

DIRECTION PURSUANT TO SPECIAL CONDITION AA OF THE ELECTRICITY GENERATION LICENCE

To: ScottishPower Generation Limited (Company number SC189124)

DIRECTION ISSUED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY PURSUANT TO PARAGRAPH AA.1 OF SPECIAL CONDITION AA OF THE ELECTRICITY GENERATION LICENCE GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(a) OF THE ELECTRICITY ACT 1989

Whereas:

1. The company to whom this Direction is addressed (“the licensee”) holds a generation licence granted or treated as granted pursuant to section 6(1)(a) of the Electricity Act 1989 (“the Act”) (“the licence”). The licence has special condition AA (Liquidity in the Wholesale Electricity Market) (“the condition”) in effect.
2. The Gas and Electricity Markets Authority (“the Authority”) has the power pursuant to paragraph AA.1 of the condition to direct that paragraphs AA.2 to AA.6 of the condition shall cease to have effect from such date as the Authority may specify.
3. On 21 March 2014 the Authority issued a direction pursuant to which the provisions of Schedule B of the condition (subject to paragraph AA.3 of the condition) had effect in the licensee’s licence from 31 March 2014. At that time, the immediate holding company of the licensee was Scottish Power UK plc and the licensee was therefore part of the Scottish Power corporate group. Schedule B therefore had effect in the licensee’s licence.¹
4. Drax Smart Generation Holdco Limited purchased the entire issued share capital of ScottishPower Generation Limited (the licensee remaining ScottishPower Generation Limited) with effect from 31 December 2018. The corporate group which Drax Smart Generation Holdco Limited belongs to does not meet the criteria for complying with Schedule B of the condition, as set out in Ofgem’s Liquidity in the Wholesale Electricity Market (Special Condition AA of the electricity generation licence): Guidance² as none of the companies in the corporate group have an interest in supplying electricity to domestic customers in Great Britain. Therefore, it is no longer appropriate for the provisions of Schedule B of the condition to apply.

¹ The Authority published its reasons for this decision in the following documents:
<https://www.ofgem.gov.uk/publications-and-updates/wholesale-power-market-liquidity-decision-letter> ; and
<https://www.ofgem.gov.uk/publications-and-updates/wholesale-power-market-liquidity-statutory-consultation-secure-and-promote-licence-condition>

² <https://www.ofgem.gov.uk/ofgem-publications/86717/liquidityinthewholesaleelectricitymarketspecialconditionaaoftheelectricitygenerationlicence-guidance-pdf>

Now therefore:

5. The Authority hereby directs that the paragraph AA.2(b) of the condition shall cease to have effect in the licence of the licensee.
6. This direction shall take effect from the date below and remain in effect until such time as the Authority may revoke, vary or replace it by a further direction.
7. In accordance with section 49A of the Act, this document constitutes the Authority's reasons for making this direction.

Dated: 2 January 2019

Michael Wagner, Deputy Director
Duly authorised on behalf of the Authority