

To all generation licence holders  
and other interested stakeholders

Direct Dial: 020 7901 7000  
Email: TCLC@ofgem.gov.uk

Date: 3 February 2017

Dear Colleagues,

**Statutory consultation on the proposed licence condition to prohibit potential abuse of transmission constraints by generators in the balancing mechanism**

**1. Summary**

- 1.1. This letter seeks your views on our statutory consultation proposal to introduce a new, permanent licence condition to the generation licence, as Standard Licence Condition (SLC) 20A. This new licence condition would come into effect from 16 July 2017, the day after the existing Standard Licence Condition 20 is due to expire. This licence condition would provide a specific mechanism prohibiting electricity generators, in relation to reducing electricity generation during a period of transmission constraint (export constraint), from paying or seeking to pay the System Operator (SO) an excessively low amount, or being paid or seeking to be paid an excessive amount by the SO.
- 1.2. The new licence condition would only cover the present Circumstance 2 of SLC 20. In our drafting of the new SLC 20A we propose not to include Circumstance 1 (see section 2.5), because that behaviour is also covered by Article 5 of the Regulation on Energy Market Integrity and Transparency (REMIT)<sup>1</sup>. This is in line with better regulation practices.
- 1.3. This statutory consultation follows our review of the impact of the existing Transmission Constraint Licence Condition (TCLC) and of the options available after it expires on 15 July 2017. This existing TCLC was introduced to limit exploitative behaviour by electricity generators during periods when there is insufficient capacity to transmit electricity from where it is generated to where the demand is. In such circumstances, known as transmission constraints, the SO needs to take action to balance the system.

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<sup>1</sup> <https://www.acer-remit.eu/portal/document-download?documentId=2650>

1.4. We have been actively engaging with industry during the past year. We held a workshop in May 2016 and, in the consultation that followed (our May 2016 Consultation), we asked industry its view on the future of the licence condition, in particular on the:

- impact of TCLC to date;
- need for a similar licence condition after July 2017;
- extent to which TCLC overlaps with prohibitions in REMIT.

1.5. We thank stakeholders for responding to our questions. Section 3 of this letter has a summary of the answers we received and our views in response to them.

1.6. We also engaged with the Government Department for Business, Energy and Industry Strategy (BEIS) on the licence condition. And we reviewed our analytical evidence and market developments.

1.7. Having taken all of the above into account, we have now decided to publish this statutory consultation. We are interested in getting your views on the drafting of the proposed licence condition, which you can find in Annex 6.2 of this document. A hard copy of the proposed licence condition and accompanying notice have also been sent to all generation licence holders in line with Ofgem's licence modification process.

1.8. We have also assessed the expected impact of the proposed licence condition. Our Impact Assessment is in a separate document available on our website.

1.9. We are also consulting, in a separate document, on guidance on the application of the licence condition. We want to update the existing guidance in line with the proposed changes to the licence condition. The updated guidance will be published before the licence condition comes into force.

1.10. The above mentioned documents (the responses to the May consultation, the Impact Assessment and the consultation on the guidance) are available here:

<https://www.ofgem.gov.uk/publications-and-updates/extension-transmission-constraint-licence-condition>

## 2. Background

### Transmission constraints

2.1. Before TCLC was introduced in 2012, there were ongoing concerns over the potential for generators to abuse transmission constraints in the Balancing Mechanism (BM), to the detriment of consumers. A transmission constraint occurs where the transmission system has limited capacity to transmit the power supplied onto the transmission system to the locations where the demand is situated.

2.2. Constraints can arise under normal network conditions due to the patterns of supply and demand on a given day. However, they are often triggered or exacerbated by transmission and/or generation outages. An **export constraint** happens when total generation in an area exceeds the total demand plus transmission capacity to export the excess electricity.

2.3. During periods of transmission constraint, the SO often has a limited set of options to purchase reduced generation from a specific geographic area. Given the limited number of available options, the potential exists in some cases for generators to charge higher prices for balancing services. The costs from these actions to manage constraints will ultimately fall on the consumers.

#### The existing Transmission Constraint Licence Condition

2.4. The TCLC was introduced by government through powers under Section 18 of the Energy Act 2010. Currently it covers two specific circumstances:

2.5. Circumstance 1: prohibits behaviours whereby an electricity generator (or affiliate) seeks to create or exacerbate a transmission constraint by dispatching or withholding one or more generation units in circumstances where the generator and its affiliates together have more economic options available to them and then enter into arrangements in the BM<sup>2</sup>.

