

Electricity Act 1989 Section 11A(1)(a)

Modification of Special Condition AA of the electricity generation licences, granted or treated as granted under section 6(1)(a) of the Electricity Act 1989, held by the relevant licence holders specified in Appendix 2 to this notice

Whereas:

1. The licensees specified in Appendix B to this notice ('the Licensees') are the holders of an electricity generation licence ('the Licence') granted or treated as granted under section 6(1)(a) of the Electricity Act 1989 ('the Act') to generate electricity for the term and subject to the conditions contained in the licence.
2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 28 July 2015² ('the Notice') that we propose to modify Special Condition AA (Liquidity in the Wholesale Electricity Market) Schedule B of the Licence and by requiring any representations to the modification proposal to be made on or before 26 August 2015.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received four responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the letter accompanying this Notice.³
5. We are making this licence change to improve clarity in the requirements to post bids and offers in the two afternoon windows of the preceding business day to the 25 December and 1 January.
6. The effect of the modification will be that Licensees will not have to comply with the obligations in Schedule B on the afternoons of the preceding business day to 25 December and 1 January.
7. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules⁴ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. Appendix 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Now therefore

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify Special Condition AA (Liquidity in the Wholesale Electricity Market), Schedule B of the generation licence of the Licensees in the manner specified in Appendix 1. This decision will take effect from 17 November 2015.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-modifying-electricity-generation-licence-secure-and-promote-licensees-market-making-afternoons-preceding-business-day-25-december-and-1-january>

³ Published on Ofgem's site here : <https://www.ofgem.gov.uk/electricity/wholesale-market/liquidity>

⁴ The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

This document is notice of the reasons for the decision to modify the electricity generation licence held by the Licensees as required by section 49A(2) of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**



**Philippa Pickford
Associate Partner, Markets**

.....
**Duly authorised on behalf of the
Gas and Electricity Markets Authority
Date: 21 September 2015**

APPENDIX 1
ELECTRICITY GENERATION LICENCE
SPECIAL CONDITION AA: LIQUIDITY IN THE WHOLESALE ELECTRICITY MARKET
SCHEDULE B

1. The requirements in this Schedule apply with a view to the achievement of the relevant objective in paragraph AA.5(b) of this condition.

Posting prices

2. Subject to paragraphs 7 and 10, the licensee shall simultaneously offer to buy and sell each of the Products, by posting on a qualifying platform in accordance with paragraph 5, at times which comply with the requirements of paragraph 6, bid and offer prices which comply with the applicable requirements of paragraph 8, for volumes of such Product which comply with the requirements of paragraph 9.
3. The licensee's bids and offers for a Product at any particular time must be posted on the same qualifying platform; but the licensee may post bids and offers for different Products, or (subject to paragraph 6) for the same Product at different times, on different qualifying platforms.

Nominee to discharge requirements

4. (a) Subject to paragraph 4(b), the licensee may nominate a Nominee in relation to any period (comprising a whole number of months) and any Product(s), in which case the licensee shall be treated as satisfying such requirements if the requirements are satisfied by the Nominee but not otherwise.

(b) The licensee may not nominate a person as Nominee in relation to a month if that person is also nominated as Nominee in relation to that month:
 - (i) by two or more other Relevant Licensees, who are not affiliates of each other or the licensee or
 - (ii) if the Nominee is itself a Relevant Licensee or an affiliate of a Relevant Licensee, by one or more other Relevant Licensees who are not affiliates of the Nominee or the licensee.

Qualifying platforms

5. In relation to the licensee, a qualifying platform is a trading platform in relation to which the following conditions are satisfied at all relevant times:
 - (a) one or more of the Products may be bought and sold on the platform;
 - (b) the platform must be operationally independent from the licensee;
 - (c) the licensee (or its Nominee if nominated) must at all times have arrangements in place to trade the relevant Product(s) on the platform with at least 5 other persons who are not affiliates of the licensee (nor of the Nominee, if nominated);
 - (d) the licensee must have a reasonable expectation that the relevant Product(s) will be traded on the platform; and
 - (e) the operator of the platform must provide trading data relating to the licensee (or Nominee) to the Authority when requested for the purpose of monitoring the licensee's compliance with this Schedule B.

Availability of prices

6. (a) Bids and offers for each Product must be posted on a qualifying platform at all times (subject to paragraph (b)) in the periods of 60 minutes (each a "trading window") starting respectively at 10.30 hours and 15.30 hours every Business Day, with the exception of the trading window which starts at 15.30 hours of the preceding business day to 25 December and 1 January.
- (b) Where a bid or offer posted by the licensee for a particular Product is accepted, the licensee must post a new bid and offer for the Product within five minutes after the acceptance of the first bid or offer.

Suspension of obligation

7. (a) If, at any time in a trading window, a Product has been traded (on any qualifying platform) at a price which is more than 1.04 or less than 0.96 times the price at which the Product was first so traded within that trading window, the licensee may decide to cease posting bids and offers for that Product (as required by this Schedule B) for the remainder of that trading window. Such trades may have been made by the same or different persons and on the same or different qualifying platforms.
- (b) Where the licensee decides to cease posting bids and offers for a Product (as required by this Schedule B) in a trading window under paragraph 7(a), it must:
- (i) record such decision at the time it is taken, together with details of the trades referred to in that paragraph; and
 - (ii) report the time and date at which it ceased to post bids and offers for such Product (as required by this Schedule B) in its quarterly report to the Authority.
- (c) The licensee's duty to post bids and offers for the relevant Product (as required by this Schedule B) resumes at the next trading window.

