

'Licence Lite': SLC 11.3 operating guidance

Guidance

Publication date: 1 April 2015

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Overview:

Standard Licence Condition (SLC) 11.3, an option known as 'Licence Lite', allows a prospective electricity supplier to apply for a direction relieving them of their obligation to be a direct party to the industry codes listed in SLC 11.2.

In order to issue such a direction, we require robust alternative arrangements to be in place for a third party licensed supplier (TPLS) to discharge code compliance in these areas on behalf of the Licence Lite supplier.

This guidance should inform those arrangements. It sets out:

- the principal roles and responsibilities of both a Licence Lite supplier and its TPLS
- how to apply for a Licence Lite direction
- details of Licence Lite operation, including the activities that allow a licensed supplier to operate without being a direct party to the SLC 11.2 Codes and our likely view on enforcement and licensing matters.

Contents

1. Licence Lite overview	3
Licence Lite	3
Roles and responsibilities	4
2. Licence Lite applications	6
Applying for a Licence Lite direction	6
Application Overview	6
Supporting information and submission format	6
Administrative details	7
Supplier services agreement	7
Industry interaction arrangements	8
Processing applications	9
Factors considered in assessing applications	9
Process	9
3. Licence Lite operation	13
Industry functions and activities	13
Duty to supply	13
Deemed contracts	13
Representatives of the licensee	14
Identifying Licence Lite supply points and volumes	14
Finances	15
Data sharing and data protection	15
Code Governance	15
Smart Energy Code	15
Social and environmental programmes	16
Gas or dual fuel supply	18
Compliance and enforcement	18
Balance of responsibilities	18
Multiple roles	19
Complaints handling and the Energy Ombudsman	19
Enforcement action	20
Supplier of Last Resort	20
Licence revocation	21
Changes to operational arrangements	21
Change of TPLS	21
Transfer of supply licence and direction	21
End of Licence Lite operation	22

1. Licence Lite overview

Licence Lite

1.1. In order to protect consumers and energy system participants, parties seeking to supply electricity (above a certain volume) to consumers are required to obtain an electricity supply licence. In Great Britain we oversee and administer the granting of supply licences, which set out the obligations and terms under which licence holders must operate.

1.2. Alongside the licences are a number of industry codes, which define the terms under which industry participants can access the public distribution network and participate in the electricity market.

1.3. However, regulatory costs incurred by complying with some of the industry codes are not scalable and often require substantial up-front investment and ongoing resourcing. This often means that small parties can face significant overheads.

1.4. In 2009 we introduced electricity supply Standard Licence Condition (SLC) 11.3, an option known as 'Licence Lite'.¹ It was developed to enable Distributed Energy (DE)² providers to supply their generation directly to consumers rather than selling it to a third party. It was designed to help relieve the potential barriers faced by DE generators in meeting those high cost and high competency elements of the supply licence.

1.5. Licence Lite allows a prospective electricity supplier³ to apply for an electricity supply licence and a direction relieving them of their obligation to be a direct party to the industry codes listed in SLC 11.2.⁴ In order to issue such a direction, we require robust alternative arrangements to be in place for a third party licensed supplier (TPLS) to discharge code compliance in these areas on behalf of the Licence Lite supplier.

1.6. Licence Lite suppliers are required to comply with all other parts of the electricity supply licence. There is currently no equivalent of Licence Lite within the gas supply licence.

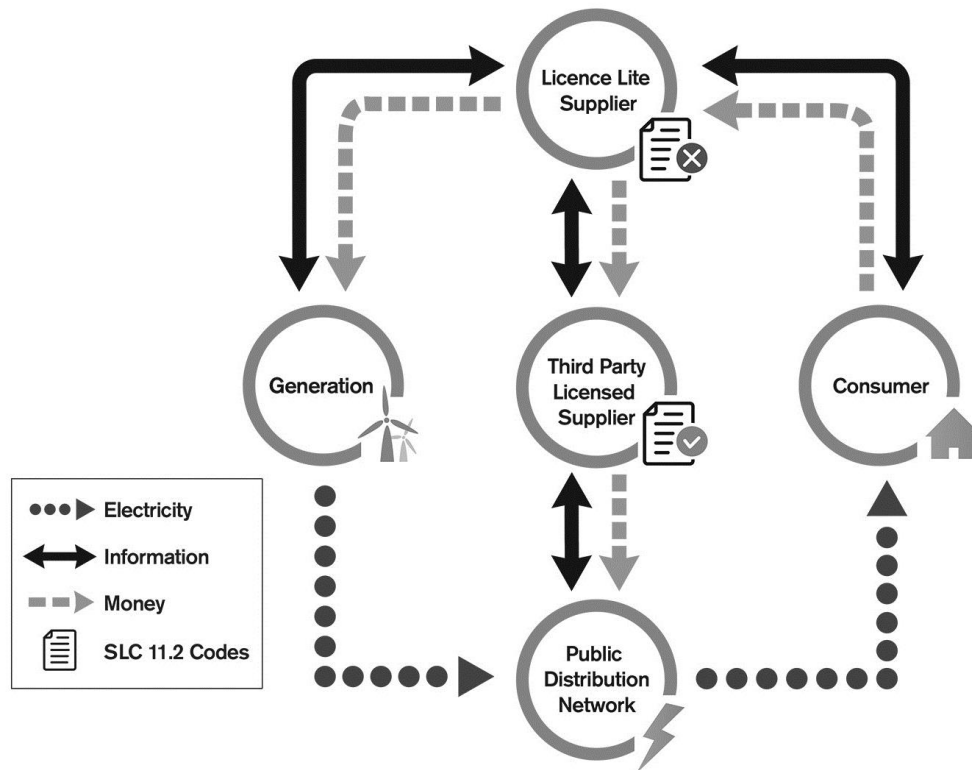
¹'Licence Lite' refers to arrangements subject to an SLC 11.3 direction. It is not the official name of this policy, but is used throughout the guidance for ease.