2.6. Circumstance 2: prohibits electricity generators where they are reducing generation<sup>3</sup> from:

- i. paying or seeking to pay the SO an excessively<sup>4</sup> low amount or
- ii. being paid or seeking to be paid an excessive amount by the SO.

2.7. The TCLC was intended to cover the period of high transmission constraints which were expected to reduce around 2017, following improvements in the transmission infrastructure, in particular relating to the transmission constraint known as Cheviot, through the investment in the Western High Voltage Direct Current (HVDC) Link and the Eastern HDVC Link. Therefore, it was introduced as a time-bound licence condition for five years to expire on 15 July 2017, with an optional two-year extension if considered necessary.

### **3. Responses to consultation**

3.1. We published a consultation in May 2016 asking for views from industry. This was part of our work on the review of TCLC and informed our decision on the future of the licence condition. We received 12 responses altogether from generation companies, industry bodies and an individual<sup>5</sup>. Below we discuss the responses and our views by grouping them around the main themes of the consultation.

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<sup>2</sup> As per section 2.16 of the current TCLC guidance, if a generator who created or exacerbated a transmission constraint then submits any bid or offer in the BM in respect of the constraint period, it will be considered that the licensee has gained an excessive benefit.

<sup>3</sup> Circumstance 2 does not prohibit excessively high offers during import constraints. These occur when, given the current demand and electricity generated within an area, there is insufficient transmission capacity to import the required amount of electricity. The rationale for excluding import constraints is that (in the absence of output manipulation) such price spikes may be a true reflection of scarcity generation, and hence a reasonable investment incentive.

<sup>4</sup> The current TCLC guidance provides a non-exhaustive list of indicators which Ofgem may consider when determining whether an excessive benefit has been obtained, in section 2.36.

<https://www.ofgem.gov.uk/ofgem-publications/40377/tclc-guidance.pdf>

<sup>5</sup> All non-confidential responses can be found on our website here: <https://www.ofgem.gov.uk/publications-and-updates/extension-transmission-constraint-licence-condition>

## Summary of the impact of TCLC

3.2. In our May 2016 consultation we gave a brief summary of our evaluation on the impact of TCLC to date. We also asked for stakeholders' views on the impact of TCLC on the behaviour of market participants:

- *What are your views on the impact of TCLC on the behaviour of market participants?*
- *What have been the benefits of TCLC?*
- *What have been the costs for generators to comply with TCLC?*

3.3. Four respondents, all of them generators, said that TCLC has a positive impact and is effective in deterring abusive behaviour. One generator responded that TCLC has not had an impact on prices but it provided a signal to the market that abuse would not be tolerated and "*was a useful stepping stone to a more comprehensive regulation*". All the other respondents noted that TCLC is likely to have had an impact although it was limited. This is due to the impact that REMIT and competition law had on the market at the same time. They requested more detail on our evaluation because the scale of the impact of TCLC was not clear. In response to this, we present a summary of our findings below while the detailed methodology and analysis can be found in the impact assessment attached to this consultation document.

3.4. We have been actively monitoring compliance with the operation of TCLC since its introduction. Our analysis here evaluates the impact of TCLC from before it was introduced, covering the period 1 January 2011 to 31 December 2016, using information from Balancing Mechanism transmission constraint bids.

3.5. The analysis shows that the costs associated with balancing the system at times of transmission constraint for onshore wind generation are significantly higher than other technologies.<sup>6</sup> For onshore wind, both bid volumes and its associated costs are higher in comparison to other technologies though there is evidence of higher cost across a number of technologies. Therefore, we have decided to focus our analysis on changes in bidding behaviour in onshore wind generation before and after the implementation of the TCLC, to evaluate how the policy has impacted on the prices of bids submitted by onshore wind generators.

3.6. We specifically looked into the onshore wind generation bid prices between 2011 and 2013. We identified two main events: the publication of the consultation on TCLC in 2011 and the publication of its guidance in 2013. We chose these as we expected them to have had an impact on licensees' behaviour. We observed an impact on prices within this period and assessed these in more detail. We summarise these below, with more details available in the impact assessment.<sup>7</sup>

3.7. The first event is the publication of the consultation on TCLC in December 2011. We found a clear drop in prices shortly after this publication. The bidding price

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<sup>6</sup> See paragraphs 2.9 – 2.16 of the Impact Assessment for more detail.

