UK Government

Smart Secure Electricity Systems Programme: Licensing Consultation

Proposals on load control licence regulations and licence conditions

Closing date: 18 February 2026

December 2025

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Foreword

As the Prime Minister has made clear, clean power is one of the five key missions in the Government's Plan for Change and delivering it is an urgent national priority.[1] Through the Clean Energy Superpower Mission, we are transforming the electricity system to deliver cleaner, cheaper and more secure power for everyone. This consultation builds on that commitment by setting out how we will create a smarter, more secure electricity system that works for everyone.

The Clean Power 2030 Action Plan and the Clean Flexibility Roadmap, developed with Ofgem and the National Energy System Operator (NESO), outline the critical role of flexibility in integrating renewables, reducing fossil fuel reliance, and meeting rising demand.[2] Flexibility capacity could increase eight-fold by 2050, creating a future where consumers are central to a secure, decarbonised energy system.

At the heart of this transformation is consumer-led flexibility (CLF), giving households and businesses the choice to shift electricity use to off-peak times when power is cheaper and more abundant via Energy Smart Appliances (ESAs) such as electric vehicle smart charge points (EVSCPs), smart electrical heating appliances and smart battery energy storage systems (BESS). Growing participation in CLF will not only reduce bills for everyone and in particular for those participating, but will also support a more resilient and cost-effective electricity grid.

The benefits for consumers are clear and compelling:

- Households avoiding peak use (4pm – 7pm) could save £200 annually by switching from the price cap tariff to a tariff that varies through the day based on market rates.[3]
- Homes with heat pumps could save more than £250 each year by adopting a smart tariff and using their heat pump flexibly.[4]
- EV drivers charging at home can typically save £330 annually through smart charging.[5]
- Wider system benefits could see £40-50 billion in savings by 2050.[6]

Our roadmap targets scaling CLF from 2.5GW today to up to 12GW by 2030, delivering billions in system-wide savings and reducing the need for costly infrastructure upgrades. Adoption of ESAs is accelerating, and with it comes an opportunity to lead the world in smart energy

[1] GOV.UK, 'Plan for Change' (viewed on 3 November 2025)
[2] GOV.UK, 'Clean Power 2030 Action Plan: A new era of clean electricity' and 'Clean flexibility roadmap' (viewed on 4 December 2025)
[3] £233 annual saving compares an average household energy consumption of 3,149kWh of electricity and 12,193kWh of gas using Octopus' Agile tariff compared to electricity price cap unit rates between July 2023 - July 2024.
[4] DESNZ analysis: Based on Octopus' Cosy tariff compared to the electricity price cap unit rates between July 2023 - July 2024. For flexibility behaviour the heat pump is assumed not to operate at peak times.
[5] GOV.UK, 'Default energy tariffs for households: call for evidence' (viewed on 4 December 2025)
[6] GOV.UK, 'Electricity Networks Strategic Framework: Enabling a secure, net zero energy system' (viewed on 4 December 2025)

solutions. By working together, we can ensure this growth is matched by strong consumer protections and cyber resilience.

The Smart Secure Electricity Systems (SSES) Programme is key to delivering this vison. It will unlock the full potential of domestic-scale ESAs to help consumers access cheaper electricity via CLF while ensuring strong protections for both consumers and the electricity system. By putting in place the right technical and regulatory frameworks we will build consumer trust, manage risks and create a foundation for a smart, flexible and low-carbon energy future.

Building on the government's 2025 response,[7] this consultation focuses on the proposed legislation and licence conditions for regulating load control on domestic-scale ESAs. It sets out our approach to the specific requirements of the licensing regime detailing a regulatory framework designed to promote fairness, transparency and cyber security. These measures will protect consumers and the electricity system, giving businesses the confidence to innovate and empower consumers to actively participate in CLF to manage their energy needs.

I want to thank our industry partners for their invaluable input so far. Your continued engagement is vital. I encourage all stakeholders to respond to this consultation and help us deliver a smarter, cleaner and secure energy system. A system that works for everyone and delivers on the UK's Net Zero ambitions.

Michael Shanks MP
Minister for Energy

[7] GOV.UK, '[Smart Secure Electricity Systems Programme: government response]' (viewed on 9 December 2025)

1. General information

1.1 Why we are consulting

The Clean Power Action Plan outlines that achieving Clean Power by 2030 depends significantly on enhancing short-term flexibility. CLF, through controlling load on ESAs, such as electric vehicles (EV), EVSCPs, heat pumps, and home batteries, is a key component of this because it enables organisations to shift electricity use to off-peak times on consumers' behalf, when demand is reduced and prices are lower. This can lower costs for consumers and support a more sustainable electricity system by reducing our reliance on costly generation and new infrastructure build.

To support this transition, the government launched the SSES Programme led by the Department for Energy Security and Net Zero. The programme is designed to unlock the full potential of domestic-scale ESAs, while ensuring robust protections for consumers and the electricity system are in place. It focuses on developing the technical and regulatory frameworks needed to manage emerging risks, enable innovation, competition and growth in an evolving market.

A central component of this framework is the proposed load control licence, which will regulate organisations that control load on ESAs and provide related services to consumers. The proposed load control licence represents a timely and proportionate response to emerging risks and opportunities in the CLF landscape. Its successful implementation will help underpin a smart, secure and consumer-friendly energy transition that supports the UK's ambitions to decarbonise the electricity system and reach Net Zero.

The licence aims to protect consumers and the electricity system by upholding minimum standards of fairness, transparency and cyber security, proportionate to the risks at hand. Government has already consulted and responded to stakeholder feedback on design principles and policy proposals associated with a new load control licence in our:

- 2022 Delivering a smart and secure electricity system consultation[8]
- 2023 Delivering a smart and secure electricity system: government response[9]
- 2024 Licensing regime: proposals for a load control licence - consultation paper[10]
- 2025 Smart Secure Electricity Systems Programme: government response

This consultation builds on the 2025 government response by setting out our proposed approach to the load control licence regulations, which define the activities requiring a licence,

[8] GOV.UK, 'Delivering a smart and secure electricity system: consultation on interoperability and cyber security of energy smart appliances and remote load control' (viewed on 9 December 2025)
[9] GOV.UK, 'Delivering a smart and secure electricity system: government response' (viewed on 9 December 2025)
[10] GOV.UK, 'Licensing regime: proposals for a load control licence - consultation paper' (viewed on 9 December 2025)

and the licence conditions which licence holders will be required to comply with. Stakeholders are invited to provide feedback on our proposed approach.

1.2 Consultation details

Issued: 10 December 2025

Respond by: 18 February 2026 at 23:59 GMT

Enquiries to:

SSES Load Control Licensing Team
Electricity Systems and Networks Directorate
Department for Energy Security and Net Zero
7th Floor
3-8 Whitehall Place
London
SW1A 2AW

Email: sses.licensing@energysecurity.gov.uk

Consultation reference: Smart Secure Electricity Systems Programme: Licensing Consultation.

Audiences:

This consultation will be relevant to companies within the energy sector that are either currently providing or planning to introduce services related to the load control of ESAs. It will also be relevant to a diverse range of organisations with a broad interest in demand flexibility and consumer protection. These include: consumer advocacy groups dedicated to ensuring fair practices and protecting consumer rights; trade associations representing industry stakeholders; wider participants in the electricity market, such as transmission and distribution network operators, who play a crucial role in maintaining and improving the energy infrastructure. In addition, academic institutions and think tanks may find this consultation important.

Territorial extent: Great Britain only

1.3 How to respond

Responses are encouraged to be provided via the Citizen Space page or via the response form that can be found on the GOV.UK consultation page. This response form can be sent via email to sses.licensing@energysecurity.gov.uk or our postal address. When responding, please state whether you are responding as an individual or representing the views of an organisation. Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome. If you need a version of this document in a more accessible format, please email alt.formats@energysecurity.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.

Respond online at: https://energygovuk.citizenspace.com/energy-security/sses-load-control-draft-regs-licence-conditions/

or

Email to: sses.licensing@energysecurity.gov.uk

or

Write to:

SSES Load Control Licensing Team
Electricity Systems and Networks
Department for Energy Security and Net Zero
7th Floor
3-8 Whitehall Place
London
SW1A 2AW

A response form is available on the GOV.UK consultation page:
https://www.gov.uk/government/consultations/smart-secure-electricity-systems-sses-programme-draft-load-control-licence-regulations-and-conditions

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

1.4 Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004). We intend to share all responses to this consultation with Ofgem given their central role in delivering the load control licence.

If you want the information that you provide to be treated as confidential, please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic

confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy.

We may use artificial intelligence tools to aid analysis of consultation responses.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

1.5 Quality assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk.

2. Introduction and summary of the proposals

2.1 Introduction

The government aims to achieve 10-12 GW of CLF by 2030, a significant increase from 2.5 GW in 2023. A key enabler of this ambitious goal is the control of load on ESAs, known as load control. Load control enables electricity usage on ESAs to be adjusted by organisations on consumers' behalf in response to system or price signals. ESAs, such as EVs, EVSCPs, smart heat pumps, and smart home batteries can be controlled to be charged or operated during off-peak hours when the cost of electricity is cheaper, helping consumers reduce their bills. By enabling flexible consumption patterns, it also helps to balance supply and demand, reduce peak demand and flatten the overall demand curve.

Load control will therefore play a vital role in a smarter, cheaper and more efficient electricity system. By reducing peak demand, load control reduces the need for costly infrastructure upgrades. By enabling consumers to shift, reduce, or increase their electricity usage in response to price signals, load control can also align demand with the availability of renewable energy while reducing bills. This is especially valuable during periods of high solar or wind generation, when electricity is both cleaner and cheaper.

The roll-out of Elexon's Market-wide Half Hourly Settlement (MHHS) reforms[11] is expected to accelerate the adoption of load control. Under MHHS, suppliers will be exposed to the actual costs of customer consumption, incentivising them to offer more dynamic, price-sensitive tariffs and services. Load control is therefore central to unlocking CLF and a cornerstone of the UK's strategy to build a cleaner, more affordable, and secure electricity system by 2030.

In July 2025, the Government's Clean Flexibility Roadmap identified the SSES programme as key to enabling secure, interoperable smart appliances that supports consumer-driven flexibility in a low-carbon electricity system. The roadmap highlighted that building consumer trust in smart technologies is essential for encouraging safe and active participation in flexibility services. Therefore, to ensure that load control achieves its potential and supports government's ambition for the growth of CLF, it is important that consumers grow in confidence in a smart secure electricity system and have protections in place should their service not meet minimum standards.

This consultation sets out government's proposed regulatory approach for implementing a new load control licence which seeks to build on existing consumer trust in load control and related flexibility propositions. Policy decisions made in our 2025 government response detailed how we intend to design the licence to ensure consumers are treated fairly, offered simple and consistent complaints and redress processes and can compare service offerings easily while ensuring they are not unfairly locked into contracts. They also detailed how the licensing

[11] MHHS Programme (viewed on 3 November 2025)

framework is intended to ensure that organisations managing load through ESAs meet cyber security and grid stability requirements proportionate to the risk posed to the system.

This consultation builds on these decisions by outlining our proposed approach to the load control licence regulations and licence conditions. In our 2025 government response, we committed to phasing some of the consumer protection requirements, with a view to minimising new regulation on a nascent market while introducing proportionate protections against the risks at hand. The licensing framework has been designed to promote a level playing field which ensures consumers receive services to expected minimum standards, and to strengthen a cyber secure and stable grid. This consultation includes detail of how the proposed draft regulations and licence conditions build on and implement decisions made in our 2025 SSES government response.

The draft regulations published alongside this consultation under the proposed *Electricity Act 1989 (Load Control Licence) Regulations 2026* would make it an offence to undertake a load control activity without a licence and authorise Ofgem to grant licences to organisations undertaking such activities. Under the proposed regulations, any organisation undertaking one or more limbs of load control activity would require a licence, unless exempt through the exemptions order proposals (see section “3.2.2 Exemptions order”).

