-resort-revised-guidance>

⁸This is due to be updated in spring 2015 to reflect new rules in the market.

Decision

- 2.33. In the event of a Licence Lite supplier failure, we confirm our understanding that a deemed contract would arise between the Licence Lite supplier's customers and the TPLS.
- 2.34. If a TPLS were to fail and a trade sale not be achieved, we would consider the possibility of assigning the Licence Lite supplier's customers to an SoLR.
- 2.35. Whilst we acknowledge the inherent risk this poses to the Licence Lite supplier's business model, we do not propose at this stage to re-visit SoLR arrangements or explore alternative measures (such as introducing a 'TPLS of Last Resort' or requiring all suppliers to offer commonly-agreed services if approached).
- 2.36. Our decision on this issue is based upon stakeholder feedback, and reflects a proportionate response to the current level of market interest in Licence Lite arrangements.
- 2.37. Whilst our position remains unchanged on this issue, we do recognise the issues and concerns raised by stakeholders on the business risk to Licence Lite suppliers and their investors, and note the potential impact on the overall number of Licence Lite suppliers active in the market. However it is difficult to assess these risks prior to the establishment of any Licence Lite arrangements.
- 2.38. We therefore propose to include consideration of these issues (and potential risks) as part of an active market monitoring period commencing on publication of the revised guidance and lasting up to 12 months.
- 2.39. During this period, we will monitor applicant rates and market development, and, if necessary, propose measures designed to bring together industry participants and develop appropriate solutions.

Smart Energy Code

Issues

- 2.40. We expect that some Licence Lite suppliers may want to make use of the opportunities offered by smart meters. To do this they may need to accede to the Smart Energy Code (SEC). The obligation for electricity suppliers to comply with the SEC sits in SLC 48.1 of the electricity supply licence. In the consultation we clarified that this means a Licence Lite supplier will still be required to comply with the SEC. However, prospective applicants should note that they may apply (under SLC 48.2) for relief from the requirement to comply with the SEC.

Stakeholder views

- 2.41. Most respondents felt that we had provided suitable clarity on arrangements relating to the SEC. Several respondents felt that further clarity should be provided on the criteria for providing a derogation from the SEC, and the extent to which we would consider them responsible for complying with the Smart Metering Installation Code of Practice.
- 2.42. One respondent raised the point that if the TPLS were involved in SEC compliance, data security arrangements may prevent it from passing on data to the Licence Lite supplier. They added that the Licence Lite supplier may be unable to access Data Communications Company (DCC) services directly.
- 2.43. Another respondent raised the issue that, as the TPLS will manage all metering agents under the Master Registration Agreement (MRA) on behalf of the Licence Lite supplier, we should consider the close links between SEC and MRA compliance and give further guidance on how this should be managed.

Decision

- 2.44. As stakeholders indicated that the draft text was clear we have not made any material changes to this section of the guidance. We have, however, clarified that any supplier, not only Licence Lite applicants, may apply for a derogation from the SEC.
- 2.45. As stated in the consultation, we will consider applications for a derogation on a case by case basis. Barring any further changes to the SEC (which is still being developed) there may be grounds for providing a derogation if a Licence Lite supplier has no intention of or interest in installing, maintaining or communicating with a smart meter.
- 2.46. Any data sharing, agent appointments or DCC access that is required to allow either the Licence Lite supplier or the TPLS to comply with their obligations will be for the parties to negotiate within their commercial agreement, including any necessary security or data privacy measures.

Next steps

- 2.47. We expect this position to continue for the foreseeable future, but will keep it under review as further obligations are added to the SEC.

Electricity Market Reform

Issues

- 2.48. A Licence Lite supplier will be responsible for discharging its responsibilities under the Electricity Market Reform (EMR) policy. It will also have to respond to communications from the EMR Delivery Bodies that will manage the EMR (the Low Carbon Contracts Company and Electricity Settlements Company) and the body appointed to provide settlement services: EMR Settlement Limited (EMRS). The information management and payment model requirements placed on suppliers requires regular oversight, management and implementation. This will require the regular and timely receipt and analysis of information from the TPLS.
- 2.49. We also noted in the proposed guidance that the Licence Lite supplier may wish to consider a commercial relationship with their TPLS or another third party to administer the EMR responsibilities on their behalf, but in choosing to do so would nonetheless retain its regulatory obligations.

Stakeholder views

- 2.50. Most respondents indicated that the proposed guidance provided sufficient clarity on the arrangements relating to the EMR and how obligations would fall between parties.
- 2.51. Two respondents indicated that bills for the EMR supplier obligations may be sent to the TPLS if the administrator is not aware of the contractual arrangement between the Licence Lite supplier and the TPLS.
- 2.52. In addition, a number of respondents expressed the view that it would be necessary to review whether the proposed arrangements are appropriate when there are several Licence Lite suppliers in operation and EMR interactions have been tested.

Decision

- 2.53. The EMRS has confirmed that where a Licence Lite supplier's customers are identified via a unique MPID within the TPLS' overall customer base, the Licence Lite supplier's supplier volumes will be recognised separately within the EMR processes. Furthermore, when a Licence Lite supplier registers with the EMRS it will be able to nominate either itself or its TPLS as the contact for each of the necessary EMR functions. We have noted this in the guidance both to alleviate concerns such as those set out above and as points for both parties to consider in commercial negotiations.

- 2.54. Otherwise there are no material changes to this section of the guidance, although we have included notes on EMR data management options and links to EMR guidance for additional clarity.