<sup>7</sup> See paragraphs 2.17 – 2.23 of the Impact Assessment for more detail.

range shifted from varying between -£300/MWh and -£150/MWh to between -£300/MWh and -£70/MWh.

- 3.8. Following the publication of the TCLC guidance in October 2012, the bidding price range shifted down further to between -£150/MWh and -£70/MWh. We also observed that the significantly low price of bids, such as -£300/MWh, was last taken by the system operator in late September 2012. The timing of these changes in bids suggests strongly that bidding behaviour was positively impacted by the implementation of TCLC.
- 3.9. The longer term view of onshore bid prices (between 2011 and 2016) shows how prices continued to decrease. Prices fell sharply in 2012 and then from 2013 onwards prices continued to move downwards but at a much slower rate. Other factors could have contributed to this price change, such as improved competition, the implementation of REMIT and a change in the amount of subsidies. But, given the marked change correlated with the implementation of TCLC discussed above, we believe TCLC is a strong contributing factor, and that the continued decrease is very likely to reflect the application of appropriate procedures and systems being put in place by licensees. Over the life of TCLC we have monitored and engaged with generators operating in the BM. We have observed direct effects in the increased competitiveness of bids through this engagement. As of December 2016, the weighted average price for the year in 2016 was -£66/MWh.<sup>8</sup>
- 3.10. The majority of the respondents said that the cost of compliance is very low as costs and resources are split with other wholesale market obligations such as REMIT.<sup>9</sup> We have used this information in the accompanying impact assessment.
- 3.11. We believe the above demonstrates that TCLC has been successful in its objective of deterring excessive pricing behaviour in relation to periods of transmission constraints, at a low compliance cost for generators.

#### Constraint forecasts

- 3.12. In our May consultation we summarised our expectations about the constraint forecasts up to the mid-2020s and we asked for views on the extension of TCLC beyond 2017. Specifically, we asked:
- *What are your views on extending TCLC until 2019 in its current form as allowed by current legislation?*
  - *What are your views on extending TCLC beyond 2019 with a further review after five years?*
  - *What are the risks and benefits of introducing an extension of TCLC?*
- 3.13. Four generators and two industry bodies supported the extension of TCLC beyond 2019 with a further review afterwards. The main reason for this was to ensure that TCLC is reviewed periodically to check it remained fit for purpose, as the regulatory environment and the electricity systems are expected to develop over the next few

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<sup>8</sup> See Annex 2 of the Impact Assessment for more details on the methodology.

<sup>9</sup> We cannot provide the exact figures because of the confidential nature of the information.

years. The HVDC links have not been built to date and are now expected to be completed by circa 2023. There are also other constraints that currently exist and are likely to continue in the future, for example the Scottish constraint and the England and Wales constraint.<sup>10</sup>

- 3.14. Four respondents said that, because of the overlap with REMIT, TCLC should be left to expire. They felt that it had not had a clear impact and that the market had improved over the last few years so there was no need for TCLC anymore. Nevertheless, one of these respondents, a generator, expressed the view that there are going to be increased constraint costs in the future due to the failure of the network investment to keep pace with the changing nature of the electricity market.
- 3.15. As stated in the previous section we believe there is good evidence that TCLC has had a positive impact in reducing transmission constraint costs since its implementation. We also believe that it will be required in the future, as there will continue to be constraints.
- 3.16. We looked into volumes traded to balance the system at periods of transmission constraints. The assessment for the existing TCLC was mainly based on the expectations around the Cheviot constraint. We have observed a general increasing trend in total volumes relating to the Cheviot constraint, and within Scotland, since 2012<sup>11</sup>. This historic assessment of constraint also indicates that transmission constraints will remain in the system after the infrastructure reinforcement for Cheviot is completed<sup>12</sup>. The completion of the second bootstrap is currently forecasted for 2023. So transmission constraints are expected to remain in the foreseeable future a part of the Scottish network in particular, but also in England and Wales as a result of the way the system is currently designed.
- 3.17. Given this, our view is that it is important to ensure that a replacement to Circumstance 2 of TCLC remains in place to ensure that bills are not higher than necessary. We consider it important to continuously review whether there is a need for regulation and, if so, whether it needs amending to ensure it meets its objectives. If in the future we consider that there was no longer a need for transmission constraints to be regulated in this way, including in response to stakeholder feedback, we would take steps to revoke the licence condition, in line with our licence modification process. We therefore propose extending Circumstance 2 of the TCLC as a permanent licence condition.

