

# ENERGY

## ELECTRICITY

### MODIFICATIONS TO THE STANDARD CONDITIONS OF ELECTRICITY GENERATION LICENCES

The Secretary of State makes the following licence modifications in exercise of the powers conferred by section 18(1) of the Energy Act 2010 (“the Act”).

The Secretary of State has consulted the holders of licences under section 6(1)(a) of the Electricity Act 1989, the Gas and Electricity Markets Authority and such other persons as the Secretary of State considered appropriate in accordance with section 18(9) of the Act.

A draft of these licence modifications has been laid before Parliament in accordance with section 32(1) of the Act. Neither House of Parliament resolved, within the 40-day period referred to in section 32(2) of the Act, that the Secretary of State should not make the licence modifications.

#### **Modifications**

The standard conditions of generation licences granted, or treated as granted, under section 6(1)(a) of the Electricity Act 1989 are modified, with effect from 29th October 2012, by inserting in Section B, after Standard Condition 19B:

#### **“Condition 20: Transmission Constraint Licence Condition”**

1. The licensee must not obtain an excessive benefit from electricity generation in relation to a Transmission Constraint Period.
2. For the purposes of paragraph 1, the licensee shall be considered to have obtained an excessive benefit from electricity generation in relation to a Transmission Constraint Period if:
  - (a) the licensee and the system operator enter into, or have entered into, Relevant Arrangements which relate to a Transmission Constraint Period; and
  - (b) either or both of the circumstances set out in paragraph 3 occurs.
3. The circumstances referred to in paragraph 2(b) are as follows:
  - (a) Circumstance 1 is that:
    - (i) the licensee, or any affiliate of the licensee, creates or exacerbates a Transmission Constraint by dispatching or withholding one or more Generating Units in circumstances when the licensee and its affiliates together had more economic options available to them; and
    - (ii) under the Relevant Arrangements, either:

- a. the licensee is paid, or seeks to be paid, an excessive amount by the system operator in connection with an increase in electricity generation during the Transmission Constraint Period; or
  - b. the licensee is paid, or seeks to be paid, an excessive amount by the system operator, or the licensee pays, or seeks to pay, an excessively low amount to the system operator, in connection with a reduction in electricity generation during the Transmission Constraint Period;
- (b) Circumstance 2 is that, under the Relevant Arrangements and in connection with a reduction in electricity generation in the Transmission Constraint Period, either:
  - (i) the licensee pays, or seeks to pay, the system operator an excessively low amount; or
  - (ii) the licensee is paid, or seeks to be paid, an excessive amount by the system operator.
4. For the purposes of paragraph 3 any reference to an increase or reduction in generation by the licensee in a Transmission Constraint Period means:
  - (a) an increase or reduction in comparison to the licensee's Notified Electricity Generation for that Transmission Constraint Period; and
  - (b) includes an increase or reduction in generation of electricity by particular generating plant, whether or not there is an overall increase or reduction in electricity generation in that Transmission Constraint Period.
5. This licence condition shall be interpreted and enforced in accordance with guidance issued by the Authority in accordance with section 19 of the Energy Act 2010.
6. The Authority may from time to time revise the guidance referred to in paragraph 5 and before issuing any such revised guidance the Authority shall consult:
  - (a) the holder of any licence under section 6(1)(a) of the Act;
  - (b) the Secretary of State; and
  - (c) such other persons as the Authority thinks it appropriate to consult,setting out the text of, and the reasons for, the proposed revisions.
7. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition.
8. This condition will cease to have effect on the Expiry Date unless the Secretary of State makes an order extending the Expiry Date pursuant to section 23(2) of the Energy Act 2010.
9. In this condition:

<p>“Balancing Mechanism”</p>	<p>means the mechanism for the making and acceptance of offers and bids to increase or decrease the quantities of electricity to be delivered to, or taken off, the total system at any time or during any period so as to assist the system operator in coordinating and directing the flow of electricity onto and over the national electricity system and balancing the national electricity system pursuant to the arrangements contained in the BSC;</p>
<p>“Expiry Date”</p>	<p>means 15 July 2017;</p>
<p>“Generating Unit”</p>	<p>means any apparatus which produces electricity;</p>
<p>“National Electricity Transmission System”</p>	<p>means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generation station or between sub-stations or to or from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity;</p>
<p>“Notified Electricity Generation”</p>	<p>means the intended level of generation notified by the licensee to the system operator for a period pursuant to the notification arrangements established by BETTA and the BSC;</p>
<p>“Relevant Arrangements”</p>	<p>means arrangements entered into by the licensee and the system operator within the Balancing Mechanism, and the entering of such arrangements shall include the making of a bid or offer by the licensee whether or not that bid or offer is accepted by the system operator;</p>
<p>“Renewable Energy Zone”</p>	<p>means any area designated by Order in Council under section 84(4) of the Energy Act 2004;</p>
<p>“Transmission Constraint”</p>	<p>means any limit on the ability of the National Electricity Transmission System, or any part of it, to transmit the power supplied onto the National Electricity Transmission System to the location where the demand for that power is situated, such limit arising as a result of any one or more of:</p>

	<p>(a) the need not to exceed the thermal rating of any asset forming part of the National Electricity Transmission System;</p> <p>(b) the need to maintain voltage on the National Electricity Transmission System; and</p> <p>(c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System;</p> <p>and such limit being used by the system operator to operate the National Electricity Transmission System in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in standard condition C17 (Transmission systems security standard and quality of service) of the standard conditions for electricity transmission licences or any other provision of the transmission licence, the Act or any other requirement of law;</p>
<p>“Transmission Constraint Period”</p>	<p>means any period of time, regardless of the duration, when a Transmission Constraint occurs.”</p>

Date

*Name*  
 Minister of State  
 Department of Energy and Climate Change