Limits on difference between bid and offer prices

8. The difference between the bid and offer prices at any time for each Product, expressed as a percentage of the bid price, may not exceed
- (i) for the first three months from the date specified in the Authority's direction under paragraph AA.2(b) of this condition, the percentage in Table 1 below; and
 - (ii) thereafter, the percentage in Table 2 below:

Table 1

	Baseload	Peak
Month+1	0.7%	0.9%
Month+2	0.7%	0.9%
Quarter+1	0.7%	0.9%
Season+1	0.7%	0.9%
Season+2	0.7%	0.9%
Season+3	0.8%	1.2%
Season+4	0.8%	N/A

Table 2

	Baseload	Peak
Month+1	0.5%	0.7%
Month+2	0.5%	0.7%
Quarter+1	0.5%	0.7%
Season+1	0.5%	0.7%
Season+2	0.5%	0.7%
Season+3	0.6%	1%
Season+4	0.6%	N/A

Trade volumes

9. The volumes of each Product for which bid and offer prices must be posted are:
- (a) subject to paragraph (b), 5MW and 10MW;
 - (b) if the licensee has nominated as Nominee a person who or whose affiliate is itself a Relevant Licensee or is appointed as Nominee by another Relevant Licensee, 5MW, 10MW, 15MW and 20MW.

Volume Cap

10. (a) If at any time in a trading window the difference between the licensee's traded bid volume and traded offer volume in respect of a Product equals or exceeds 30MW, the licensee may decide to cease posting bids and offers for that Product (as required by this Schedule B) for the remainder of that trading window.
- (b) For the purposes of paragraph (a):
- (i) the traded bid volume and traded offer volume in a trading window are the total volumes of a Product for which the licensee's offers respectively to buy and to sell, on any one or more qualifying platforms, have been accepted in the trading window;
 - (ii) where the volume for which an offer to buy or sell is accepted exceeds the maximum required volume under paragraph 9, the volume in excess of such maximum will not be counted towards the total traded bid volume or traded offer volume.

European Financial Regulation

11. Where the licensee considers that any amendment or replacement of MiFID or EMIR may materially and adversely affect the ability of the licensee to comply with this Schedule B, the licensee may submit to the Authority a request (which for the avoidance of doubt shall not bind the Authority) to undertake a review of the provisions of Schedule B.
12. For the purposes of this Schedule B:

"EMIR" means Regulation 648/2012/EU on OTC derivatives, central counterparties and trade repositories.

"MiFID" means the Markets in Financial Instruments Directive 2004/39/EC.

"Products" means the products in the table below (where product means a traded electricity product for delivery in Great Britain, including a product settled financially), and **"Product"** means any of such Products:

Baseload	Month +1 Month +2 Quarter +1 Season +1 Season +2 Season +3 Season +4
Peak	Month +1 Month +2 Quarter +1 Season +1 Season +2 Season +3

In the table above, Peak, Baseload, Week, Month, Quarter and Season have their generally accepted meanings as applicable in the market at the relevant time.

"Nominee" means a person, other than the licensee or an affiliate of the licensee, who is nominated by the licensee to discharge the requirements of Schedule B.

**APPENDIX 2
LIST OF RELEVANT LICENSEES**

Company group	Licences held
Centrica	Centrica Barry Limited Centrica KL Limited Centrica KPS Limited Centrica Langage Limited Centrica PB Limited Centrica SHB Limited (South Humberbank)
Drax	Drax Power Limited
EDF Energy	EDF Energy Nuclear Generation Limited Jade Power Generation Limited West Burton Limited British Energy Generation (UK) EDF Energy Renewables Limited EDF Development Company Limited EDF Energy (West Burton power) Limited NNB Generation Company Limited
E.ON	E.ON UK plc Citigen (London) Limited Uniper UK Limited E.ON Climate & Renewables UK Rampion Offshore Wind Limited E.ON Climate & Renewables UK Humber Wind Limited
GDF Suez	GDF Suez Teeside Limited GDF Suez Marketing Limited Rugeley Power Generation Limited Indian Queens Power Limited Saltend Cogeneration Company Limited Deeside Power Limited First Hydro Company International Power Ltd IPM Energy Trading Limited
RWE	RWE npower plc Lynemouth Power Station Gwynt Y Mor Offshore Wind Farm Limited Npower Direct Limited RWE Npower Renewables (Stallingborough Limited) Triton Knowle Offshore Windfarm Ltd Carnedd Wen Wind Farm Limited
ScottishPower	ScottishPower Generation Limited ScottishPower (DCL) Limited ScottishPower (SCPL) Limited ScottishPower Renewables UK Limited
SSE	SSE Generation Limited SSEPG (Operations) Limited Medway Power Limited Keadby Generation Limited Fibre power (Slough) Limited Keadby Developments Limited Clyde Wind Farm (Scotland) Limited Griffin Wind Farm Limited Beatrice Offshore Windfarm Limited Cour Wind Farm (Scotland) Limited