#### Interactions with REMIT

- 3.18. The potential overlap of TCLC and REMIT was another topic of our workshop and our May consultation. Specifically, we asked:

- *What are your views on the interactions between TCLC and REMIT Article 5?*

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<sup>10</sup> See paragraphs 2.9-2.10 of the Impact Assessment for more details on transmission constraint forecast.

<sup>11</sup> More details on the accepted bid volumes are available in paragraphs 3.6-3.8 of the Impact Assessment.

<sup>12</sup> Constraints in the Cheviot area are expected to remain to some degree for at least a further six years; thereafter there will continue to be some transmission constraints in the area, although there is some uncertainty on how the system will look.

- *What are the risks and benefits of relying on REMIT to address the behaviours prohibited by TCLC, as compared to the risks and benefits of keeping TCLC?*

3.19. When the licence condition was introduced, it was noted at the time that policy developments such as REMIT could in future affect the need for TCLC. In relation to Circumstance 1, two thirds of all respondents considered that there was a complete overlap with REMIT. They said that the prohibition should be left to expire, leaving it to be covered by REMIT in future. For Circumstance 2, only a third of all respondents considered there was a complete overlap between REMIT and in their opinion TCLC remains best placed to prohibit this type of behaviour. Some respondents requested further guidance on the issue because they were unclear about the potential overlap.

3.20. We agree with the majority of the respondents that the prohibition of Circumstance 1, that is gaining excessive benefits from economic and physical withholding, is covered by REMIT<sup>13</sup>. We agree with industry that now that the implementation of REMIT has been completed it can provide appropriate safeguards against the prohibited behaviour. In line with better regulation principles (see section 4.3), our proposed new licence condition will therefore not include the prohibition currently covered by Circumstance 1.

3.21. Three respondents noted that Circumstance 2 of TCLC has a more specific obligation not to set excessive prices in the event of a constraint than REMIT. Another respondent felt that TCLC was designed specifically for the BM while REMIT is more general. Their view is that TCLC is complementary to REMIT but that there is no full overlap between the two. We agree. Our view is that Circumstance 2 of TCLC still remains the most appropriate instrument to provide a specific mechanism to control bids being priced unjustifiably higher than market prices behind a constraint, while limiting the impact on industry.

#### Scope of the regulation

3.22. The May consultation discussed the current scope of TCLC and invited views on the discrepancy between the licence exempt and the licenced generators, with regards to participation in the BM:

- *Should the scope of TCLC be widened to include licence exempt generators participating in the BM?*

3.23. A significant majority of respondents supported improving the level playing field in the BM to ensure that all participants have the same rights and obligations.

3.24. Under our proposal, the behaviour described in Circumstance 1 will be prohibited solely under REMIT in the future. This already widens the scope to include all market participants, regardless of whether they hold a generator licence or if they are licence exempt. In relation to Circumstance 2, as the new proposed condition will be in the form of a standard licence condition its application will be limited to

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<sup>13</sup> The latest guidance from ACER is available here, with information about market manipulation in Chapter 6: [http://www.acer.europa.eu/Official\\_documents/Other%20documents/4th%20Edition%20ACER%20Guidance%20REMIT.pdf](http://www.acer.europa.eu/Official_documents/Other%20documents/4th%20Edition%20ACER%20Guidance%20REMIT.pdf)

those who hold a generation licence. All generators are required to hold a licence unless they are exempt. Ofgem does not have a role in deciding which categories of generators are exempted from this requirement. There are many implications beyond TCLC that would be affected by limiting or decreasing the number of exemptions available to generators. We have therefore concluded that at this stage we will not be proposing changes. However, this concern continues to be part of our engagement with BEIS.

- *Do you have any concerns around TCLC you want to raise?*

3.25. A concern raised by three respondents was about the lack of transparency around transmission constraints, asking for more information to be published by NG. We note these concerns but this issue will not be discussed here as it is not related to the proposed new licence condition.

3.26. One respondent felt that there was an existing unlevelled playing field among generators operating within or outside of a constraint zone. Other respondents also raised concerns about the clarity of the current guidance in general. To address this, and in parallel to the statutory consultation on the new proposed licence condition, we are also consulting on how to amend the TCLC guidance in order to give further clarity on these issues.