The draft licence conditions published alongside this consultation contain the standard licence conditions that government is proposing to introduce in the first phase of the licensing requirements for organisations holding a licence.

This consultation seeks stakeholder feedback on the proposals associated with these two documents, as well as related cost questions associated with the draft impact assessment. Below we have set out a summary of our legislative and policy approaches, as well as the proposals that are included within this consultation.

2.2 Legislative approach

The Energy Act 2023 amended the Electricity Act 1989, to provide a power for the Secretary of State to make the carrying on or facilitating of load control, or the provision of services or facilities related to load control, licensable activities under the Electricity Act 1989. That is, to provide that it is an offence to undertake such activities without a licence or exemption and enable Ofgem to grant licences for this. Government is proposing to use its powers under s.56FBA Electricity Act 1989 to establish ‘load control’ as a licensable activity through regulations.[12]

Subject to this consultation, government is also intending to amend The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 to create a class exemption for load control activities associated with certain technologies and consumer types. This would authorise organisations to undertake exempted load control activities without a licence.

[12] Section 56FBA of the Electricity Act 1989 (viewed on 3 November 2025)

Organisations falling within scope of the licensable activities set out in these proposed regulations would (unless authorised by exemption) be subject to the requirement to hold a load control licence and would be required, by law, to comply with the related licence conditions, which will be published on Ofgem's website. Under the Electricity Act 1989, Ofgem would have various powers to enforce against instances of non-compliance with the licence conditions, including the power to issue provisional and enforcement orders, and impose financial penalties. Ofgem are publishing an implementation consultation in parallel to this consultation on their proposals for implementing and operationalising their administration of the licence.

2.3 Policy approach

The 2022 Delivering a smart and secure electricity system consultation set out the overarching approach which would inform the design of the licensing regime:

- **For consumers**: it would improve trust and confidence in CLF, ensuring consumers know they can rely on a minimum standard of service. This would help consumers access new services that reduce costs and provide new sources of revenue.
- **For industry**: it would develop a competitive market with a 'level playing field' between organisations. Greater consumer confidence in CLF will also help the market to grow.
- **For the energy system**: it would improve the ability to monitor and mitigate risks to grid stability, reducing costs of managing the energy system for all.

This consultation sets out our proposals for the load control licence regulations and licence conditions, presenting government's approach to the specific requirements of the licensing regime.

In developing the proposals in this consultation and the design of the licensing regime, government and Ofgem have taken particular consideration of:

- **Focusing the scope of the licensing regime on load control with the highest potential for growth.** The intended scope of the licensing regime focuses on a limited set of domestic-scale ESAs which, at this stage of market development, we believe have the highest potential for growth.
- **Weighing the nascency of the market with our objective of supporting consumer uptake of ESAs**. The consumer protection proposals have been designed to introduce a minimum set of standards which build consumer trust and encourage uptake in a growing market, while considering the importance of minimising regulation to support growth and innovation in the sector.
- **Supporting the transition to a new licensing regime**. We decided in our 2025 government response to phase consumer protection requirements into the licensing regime to support a smooth transition to a new licensing regime. By introducing consumer protections gradually, we intend to support the market adapting to new requirements without disrupting innovation or service delivery. This approach also ensures that the introduction of a baseline level of consumer protection is timely,

reducing the risk of implementation delays and safeguarding consumers from the outset. Consumer protections expected in any future phase of the licence are out of scope of this consultation and, before being introduced, will be consulted on at a future date.

- **Aligning the new regulatory framework with existing frameworks that consumers are already familiar with, utilising historic work on consumer protections across the energy sector.** Where appropriate, the load control licence conditions align with existing protections under the Electricity Supply Licence. This approach promotes consistency, helps consumers better understand their rights, and streamlines compliance processes for Ofgem.
- **To mitigate risk of a malicious cyber-attack undermining consumer confidence,** it is important that cyber security requirements placed on organisations are proportionate to the level of risk at hand. To support this, we have developed two bespoke Cyber Assessment Framework (CAF) profiles:
  - **'Tier 1':** the policy intention is that organisations managing loads of 300MW or more, will be subject to the Tier 1 CAF profile under a separate legislative framework - The Network and Information Systems (NIS) Regulations[13] (see section below on Cyber Security for more details).
  - **'Tier 2':** Organisations managing loads of below 300MW will be required to meet this CAF profile through their licence obligations.
- **The views of prospective licensees and other key industry stakeholders, including consumer groups**. Government launched a Licensing Working Group (LWG). This forum has played a valuable role in shaping the regulatory framework by facilitating engagement with industry. The discussions and input from industry at the Licensing Working Group supported the development of the scope and structure of the regulatory framework. In areas that have required a more novel approach, such as cyber security, we have worked closely with expert stakeholders, including the National Cyber Security Centre (NCSC)[14] and dedicated security and grid stability working groups to develop our approach.

The proposed load control licence represents a timely and proportionate response to emerging risks and opportunities in the CLF landscape. The successful implementation underpins a smart, secure and consumer-friendly energy transition that supports the UK's ambitions to decarbonise the electricity system and reach Clean Power 2030.

2.4 Summary of proposals

This consultation is broadly split into two sections of proposals. The first section covers our approach to the regulations which would create a new licensable activity under the Electricity Act 1989. The draft regulations are published alongside this consultation and within this

[13] The Network and Information Systems Regulations 2018 (viewed on 3 November 2025)
[14] National Cyber Security Centre (viewed on 3 November 2025)

consultation we have separate sub-sections to set out our proposals for different aspects of the draft regulations' approach. These can be summarised as follows:

Draft regulation area	Relevant regulations in the draft regulations	Summary of proposals
The approach to defining the licensable activity associated with licensing Flexibility Service Providers (FSPs) and Load Controllers under a single load control licence	4 and 6	The proposed regulations would introduce a single load control licence, with two sub-limbs: 1. Performing the function of a load controller, defined as undertaking one or more of: • Creating a load control signal • Changing a load control signal • Controlling the timing of the sending of a load control signal for the purpose of effecting load control. 2. Performing the function of a Flexibility Service Provider (FSP), defined as entering into a contract with a consumer to provide load control at that consumer's premises.
The regulatory approach to limiting who is required to hold a licence in order to undertake the licensable activities	N/A	To limit who is required to hold a licence to specific technologies of domestic scale and certain consumer types, we are proposing to use a separate class exemptions order regime by amending The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001[15]. We are proposing to exempt from holding a load control licence: 1. Load controllers controlling load exclusively on ESAs other than those in scope of the first phase ESA regulations and/or private electric vehicles.[16] 2. FSPs entering into contracts with consumers to provide load control exclusively on ESAs other than those in scope of the first phase ESA regulations and/or private electric vehicles. 3. FSPs entering into contracts exclusively with non-domestic consumers other than small business consumers to provide load control on their ESAs, even

[15] The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 (viewed on 3 November 2025)
[16] The definitions of ESAs in scope of the first phase ESA regulations are being consulted on: Smart Secure Electricity Systems (SSES) Programme: first phase energy smart appliances regulations (viewed on 5 December 2025)

		where those ESAs are in scope of the first phase ESA regulations and/or are private electric vehicles. This consultation sets out the policy underpinning our proposed approach to the exemptions order. The drafting of the exemptions order will be consulted on through a statutory notice in 2026.
Transitional arrangements to support Ofgem processing applications and licensees complying with licence conditions	1	The proposed regulations would implement a 12-month transitional period before the prohibition on undertaking the licensable activity without a licence or exemption comes into force, meaning until this period is over it will not be a criminal offence to undertake the licensable activities without a licence.
Other legislative amendments, including our regulatory approach for implementing regulation of complaints procedures and alternative dispute resolution (ADR).	3, 5, 7 – 16 and Schedules 1 and 2.	The proposed regulations include three broad areas that would make further amendments to other legislation. These cover: • Amendments to the Electricity Act 1989, Utilities Act 2000[17] and the Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019[18] as a result of creating the new licensable activity, where a new reference to load control activity or the load control licence is required, or amendments are needed to support the implementation of the licence. Please note that Ofgem are consulting on the detail of the load control licence application form in their implementation consultation. • Our 2025 government response decision to use the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008[19] as a basis for requirements on complaints processes for FSPs. • Our proposed approach for appointing the Energy Ombudsman as a single provider of Alternative Dispute Resolution (ADR) associated with disputes between consumers and FSPs.

[17] Utilities Act 2000 (viewed on 3 November 2025)
[18] The Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019 (viewed on 3 November 2025)
[19] The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 (viewed on 3 November 2025)

The second section of the consultation covers our approach to the draft licence conditions. These can be summarised as follows:

Table 1 – Standard conditions for all licensees

Licence condition	Summary of proposals
Condition 1: Definitions for standard conditions	The proposed condition sets out most of the defined words and expressions used in the standard conditions of this licence (all of which begin with capital letters) and gives their definitions next to them.
Condition 2: Interpretation of standard conditions	The proposed condition sets out general rules of interpretation of the standard licence conditions.
Condition 3: Operational capability	The proposed condition requires licensees: • To have and maintain robust internal capability, systems and processes to comply with relevant legislative and regulatory obligations. • To own or have legally enforceable rights over assets, mechanisms or arrangements which are used or needed by the licensee to fulfil its obligations such as but not limited to premises, facilities, staff, equipment, IT systems and brand name. There are additional proposed requirements on FSPs to: • Have and maintain robust internal capability, systems and processes to efficiently and effectively serve its customers and to identify likely risks of consumer harm and mitigate them.
Condition 4: Financial responsibility principle	The proposed condition requires licensees: • To ensure that it maintains sufficient capital and liquidity that it is able to meet its reasonably anticipated financial liabilities. • To notify the Authority of key financial events within five working days of the licensee becoming aware of the event's occurrence.
Condition 5: Ongoing fit and proper requirement	The proposed condition requires licensees to ensure their senior personnel are 'fit and proper' and carry out regular assessments on such person(s) to ensure that they remain fit and proper to occupy that role.

Condition 6: Provision of Information to Authority and SoS	The proposed condition requires licensees to give information to Ofgem and the Secretary of State when requested and in the form requested.
Condition 7: Principle to be open and cooperative	The proposed condition requires licensees to be open and cooperative with Ofgem and the Secretary of State.

Table 2 – Licence conditions applicable to Load Controllers only

Licence condition	Summary of proposals
Condition 8: Requirement to comply with Industry Codes	The proposed condition requires load controllers to be party to and comply with the Balancing and Settlement Code (BSC),[20] Connection and Use of System Code (CUSC),[21] and Distribution Connection and Use of System Agreement (DCUSA).[22] We also propose licensees are required to comply with the Grid Code[23] and Distribution Code.[24] Related obligations, housed in these codes, would be determined via subsequent code modifications to these governance frameworks. There is not an expectation that load controllers acceding to these codes will be required to comply with all the obligations housed in the codes. The proposed condition also includes: • Powers for Ofgem to issue a direction to relieve licensees of certain obligations under the code. • A requirement for licensees to take all reasonable steps to implement any consequential changes to the code as required. • A requirement for licensees to cooperate with Ofgem in order to give full effect to the conclusions of a Significant Code Review (SCR). • A requirement to comply with Secretary of State directions for the purposes of security.
Condition 9: Cyber assurance framework for load controllers	The proposed condition requires load controllers to comply with outcome based cyber security requirements and to have regard to guidance published by Ofgem and the Secretary of State. Government intends to formalise a 'CAF Profile' that sets out the expected standards of cyber security maturity for load controllers. The profile, referred to as a 'Tier 2' profile, is designed to provide

[20] Elexon, Balancing and Settlement Code (viewed on 3 November 2025)
[21] NESO, Connection and Use of System Code (viewed on 3 November 2025)
[22] Distribution Connection and Use of System Agreement (viewed on 3 November 2025)
[23] NESO, Grid Code (viewed on 3 November 2025)
[24] Distribution Code (viewed on 3 November 2025)

	baseline cyber security measures for all load controllers managing below 300MW of load. Government intends that a separate 'Tier 1' CAF profile, which builds on the Tier 2 profile with additional requirements, will apply to load controllers managing 300MW or more. Amendments to the Network and Information System (NIS) Regulations are intended to be made via the incoming Cyber Security and Resilience Bill.[25] The intention is that this would bring load controllers managing 300MW or more into scope of the NIS Regulations and the Tier 1 CAF profile would apply to these load controllers via the NIS Regulations. This profile will be consulted on separately and is not in scope of this consultation. As confirmed in the SSES Enduring Governance Government Response[26], licensed load controllers will report their cyber requirements through an industry-led Security Governance Group unless they are subject to the NIS Regulations, in which case, they will be required to report their cyber requirements via the NIS Regulations process.
Condition 10: Load Control Check	The proposed condition requires load controllers to pay due regard to the effects that the issuance of a load control instruction could have on an ESA and the electricity system and take appropriate steps to reduce the likelihood that an unintended or adverse consequence could be realised. The proposed condition also requires load controllers to ensure that any data source that is used to inform load control decisions is from a trusted and validated source.

