

DIRECTION PURSUANT TO SPECIAL CONDITION AA OF THE ELECTRICITY GENERATION LICENCE

To:

ENGIE Power Limited (Company number: 04236804, formerly known as GDF Suez Marketing Limited)

Rugeley Power Generation Limited (Company number: 3300792)

First Hydro Company (Company number: 2444277)

International Power Limited (Company number: 2366963)

IPM Energy Trading Limited (Company number: 2462479)

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 companies to whom this Direction is addressed ("the licensees") hold generation licences granted or treated as granted pursuant to section 6(1)(a) of the Electricity Act 1989 ("the Act") ("the licences"). The licences have 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 the condition had effect in the licences of the licensees. The ultimate parent company of the licensees is ENGIE SA and the licensees are therefore part of the ENGIE corporate group. The condition therefore had effect in the licensees' licences.¹
4. The Authority has today published a letter titled 'Request for modification of Special Condition AA of ENGIE's Electricity Generation Licences'. In accordance with section 49A of

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>;
<https://www.ofgem.gov.uk/publications-and-updates/wholesale-power-market-liquidity-statutory-consultation-secure-and-promote-licence-condition>; and
https://www.ofgem.gov.uk/sites/default/files/docs/2013/06/liquidity-final-proposals-120613_0.pdf

the Act, this letter gives the Authority's reasons for making this Direction and our conclusion that, following the significant and sustained reduction in the electricity generation market share of the companies in the ENGIE corporate group, the licensees no longer meet the criteria for complying with the condition, as set out in Ofgem's Liquidity in the Wholesale Electricity Market (Special Condition AA of the electricity generation licence): Guidance². Therefore, it is no longer appropriate for the condition to apply.

Now therefore:

5. The Authority hereby directs that the paragraphs AA.2 to AA.6 of the condition shall cease to have effect in the licences of the licensees.
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.

Dated: 4 March 2019

Chris Thackeray, Head of GB Wholesale Markets
Duly authorised on behalf of the Authority

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