#### **4. Proposed new licence condition**

##### Scope of the new licence condition

4.1. Given our considerations above, we have decided to publish a statutory consultation on introducing a new licence condition, as per the normal Ofgem licence modification process, rather than the government using the powers it has under the Energy Act 2010. Using these powers would only enable the Government to extend TCLC for a further two years. As discussed in section 3, we believe there is a need for the condition to remain for longer than two years. In addition, our introduction will bring TCLC in line with other standard licence conditions including having the same enforcement procedure via the High Court not via the Competition Appeals Tribunal as is currently the case. It will improve consistency, streamline procedures, and offer greater certainty for licensees.

4.2. We have discussed our proposal with the government. They agree that it is sensible to continue with a measure that helps protect against exploitative behaviour, which, in turn, could lead to higher costs being passed through to consumer bills. They also welcome the fact that Ofgem proposes to take forward an extension of the TCLC using its own licence modification powers.

##### Better regulation

4.3. In line with government guidance we have considered the better regulation principles with regards to the new proposed licence condition. We have reviewed the overlap between TCLC and other similar regulations, particularly REMIT. As discussed in paragraph 3.20, we propose to extend only one of the current prohibitions to avoid duplication of the similar rules between TCLC and REMIT obligations.



- 4.4. We have produced an Impact Assessment to provide more information about our analysis and assessment on the expected impact of the new licence condition. To summarise some of the relevant cost points here, we do not expect licensees to incur any additional costs as a consequence of this proposal because Circumstance 2 is introduced unchanged from the current licence condition and therefore we consider it to be an ongoing obligation. We expect that generators already comply with TCLC and have appropriate policies and procedures in place. So there are no one-off implementation costs for companies already in the market.
- 4.5. New entrants to the market who obtain a generation licence will have to implement procedures to comply with TCLC. Responses to our consultation in May 2016 provided answers to a question on the costs of complying with TCLC. Respondents said that the costs for implementing compliance with TCLC were low because they were already compliant with competition regulations. These costs were also low compared to other regulations, and costs and resources overlap with other wholesale market obligations. In case of an enforcement action both licensees and Ofgem will, of course, incur additional costs.
- 4.6. Please refer to our accompanying Impact Assessment for further information on the costs and benefits considered.

#### Guidance

- 4.7. We will publish a guidance document to licensees and other interested parties on Ofgem's intended approach to the interpretation and enforcement of this new TCLC. As noted earlier, in parallel to this statutory consultation we are also consulting on this guidance. We will consider responses to the consultation on the guidance and then we will publish the finalised guidance before the new licence condition comes into effect.

## **5. Next steps**

We would like to hear the views of interested parties in relation to the new standard licence condition which would replace the existing TCLC due to expire on 15 July 2017.

**Do you agree with the proposed wording of the licence condition? Please include any reasoning and evidence in your answers.**

Unless you mark your response confidential, we'll publish it on our website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk), and put it in our library. You can ask us to keep your response confidential, and we'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.

If the information you give in your response contains personal data under the Data Protection Act 1998, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.

We prefer to receive responses in an electronic form so they can be placed easily on our website.

Please send us your response by 5pm on 6 March 2017 and send it to:

Marta Csirinyi  
Wholesale Market Conduct  
Energy Systems  
Ofgem  
9 Millbank  
London SW1P 3GE

Email: [TCLC@ofgem.gov.uk](mailto:TCLC@ofgem.gov.uk)

Yours faithfully,

**Cathryn Scott**  
**Partner**

Legal and Wholesale Market Conduct, Energy Systems  
Signed on behalf of the Authority and authorised for that purpose

## **6. Annexes**

6.1. Statutory Notice

6.2. Proposed drafting of Condition 20A. Transmission Constraint Licence Condition

6.3. Feedback on this Consultation

## **6.1 Statutory Notice**

**To: All holders of an electricity generation licence**

### **Electricity Act 1989 Section 11A(2)**

#### **Notice of statutory consultation on a proposal to modify the standard conditions of all electricity generation licences**

1. The Gas and Electricity Markets Authority ('the Authority')<sup>14</sup> proposes to modify the standard conditions of all electricity generation licences granted or treated as granted under section 6 (1)(a) of the Electricity Act 1989 by introducing a new Standard Condition 20A. the Transmission Constraint Licence Condition.
2. We are proposing this modification to maintain the prohibitions on exploiting periods of transmission constraints by replacing the current licence condition (Standard Licence Condition 20.) which expires on 15 July 2017. The reasons why the Authority proposes this new licence condition are set out in more detail in the accompanying Statutory Consultation document.
3. The effect of this proposed modification is to prevent higher than necessary bills for consumers by maintaining the prohibition on generators from exploiting periods of transmission constraint.
4. A copy of the proposed modification and other documents referred to in this Notice have been published on our website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Alternatively they are available from our Research and Information Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003).
5. Any representations with respect to the proposed licence modification must be made on or before 6 March 2017 to: Marta Csirinyi, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [TCLC@ofgem.gov.uk](mailto:TCLC@ofgem.gov.uk).
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modification it will take effect not less than 56 days after the decision is published.

