

**DIRECTION ISSUED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY
PURSUANT TO PARAGRAPH AA.2 OF SPECIAL CONDITION AA OF THE
ELECTRICITY GENERATION LICENCE GRANTED OR TREATED AS GRANTED UNDER
SECTION 6(1)(a) OF THE ELECTRICITY ACT 1989**

To:

RWE Generation plc. (Company number: 03892782)

Whereas:

1. The company to whom this Direction is addressed ("the licensee") holds a generation licence ("the licence") granted or treated as granted pursuant to section 6(1)(a) of the Electricity Act 1989 ("the Act"). 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 a 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 2014.¹ At that time, the licensee (known as RWE Npower plc) was a vertically integrated generation and supply company and, therefore, met 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): Guidance ("Guidance")².

¹<https://www.ofgem.gov.uk/publications-and-updates/direction-gas-and-electricity-markets-authority-under-paragraph-aa.2-special-generation-licence-condition-aa-all-schedules> 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 Liquidity in the Wholesale Electricity Market (Special Condition AA of the electricity generation licence): Guidance. <https://www.ofgem.gov.uk/ofgem-publications/86717/liquidityinthewholesaleelectricitymarketspecialconditionaaoftheelectricitygenerationlicence-guidance-pdf>

4. The Authority has today published a decision letter titled 'Request for Schedule B of Special Condition AA to no longer have effect in RWE Generation plc's Electricity Generation Licence'.³

5. E.ON Limited ("E.ON") acquired RWE AG Limited's ("RWE") majority stake in Innogy SE (the holding company of Npower Limited) with effect from 18 September 2019. As part of the acquisition, RWE acquired a minority financial holding in E.ON as the new owners of Npower Limited.

6. As a result of this exchange, RWE Generation plc, a subsidiary of RWE, can no longer be considered to be vertically integrated with a domestic supply business. RWE Generation plc does not, therefore, meet the criteria for complying with Schedule B of the condition, as set out in Ofgem's Guidance. As such, it is no longer appropriate for the provisions of Schedule B of the condition to apply.

Now therefore:

7. The Authority hereby directs that Schedule B of Special Condition AA shall cease to have effect for the licensee.

8. 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.

9. In accordance with section 49A of the Act, this document constitutes the Authority's reasons for making this direction.

Dated: 30 October 2019

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

³ https://www.ofgem.gov.uk/system/files/docs/2019/10/RWE_Schedule_B_Decision_2.pdf