²Distributed Energy (DE), also referred to as distributed generation or decentralised energy, is defined in our work as renewable electricity generation which is connected directly into the local distribution network, as opposed to connecting to the transmission network, as well as combined heat and power schemes of any scale.

³As Licence Lite is a non-discriminatory measure, already-licensed electricity suppliers can also apply for a direction. However, the guidance we provide generally assumes that applicants are simultaneously applying for a supply licence.

⁴These are the Master Registration Agreement (MRA), the Distribution Connection and Use of System Agreement (DCUSA), the Connection and Use of System Code (CUSC), and the Balancing and Settlement Code (BSC).

1.7. The principal roles and relationships between the main parties are illustrated below:




Roles and responsibilities

1.8. The policy objective of this regulatory option is to maintain consumer protection and market/system integrity whilst simultaneously reducing the highest cost and competency compliance burdens placed on small parties.

1.9. The following sets out the roles and responsibilities of each party entering into a Licence Lite arrangement in light of this objective. In doing so it clarifies our expectations of each party, but should be treated as an indicative, non-exhaustive list. All parties are responsible for securing independent legal advice to ensure the balance of responsibilities is understood and commercial terms are binding.

1.10. As a prospective Licence Lite supplier

- It is your responsibility to identify suitable TPLS parties and services, and enter into a robust set of arrangements for the provision of SLC 11.2 compliance.



'Licence Lite': SLC 11.3 operating guidance

- It is your responsibility to submit an electricity supply licence application,⁵ a request for a direction and all necessary supporting documentation.
- Where the TPLS is complying with the arrangements, you are responsible for complying with all other obligations and receive all other entitlements relevant to a licensed supplier, other than those related to the SLC 11.2 Codes.
- You may be in breach of your licence and subject to enforcement action if you do not have access to the information held by the TPLS required to fulfil your obligations.
- You are also responsible for ensuring security of supply for all consumers, for example by purchasing additional electricity as required. You should ensure that you have appropriate arrangements in place: these may be with your TPLS, but will not form part of their obligations under the SLC 11.3 direction.
- It is your responsibility to alert the regulator to any material changes to your arrangements with the TPLS and to any break-down of the arrangements. In addition, in the event of any breakdown you are required to take all reasonable steps to ensure that the TPLS complies with its obligations.

1.11. As a prospective third party licensed supplier (TPLS)

- You are required to enter into an agreement which requires that you wholly accept the delivery responsibilities, obligations and liabilities associated with the SLC 11.2 Codes.
- As part of the arrangements above you will need to confirm to the Licence Lite supplier your ability to meet the regulatory and code compliance requirements on their behalf.
- Having done so, you are therefore responsible for delivering Code compliance and are bound to do so on behalf of the Licence Lite supplier by the proposed arrangements.
- As part of the arrangements above, you may be asked to provide further services on behalf of the Licence Lite supplier (not related to delivering the requirements of the SLC 11.2 Codes). These services will not form part of your obligations under SLC 11.3.
- It is your responsibility to alert the Licence Lite supplier to any issues relating to SLC 11.2 Code compliance.

⁵If you already hold an electricity supply licence please inform us of that fact when applying for an SLC 11.3 direction.

2. Licence Lite applications

Applying for a Licence Lite direction

Application Overview

2.1. Prospective and existing electricity supply licensees are eligible to apply for a direction under SLC 11.3. There are therefore potentially two parts to an application to allow you to operate as a Licence Lite supplier.

2.2. If you are not a licensed electricity supplier, you will need to apply for both an electricity supply licence and an SLC 11.3 direction. You should send both applications to licensing@ofgem.gov.uk. Alternatively, send hard copies by post to 9 Millbank, London, SW1P 3GE.

2.3. If you are applying for an electricity supply licence, you can find an application form and guidance on our licence application webpages.⁶

2.4. If you are already a licensed electricity supplier, you will only need to apply for an SLC 11.3 direction. You should send your application to Licence.Lite@ofgem.gov.uk or to the postal address given above.

Supporting information and submission format

2.5. When applying for an SLC 11.3 direction you will need to demonstrate, through the submission of supporting information, that your application meets the requirements set out in this guidance. This supporting information should comprise:

- a) A cross-referenced index indicating the location of b), c) and d) below in your supporting information
- b) **Administrative details** (about you and your business model)
- c) A **supplier services agreement** (a contract setting out arrangements between you and your TPLS)
- d) **Details of industry interaction arrangements** (assurances regarding compatibility of your proposals with industry processes and customer security of supply).