**Cathryn Scott**

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**Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**03/02/2017**

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<sup>14</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

## **6.2 Proposed drafting of Condition 20A. Transmission Constraint Licence Condition**

### **Condition 20A. Transmission Constraint Licence Condition**

1. The licensee must not obtain an excessive benefit from electricity generation in relation to a Transmission Constraint Period.
2. For the purposes of paragraph 1, the licensee shall be considered to have obtained an excessive benefit from electricity generation in relation to a Transmission Constraint Period if:
  - (a) the licensee and the system operator enter into, or have entered into, Relevant Arrangements which related to a Transmission Constraint Period; and
  - (b) under the Relevant Arrangements and in connection with a reduction in electricity generation in the Transmission Constraint Period, either:
    - (i) the licensee pays, or seeks to pay, the system operator an excessively low amount; or
    - (ii) the licensee is paid, or seeks to be paid, an excessive amount by the system operator.
3. For the purposes of paragraph 2 the reference to a reduction in generation by the licensee in a Transmission Constraint Period means:
  - (a) a reduction in comparison to the licensee's Notified Electricity Generation for that Transmission Constraint Period; and
  - (b) includes a reduction in generation of electricity by a particular generating plant, whether or not there is an overall reduction in electricity generation in that Transmission Constraint Period.
4. This licence condition shall be interpreted and enforced in accordance with guidance published by the Authority.
5. Before this condition comes into force the Authority shall publish the guidance referred to in paragraph 4.
6. Before the Authority publishes the guidance referred to in paragraph 4 the Authority shall consult:
  - (a) the holder of any licence under section 6(1)(a) of the Act; and
  - (b) such other persons as the Authority thinks it appropriate to consult,
7. The Authority may from time to time revise the guidance referred to in paragraph 4 and before issuing any such revised guidance the Authority shall consult such person as specified in paragraph 6 setting out the text of, and the reasons for, the proposed revisions.
8. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may

require or deem necessary or appropriate to enable the Authority to monitor the licensee’s compliance with this condition.

9. In this condition:

<p>“Balancing Mechanism”</p>	<p>means the mechanism for the making and acceptance of offers and bids to increase or decrease the quantities of electricity to be delivered to, or taken off, the total system at any time or during any period so as to assist the system operator in coordinating and directing the flow of electricity onto and over the national electricity system and balancing the national electricity system pursuant to the arrangements contained in the BSC;</p>
<p>“Notified Electricity Generation”</p>	<p>means the intended level of generation notified by the licensee to the system operator for a period pursuant to the notification arrangements established by BETTA and the BSC;</p>
<p>“Relevant Arrangements”</p>	<p>means arrangements entered into by the licensee and the system operator within the Balancing Mechanism, and the entering of such arrangements shall include the making of a bid or offer by the licensee whether or not that bid or offer is accepted by the system operator;</p>
<p>“Transmission Constraint”</p>	<p>means any limit on the ability of the National Electricity Transmission System, or any part of it, to transmit the power supplied onto the National Electricity Transmission System to the location where the demand for that power is situated, such limit arising as a result of any one or more of:</p> <ul style="list-style-type: none"> <li>(a) the need not to exceed the thermal rating of any asset forming part of the National Electricity Transmission System;</li> <li>(b) the need to maintain voltage on the National Electricity Transmission System; and</li> <li>(c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System;</li> </ul> <p>and such limit being used by the system operator to operate the National Electricity Transmission System in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in standard condition C17 (Transmission systems security standard and quality of service) of the standard conditions for electricity transmission licences or any other provision of the transmission licence, the Act or any other requirement of law;</p>
<p>“Transmission Constraint Period”</p>	<p>means any period of time, regardless of the duration, when a Transmission Constraint occurs.</p>

### **6.3 Feedback on this Consultation**

We believe that consultation is at the heart of good policy development. We are keen to hear your comments about how we've conducted this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send your comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)