

**The Company Secretary**  
Greater London Authority  
City Hall  
The Queens Walk, London  
SE1 2AA, UK

20 December 2017

Dear Sir/Madam

**Licence Lite Derogation Decision – Exemption from Compliance with Certain Industry Codes**

This letter sets out the decision of the Gas and Electricity Markets Authority (the “Authority”) to grant the Greater London Authority ((GLA), a derogation from various aspects of Standard Licence Condition (SLC) 11 (compliance with codes) of its electricity supply licence.

This derogation will relieve the Licensee from the obligation to be a direct party to the following industry codes listed in SLC 11.2:

- a) the Master Registration Agreement (MRA);
- b) the Distribution Connection and Use of System Agreement (DCUSA);
- c) the Connection and Use of System Code (CUSC); and
- d) the Balancing and Settlement Code (BSC).

This letter constitutes Notice, under section 49A of the Electricity Act 1989, of the reasons for the Authority’s decision to issue the attached Direction. This Direction shall take effect on 20 December 2017, and remain in place until revoked by the Authority. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard licence conditions of gas and electricity supply licences.

**Background**

We introduced the Licence Lite policy to ease potential barriers to entry faced by aspiring suppliers. It is an option that helps new suppliers enter the electricity supply market by letting them partner with an existing supplier (a Third Party Licensed Supplier or TPLS) who would assume responsibility for some of the more costly and technically challenging parts of a supply licence.

The Licensee intends to enter the electricity supply market but does not want to be a direct party to the industry codes listed in SLC 11.2. The Authority received an application from the Licensee on 28 February 2013 for a derogation from the obligations in SLC 11.2 of its electricity supply licence.

The Licensee submitted its signed Supplier Service Agreement titled the Supplier Services and Netting Off Agreement on 15 December 2017 relating to the provision of SLC 11.2 and other related services. This is a contract the Licensee has put in place with its Third Party Licensed Supplier (TPLS), Npower Limited (incorporated and registered in England and Wales under company registration number 3653277), to discharge its compliance with the codes listed above.

## **The Authority's Decision**

We have decided to grant the Licensee a derogation from the requirement to be a party to the codes listed in SLC 11.2. In coming to this decision, we have had regard to our principal objective and statutory duties<sup>1</sup> our published guidance, and the information submitted by the Licensee.

This derogation is conditional on the signed Supplier Service Agreement between the Licensee and Npower submitted by the Licensee to the Authority on 15 December 2017, which allows Npower to comply with the industry codes on the Licensee's behalf. We expect the Licensee to report to Ofgem if there is any change in this agreement.

By receiving a copy of this contract, we are not in any way endorsing, consenting or otherwise approving its contents. We consider that it remains the responsibility of the relevant parties to ensure that any agreement or arrangements in place comply with any applicable laws, including competition law, and statutory requirements. More specifically, the Parties to the agreement should ensure effective compliance with competition law. This includes, but is not limited to, robust ring fencing arrangements to ensure that any communications and exchange of information between the Licensee and Npower on a day-to-day basis does not breach competition law.

The relevant Direction is attached to this letter and will be published on the Ofgem website. It will be effective from 20 December 2017 and will remain in force in accordance with the terms of the Direction, unless revoked or varied in writing by the Authority. Any change in circumstances relevant to the Direction must be reported to the Authority as soon as possible.

We would like to note that this derogation only applies to those codes listed in 11.2. The Licensee is required to comply with all other licence conditions or rules and principles including the standards of conduct. Where special arrangements have not been agreed with the relevant Code Administrators, we expect the Licensee and its TPLS to ensure compliance with the guidance on the industry functions and activities and any other aspects of the Licence Lite operating guidance.<sup>2</sup>

If you have any questions about this derogation or our Licence Lite policy, please contact Jibirila Leinyuy ([Jibirila.Leinyuy@ofgem.gov.uk](mailto:Jibirila.Leinyuy@ofgem.gov.uk)) on 0203 263 7000.

Anthony Pygram

**Partner, Consumers & Competition**

**Signed on behalf of the Authority and authorised for that purpose**

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<sup>1</sup> Please see section 3A of the Electricity Act 1989.

<sup>2</sup> Please see the 'Licence Lite': SLC 11.3 operating guidance:

[https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/licence\\_lite\\_slc\\_11.3\\_operating\\_guidance\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/licence_lite_slc_11.3_operating_guidance_0.pdf)

**ATTACHMENT: Electricity Supply Licence**

**The Company Secretary  
Greater London Authority  
City Hall  
The Queens Walk, London  
SE1 2AA, UK**

**DIRECTION ISSUED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY PURSUANT TO LICENCE  
CONDITION 11.3 OF THE STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCE GRANTED OR  
TREATED AS GRANTED PURSUANT TO SECTION 6(1)(D) OF THE ELECTRICITY ACT 1989 (the “Direction”)**

**WHEREAS**

1. The company to whom this Direction is addressed, the Greater London Authority ((GLA) (“the Licensee”), holds an electricity supply licence granted, or treated as granted, pursuant to section 6(1)(d) of the Electricity Act 1989 (“the Electricity Licence”) in which standard condition 11 (*Compliance with codes*) has effect.
2. The Gas and Electricity Markets Authority has the power pursuant to standard conditions 11.3 of the Electricity Licence to issue a direction to the Licensee to relieve the Licensee of its obligations (in whole or in part) under standard condition 11.2.
3. Standard condition 11.2 of the Electricity Licence stipulates that the Licensee must be a party to and comply with:
  - a) the Master Registration Agreement;
  - b) the Distribution Connection and Use of System Agreement;
  - c) the Connection and Use of System Code; and
  - d) the Balancing and Settlement Code,from the earlier of the date on which it offers to supply electricity or on the date on which it begins to supply electricity to premises in Great Britain.
4. In making this direction, the Authority has consulted with the Licensee and had regard to guidance issued in accordance with standard condition 11.4 of the Electricity Licence.
5. The Licensee has entered into a supply of services agreement with Npower Limited (incorporated and registered in England and Wales under company registration number 3653277). Under this agreement, Npower will comply with the obligations under paragraph 11.2 of the Electricity Licence on behalf of the Licensee.

**NOW THEREFORE**

6. The Authority hereby directs that the Licensee is no longer required to comply with obligations under condition 11.2 of the Electricity Licence.
7. It is a condition of this Direction that the Licensee is required to report to the Authority any change in circumstances relevant to the subject matter of this Direction.
8. This Direction shall take effect on 20 December 2017, and remain in place until revoked by the Authority.

9. The Authority may revoke or amend this direction following consultation with the Licensee.
10. Capitalised terms in this direction, which are not defined herein, have the meaning given to them in the Electricity Licence.
11. The letter accompanying this direction constitutes a Notice of Reasons in respect of this direction for the purposes of section 49A Electricity Act 1989.

Dated: 20 December 2017

**Anthony Pygram**

**Partner, Consumers & Competition**

**Signed on behalf of the Authority and authorised for that purpose.**