2.6. Paragraphs 2.11-2.18 provide more detail on the information we require under b), c) and d) above.

⁶<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/application-process>

2.7. The process of assessing an SLC 11.3 direction application is set out in paragraphs 2.21-2.34. Broadly, this describes an initial review where we confirm that the application is complete (eg contains all of the elements requested in paragraphs 2.11-2.18), followed by a more detailed assessment.

2.8. We recognise that supporting information may be represented across several documents and take different forms, so in order to determine that the application is complete, we require a cross-referenced index signposting where all of the information required in paragraphs 2.11-2.18 can be found within the supporting documentation.

2.9. If material changes occur to your proposals whilst we are processing your application, you are required to notify us immediately.

2.10. There is no fee to apply for a Licence Lite direction, although the fees required for a standard supply licence application do still apply.

Administrative details

2.11. In order to process your direction application, we require that you provide:

- your registered business name and registration number
- the status of your electricity supply licence or licence application
- a contact name and associated contact details
- the registered business name of your proposed TPLS, and contact name and details
- which of the SLC 11.2 Codes (or parts thereof) you are seeking derogation from
- a short overview of your business model describing your anticipated consumer type and numbers, supply volumes, electricity source, etc.

Supplier services agreement

2.12. In seeking derogation from the SLC 11.2 Codes, it is important that you establish robust arrangements with an appropriate TPLS.

2.13. To assess the detail of your arrangements with a TPLS we ask to see the contract governing arrangements between the two parties, referred to here as the 'supplier services agreement'.⁷

2.14. Below we set out the content of a supplier services agreement. However, please note that this list sets out the minimum requirements and is non-exhaustive. Any applicant should seek legal advice on the services that may be required to ensure their circumstances remain compliant with the SLC 11.2 Codes.

⁷A supplier services agreement is still required where a Licence Lite supplier is the affiliate of its TPLS.

2.15. The supplier services agreement (or associated contractual documents provided as part of your application) should describe:

- The nature of the relationship between the parties (eg agent, trustee / beneficiary etc).
- The duration of the agreement.
- The obligations on both the Licence Lite supplier and the TPLS, with particular reference to the agreement from the TPLS that they are responsible for delivering Code compliance under the SLC 11.2 Codes and are effectively bound to do so on behalf of the aspiring Licence Lite supplier.
- Details of contractual resolution of disputes between the parties.
- Arrangements for continuation of services to consumers in the event the agreement is terminated (by agreement, and in the event of either party ceasing to trade).
- Information exchange and data protection arrangements for both industry governance and regulatory reporting.
- How the Licence Lite supplier's supply points and volumes will be uniquely identifiable in a manner compatible with the broader operation of the electricity system.
- Payment arrangements (eg for settling Code compliance charges).
- A service specification setting out the relative responsibilities between the parties regarding the day-to-day operation of the agreement (eg with regard to supplier transfers and meter administration).

2.16. We do not require your supplier services agreement to be finalised in order to process your application, but we will require a copy of your signed agreement before the direction can be approved (see paragraph 2.29). However, we recommend that you only apply when negotiations between the parties are near-final as any changes may delay our assessment of your application. If there are material changes to your proposals while we are processing your application, please advise us immediately.

Industry interaction arrangements

2.17. Compliance with the SLC 11.2 Codes has implications for obligations contained in the remainder of an electricity supply licence. We therefore require evidence that you have considered and, where necessary, contractually addressed those interactions.

2.18. This should include:

- Confirmation that your approach to identifying Licence Lite supply points and volumes is compatible with the broader operation of the electricity system, and is considered acceptable by the relevant Code Administrators.
- Details of proposed netting-off agreements (governing the purchase of excess electricity and provision of additional electricity as required).

Processing applications

Factors considered in assessing applications

2.19. As explained throughout the guidance, to receive a Licence Lite direction applicants must present robust alternative arrangements with a TPLS to provide industry-compliant services for the obligations contained in SLC 11.2. In assessing whether this is the case, the Authority will have regard to its principal objective and its statutory duties. We will therefore consider, amongst other things, the impact of issuing a direction under SLC 11.3 on consumers, competition, the ability of other authorised electricity operators to comply with their statutory obligations and licence conditions, and sustainable development.

2.20. As part of a supply licence application, applicants are required to certify that they have read and understood the relevant standard conditions of the electricity supply licence.⁸ For the purposes of assessing a Licence Lite direction application, we will use the information provided in order to assess all applications against the following factors:⁹

- The appointed TPLS has agreed to deliver Code compliance on behalf of the applicant and is bound to do so (see paragraph 1.11)
- There are no significant risks to any licensee, consumers or other relevant stakeholder(s) as a result of the proposed arrangements.

Process

2.21. Below we set out the steps involved in our assessment of direction applications. The steps will be combined with the licence application process where appropriate.

2.22. We encourage prospective applicants to let us know at an early stage that they intend to apply for an SLC 11.3 direction. Applicants may also contact the relevant Code Administrators for advice regarding Code processes prior to submitting an application.

2.23. We will review any SLC 11.3 direction application received, to check that it includes each of the elements set out in paragraphs 2.5 and 2.11-2.18. We will then write to the applicant either stating that the application is:

- complete, subject to any notification by us to the contrary at any time during our assessment of the application, or
- incomplete, and setting out the additional information or documents we require before we can start to process the application.

⁸<https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

⁹These criteria are focused on issues arising from an SLC 11.3 application.