Table 3 – Licence conditions applicable to FSPs only

Licence condition area	Summary of proposals
Condition 11: Treating consumers fairly	The proposed condition is a principles-based condition that requires FSPs and their representatives to treat consumers fairly, specifically against a set of Standards of Conduct which cover: • Behaving and carrying out actions in a fair, honest, transparent, appropriate and professional manner. • Providing information which is clear and accurate, and supports a consumer understand their service and make informed choices.

[25] GOV.UK, Cyber Security and Resilience Bill (viewed on 3 November 2025)
[26] GOV.UK, 'Smart Secure Electricity Systems Programme (SSES): enduring governance' (viewed on 4 December 2025)

	• Customer service arrangements • The identification of domestic customers in vulnerable situations
Condition 12: Recommending suitable services and prohibiting mis-selling	The proposed condition is a principles-based condition that requires FSPs to communicate their products and services fairly by only recommending services which are appropriate to a consumer's characteristics and preferences, not mis-selling, making clear certain terms and conditions ahead of agreeing a contract (including communicating options for and implications of the consumer signing their ESA up to a service with another FSP), and for the customer's financial or non-financial rewards to be clear and comprehensible.
Condition 13: Allow Customers to Exit a Service	The proposed condition requires that FSPs clearly provide the steps that must be taken by the customer if they want to exit a service. It also requires that these steps are not unduly onerous, and any notice period is not unreasonably long. The proposed licence condition also includes a requirement that FSPs must not act in any way that unduly prevents, restricts, or delays a customer from entering into a contract provided by another FSP.
Condition 14: Requirement that fees charged by FSPs which are associated with a customer's service exit must be proportionate	The proposed condition requires that where FSPs charge an exit fee it must be proportionate and must not exceed the direct economic loss to the licensee resulting from the customer's termination of the contract.

2.5 Timings

Following the closure of this consultation, consideration of feedback, and the publication of government's response to this consultation, we are aiming:

- To lay the load control licence regulations in parliament in Autumn 2026.
- For applications for a load control licence to open by the end of 2026, subject to parliamentary scrutiny.
- For the requirement to hold a licence to come into force by the end of 2027, 12 months after the application window opens (subject to the outcome of question 7 of this consultation). Under this proposal, it would not be an offence to undertake the licensable activities without a licence during these 12 months.

3. Regulations

3.1 Introduction

Government seeks to achieve two main objectives through a new load control licence. First, the licence is intended to allow government and Ofgem to assure that organisations who are controlling ESA load are putting in place appropriate cyber security and technical measures to protect the electricity system. Second, it is intended to set a baseline of requirements for consumer-facing licensees that will give protection to consumers who engage in load control, for example, by giving them access to complaints and redress processes.

Alongside protecting consumers and the electricity system, government wants the licence to enable innovative business propositions to continue to develop in the CLF sector. Providing these base-level protections whilst enabling market development will help to grow and maintain overall confidence in this sector, encouraging more consumers to engage in these services, thus increasing CLF's potential to deliver overall system benefits.

In our 2025 government response, government committed to introduce a single load control licence and to license FSPs and load controllers providing domestic and small non-domestic scale load control and related flexibility propositions. On this basis, we set out the intention for there to be two "limbs" to the activity requiring a load control licence, and a licence will be required if an organisation undertakes one or both of these limbs. We outlined that one limb will be focused on the control of load on an ESA through load control signals, making any organisation undertaking this limb a load controller, and the other on entering into arrangements with consumers for their load to be controlled on an ESA, making any organisation undertaking this activity an FSP.

To support various load control business models, we committed to the licence being structured so an organisation would only be required to comply with the conditions in the licence that are related to the activity or activities it carries out. While some organisations may only perform one of the functions of a load controller or an FSP and thus only be required to comply with the relevant aspects of the standard licence conditions, others will perform both functions and be required to comply with all the standard licence conditions. For more detail on how we are proposing licence conditions to apply depending on the activity undertaken, please see the "Licence conditions" section of this consultation. This current section sets out proposals associated with our regulatory approach to implementing the commitment to license load controllers and FSPs under a single load control licence.

Since our government response, we have worked closely with industry through our LWG to stress-test policy development associated with these proposals. We are proposing that the load control licence regulations will make load control a new licensable activity under the Electricity Act 1989, where undertaking one or more of the limbs of load control activity will require an organisation to hold a load control licence. The draft regulations published alongside this consultation include key proposals associated with our regulatory approach to:

- The load control activity limbs which would require a licence.
- The transitional arrangements for when the requirement to hold a licence would come into effect.
- Amendments to other legislation, including our proposal to use the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 as a basis for requirements on FSPs' complaints processes and to require FSPs to participate in the Energy Ombudsman scheme.
- The standard licence conditions which Ofgem would incorporate into a licence upon granting it (see the "Licence conditions" section for more details).

Separately, to limit who is required to hold a licence to specific technologies of domestic-scale and certain consumer types, we are proposing to use a class exemptions order regime by amending The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001. Organisations only undertaking load control activities related to technologies out of scope of the licensing regime, and also in the case of FSPs to non-domestic consumers over a certain size, would be exempt from holding a licence by this order.

In the "proposals" section below, there is a section related to each of these areas, where we set out in further detail our proposed regulatory approach. We will separately consult on the drafting of the exemptions order in 2026. Section "3.2.2 Exemptions order" sets out in detail the policy approach we intend to take for drafting this exemptions order.

3.2 Proposals

3.2.1 Licensable activity

The proposed drafting of The Electricity Act 1989 (Load Control Licence) Regulations 2026 follows the structure of licensable activities already contained within the Electricity Act 1989. The drafting of Regulation 4(2) proposes to insert a prohibition on undertaking a load control activity without holding a licence. Regulation 4(3) expands on the meaning of "a load control activity" by inserting proposed new provisions 4(3J) and (3K) into the Electricity Act 1989. This approach facilitates the two-limbed approach we committed to in our 2025 government response of licensing load controllers and FSPs under a single load control licence. The drafting of Regulation 6 is intended to enable Ofgem to grant licences for load control activity.

As above, we are also proposing there will be a separate set of regulations, known as an exemptions order, which would exempt organisations undertaking licensable activity in relation to certain technologies or consumer types. Please see the "Exemptions order" section below for further details on our associated proposals.

Load controllers

Government has outlined in previous SSES publications the risks to electricity transmission and distribution infrastructure associated with changes in load of aggregated ESAs. Licensing organisations is an effective way to monitor and assure mitigations against these risks,

allowing for the evolution of requirements for organisations as both risks and best practice evolve.

Since the 2025 SSES government response, we have tested a number of use cases with various stakeholders through the LWG to 1) develop our approach to defining load control within the licensable activities, and 2) test the application of this to business models that exist within the market. This has resulted in us to propose that what constitutes the function of a licensable load controller is undertaking one or more of:

- Creating a load control signal
- Changing a load control signal
- Controlling the timing of sending a load control signal for the purpose of adjusting the immediate or future flow of electricity into or out of an ESA or another appliance in response to the load control signal.

This approach aims to capture organisations that make decisions about how load is effected on ESAs.

Throughout the regulations, we propose to adopt the same definition of ESA and load control signal that are contained within the Energy Act 2023.[27] Please again note that we are proposing, through an exemptions order, that there would be a limited set of ESAs this licensable activity would relate to. While the exemptions order would be a separate piece of legislation, it would interact with the licensable activities to achieve the intended scope of the requirement to hold a licence. Please see section "3.2.2 Exemptions order" for more details.

Section 238 Energy Act 2023:

(2)"Energy smart appliance" means an appliance which is capable of adjusting the immediate or future flow of electricity into or out of itself or another appliance in response to a load control signal; and includes any software or other systems which enable or facilitate the adjustment to be made in response to the signal.

(4)"Load control signal" means a digital communication sent via a relevant electronic communications network to an energy smart appliance for the purpose of causing or otherwise facilitating such an adjustment.

When read in tandem with the proposed definition of load controller outlined above, these definitions entail that:

- Load controllers who effect load control on an ESA are required to hold a licence irrespective of the system or software they employ to effect the load control adjustment. For example, if load is controlled on an ESA via a home energy management system (HEMS), we intend for this to fall within scope of the licensable activities in the same way as if load is controlled directly on an ESA. Further detail on the types of

[27] Section 238 of the Energy Act 2023 (viewed on 3 November 2025)

intermediaries, such as HEMS providers, we intend to capture within the licensing framework is included further down in this section.

- Organisations managing or sending signals other than load control signals to ESAs, such as manufacturers sending firmware updates to ESAs or data platforms sending time-of-use-tariff, weather or carbon intensity data, without also configuring the load control response of the ESA in relation to that data, will be out of scope of requiring a licence.

We had considered whether to limit the types of electronic communications networks in scope of the definition of a load control signal; for example, explicitly excluding smaller networks such as Local Area Networks (LAN) to demonstrate our intent not to license consumers themselves, where the consumer could be creating and sending load control signals to an ESA through an app connected to a LAN. However, we believe the proposed draft regulations effectively achieve this intent without the need to limit the types of electronic communications networks in scope by explicitly excluding the end-user of an ESA from performing the function of a licensable load controller. We believe that defining load control and the function of a load controller should remain focused on the load control adjustment effected on an ESA rather than the route taken to effect that adjustment. This is an approach which our LWG was supported.

