

**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>1</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 However, if you do not wish your response to be made public then please clearly mark it as not for publication.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.

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

**03/02/2017**

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

## **Annex 1. 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 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>