2.24. When assessing an application we will appraise it against the requirements set out in this guidance and the factors noted above. 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.

2.25. Where licence and direction applications are processed simultaneously, the usual timeframe for licence application assessment does not apply.¹⁰ In this situation we aim to reach a decision on whether to grant a licence within 60 working days of confirming that an application is complete; however, the licence application will not be subject to tacit authorisation as would otherwise be the case with a standard licence application if we do not reach a decision on the application within the stated timeframe.

2.26. If it becomes apparent during our assessment that we require further information, we will stop assessing the application and write to the applicant requesting that information.¹¹ We will only continue to assess the application when the applicant has provided all the information we have asked for.

2.27. The clock will restart from zero days when the outstanding information or documents have been provided. However, this does not necessarily mean that the full 60 working days will be required to process the application in all cases.

2.28. If the information provided satisfies the requirements set out in this guidance we will issue a direction¹² to the applicant granting a derogation from the relevant obligations. We will send this direction to the applicant and publish it on our website.¹³

2.29. If an applicant chooses to apply with a near-final unsigned supplier services agreement, our decision to grant a direction will be on a minded-to basis, subject to receipt of a copy of their signed agreement that reflects the arrangements set out in their application. In this situation, we will reach a final decision on whether to grant a direction within 5 working days of receiving the signed agreement. If material changes are identified during this period, the process and timings set out in paragraphs 2.26-2.27 will apply.

2.30. If we decide to refuse a direction application we will write to the applicant explaining our reasons. Where a supply licence is being applied for simultaneously, the applicant should notify us if they would like us to consider granting them a supply licence on full terms.

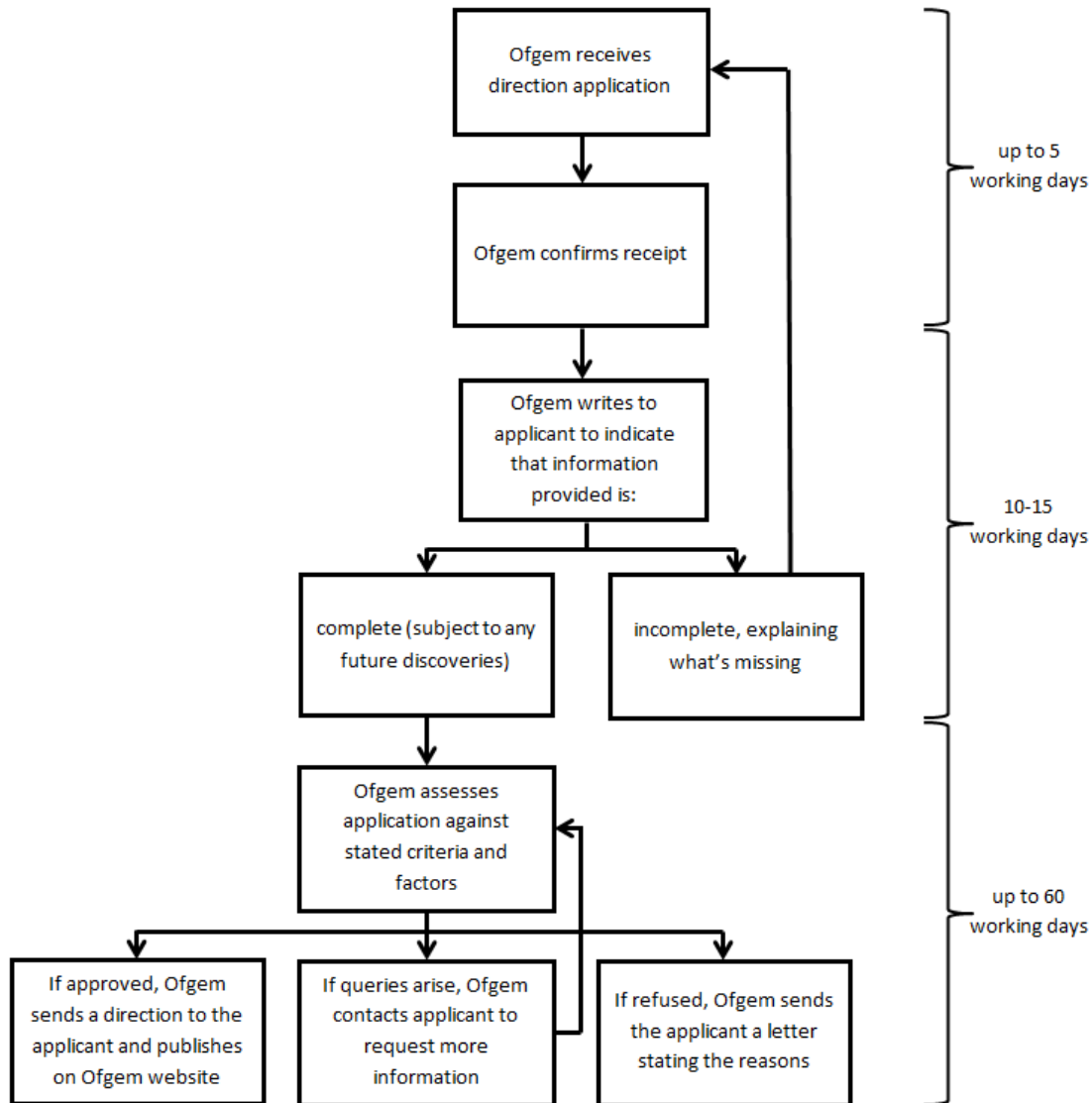
¹⁰This is due to the special arrangements required and the central role of the TPLS.