In relation to the three sub-elements of load controller activity, we are proposing that any organisation undertaking one or more of these activities will require a load control licence as a load controller:

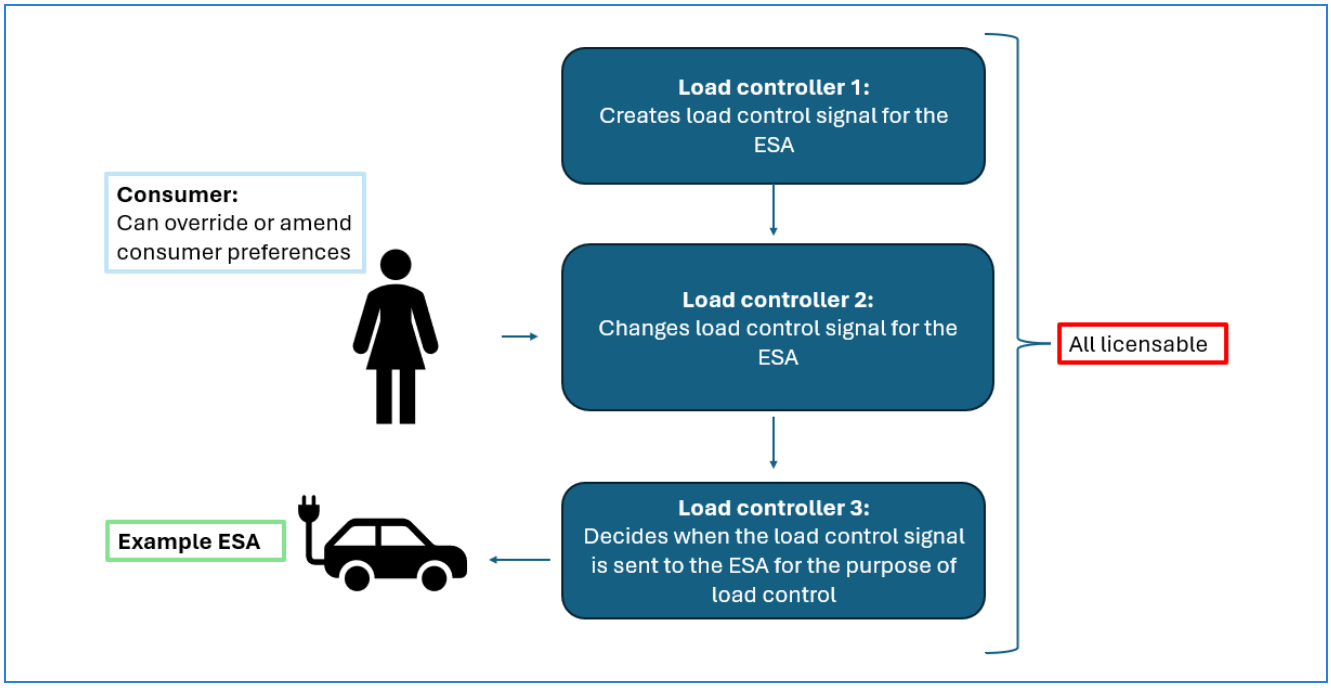
- Creating a load control signal
- Changing a load control signal
- Controlling the timing of sending a load control signal for the purpose of adjusting the immediate or future flow of electricity into or out of an ESA or another appliance in response to the load control signal.

The rationale for including all three types of load control activity is that government believes making decisions which affect the load control response of ESAs constitutes load control, irrespective of where in the decision-making chain the load control activity occurs. While it's possible the sender of a load control signal may not change the content of a load control signal, they may still control the timing of when load control is effected by controlling when a load control signal is sent. In this scenario, they could have a material impact on how load control is effected on ESAs.

Furthermore, we are aware of varying business models, including scenarios where distinct entities undertake each of the above activities independently. Figure 1 below illustrates an example of a business model where there are three load controllers undertaking different load control activity, all of which have an impact on how load control is effected on ESAs. For example, one organisation may generate an optimised EV charging schedule, before another organisation considers this schedule, using further data at its disposal (e.g. consumer preference data) to make changes to the charging schedule. A third organisation could be

responsible for sending the final charging schedule to the relevant ESAs, deciding when the charging schedule is effected by controlling when load control signals are sent to ESAs.

Figure 1 – Business model example with multiple licensed load controllers:



Given the risk that controlling load on ESAs poses to grid stability and the maintenance of electricity networks, particularly due to the threat malicious cyber-attacks pose, we do not believe it is proportionate for the regulatory burden to sit solely with one type of load controller activity over another. Subjecting all types of load control activity to a licence would ensure an equal playing field across the market and a consistent approach to protecting the electricity system. It would also mitigate stakeholder concerns that a single point of weakness in the load controller ecosystem could have knock-on impacts for other load controllers and the electricity system as a whole.

There are some types of “intermediary” organisation that we do not intend to capture, such as an “intermediary” organisation that decides when load control signals are sent but do not do so for the purpose of load control. For example, a telecommunications company may introduce timing, prioritisation, or fallback logic to manage traffic on the communications network which could influence how and when load is effected. This would be for the purpose of managing network traffic rather than load control and therefore we do not intend for them to be caught by the relevant aspect of load controller activity defined in the proposed new s.4(3K)(a)(ii) (see draft regulations). This approach is to ensure that the regulations are proportionate and targeted at those engaged in load control rather than other parts of the system who may help to facilitate load control. It’s also worth noting that the powers the Secretary of State has to make load control licence regulations cannot impose licensable activities on telecommunications networks as per the Electricity Act 1989 56FBA(3)(a). There are existing

cyber security requirements for telecommunications companies under various other pieces of legislation, including the Telecommunications (Security) Act 2021[28].

In addition to telecommunications companies, it's possible under the proposed regulations there could be other types of "intermediary" organisations that don't require a licence. The drafting of the regulations intends to capture organisations that have an active role in deciding how load control is effected, including the timing of it, while ensuring organisations that are involved in the load control ecosystem but only in a "passive manner" don't require a licence. The proposed drafting of new s.4(3K)(a)(ii) reflects that in relation to sending load control signals, the variable which constitutes an active load control role is determining the timing of when load control is effected. Where an organisation is only involved in sending a load control signal but doesn't determine the timing of the load control, for example, because the load control signal itself determines this by configuring load control at a specific time, we don't intend to license the organisation. While this isn't specific to types of organisations, examples of organisations that might send load control signals in a "passive" manner and therefore not require a licence could be API providers or organisations providing a HEMS.

There are also examples where consumers might configure the load control response of an ESA without a load controller intervening. Where it is the consumer that is creating, changing and controlling the timing of sending load control signals through, for example, a user interface, we don't intend for a licence to be required by the organisation providing the user interface nor the consumer. In the draft regulations, proposed new s.4(3K)(b)) proposes to explicitly exclude end-users from performing the function of a load controller, which is consistent with the powers the Secretary of State has to make load control licence regulations not extending to end-users of ESAs under the Electricity Act 1989 56FBA(3)(c).

FSPs

Government has outlined in previous consultations that detriment experienced by consumers from engaging in load control of ESAs could lead to a wider loss of confidence in CLF, negatively impacting consumer uptake and potentially the wider system benefits from CLF. Licensing of consumer-facing FSPs will ensure key protections are in place for consumers engaging in load control services using their ESAs. In the load control supply chain, we believe organisations managing the relationship with the consumer for their load control represents the most appropriate point of accountability to ensure that requirements for protecting consumers are in place.

Government is therefore proposing to implement our decision to license FSPs by requiring organisations that enter into contracts with consumers for load to be controlled at their premises to hold a licence. Please again note that we are proposing, through an exemptions order, that there would be a limited set of ESAs this licensable activity would relate to. While the exemptions order would be a separate piece of legislation, it would interact with the licensable activities to achieve the intended scope of the requirement to hold a licence. Please see section "3.2.2 Exemptions order" for more details.

[28] Telecommunications (Security) Act 2021 (viewed on 4 November 2025)

An FSP could enter into a contract through various selling techniques, including door-to-door sales, a third-party retailer, online, or as part of a bundled service with the sale of the ESA. We intend to capture all these scenarios and the selling technique that an FSP employs to enter into a contract with a consumer would not determine whether or not they would require a licence. We intend for the defining factor of an FSP to be that they assume responsibility for managing the relationship with the consumer by entering into a contract with the consumer to provide for the sending of a load control signal to an energy smart appliance at that consumer's premises.

The types of arrangements that we do not intend to capture as an FSP are:

- Another end-user of the ESA, such as a family member or friend, arranging with the consumer to use the ESA – even if they pay for that use.
- A third-party organisation being granted permission by the consumer to control load in the consumer's premises but who do not manage the relationship with the consumer because they do not hold the contract with the consumer for the load control. For example, a load controller could be granted third-party rights through the contract that an FSP has with the consumer, and we do not propose for the load controller in this instance to be considered an FSP.
- Contracts with consumers other than specifically for load to be controlled at their premises e.g. a contract to provide an ESA, a user interface or HEMS (which isn't also a contract to provide load control on an ESA).

Through engagement with our LWG, we acknowledge some stakeholder concerns about there being a possible lack of clarity on who would be the single point of contact for a consumer in relation to their load control. We believe the proposal to license the organisation that enters into a contract with the consumer, and subjecting this organisation to the consumer protection requirements in the licence, adds clarity to which organisation assumes the role of the FSP in relation to a load control contract.

While we understand at this stage of market development that a consumer could, in theory, have multiple FSP contracts for load control in relation a single ESA (e.g. a contract with FSP A to control load during the week and a contract with FSP B to control load during the weekend), we believe it remains clear which organisation would be the FSP in relation to each contract by virtue of that organisation having entered into the contract with the consumer for the specific load control arrangement. We also propose to introduce licence condition protections for consumers to make them aware of the implications of signing up their ESA to another load control contract (see section 4.4.3 "Recommending suitable services" for licence conditions proposals on this).

Consultation questions

1. **With reference to regulation 4 and inserting new sub-sections (3J)(a) and (3K) into section 4 of the Electricity Act 1989, do you agree with the proposed load controller licensable activity, noting that it distinctly captures organisations creating a load control signal, changing a load control signal, and controlling the timing of sending a load control signal where controlling the timing of sending a**

load control signal is for the purpose of effecting load control? Please explain your answer and if you disagree provide alternative suggestions.

2. **With reference to regulation 4 and inserting a new sub-section (3J)(b) into section 4 of the Electricity Act 1989, do you agree with the proposed FSP licensable activity? Please explain your answer and if you disagree provide alternative suggestions.**

3. **With reference to regulations 4 (amending section 4 of the Electricity Act 1989) and 6 (amending section 6 of the Electricity Act 1989), do you agree with the rest of the proposed drafting to make load control a licensable activity and authorising Ofgem to grant load control licences? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

3.2.2 Exemptions order

In our 2025 government response, we decided that the ESAs in scope of the licensable activities would be private EVs and EVSCPs, heat technologies within the scope of the smart mandate, and domestic-scale BESS, and, where appropriate, ancillary devices used to control load on these technologies. This decision was taken to focus our regulatory approach on the technologies which at this stage of market development, domestic and small business consumers stand the most to gain from. As per previous SSES publications, we continue to believe that regulating load control activities across all technologies in all non-domestic settings could create a barrier to growth in markets where consumer uptake is minimal or the benefits of introducing consumer protections and cyber security requirements would be disproportionate to the present risk.

In our 2025 government response, we also decided we did not think it's the appropriate time to introduce consumer protections for large non-domestic consumers given these consumers typically have more complex and variable energy needs, often with bespoke contracts between the service provider and consumer.

We propose to implement the approach to managing technologies and consumer types in scope of the licence through an exemptions order regime, which would be a separate piece of legislation, amending The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001. We are currently drafting this exemptions order and so the draft legislation is not included within this consultation. However, we welcome respondents to comment on this proposed approach and the policy intent outlined below. We will publish a follow-up statutory notice on the specific drafting of the exemptions order to further support the development of this approach.

The alternative approach to an exemptions order managing the technologies and consumer types in scope of the licence would be to define, on the face of the Electricity Act 1989, the licensable activities in relation to these technologies and consumer types. For example, to define in the Electricity Act that performing the function of a load controller is in and of itself limited to certain ESAs. It is government's preference to use an exemptions order because we believe it:

- Reduces technical detail from the face of the Electricity Act 1989, such as lengthy definitions of ESAs (see table below for details).
- Aligns with supply, generation, distribution and transmission licence approaches.
- Enhances future-proofing of changes to the scope of the licence, should other existing technologies grow in flexibility capacity, new technologies emerge, or needs to protect larger non-domestic consumers arise. This is because, in this scenario, we would not be amending the overall definition of a load control activity (as would be defined by the Electricity Act 1989) but instead would be amending the exemptions applied to this definition.

