

**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:

Corporate Group	Licences held by affiliates¹ (the "Licensees")
EDF Energy Limited	EDF Energy Nuclear Generation Limited (Company number: 3076445)
	EDF Development Company Limited (Company number: 6222043)
	EDF Energy (Thermal Generation) Limited (Company number: 04267569)
	NNB Generation Company (HPC) Limited (Company number: 6937084)
	EDF Energy Renewables Limited (Company number: 6456689)
SSE PLC	SSE Generation Limited (Company number: 2310571)
	SSEPG (Operations) Limited (Company number: 2764438)
	Medway Power Limited (Company number: 2537903)
	Keadby Generation Limited (Company number: 2691516)
	Fibre Power (Slough) Limited (Company number: 2902170)
	Keadby Developments Limited (Company number: 2691516)
	Clyde Wind Farm (Scotland) Limited (Company number: SC281105)
	Griffin Wind Farm Limited (Company number: SC245113)
	Beatrice Offshore Windfarm Limited (Company number: SC350248)
	Coire Glas Hydro Pumped Storage Limited (Company number: SC561128)

¹ Standard Generation Licence Condition 1 – 'Definitions and Interpretation', Paragraph 1 – "affiliate" "in relation to any person means any holding company of such person, any subsidiary of such person or any subsidiary of a holding company of such person, in each case within the meaning of sections 1159 and 1160 of the Companies Act 2006". Section 1159 (1) of the Companies Act 2006 states that "A company is a "subsidiary" of another company, its "holding company", if that other company—

- (a) holds a majority of the voting rights in it, or
- (b) is a member of it and has the right to appoint or remove a majority of its board of directors, or
- (c) is a member of it and controls.

	Cour Wind Farm (Scotland) Limited (Company number: SC493307)
	Dunmaglass Wind Farm Limited (Company number: SC607482)
	Stronelaig Wind Farm Limited (Company number: SC607491)
	Dorenell Windfarm Limited (Company number: 5628395)

Whereas:

1. The companies to whom this Direction is addressed (“the Licensees”) hold Generation Licences (“the Licences”) granted or treated as granted pursuant to section 6(1)(a) of the Electricity Act 1989 (“the Act”). The licences have special condition AA (Liquidity in the Wholesale Electricity Market) (“the condition”) in effect.
2. The Gas and Electricity Markets Authority (“the Authority²”) has the power pursuant to paragraph AA.2 of the condition to direct that Schedules A, B and C of the condition shall have effect from such date as specified in a direction by the Authority.
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 following relevant Licences from 31 March 2014: EDF Energy Nuclear Generation Limited, EDF Development Company Limited, EDF Energy (Thermal Generation) Limited, NNB Generation Company (HPC) Limited, SSE Generation Limited, SSEPG (Operations) Limited, Medway Power Limited, Keadby Generation Limited, Fibre Power (Slough) Limited, Keadby Developments Limited, Clyde Wind Farm (Scotland) Limited, Griffin Wind Farm Limited and Beatrice Wind Farm Limited.
4. On 29 May 2014, the Authority issued a Direction pursuant to which Schedule B of the condition had effect in the EDF Energy Renewables Limited Licence. On 25 May 2015, the Authority issued a Direction pursuant to which Schedule B of the condition had effect the Cour Wind Farm (Scotland) Limited Licence. On 29 September 2017, the Authority issued a Direction pursuant to which Schedule B of the condition had effect in the Coire Glas Hydro Pumped Storage Limited Licence. On 01 May 2018, the Authority issued a Direction

² References to the “Authority”, “Ofgem”, “we”, and “our” are used interchangeable in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

pursuant to which Schedule B of the condition had effect in the Dorenell Windfarm Limited Licence.³

5. As of 30 October 2019, Schedule B no longer has effect in the Generation Licences held by affiliates of four of the original six corporate groups to which Schedule B of the condition was originally applied.⁴ This is a result of corporate restructurings undertaken by these four corporate groups which mean they no longer 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): Guidance ("Guidance")⁵.
6. On 08 October 2019, Ofgem published an open letter seeking views on a 'minded to' position to suspend Schedule B of Special Condition AA of the Generation Licence (the Market Making Obligation, "MMO") in the event Schedule B ceased to have effect in the Generation Licence of RWE Generation plc ("RWE")⁶. Our letter cited our concern that a further reduction in the number of corporate groups obligated to comply with Schedule B of the condition could lead to the policy becoming less effective in meeting its objectives and that the remaining corporate groups could be subject to disproportionate and potentially unfair costs.
7. On 29 October 2019, the Authority published a decision to consent to RWE's request for Schedule B to no longer have effect in their Generation Licence, with this decision taking effect on 30 October 2019⁷. In light of this decision, and having considered all responses to the 08 October 2019 open letter, some of which provided evidence on the cost implications

³ 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

⁴ The condition was originally applied to Licences held by companies within the following corporate groups: Centrica Limited, EDF Energy Limited, E.ON Limited, RWE Npower Limited, SSE PLC and ScottishPower Limited. Following E.ON's divestment of Uniper, Schedule B ceased to have effect in the licences held by subsidiaries of E.ON in November 2016. Schedule B was originally included in generation licences held by the Centrica corporate group but ceased to have effect in August 2018 following significant and sustained changes in their generation market share. Schedules A, B and C were originally included in generation licences held by the ScottishPower corporate group but ceased to have effect in January 2019 following changes in the group's strategy. Schedule B ceased to have effect in RWE's Generation Licence on 30 October 2019 following the sale of its share in Innogy SE to E.ON on 18 September 2019.

⁵ 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>

⁶ https://www.ofgem.gov.uk/system/files/docs/2019/10/ofgem.secure_promote_open_letter_october_2019_ct.pdf

⁷ <https://www.ofgem.gov.uk/publications-and-updates/request-schedule-b-special-condition-aa-no-longer-have-effect-rwe-generation-plc-s-electricity-generation-licence>

of Schedule B only having effect in Licences held by affiliates of the original corporate groups, and stakeholder feedback on the likely impact of suspension of the MMO, the Authority has today published a decision letter titled 'Decision to suspend the Secure and Promote Market Making Obligation with effect from 18 November 2019'⁸. The decision letter details our decision that Schedule B will no longer have effect in the Licences held by affiliates within the EDF Energy Ltd and SSE PLC corporate groups on the following grounds:

- Evidence that indicates the costs incurred by the two remaining company groups have materially increased since Schedule B ceased to have effect in RWE's Generation Licence, even in the absence of market volatility;
- Mandating the current obligation only two of the original six corporate groups places disproportionate costs on these parties; and,
- Evidence that indicates the policy has become less effective in meeting its objectives, specifically in enabling the development of robust reference prices along the curve.

8. As a result of this decision, Schedule B will no longer have effect in the Generation Licences held by affiliates within the EDF Energy Ltd and SSE PLC corporate groups.

Now therefore:

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

10. 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.

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

Dated: 18 November 2019

Tom Corcut, Deputy Director, Wholesale Markets
Duly authorised on behalf of the Authority

⁸www.ofgem.gov.uk/system/files/docs/2019/11/mmo_suspension_decision_letter_0.pdf