¹¹This may include a request to discuss the supplier services agreement with the applicant's proposed TPLS.

¹²Please note that being granted a direction does not mean that we have given any endorsement to the applicant or any associated person, their financial status or their business plan or methods. We do not give any guarantee or warranty that the licensee or any related person is 'fit and proper'. By applying to us for a direction you agree that the applicant and any related persons agree not to make any representations to the contrary.

¹³<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-lite-directions>


2.31. The process described above is depicted in the flowchart below. The flowchart depicts a direction-only application where a copy of a signed agreement has been submitted.



2.32. Where a copy of a signed agreement has not been submitted, there will be an additional period of up to 5 working days at the end of the process between receipt of the signed agreement and our issuing of the direction.

2.33. If we take steps which differ from this guidance, we will explain our reasoning.

2.34. This guidance sets out the circumstances in which we anticipate a Licence Lite arrangement arising. If we receive an application for an SLC 11.3 direction in another context, we will respond on a case-by-case basis. However, the same



'Licence Lite': SLC 11.3 operating guidance

principle will apply: we will expect any requests for relief from the SLC 11.2 Codes (or parts thereof) to be supported by evidence that a licensed supplier who is a signatory to those Codes will comply on the applicant's behalf. The intention of this requirement is to maintain market integrity by ensuring all Code obligations are carried out by an appropriate party.

3. Licence Lite operation

3.1. This section provides some detail on how the Licence Lite mechanism works in practice. It summarises the roles and responsibilities of both the Licence Lite supplier and the TPLS regarding the activities that allow a licensed supplier to operate in the competitive electricity market without being a direct party to the SLC 11.2 Codes. It also sets out our likely view on enforcement and licensing matters (which will however reflect the particular circumstances in question). Applicants may wish to consider the points below when establishing the terms of agreement with their TPLS; however, they are intended as guidance only and are not exhaustive.

Industry functions and activities

Duty to supply

3.2. SLC 22 requires suppliers with a domestic supply licence to offer terms to all domestic consumers that make a valid request.¹⁴ A restricted supply licence may be applied for, although we will consider, amongst other things, whether that can be justified in terms of public interest.

Deemed contracts

3.3. A deemed contract will normally exist when a consumer moves in to new premises and starts to consume electricity without agreeing a contract with a supplier. The rules relating to deemed contracts are set out in the Electricity Act (schedule 6 paragraph 3), the supply SLCs and our guidance on deemed contracts,¹⁵ and apply to a Licence Lite supplier as they do to any other supply licensee. Accordingly, where an incoming occupier does not notify the Licence Lite supplier of such occupation and subsequently uses electricity, it is likely that a supply contract would be deemed to exist between the Licence Lite supplier and the customer. However, the precise legal position will depend on the individual circumstances of each case.

3.4. In addition, we anticipate a deemed contract arising between a Licence Lite supplier's customers and their TPLS in the event that the Licence Lite supplier were to fail. In the interests of transparency Licence Lite suppliers may wish to inform consumers of this potential eventuality in their supply contract.

¹⁴This requirement can be subject to exceptions, for example under SLC 22.7:

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

¹⁵<https://www.ofgem.gov.uk/publications-and-updates/guidance-deemed-contract-relationship-pursuant-gas-act-1986-and-electricity-act-1989>

Representatives of the licensee

3.5. SLC 13 states: "The licensee must take all reasonable steps to ensure that each Representative who visits a Consumer's premises on the licensee's behalf...can be readily identified as a Representative of the licensee by a member of the public".

3.6. Under a Licence Lite arrangement, the relevant licensee is the party responsible for the licence condition related to the Representative's activity. It is the relevant licensee's responsibility to ensure that any representatives visiting a consumer identify themselves as representing the relevant licensee.

Identifying Licence Lite supply points and volumes

3.7. There are a number of situations in which it will be important to be able to identify sites and volumes supplied by the Licence Lite supplier as distinct from those supplied by the TPLS, for example to accurately assign environmental and social obligations.

3.8. Licence Lite suppliers must therefore ensure their supply points and volumes are uniquely identifiable¹⁶ in a manner which ensures compatibility with the broader operation of the electricity system (such as within the central Meter Point Administration Service, or MPAS, systems).

3.9. One way to achieve this is through the use of a unique Market Participant Identifier (MPID), a unique four character code by which a party is identified by the Supplier Meter Registration Service and for the purposes of settlement volume allocation. There is facility for Licence Lite applicants and their TPLSs to meet with Code Administrators to discuss their options in this regard; and parties may wish to consider any IT implications of incorporating an additional MPID into their systems.

3.10. Prospective applicants should note that it is possible to transfer MPIDs from one supplier to another. Building this eventuality into a supplier services agreement may remove the need to pursue a change of supplier process if a Licence Lite supplier changes its TPLS.

3.11. We expect most Licence Lite arrangements to use an MPID to uniquely identify their supply points and volumes. 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. As set out in paragraph 2.18, applicants should confirm that their approach to identifying their supply points and volumes is compatible with the broader operation of the electricity system, and is considered acceptable by the relevant Code Administrators.