We propose that the exemptions order will cover three exemptions:

1. Load controllers controlling load exclusively on ESAs other than those in scope of the proposed ESA regulations (EVSCPs, electrical heating appliances, and BESS)[29] and/or private electric vehicles.
2. FSPs entering into contracts with consumers to provide load control exclusively on ESAs other than those in scope of the proposed ESA regulations (EVSCPs, electrical heating appliances, and BESS) and/or private electric vehicles would be exempt from holding a load control licence.
3. FSPs entering into contracts exclusively with non-domestic consumers other than small business consumers to provide load control on their ESAs, even where those ESAs are in scope of the proposed ESA regulations and/or are private electric vehicles.

Exemptions for load controllers and FSPs based on ESAs

Since our government response, further work has been undertaken to define domestic-scale ESAs which will be in scope of the first phase ESA regulations (applicable to manufacturers and importers), which are also being consulted on[30]. This has helped government to identify the characteristics of domestic-scale ESAs which at this stage of market development have the highest potential for growth. We propose that the ESA-based exemption for load controllers and FSPs mirror definitions being written into the ESA regulations to ensure that load control activity in relation to low-impact ESAs is not disproportionately regulated and to avoid regulatory divergence across the new SSES regulations.

In addition to the ESAs in scope of first phase ESA regulations, we are also proposing to license load controllers and FSPs offering load control services on storage batteries within privately owned EVs, in line with the decision made in our 2025 government response. This is to ensure that the licence takes a consistent approach to EV consumers and that those consumers receiving load control directly to their EV (as opposed through an EVSCP) also receive protections offered by the licence.

In our 2025 government response, we had decided that at this stage only organisations controlling load on ESAs within domestic and small non-domestic settings would require a

[29] The definitions of ESAs in scope of the first phase ESA regulations are being consulted on: Smart Secure Electricity Systems (SSES) Programme: first phase energy smart appliances regulations (viewed on 5 December 2025).
[30] GOV.UK, 'Smart Secure Electricity Systems (SSES) Programme: first phase energy smart appliances regulations' (viewed on 4 December 2025)

licence. We now believe that defining domestic and small non-domestic settings, in addition to already defining ESAs which are of domestic-scale, increases complexity to the scope of the licence. We are therefore proposing that a load controller will require a licence if they control load on an in-scope ESA (based on the definitions of domestic-scale ESAs outlined in the table below), irrespective of the setting in which that ESA resides (unless the definition itself includes setting-specific carve outs, such as public charge points being considered out of scope).

This approach would mean, for example, that load control on a domestic-scale EVSCP or heat pump within a commercial setting such as an office carpark or building would fall within scope of a load controller requiring a licence. In this respect, the approach being taken for FSPs differs to that for load controllers, where we are proposing that FSPs are not required to hold a licence if they exclusively have load control contracts with larger non-domestic consumers (see "Exemptions for FSPs based on consumer type" below). While the approach for load controllers is a change from our government response decision, we believe it remains consistent with the policy intent of focusing our regulatory regime on domestic-scale ESAs with the highest flexibility potential.

As above, to avoid regulatory divergence for EVSCPs, electrical heating appliances and BESS, we intend to align the in-scope ESA definitions with those proposed for the ESA regulations, which are currently being consulted on. Where relevant (i.e. EVSCP, electrical heating appliances and BESS), the definitions included within the table reflect the draft ESA regulations which are being consulted on. The table also includes our proposals for defining private EVs and ancillary appliances. Following the outcome of decisions made through the ESA regulations consultation response, we intend to align with definitions which will be included within a final set of ESA regulations laid before parliament.

ESA	ESA characteristics
Private EV	A motor vehicle that – 1. can be propelled by electrical power derived from a storage battery (or for discharging electricity stored in such a vehicle), whether or not it can also be propelled by another kind of power. 2. used primarily for social, domestic, or pleasure purposes, and not primarily for hire or business purposes.
EVSCP	Charge points - 1. which are connected to the electricity grid, and are intended to be used for charging cars, vans or both of them. 2. except public charge points and rapid charge points. Where – (a) "car" means a motor vehicle designed and constructed primarily for the carriage of passengers and their luggage, with not more than eight seating positions in addition to the

	driver's seating position and without space for standing passengers, regardless of whether the number of seating positions is restricted to the driver's seating position; (b) "van" means a motor vehicle designed and constructed primarily for the carriage of goods with a maximum mass not exceeding 3.5 tonnes; (c) "rapid charge point" means a charge point that allows for a transfer of electricity to an electric vehicle with a power of not less than 50 kilowatts; (d) "public charge point" includes, subject to paragraph (e), a charge point that− (i) may only be accessed during specific hours, or (ii) is situated in a public car park, whether or not that car park is available only to persons intending to purchase specific goods or services; (e) "public charge point" does not include− (i) a workplace charge point; (ii) a charge point restricted for the exclusive use by− 1. a vehicle produced by a specific manufacturer, 2. a person engaged in a specific occupation, or 3. an occupier of, or visitor to, residential premises.
Electrical heating appliances	The following electrical heating appliances with a thermal rated capacity of 45 kilowatts or under: 1. relevant heat pumps; 2. storage heaters; 3. relevant heat batteries; 4. hot water heat pumps; 5. standalone direct electric hot water cylinders; 6. hybrid heat pumps. Where, (a) "relevant heat pump" means a heat pump that is not— (i) placed on the market as part of a hybrid heat pump system, or

	(ii) an air-to-air heat pump; b) “storage heater” means a non-hydronic heater which— (i) stores thermal energy converted from electricity in an internal accumulating core for subsequent release, and (ii) is designed to operate as one of a number of distributed units within premises; (c) “relevant heat battery” means an appliance that— (i) consists of a fixed storage medium that retains thermal energy and a mechanism to transfer that energy to a separate working fluid during discharge, and (ii) can be charged directly from the grid; (d) “hot water heat pump” means a water cylinder integrated with a heat pump which uses electricity to transfer ambient heat from the air to heat water; (e) “standalone direct electric hot water cylinder” means a water cylinder that— (i) is not connected to a centralised space heating device, and (ii) heats water directly using the Joule effect in its electric resistance heating elements only; (f) “hybrid heat pump” means— (i) a package containing all the necessary HHPS components, or (ii) all of the necessary HHPS components integrated in a unit, whether or not the package, or unit, contains any other device. “air-based heating system” means either or both of equipment or components of equipment necessary for the supply of heated air by means of a device for moving air, either through ducting or directly into the heated space, where the purpose of the system is to attain and maintain the desired indoor temperature of an enclosed space in any part of a building, for the thermal comfort of human beings;

	"air-to-air heat pump" means a heat pump whose— (a) heat generator uses a vapour compression cycle driven by an electric motor or internal combustion engine, and (b) evaporator which transfers heat from ambient air to an air-based heating system; "centralised space heating device" means a device designed to provide space heating to multiple rooms or zones within a building via a central heating system; "fuel boiler" means an appliance or component of an appliance that— (a) generates heat by burning fossil fuels or biomass fuels or both, and (b) may be equipped with one or more additional heat generators using the Joule effect in electric resistance heating elements; "heat pump" means an appliance that— (a) uses ambient heat from an air source, water source or ground source or waste heat for heat generation, and (b) may be equipped with one or more supplementary heater using the Joule effect in electric resistance heating elements; "hybrid heat pump system" means a heating system that contains the following components (each a "necessary HHPS component")— (a) a heat pump, (b) a fuel boiler, and (c) a master controller which determines, based on operating conditions, the heat output of each of the heaters.
BESS	A battery pack that - 1. has a battery capacity of at least 1 kilowatt hour, 2. has a maximum power output level of at least 1 kilowatt, 3. is designed to be wired into a consumer side of a meter used by a holder of a licence under section 6(1)(d) of the Electricity Act 1989 for billing purposes; 4. is designed to become a fixture of a building when installed, 5. has a bi-directional power conversion sub-system, and 6. has an auxiliary sub-system; Where -

	(a) "battery cell" means a single anode and cathode separated by electrolyte used to produce a voltage and current; (b) "battery pack" means a set of rechargeable battery cells that are enclosed in an outer casing so as to form a complete unit; (c) "bi-directional power conversion sub-system" means a sub-system that charges and discharges the battery pack− (i) by drawing electric current from a supply of alternating current and converting it into a direct electric current, and (ii) converting a direct electric current into an alternating current via an inverter; (d) "auxiliary sub-system" means a sub-system that supports the bi-directional power conversion sub-system;
Ancillary appliances	Appliances meeting the definition of ESA contained in Section 238 of the Energy Act 2023 that are used to control private EVs, EVCPs, electrical heating appliances, or BESS but which are not EVs, EVSCPs, electrical heating appliances or BESS themselves. Note that, under this proposal, the EVs, EVCPs, electrical heating appliances or BESS which the ancillary device controls would not themselves need to meet the definition contained in s.238 of the Energy Act 2023. They would only need to meet the definitions set out above in this table. We are also proposing that electricity smart meters, Standalone Auxiliary Proportional Controllers (SAPCs), and HAN Connected Auxiliary Load Control Switches (HCALCs) will not be considered as an ancillary device in scope of the requirement to hold a load control licence. This is because there is existing rigorous security regulation of smart metering activity, such as SLC 46 which requires suppliers to have secure end-to-end systems.

Additional exemption for FSPs based on consumer types

In our 2025 government response, we decided that the consumer protection requirements within the licence would only apply in relation to domestic and small non-domestic consumers, except protections related to consumers in vulnerable situations (these would apply to domestic consumers only). In addition to the exemption based on ESAs, we therefore propose

that FSPs exclusively arranging to provide load control with larger businesses and non-domestic consumers (other than small business consumers) should be exempt from holding a load control licence, given that their consumers will not be in scope of the consumer protections the licence will provide.

In our 2024 consultation, we proposed determining the non-domestic consumers in scope of protections offered by the licence using the existing small business consumer definition (as defined under The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008).[31] We are proposing to use this definition for the purpose of this exemption, where a small business consumer would be a non-domestic consumer:

(a) with an annual consumption of—

(i) electricity of not more than 200,000 kWh, or

(b) with—

(i) fewer than 50 employees (or their full time equivalent), and

(ii) an annual turnover not exceeding £6.5 million or a balance sheet total not exceeding £5 million

This would mean that FSPs contracting to provide load control with domestic or small business consumers meeting these criteria would be required to hold a licence, while those contracting with larger non-domestic consumers who do not meet the above criteria would be exempt. This approach aligns with the outcome of the 'New threshold for businesses accessing the Energy Ombudsman' and the consultation work government and Ofgem have done to identify the types of non-domestic consumers most in need of consumer protections.[32] Ensuring alignment with existing definitions used in the sector will ensure clarity and consistency for consumers and for any suppliers that will also come under the load control licence regime.

We are also proposing to align licence condition requirements with the proposed exemptions order scope. This will mean that, where licence conditions relate specifically to obligations associated with ESAs, these obligations will only extend to the set of ESAs outlined in this section. Upon drafting the exemptions order, and to ensure consistency, we expect the definition of ESA included in licence condition 1 to point to the definitions of ESAs included within the exemptions order. We are proposing that FSPs holding a licence would not need to comply with consumer protection requirements in relation to their non-domestic consumers other than their small business consumers (see section "4.4.1 Scope of consumer protection licence conditions").

Other exemptions

In our 2025 government response, we decided that all requirements (other than cyber based on a 300MW threshold) would apply equally to all licensees. We recognised the limited concerns about the proposal impacting smaller market participants but emphasised that the

[31] The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008 (viewed on 4 November 2025)
[32] GOV.UK, 'Consultation outcome: New threshold for businesses accessing the Energy Ombudsman' (viewed on 4 November 2025)

licence is designed to be a minimum set of consumer protections and, in line with a number of respondents, we believed consistency across the market will be essential for supporting consumer confidence.

However, we do recognise the importance of continuing to scrutinise that requirements are not creating a disproportionate barrier to market entry. In the first instance, we are seeking to validate the estimates included within the impact assessment because of our uncertainty of their accuracy. We strongly welcome respondents who are impacted by costs associated with the licence to respond to the relevant questions in this consultation (questions 12, 15, 24, 30, and 33).