Next steps

- 2.55. We recognise that of all the topics covered by the guidance, this area in particular is still evolving. We therefore welcome feedback from industry on how these arrangements operate in practice.

Social and Environmental Programmes

Issues

- 2.56. Suppliers are required to comply with a range of social and environmental programmes introduced by government. These include the Energy Companies Obligation (ECO), the Renewables Obligation (RO), the Climate Change Levy (CCL), the Warm Home Discount (WHD), Feed-in Tariffs (FITs), the Government Electricity Rebate (GER) and the Green Deal (GD). Licence Lite suppliers must offer the relevant services if they fall within the qualifying criteria. Alternatively they may wish to establish a commercial relationship with a third party to comply with the schemes on their behalf, but would retain the regulatory responsibility.
- 2.57. Licence Lite suppliers are not normally affiliates of their TPLS. This means that where an obligation is triggered by a threshold of consumer numbers (or sized on the basis of the suppliers' market share and/or electricity supply volumes), the consumer and supply data of the Licence Lite supplier is applied separately and not conflated with the TPLS' consumer numbers.
- 2.58. Licence Lite suppliers will also need to ensure they can access data held by their TPLS to ensure they are able to comply with, for example, the ongoing reporting, communication and financial requirements of the obligations.

Stakeholder views

- 2.59. Eleven of the twelve responses to this section felt that our explanation was sufficiently clear to allow Licence Lite and TPLS parties to understand when and how obligations would fall, and the balance of responsibilities between parties.
- 2.60. One respondent indicated that further guidance should be provided for cases where a distributed generator or other Licence Lite supplier is an affiliate of their TPLS.

Decision

- 2.61. On the latter point, we have clarified in the guidance that where a Licence Lite Supplier is an affiliate of its TPLS, the assessment of consumer numbers for the purposes of determining social and environmental programme obligations is based on the total number of consumers across the group of companies. The specific obligations of the Licence Lite supplier would be calculated on the basis of the share of the Licence Lite supplier's consumer numbers as a proportion of the total consumer numbers.
- 2.62. As stakeholders indicated that the draft text was otherwise clear, we have not made any additional changes to this section of the guidance.

Next steps

- 2.63. We expect this position to continue for the foreseeable future, subject to any government changes to the social and environmental programmes.

Process and Milestones

Issues

- 2.64. Due to the policy context from which Licence Lite arose, there are places in which the 2009 guidance refers specifically to arrangements suited to distributed energy generators. In our consultation we proposed to remove those items from the application information required in order to accommodate a wider range of applicants. In some other respects we have broadened the range of information required to ensure consumer interests are protected in all cases.
- 2.65. In the proposed guidance we also set out the process of a Licence Lite application in more detail, including taking steps to align it with the process of a supply licence application where appropriate.

Stakeholder views

- 2.66. In response to the application process set out in the consultation document, most respondents felt that all significant milestones were highlighted in the appropriate level of detail in the guidance document. Suggestions for further improvement included a proposal for time limits for processing Licence Lite applications, and a call for an industry led working group to be convened in order to identify and respond to any issues emerging from the initial Licence Lite applications.

Decision

- 2.67. We have clarified in the guidance that we aim to reach a decision on whether to grant a Licence Lite direction within 60 working days of confirming that an application is complete, subject to discovering that we require further information to complete our assessment. In the revised guidance we have also clarified the format we expect an application to take.
- 2.68. We are aware that some key elements of a Licence Lite arrangement have yet to be tested in the market, and that as these learning points emerge there may be benefits to convening industry participants and prospective market entrants. In part to assess whether this may be an appropriate step, we intend to initiate a period of active market monitoring which will allow us to identify and respond to any issues emerging from the initial applications.

Next steps

- 2.69. At an appropriate point during this monitoring period we will issue a status update on the development of Licence Lite. If appropriate, this will include proposed measures to address any issues emerging from the initial applications.
- 2.70. On a more individual level, we acknowledge that the first applicants for a Licence Lite direction may require additional support in understanding what we require to form a complete application (until information can be shared amongst industry participants and arrangements become more consistent). We intend to consider this factor when engaging with applicants.

3. Next steps

- 3.1. Having updated and clarified the guidance, we look forward to the next phase of Licence Lite and receiving the first applications.

Market monitoring period

- 3.2. As described earlier, on publication of this document we are starting a 12 month monitoring period to assess applicant rates and market development. This will provide us with a mechanism to monitor the development of the Licence Lite policy as the TPLS market develops and prospective suppliers' proposals become more informed and consistent.
- 3.3. Prospective and current energy suppliers, market participants and wider stakeholders are encouraged to contact us during this period to highlight any issues, provide evidence or discuss concerns. Please contact Licence.Lite@ofgem.gov.uk.
- 3.4. At an appropriate point during this monitoring period we will issue a status update on the development of Licence Lite and the emergence of a TPLS market, detailing any next steps and proposed measures.

Where to find more information

- 3.5. You can find further information in the Licence Lite section of our website.⁹
- 3.6. The Licence Lite webpages outline what Licence Lite is, and direct you to more detailed documents. These include our Licence Lite Guidance, our factsheet aimed at prospective applicants / TPLSs and the 2014 consultation.
- 3.7. The website also highlights the key steps in the application process for both licenced electricity suppliers and those who do not already hold an electricity supply licence. It explains how to submit your application and how we will process it. There is also a webpage dedicated to any directions we issue under SLC 11.3.
- 3.8. All SLC 11.3 directions, the planned status update in 2015-16 and any additional future Licence Lite publications will appear in this section of the website.

⁹<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-lite>