¹⁶If a TPLS is working with multiple Licence Lite suppliers, the supply points served by each of those suppliers must be distinguishable from one another.

Finances

3.12. Prospective applicants should note that Code Administrators assess credit at Party ID level, so the Licence Lite supplier's credit level would be absorbed within the TPLS' for the purposes of Code compliance. If the Licence Lite supplier contracts with significantly more customers than expected, this may affect the level of credit required from their TPLS.

3.13. Code administrators will both charge and reimburse the TPLS for code compliance costs; whether or how these costs are passed through to the Licence Lite supplier will be part of the supplier services agreement negotiations.

Data sharing and data protection

3.14. Some of the information Licence Lite suppliers need if they are to comply with the remainder of their licence is collected by their TPLS through Code compliance. For example without being a signatory to the MRA, a Licence Lite supplier would not have automatic access to the Electricity Central Online Enquiry Service (ECOES) which is used to support suppliers in the consumer transfer process. It is the Licence Lite supplier's responsibility to ensure that they have the necessary access to information collected by their TPLS, adequate permission to share that information with appropriate bodies, and that data protection provisions are adhered to all times.

Code Governance

3.15. As Licence Lite suppliers are not signatories to the SLC 11.2 Codes they are not automatically eligible to raise changes to these codes under the standard code governance processes. It is a matter for the Licence Lite supplier and TPLS to consider whether it is appropriate to include any provisions in relation to raising proposed code modifications within their supplier services agreement.

Smart Energy Code

3.16. Any Licence Lite supplier will be bound by the terms of SLC 48¹⁷, which means they must comply with the Smart Energy Code (SEC). However prospective applicants may wish to note that a licensed supplier may apply (under SLC 48.2) for relief from the requirement to comply with the SEC.

3.17. We will consider any application for a derogation under SLC 48.2 on a case by case basis. Barring any further changes to the SEC¹⁸ there may be grounds for providing a derogation providing a Licence Lite supplier has no intention of or interest in installing, maintaining or communicating with a smart meter.

¹⁷As per SLC 48, suppliers subject to the SEC include those supplying electricity to Domestic Premises or Designated Premises. Designated Premises means a Non-Domestic Premise at which a metering point falls within profile class 1, 2, 3 or 4 as defined in the Balancing and Settlement Code (as of 30 November 2012).

¹⁸This was still being developed at the time of writing.

3.18. The two processes (derogation under SLC 48.2 and a direction under SLC 11.3) would be dealt with separately. However, where circumstances allow, we would endeavour to process the applications simultaneously.

Social and environmental programmes

3.19. Suppliers must comply with a range of social and environmental programmes and obligations introduced by the government. These include the Energy Companies Obligation (ECO),¹⁹ the Renewables Obligation (RO),²⁰ the Climate Change Levy (CCL),²¹ the Warm Home Discount (WHD),²² Feed-in Tariffs (FITs),²³ the Government Electricity Rebate (GER),²⁴ the Electricity Market Reform (EMR)²⁵ and the Green Deal (GD).²⁶

3.20. Licence Lite suppliers must comply with the relevant statutory requirements or licence conditions where 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 (to the extent that is legally permissible), but the Licence Lite supplier would retain the legal responsibility for any failure to comply.

3.21. 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 supplier's market share and / or electricity supply volumes), the consumer/supply data of the Licence Lite supplier is applied separately and not conflated with the TPLS' consumer numbers. The Licence Lite supplier is not obliged to comply with these schemes due to their TPLS' obligations.

3.22. 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 are calculated on the basis of the share of the Licence Lite supplier's consumer numbers as a proportion of the total consumer numbers.

3.23. Where a Licence Lite supplier's supply volume or consumer numbers do not require that they satisfy a scheme's obligations, they may seek to participate in the scheme on a voluntary basis if the programme allows for it.

¹⁹<https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco>

²⁰<https://www.ofgem.gov.uk/environmental-programmes/renewables-obligation-ro>

²¹http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageExcise_InfoGuides&propertyType=document&id=HMCE_CL_001174

²²<https://www.ofgem.gov.uk/environmental-programmes/warm-home-discount>

²³<https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme>

²⁴<https://www.gov.uk/government/consultations/government-electricity-rebate>

²⁵<https://www.gov.uk/government/policies/maintaining-uk-energy-security--2/supporting-pages/electricity-market-reform>

²⁶Licensed electricity suppliers are obligated to deliver Green Deal requirements when they supply to at least 250,000 consumers. Suppliers have to accede to the Green Deal Arrangements Agreement (GDAA) - <https://www.gov.uk/green-deal-energy-saving-measures>

3.24. To ensure these obligations are set correctly, suppliers must provide accurate consumer numbers and supply volumes at the start of the relevant scheme year (or the point from which the supplier becomes subject to the schemes' obligations), and so must be able to uniquely identify Licence Lite supply points and volumes (see paragraphs 3.7-3.11).

3.25. 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. If they do not have access to the information required to fulfil their obligations, they may be in breach of their licence and subject to enforcement action.

3.26. When a Licence Lite supplier registers with EMR Settlement Limited (EMRS) it will be able to nominate either itself or its TPLS as the contact for each of the necessary EMR functions. If an MPID is used to identify the Licence Lite supplier's supply points and volumes, the EMRS will recognise its supplier volumes separately from those of its TPLS. EMRS guidance²⁷ may help prospective Licence Lite applicants to understand the scope and frequency of EMR administration functions.