Following validation of licensing costs associated with micro and small businesses, government will consider whether there is a case for including other exemptions beyond those outlined within this consultation. We will be consulting on the drafting of the exemptions order in 2026 through a statutory notice.

Please note, as per section “4.5 Licence condition derogations” in this consultation, we are also considering the possibility of including derogation provisions within certain licence conditions, which could be another route to reducing regulatory costs for micro and small licensees, should this be deemed necessary. At this stage, and in line with our 2025 government response, we believe tiering consumer protection requirements for smaller licensees through licence condition derogations could dilute consumer protections for certain consumers. The licence is designed to be a minimum set of consumer protections and, in line with a number of respondents to our 2024 consultation, we believe consistency across the market will be essential for supporting consumer confidence. Please refer to question 35 on licence condition derogations to provide feedback.

Consultation questions

4. **Do you agree with the ESA definitions outlined in this section and the intent to align the ESA definitions of the exemptions order with first phase ESA regulations (where applicable), noting that organisations will need to identify whether they are required to hold a licence based on the scope and definitions outlined (although, please also note it is only load controllers and FSPs that <u>exclusively</u> undertake out of scope activity that will not require a licence)? If not, please specify the definitions you disagree with, alternative suggestions or ways to mitigate your implementation concerns and your rationale.**

5. **Do you agree with using the small business consumer definition to determine the additional consumer-based exemption for FSPs? Please explain your answer and if you disagree provide alternative suggestions.**

6. **Do you think government should consider any further exemptions? If so, please specify which exemption(s), the approach you would take to the exemption(s) and your rationale.**

3.2.3 Transitional arrangements

In our 2025 SSES Government Response, we stated that we expect the licence application window to open with a transition period following this to allow for applications to be assessed and processed by Ofgem before the requirement to hold a licence comes into force. Further

discussions with Ofgem and the LWG have led us to propose a 12-month transition period. We believe this strikes the right balance between giving industry and Ofgem sufficient time to adapt to a licensing regime while ensuring that organisations who would need to hold a licence do so in a timely manner.

In practice, this proposal will mean that we intend for licence applications to now open by the end of 2026 but that the licensable activity will continue to be allowed without a licence until 12 months after the application window has opened i.e. by the end of 2027. Ofgem's implementation consultation includes detail of Ofgem's proposals associated with the application process.

Consultation question

7. **Do you agree with a 12-month transitional period being written into legislation? Please explain your answer and if you disagree, provide alternative suggestions.**

3.2.4 Amendments to other legislation

Amendments may be required to other pieces of legislation as a result of changes made to another so that the different pieces of legislation continue to fit together properly. There are three broad areas that we are proposing these sorts of amendments will cover:

- Amendments to the Electricity Act 1989, Utilities Act 2000 and the Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019 as a result of creating the new licensable activity, where a new reference to load control activity or the load control licence is required. Please note that Ofgem are consulting on the detail of the load control licence application form in their implementation consultation. It is government's intention to amend the Schedule in the 2019 application regulations in line with the outcome of Ofgem's response to their consultation.
- Our 2025 government response decision to use the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 as a basis for requirements on complaints processes for FSPs.
- Our proposed approach for appointing the Energy Ombudsman as a single provider of Alternative Dispute Resolution (ADR) associated with disputes between consumers and FSPs.

Existing statutory framework for complaints handling and alternative dispute resolution

Gas and electricity suppliers, electricity distributors and gas transporters are required to meet complaints handling standards and partake in a redress scheme designated by Ofgem through the Consumers, Estate Agents and Redress Act 2007 (CEARA),[33] and related secondary legislation - The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 ("the 2008 Regulations") and The Gas and Electricity Regulated Providers (Redress

[33] Consumers, Estate Agents and Redress Act 2007 (viewed on 4 November 2025)

Scheme) Order 2008 ("the 2008 Order"). We are proposing to bring FSPs within scope of this statutory framework.

Internal complaints procedures

In our 2025 SSES Government Response, we decided to use the 2008 Regulations as a basis for requirements on complaints processes for FSPs. This decision ensured that minimum standards for consumer complaints would be set out and that there would be a clear and robust process for complaints handling, as well as reflecting the existing complaints handling approach in the retail energy sector which load control consumers are likely to be familiar with through interactions with their supplier.

Rather than using the 2008 Regulations as a basis for load control licence conditions on internal complaints procedures, we are proposing to bring FSPs within scope of the existing 2008 Regulations. Bringing in complaints handling requirements on FSPs through the existing statutory framework is government's preferred approach because it achieves the same desired policy outcome while future-proofing alignment with complaints handling standards across other licences, should for example there be amendments made to the 2008 Regulations. This ensures consistency for consumers by future-proofing a consistent legislative approach across Ofgem-administered licences. Furthermore, it supports our policy intent for the Energy Ombudsman to be the single ADR provider associated with the licence, which we have set out in more detail in the "Alternative dispute resolution" sub-section below.

Under this proposed approach, while the default proposal will be to bring FSPs within scope of the 2008 Regulations, regulations 8 and 9 require further consideration which we set out in more detail after the below summary of the regulatory requirements included in the 2008 Regulations.

Relevant requirements in the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008

The 2008 Regulations prescribe standards for the handling of consumer complaints by energy suppliers and certain other providers.

Regulation 3 requires providers to have a complaints handling procedure, for them to comply with the procedure and in paragraph (3) outlines key requirements this procedure must meet, which include it being in plain and intelligible language, setting out the steps to be taken to resolve complaints, providing for internal review where a consumer is dissatisfied with the handling of their complaint, requiring the provider to inform consumers of the sources of independent help available, and allowing consumers to make a complaint either over orally (e.g. over the phone) or in writing.

Regulation 4 specifies the information about consumer complaints that must be recorded by providers upon receipt of such complaints.

Regulation 5 specifies the information that must be recorded by providers about consumer complaints that have not been resolved by the provider by the end of the next working day.

Regulation 6 requires providers to inform consumers in writing of the consumer's right to refer the consumer complaint to the redress scheme, which under our proposed approach will be the Energy Ombudsman scheme.

Regulation 7 sets out how providers should deal with consumer complaints and requires that they allocate sufficient resources to enable them to do so.

Regulation 8 requires providers to establish arrangements to address certain vulnerable consumer complaints. Regulation 8 will not apply to FSPs.

Regulation 9 requires providers to establish arrangements for the referral of consumer complaints or, where applicable, complainants from a consumer advocacy body to the regulated provider. We are also proposing that regulation 9 will not apply to FSPs for the time being.

Regulation 10 requires providers to make information concerning their complaints handling procedures available to consumers in particular ways and at particular times – for example putting the procedure in a clear and prominent location on their website.

Regulation 11 requires providers who hold supply licences to prepare and publish an annual report concerning their complaints handling procedure, mentioning the existence of the Regulations and setting out certain details concerning the consumer complaints they have received from domestic consumers during the relevant period.

Regulations 8 and 9

Regulation 8 requires regulated providers to establish arrangements to address section 12 and 13 complaints of CEARA. Section 12 complaints relate to complaints associated with vulnerable designated consumers, where vulnerable designated consumers are specific to supply consumers. Section 13 complaints relate to the disconnection of gas or electricity, which are specific to electricity supplier, distributor and transmission licence holders, as well as gas suppliers and transporters. Given the nature of these complaints and their relation to risks of supply being disconnected, this regulation will not apply to FSPs where it would continue to be suppliers that are responsible for ensuring consumers' premises are supplied with electricity.

Regulation 9 requires regulated providers to establish arrangements for the referral of consumer complaints or, where applicable, complainants from a consumer advocacy body to the regulated provider. In our 2025 SSES government response, we decided not to commit to a preferred approach for implementing advocacy and advice services to FSP services due to wider work in the department on a potential CLF consumer engagement framework. To help determine the scope of this potential framework and the role of government and other organisations within it, and as set out in the Clean Power 2030 Action Plan, an initial

consultation on the best approach to CLF consumer engagement closed in September and the detailed proposals of a CLF consumer engagement framework could be subject to a further consultation.[34] Therefore, while work on CLF consumer engagement is still ongoing, we are proposing that Regulation 9 will not apply to FSPs. Ofgem have powers under section 43 of CEARA 2007 which enable them to amend the 2008 Regulations, thus providing an avenue for phasing in requirements associated with Regulation 9 once government deem it appropriate to extend consumer advocacy services to this market.

Alternative dispute resolution

Domestic and small non-domestic consumers who report complaints to their FSP may feel that the internal complaints process did not resolve a situation to their satisfaction. ADR mechanisms offer a third-party resolution to a dispute outside of the court process. For example, by referring an unresolved complaint to an independent organisation, which can assist with or direct on the outcome of a dispute. In our 2025 government response, we decided that FSPs will be required to participate in an ADR scheme and stated our preference for a single common ADR scheme to be used by all licensed FSPs. By requiring FSPs to participate in an ADR scheme it will directly help avoid consumer detriment associated with disputes between consumers and their FSP that might have otherwise been unresolved.

We are now proposing that the Energy Ombudsman is the provider of a single ADR scheme in relation to the licensing framework, and that this is achieved through bringing FSPs within scope of The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008. The Energy Ombudsman has a wealth of experience supporting energy consumers seeking redress and supporting the energy sector in improving standards. Appointing the Energy Ombudsman aligns with approaches taken in the rest of the energy sector, providing a simple solution for consumers, and supports government's view that load control is an integral part of the wider sector. To ensure that we maximise the protections that ADR provides, it's important that consumers understand how they can utilise ADR where they cannot resolve a dispute with their FSP. Appointing the Energy Ombudsman achieves this as FSPs' consumers would likely be familiar with this ADR process through their electricity supply service.

Furthermore, the Energy Ombudsman's ADR service exceeds in terms of resourcing, scope of applicable evidence and outcomes, and the approach and possible impact of other ADR providers. Of particular note, the Energy Ombudsman has nearly 200 ADR officials in place to handle disputes,[35] more than any other ADR provider in the sector or related sectors, and their experience of handling a large volume of cases makes them well placed to support consumers with their disputes as the market evolves. Also, when considering a case, the Energy Ombudsman may consider non-legal factors that might reasonably be considered when deciding the outcome of a case. This means that consumers are fully supported as Energy Ombudsman decisions can have regard to what is fair, practical and proportionate, taking in several factors that may not have been considered in the initial dispute between parties. Beyond simply resolving individual disputes, the Energy Ombudsman can identify and address

[34] GOV.UK, 'Consumer-led flexibility: consumer engagement' (viewed on 4 November 2025)
[35] Energy Ombudsman, 'Energy Ombudsman - Company information' (viewed on 4 November 2025)

systemic issues across the sector, further supporting government's ambition to unlock the full potential of domestic-scale ESAs while ensuring strong protections for consumers and support for the market.

Section 4.4.4 of this consultation ("Consumer protection cost appraisal") sets out the cost appraisal associated with the combined cost impact of licence conditions 11 and 12 as well as the requirement to offer complaints procedures and contribute to dispute resolutions. In this section, we have asked respondents to comment on the consumer protection cost assumptions in the impact assessment.

Consultation questions

8. **With reference to regulations 8-15 and Schedule 1, do you agree with the proposed amendments to the Electricity Act 1989, the Utilities Act 2000 and the Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019, noting that Ofgem are separately consulting on the detail of the load control licence application form? Please explain your answer and if you disagree provide alternative suggestions where relevant.**

9. **With reference to regulation 16 and Schedule 2, do you agree with the approach to bring FSPs within scope of the existing statutory framework to regulate complaints handling standards and ADR, noting that this:**

    a. **Will require FSPs to comply with regulations 1 -7, and 11 of The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008;**

    b. **Will require FSPs to participate in the Energy Ombudsman ADR scheme.**

    Please explain your answer and if you disagree provide alternative suggestions.