3.27. Although the obligations have varying requirements and arrangements, there are common features and functional requirements. The following summary is not intended to be exhaustive nor definitive, nor a substitute for knowledge of the regulations, guidance notes and subsequent licence conditions arising from these obligations. However it may help prospective suppliers in identifying what data sharing provisions and commercial arrangements may be appropriate.

Examples of Scheme Compliance Activity	
Information provision	<ul style="list-style-type: none"> • Customer numbers (domestic and non-domestic) • Supply volume data (actual and projected) • Supply volume data (disaggregated by country) • Advice to Feed-in Tariff (FIT) applicants • Advice to fuel poor customers
Notifications and registrations	<ul style="list-style-type: none"> • Notification to Ofgem of Levy Exempt Certificates (LECs) provided under renewable source contracts • Notification to HMRC of compliance with CCL • Presentation of Renewables Obligation Certificates (ROCs) to cover RO requirements • Registration with and account maintenance with the Renewables and CHP Register for CCL, RO and FITs
Making payments	<ul style="list-style-type: none"> • Rebates to consumers (under the GER) • Payments to the Low Carbon Contracts Companies and the Electricity Settlements Companies for the EMR contracts for difference (CfDs) and capacity mechanisms • Payments to the ROC buy-out fund in event of supplier obligation shortfall

²⁷<https://emrsettlement.co.uk/about-emr/emr-roles/>

Examples of Scheme Compliance Activity	
	<ul style="list-style-type: none"> • Payments to FIT eligible distributed generators • Charge Green Deal consumers and make payments to GD service providers
Other	<ul style="list-style-type: none"> • Assess FIT installations against Microgeneration Certification Scheme • Read FIT meters • Installation of energy efficiency measures in domestic households • Administer relevant industry exemption arrangements from levies (eg CCL and the CfD Supplier Obligation)

Gas or dual fuel supply

3.28. Licence Lite applies only to electricity supply. If a company wishes to supply electricity and gas, they need an appropriate licence (or to operate on an exempt basis for each activity). For a Licence Lite supplier this would mean providing electricity under the Licence Lite arrangements and gas under a supply licence (unless the supplier's gas business arrangements allow them to operate on an exempt basis).²⁸ Operating under a Licence Lite direction does not affect the gas licensing and exemption arrangements.

Compliance and enforcement

3.29. Many enforcement arrangements apply to Licence Lite suppliers as they would any other supplier. Some situations, however, are specific to the Licence Lite supplier / TPLS relationship. The most relevant points are set out below.

Balance of responsibilities

3.30. The Licence Lite supplier is expected to comply with the conditions of an SLC 11.3 direction, which has been issued on the basis of the Authority being satisfied with the arrangements in place between the Licence Lite supplier and a TPLS.

3.31. Under the terms of the direction, the Licence Lite supplier is relieved of the obligation to be a party to and comply with the SLC 11.2 Codes while arrangements with its TPLS remain functioning.

²⁸Stakeholders may be aware of the Other Than by Gas Transporter (OTGT) supply licence, sometimes referred to as 'gas supply lite'. Please be aware that this arrangement has no relationship with and is not analogous to Licence Lite. The OTGT licence was created to deal with a specific situation where a gas network is privately owned and operated, thereby requiring a party to hold gas supply and transporter licences (prohibited under the Gas Act 1986). A class exemption (part 2, paragraph 7 of the Gas (Exemptions) Orders 2011) was created exempting such participants from the need to hold a gas transporter licence as long as they hold an OTGT licence under section 7A(1) of the Gas Act 1986.

3.32. Under this arrangement, the TPLS would be responsible for complying with the SLC 11.2 Codes and would 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.

3.33. The Licence Lite supplier remains exclusively responsible for all licence conditions other than 11.2.

3.34. If either the Licence Lite supplier or the TPLS does not meet its commercial obligations as set out in the supplier services agreement, we would expect parties to seek redress via the commercial agreement. Matters relating to possible enforcement action that could be taken in response to non-compliance are set out in paragraphs 3.38-3.41 below.

Multiple roles

3.35. A Licence Lite direction provides derogation from the obligation to be a direct party to the BSC, MRA, CUSC and DCUSA for the purpose of supply licence compliance. However, some Licence Lite suppliers may be required to be party to one or more of those Codes for other purposes (for example, if they hold a generation licence). For the avoidance of doubt, a Licence Lite direction only relieves a company of its Code obligations in relation to its role as a supplier.

Complaints handling and the Energy Ombudsman

3.36. Licensed suppliers which supply domestic and/or micro business customers are required to be members of the Ombudsman scheme²⁹ and comply with complaints handling regulations.³⁰ Domestic and micro business³¹ customers of energy suppliers have the right to take certain complaints to the Energy Ombudsman if the supplier fails to resolve the problem. They can do so either after eight weeks have passed since making the complaint or the complaint has reached deadlock (the supplier says they can do no more), whichever is soonest. At this point if a customer of a Licence Lite supplier were to make a complaint to the Energy Ombudsman then the Ombudsman would investigate the complaint, including approaching the Licence Lite supplier.