10. **With reference to paragraph 2(3) of Schedule 2 of the draft regulations, do you agree that regulation 9 of The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 should not apply to FSPs until a future time when government and Ofgem deem it appropriate to extend consumer advocacy services to this market? Please explain your answer and if you disagree suggest when you think it would be appropriate for consumer advocacy services to extend to this market, whether that be for the launch of the licence or another specific time.**

4. Licence conditions

4.1 Introduction

The proposed amendments to the Electricity Act 1989, contained in the draft regulations, and the proposed exemptions order are intended to determine which organisations are required to hold a load control licence. The Electricity Act 1989 (Load Control Licence) Regulations 2026 also intends to determine the licence conditions that are to be the standard licence conditions for load control licences (as set out by the proposed regulation 7), which would also be published on Ofgem's website. The proposed standard licence conditions would be incorporated into licences granted by Ofgem, subject to any modifications made by the Secretary of State and Ofgem, or new licence conditions, including special conditions, in a particular organisation's licence. These licence conditions would then determine the obligations that organisations need to meet in order to comply with the licence. There is no intention to introduce special conditions for the launch of the licence. This section sets out government's proposals for the standard conditions which we intend to introduce for the launch of the licence.

Depending on whether an organisation qualifies as a load controller, FSP, or both, will determine the sections of the licence that they will need to comply with, based on the following breakdown:

All licensee requirements	Load controller specific requirements	FSP specific requirements
• Financial and management • Provision of information • Principle to be open and co-operative	• Compliance with industry codes • Cyber security (for load controllers unless designated under NIS Regulations)	• Consumer protections

In our 2025 SSES government response, government committed to include licence conditions covering the areas included in the table above. Since this publication, we have worked closely with Ofgem and industry to develop a set of draft standard licence conditions, which are published alongside this consultation. In the "proposals" section below, we set out our proposed approach to each licence condition.

In line with our government response decisions, we are proposing for a number of the conditions, particularly the consumer protections, to strongly align with some parts of the electricity supply licence. We believe, where appropriate, aligning conditions with the supply licence will support regulatory alignment and avoid confusion for consumers, particularly given that some consumers may be provided with electricity supply and load control through a single arrangement with their supplier. While the proposed load control licence conditions overall form

a much lighter touch approach to regulation than the electricity supply licence, we are conscious of avoiding creating two adjacent regulatory regimes which are in tension with one another.

To ensure protections are consistent for consumers who are familiar with their protections under the electricity supply licence, we have only deviated from the supply licence drafting approach where we consider supply licence requirements to be overly burdensome for the nascency of the load control market, or where risks are specific to load control, such as cyber security. Where we have adopted the supply licence drafting approach, we have adapted the conditions to ensure the language is specific to flexibility service arrangements and load control. To support the development of proportionate licence conditions, we have stress tested the drafting of the licence conditions with various industry stakeholders, including prospective licensees and consumer groups, through our LWG.

This consultation is seeking feedback on the drafting of licence conditions and does not include proposals associated with Ofgem's administration of the licence conditions, such as the evidence they might require to assess compliance with the licence. Ofgem's implementation consultation includes proposals on how they intend to administer the licence conditions through the application, monitoring, compliance and enforcement processes.

4.2 Proposed licence conditions for all licensees

4.2.1 Operational capability

In the 2025 SSES government response, government decided to include a load control licence condition on operational capability to ensure that licensees can effectively deliver their services at the required standard to support their ongoing business function and legal obligations.

The proposed condition (condition 3 of the draft licence conditions) requires all licensees to have and maintain robust internal capability, systems, and processes to enable the licensee to comply with relevant legislative and regulatory obligations. This aligns with SLC 4A of the Electricity Supply Licence[36] and is designed to provide additional regulatory oversight for Ofgem to ensure that licensees do not risk failing to meet their legal obligations. This builds on other financial and management requirements to promote the responsible management of licensed companies, ensure that licensees possess sufficient operational capacity, and safeguard customers and the electricity system by requiring that licensees have the capacity to deliver their services in compliance with the law.

The proposed condition also requires FSPs to have internal capability, systems and processes in place to effectively serve their customers and to identify and mitigate likely risks of customer harm. This further safeguards consumers by ensuring that FSPs have the ability and resources to meet customer service needs and actively mitigate risks of customer harm rather than relying on the consumer to inform the FSP of harm that has already been suffered.

[36] Ofgem, Condition 4A. Operational Capability, 'Electricity Supply Licence' (viewed on 4 November 2025)

To meet the relevant requirements, licensees must have Sufficient Control over the Material Economic and Operational Assets used or needed to run its business. This, as defined within standard licence condition 1 of the licence, means the licensees would need to have direct ownership or legally enforceable rights over assets, mechanisms or arrangements which are used or needed by the licensee to fulfil its obligations such as but not limited to premises, facilities, staff, equipment, IT systems and brand name.

We also considered including explicit requirements on responsibility for third parties acting on the licensee's behalf. Other proposed licence conditions, such as “Treating Consumers Fairly” and “Recommending Suitable Services”, include obligations on FSPs to ensure that any third-party representatives also meet the requirements of the condition. These obligations relate to certain activities where there are specific risks of third parties causing harm to consumers such as selling services, providing information to consumers, and having customer service arrangements in place. In the case of operational capability, we believe the onus should be on FSPs to have sufficient internal capability, systems and processes to ensure they have sufficient ownership of their abilities and resources to meet the requirements of this condition.

Consultation questions

11. **With reference to licence condition 3 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this licence condition, noting that to meet the requirement the licensee would need to have direct ownership or legally enforceable rights over assets, mechanisms or arrangements such as but not limited to premises, facilities, staff, equipment, IT systems and brand name? Please explain your answer and if you disagree provide alternative suggestions.**

12. **In the impact assessment accompanying this consultation we assume that licence condition 3 creates no additional costs. Do you agree with this assumption? If not, please provide a rationale and details of the additional costs that condition 3 would entail for your organisation. When calculating these costs, please exclude existing costs which your organisation may already face in relation to these conditions.**

4.2.2 Financial responsibility principle

In the 2025 SSES consultation response, government decided to include a financial responsibility principle within the load control licence. We believe this will promote long-term financial resilience across the sector, reduce the risk of disorderly market exits, and prevent the licensing of companies burdened by excessive debt. It also supports Ofgem’s ability to monitor financial conduct and ensure that licensees are not taking unnecessary financial risks.

While we are proposing to use the Electricity Supply Licence Condition 4B as a basis for defining the key measure of financial responsibility within this condition, we have not included substantial amounts of the supply licence condition to reflect a more proportionate approach that reflects the nascency of the load control market and supports growth and innovation. It also reflects that, while we recognise the consumer risks associated with an insolvency of a licensee (such as disruption of load control services, inconvenience, loss of financial benefit to consumers and ESAs reverting to default settings), government believes a market exit from the

flexibility sector would not be as damaging to consumers, given that load control is not a necessary service for security of supply to premises.

The proposed condition (condition 4 of the draft licence conditions) includes a principles-based requirement for licensees to ensure that it maintains sufficient capital and liquidity that it is able to meet its reasonably anticipated financial liabilities. While we acknowledge that organisations, particularly new entrants and smaller market participants, might seek to grow by relying on debt to finance innovation, we believe that enabling risky business models could result in an unhealthy market by undermining consumer confidence in the organisations that underpin it. Government continues to support innovation in the sector and therefore is proposing not to introduce any minimum capital requirements in this condition, as is the case in Electricity Supply Licence condition 4B.

We are also proposing to require load control licensees to promptly notify Ofgem of any key events that could impact their financial resilience. This builds on other financial and management licence conditions to give Ofgem additional regulatory oversight of financial conditions which could lead to market exit, without burdening licensees with disproportionate prescriptive financial requirements which could present barriers to innovation. The condition sets out examples of key events in paragraph 4.2 of the draft condition. These events include petitions for winding up, any breach of a covenant to lenders and defaults on loans.

Consultation question

13. **With reference to licence condition 4 and the relevant definitions in licence conditions 1 and 2, do you agree that the drafting of this licence condition is the right approach to proportionately promote financial responsibility in the market? Please explain your answer and if you disagree provide alternative suggestions.**

4.2.3 Ongoing fit and proper requirement

In the 2025 consultation response, government decided that a licence condition requiring licensees' senior personnel are fit and proper will be included in the load control licence to maintain consumer trust and confidence in a nascent market. It aims to support consumer trust in the market by ensuring that licensed companies are responsibly operated and aims to prevent the consumer harm that could arise if companies are mismanaged.

We are proposing to achieve this by requiring that licensees must ensure, on an ongoing basis, that their senior personnel are suitable to occupy that role, and requiring that licensees have robust processes, systems and governance in place to ensure this. The condition (condition 5 of the draft licence conditions) also requires that regular assessments are carried out to ensure senior personnel remain 'fit and proper'.

The current proposed text for this condition closely reflects licence condition 4C in the Electricity Supply Licence.[37] Ofgem have recently consulted on introducing a general fit and proper requirement across all of their licences, where there are currently only requirements on

[37] Ofgem, Condition 4C. Ongoing fit and proper requirement, 'Electricity Supply Licence' (viewed on 4 November 2025)

gas and electricity suppliers and the carbon dioxide transport and storage (CCS) licence holders.[38] Introducing an adjacent condition within the load control licence therefore aligns with broader Ofgem direction of travel and can help to support consistency across the sector. As part of the same consultation Ofgem proposed improvements to existing ongoing fit and proper requirements in the gas and electricity supply and carbon dioxide transport and storage licences. Following Ofgem's decisions in response to this consultation, we may be seeking to update the proposed condition in the load control licence to align with changes that would be made to existing ongoing fit and proper requirements. The proposed changes to the supply licence condition can be found in appendix 2 of Ofgem's consultation Introducing a general ongoing fit and proper requirement. We welcome stakeholders, in response to this consultation, to comment on these proposed changes as well as draft licence condition 5 included in this consultation's draft licence conditions.

We have also explored alternative 'lighter touch' approaches, such as only requiring an assessment of 'fit and proper' suitability on licence application and requiring licensees to notify Ofgem of any changes (using a requirement such as the Electricity Supply Licence Condition 19AA). However, we believe that maintaining ongoing assessments across the market supports a transparent sector that consumers can be confident in by ensuring that Ofgem have the necessary information to monitor and intervene should senior personnel fall below expected minimum standards set out by the licence requirement.

Consultation questions

14. **With reference to licence condition 5 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions.**

4.2.4 Management and financial cost appraisal

In the impact assessment accompanying this consultation, the combined cost impact of licence conditions 4 and 5 on licensees has been appraised under the heading of management controls. The following assumptions were used. Costs for small businesses could be much greater than for medium or large businesses as small companies are less likely to be undertaking the required practices already and will have to implement greater changes to be compliant. The cost assumptions are based on only four responses to the last consultation.

In the first instance, we are seeking to validate these assumptions because the estimates provided were based on the 2024 consultation which only covered high level policy proposals and did not include details of the proposed licence conditions underpinning company obligations and resultant costs. Little detail was also included on Ofgem's approach to administering the licence obligations, which also has an impact on the costs to companies. Government is therefore seeking more evidence through this consultation to expand this sample to ensure robustness.

[38] Ofgem, 'Introducing a general ongoing fit and proper requirement' (viewed on 4 November 2025)

Management Control Costs (2025£)	Company Size		
	Small	Medium	Large
Annual costs	98,000	49,000	12,000

15. **Which <u>additional</u> costs would your organisation face for complying with licence conditions 4 and 5? Please comment on the management cost assumptions in the impact assessment. When calculating these costs, please <u>exclude</u> existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply.**

4.2.4 Provision of Information to Authority and Secretary of State

Since publishing our 2025 government response, government has been working closely with Ofgem on drafting the licence conditions proposed in this consultation. Through this engagement we have identified the need for some general licence conditions to support Ofgem's administration of the licensing regime.