3.37. The Ombudsman's role is to resolve the complaint against the customer's supplier, irrespective of how the supplier delivers its services (eg through third parties). As the supply contract is between the customer and the Licence Lite supplier, the latter would be required to take full responsibility for complaints, with any disputes between the Licence Lite and TPLS resolved contractually. In addition, the Ombudsman cannot require information from a third party (eg the TPLS). To deal with the customer's complaint and any subsequent Energy Ombudsman investigation, the Licence Lite supplier must therefore ensure that it has ready access to information held by the TPLS in relation to its customers (see paragraph 3.14).

²⁹<http://www.legislation.gov.uk/uksi/2008/2268/contents/made>

³⁰<http://www.legislation.gov.uk/uksi/2008/1898/contents/made>

³¹Details of the Energy Ombudsman services can be found at: <http://www.ombudsman-services.org/who-can-we-help-energy.html>. The qualifying criteria for a micro business can be found at: http://www.legislation.gov.uk/uksi/2014/2378/pdfs/uksi_20142378_en.pdf

Enforcement action

3.38. If a Licence Lite supplier is found to have breached its licence conditions there are a number of enforcement actions we may take, including imposition of penalties, consumer redress, and orders. Our approach to our use of our enforcement powers is set out in our Enforcement Guidelines.³²

3.39. If a Licence Lite supplier's customers are reassigned through a Last Resort Supply Direction, the supplier would cease to supply consumers. While a Licence Lite supplier in this situation may be in breach of SLC 11.3, this may not result in consumer harm as they would no longer be actively breaching the SLC 11.2 Codes. In this situation, we would take decisions on enforcement actions in line with our Enforcement Guidelines.

3.40. Where a Licence Lite supplier becomes aware that its TPLS has not adequately discharged its obligations under the Codes we require the supplier to both inform us forthwith and take all reasonable steps to ensure the TPLS complies with the agreement. This will be a condition of your direction in the event of a successful application.

3.41. In the event of a TPLS failing to meet its obligations under the agreement, a Licence Lite supplier may be in breach of SLC 11.3 by not having in place arrangements to deliver SLC 11.2 Code compliance. If a Licence Lite supplier is deemed to be in breach, Ofgem will take decisions on enforcement action in line with its Enforcement Guidelines.

Supplier of Last Resort

3.42. As set out in paragraph 3.4, if a Licence Lite supplier were to fail we would anticipate a deemed contract arising between the Licence Lite customers and the TPLS.

3.43. If the TPLS were to fail and a trade sale was not achieved by the administrator, we would consider the possibility of assigning the Licence Lite supplier's customers to a Supplier of Last Resort (SoLR).³³ The Licence Lite supplier could then attempt to secure a new TPLS and then seek to re-contract with these customers. In the meantime the Licence Lite supplier may be in breach of SLC 11.3, although not actively breaching the SLC 11.2 Codes. We would take decisions on enforcement actions in line with our Enforcement Guidelines.

³²<https://www.ofgem.gov.uk/ofgem-publications/89753/enforcementguidelines12september2014publishedversion.pdf>

³³On the basis of SLC 7.1, which states that "Each Contract and Deemed Contract for the supply of electricity to a premises must provide for itself to end when a Last Resort Supply Direction given to any other Electricity Supplier has effect in relation to that premises". The Supplier of Last Resort direction would therefore incorporate all of the sites that it was managing in central systems, including those that it managed on behalf of the Licence Lite supplier.

Licence revocation

3.44. We would consider revoking a supply licence issued with a Licence Lite direction if the licensee were found to not be complying with its licence and had failed to act in accordance with an enforcement order. Further information on revocations can be found on our website.³⁴

Changes to operational arrangements

3.45. It is reasonable to assume that a supplier's business arrangements may evolve during the course of operation under SLC 11.3. We set out below how several of these scenarios may work in practice.

Change of TPLS

3.46. The relationship between the TPLS and the Licence Lite supplier will be governed by a commercial agreement (the supplier service agreement), including appropriate break clauses and business continuity provisions. However, a Licence Lite direction will remain in place if a Licence Lite supplier changes their TPLS as long as the new arrangement or process leading to this new arrangement does not increase the risk of a breach of SLC 11.2.

3.47. Licence Lite suppliers are required to contact us if they intend to change their TPLS or if there is a material change to their SSA. We will then engage with the supplier to explore whether a new direction will be required. This may involve the resubmission of some or all of the information required for a direction application (see paragraphs 2.5 and 2.11-2.18).

3.48. Prospective Licence Lite suppliers may wish to include arrangements in their supplier services agreement which allow for continued service provision while they establish a contract with a new TPLS, to ensure that SLC 11.2 is complied with at all times in the event of an agreed contract termination.

Transfer of supply licence and direction

3.49. If a supplier wishes to transfer its licence to another company it will need to complete the same application form and meet the same criteria as it would for a new licence application. A Licence Lite direction is associated with the original licence to which it was issued, so in this situation a new direction would also have to be applied for.

³⁴<https://www.ofgem.gov.uk/ofgem-publications/59617/electricitysupplylicencerevocationconditions.pdf>

End of Licence Lite operation

3.50. In the event that a Licence Lite direction lapses or is revoked, the supplier to which it applied is obliged to comply with SLC 11.2. It is the supplier's responsibility to ensure compliance in the absence of an SLC 11.3 direction.