The proposed "Provision of Information to Authority and Secretary of State" condition (condition 6 of the draft licence conditions) will require licensees to provide Ofgem and the Secretary of State with information which they may reasonably require or consider necessary. The inclusion of this condition is essential for Ofgem to perform its administration of the licence by requesting information when needed to monitor compliance with the licence requirements, taking steps to remedy non-compliance, and carrying out enforcement action where required. It also enables Ofgem to gather insights into emerging consumer harms that may arise as the market develops. Ofgem's implementation consultation sets out more detail on their proposals for performing these functions.

The Secretary of State may also consider it necessary to request information from licensees to support the statutory requirement to review the regulatory provisions in The Electricity Act 1989 (Load Control Licence) Regulations 2026 (see regulation 17 in the draft regulations), or to collect evidence which could support the ongoing development of the licensing regime. Government will work closely with Ofgem to ensure that requests for information are not duplicative or overly burdensome for licensees.

The drafting of the condition has been adapted from SLC 5 of the Electricity Supply Licence[39] but we have not included obligations related to data retention. This is because the data retention obligations in the Electricity Supply Licence relate to retaining data associated with transactions between suppliers and organisations they have purchased electricity from. This is specific to the activity of supply and we are not aware of a related need for Ofgem to request similar information in order to administer the load control licence.

[39] Ofgem, Condition 5. Provision of Information to Authority and data retention, 'Electricity Supply Licence' (viewed on 4 November 2025)

Consultation question:

16. **With reference to licence condition 6 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this condition, noting that we have not included obligations related to data retention? Please explain your answer and if you disagree provide alternative suggestions.**

4.2.5 Principle to be open and cooperative

This principles-based condition requires licensees to disclose proactively and transparently relevant information with Ofgem or the Secretary of State. This may include, but is not limited to, data on financial performance. Such disclosures will support Ofgem's ability to assess the financial resilience of licensees and identify emerging risks. Additionally, this condition will provide FSPs the opportunity to raise concerns regarding potential consumer harm or instances of non-compliance.

There was no corresponding question in the April 2024 consultation for this condition, however analysis of the Supply Licence showed that the existing Supply Licence condition SLC 5A 'Principle to be open and cooperative'[40] could be useful and applicable for the load control licence as it promotes self-reporting and requires licensees to proactively share information with Ofgem for compliance and enforcement purposes. The drafting of this condition (condition 7 of the draft licence conditions) was tested with stakeholders through the LWG and there were no substantive comments on the drafting.

Consultation question

17. **With reference to licence condition 7 and the relevant definitions and interpretation set out in licence conditions 1 and 2, do you agree with the proposed drafting of this condition? Please explain your answer and if you disagree provide alternative suggestions.**

4.3 Proposed licence conditions specific to load controllers only

4.3.1 Requirement to comply with Industry Codes

We are proposing that the "Requirement to comply with Industry Codes" will cover three key aspects:

- Requiring load controllers (that are required to comply with the cyber licence requirement and are not designated as an Operator of Essential Services (OES) under NIS regulations) to be party to and comply with the BSC. This is to enable the Security Governance Group to support Ofgem in assessing load controllers' compliance with the cyber licence requirement and making recommendations to Ofgem.
- To support grid stability, requiring all load controllers to comply with the Grid Code and Distribution Code, and be required to become parties to the CUSC and DCUSA, where

[40] Ofgem, Condition 5A. Principle to be open and cooperative, 'Electricity Supply Licence' (viewed on 4 November 2025)

related obligations on load controllers, housed in these codes, would be determined via subsequent code modifications to these governance frameworks.

- Additional provisions relating to code processes and requirements necessary to support the functioning interaction between the code and the licence.

This section sets out our proposals for each of these key aspects in turn.

Enduring governance

As confirmed in the SSES Enduring Governance government response, [41] we have modified the BSC to enable Elexon to deliver the required enduring technical and security governance functions for the SSES Programme. This will ensure that technical and security standards can be developed and maintained in an evolving sector, as SSES' first phase ESA and load control licence regulations come into force. This industry-led governance will be crucial to support industry, regulators and government work together to maintain and further develop technical and security frameworks as CLF markets grow and evolve.

To support the enduring governance function, we are proposing the inclusion of a licence condition (condition 8 of the draft licence conditions) which requires load controllers (that are required to comply with the cyber licence requirement and are not designated as OES under NIS regulations) to be party to and comply with the BSC. Requiring these load controllers to be party to this code is necessary in order to enable the role that the Security Governance Group will have, supporting Ofgem with the audit and assurance regime for load controllers.

We envisage that after the first tranche of licence applications, the Security Governance Group will be responsible for assessing load controllers' compliance with the cyber obligations set out in the licence before providing a recommendation to Ofgem on whether a load controller is compliant. Recognising the intention that cyber security obligations for load controllers managing 300MW and above will stem from the NIS regulations once in force, we are proposing that such organisations currently managing 300MW and above will not be required to be party to and comply with the BSC, even before they are designated as OES under NIS. Whilst there will be cyber security requirements stemming from the licence for these organisations once granted, we intend for compliance activity for load controllers falling under NIS to align with Ofgem's existing compliance and enforcement regime.

We acknowledge that load controllers required to accede to the BSC could be concerned about the requirement to comply with an extensive code such as the BSC, which is used to fulfil many functions across the sector. The main obligations on licensees (associated with this condition) will be housed in a document under the BSC in line with positions set out in the recently published Enduring Governance Government Response. We will ensure these are not overly burdensome.

The load control licence is intended be open for applications by the end of 2026. It is expected that for the first 12 months from the application window opening, Ofgem will manage the full

[41] GOV.UK, 'Smart Secure Electricity Systems Programme (SSES): enduring governance (viewed on 4 December 2025)

process of reviewing licence applications. After this initial tranche (~ by the end of 2027), it is expected that Ofgem will use the Security Governance Group to support this process by reviewing and assessing cyber security evidence submitted by applicants. This means, on an enduring basis, prospective applicants would be expected to submit their applications to Ofgem, who would then pass on any cyber security evidence provided to the Security Governance Group. The Security Governance Group would then assess this evidence, with a recommendation made to Ofgem on whether the cyber security evidence is satisfactory, to inform Ofgem's decision on whether to approve or reject the application.

For more information on the roles of the Security Governance Group and Ofgem in relation to monitoring, assurance, compliance and enforcement please refer to Ofgem's implementation consultation. We will be working closely with Elexon to ensure that BSC code obligations are clear to relevant load controllers.

Grid stability

In our 2025 government response, we set out our intention to require ESAs to include a 10 minute 'randomised delay' within the ESA Regulations to mitigate the risk of large-scale synchronised changes in load under certain use cases. In addition to this, we stated that we would include grid stability licence conditions within the load control licence to ensure appropriate measures are in place to achieve and maintain stability of the electricity network and the electricity grid when third parties are undertaking load control.

To develop and refine this approach, government have worked with the Grid Stability Working Group (GSWG) throughout, bringing together policy leads and energy engineers from government and industry, including NESO, Energy Networks Association (ENA) and Distribution Network Operators (DNOs), to identify grid stability measures to mitigate these risks.

We believe that over time, load control has the potential to increasingly affect the operation of the transmission and distribution networks. In some cases, organisations will use CLF to provide services such as reserve and frequency response directly to the NESO or other services to distribution system operators. More generally though, CLF and load control has the potential to affect the management of frequency and voltage on the power network, and to affect grid stability and the management of network constraints. Whilst in general, it is desirable that there is complete freedom of how load control is operated to maximise benefits to consumers, in practice, it may be the case that trade-offs need to be struck between the degree of flexibility that is afforded to load control and the impact that this might have on the grid. As an example, prices in the wholesale electricity market are determined on a half hourly basis, and so wholesale price changes between half hours may give rise to bulk automatic changes in consumer demand. To the extent that this does become an issue, one way of dealing with it might be to hold more reserve or positive or negative frequency response. However, reserve and response services need to be purchased by NESO, and so there may be a trade-off between the flexibility afforded to CLF and the costs of any additional reserve or response services.

Another example might be that there are a number of flexible consumers connected to a particular distribution circuit. In order to accommodate the full scope of CLF flexibility, it might be necessary to invest in additional distribution infrastructure. In this case, a trade-off between investment in additional distribution assets and the flexibility afforded to CLF may again need to be appropriately struck.

We think that such interactions and trade-offs are something that need to be managed over time, and that we cannot at this stage predict all of the interactions or what trade-offs should be struck. We think that this is something that industry is best placed to manage on an ongoing basis. We are also of the view that there are existing arrangements in place that allow these trade-offs to be struck between network companies, generators, suppliers and others. The relevant documents are the Grid Code and the Distribution Code[42].

We are therefore proposing that load controllers should be required to comply with these codes by virtue of licence conditions (condition 8 of the draft licence conditions) and also be required to become parties to the CUSC and DCUSA. We believe that this will provide a framework for industry to address any impacts that CLF may have on the networks going forward and, where necessary to strike any appropriate trade-offs.

Subject to the responses to this consultation, we will subsequently consult on changes to the five codes (BSC, Grid Code, Distribution Code, CUSC and DCUSA) to make the changes to the governance frameworks required to support the requirement that load controllers will additionally be required to adhere to them. Following that, whether any specific obligations will be placed on load controllers will be a matter for the governance of those codes.

We acknowledge that the relevant codes are lengthy and that load controllers may be concerned that compliance with them may be a complex matter. However, we believe that any obligations placed on load controllers via these codes should be clearly demarcated in a dedicated section of the code. As a consequence, it should be possible to limit the need for load controllers to look beyond the specific sections that apply to them.

We will continue to engage with industry, NESO and DNOs to ensure the appropriate framework is implemented to enable industry to mitigate grid stability risks posed by load controllers.

Additional provisions

The licence condition (condition 8 of the draft licence conditions) also sets out additional provisions relating to code processes and requirements necessary to support the functioning interaction between the code and the licence, akin to measures in the supply licence on code compliance. This includes:

[42] Government also notes Ofgem's energy code reform work, including Ofgem's decision to consolidate the Grid Code, System Operator Transmission Owner Code (STC), Security and Quality of Supply Standard (SQSS), and Distribution Code to form an electricity technical code, and to consolidate the CUSC and DCUSA to form an electricity commercial code: Ofgem, 'Implementation of energy code reform: decision' (viewed on 4 November 2025)

- **Powers for Ofgem to issue a direction to relieve licensees of certain obligations under the code.** Under the supply licence, if an applicant doesn't believe they need to adhere to certain code obligations, they can ask to be derogated from these obligations. Ofgem may then relieve a supply licensee of certain obligations under the relevant code, if for example they have an agreement with another supplier who fulfils the code obligations for them. We are proposing the inclusion of this provision as we believe it is a useful tool for Ofgem to support licensees where there may be duplicative or unnecessary burdens associated with code obligations.
- **A requirement for licensees to take all reasonable steps to implement any consequential changes to the code as required.** Where a modification to another part of the BSC or another code may occur, this could result in the need for changes to be made to the part of the BSC which applies to licensees. To ensure the code landscape functions holistically, this requirement ensures that licensees do not frustrate the process if such a consequential change is required.
- **A requirement for licensees to cooperate with Ofgem in order to give full effect to the conclusions of a Significant Code Review (SCR).** An SCR provides a role for Ofgem to holistically review a code-based issue (for the main commercial industry codes) and speed up industry reform. We propose including this provision to ensure that Ofgem, should they need to, can fulfil an SCR to its full conclusions by requiring licensees to co-operate with them during this process.
- **Compliance with Secretary of State directions for the purposes of security**. We propose including this provision to ensure that if the Secretary of State is required to direct a single or multiple licensees to improve the security of their systems in the interests of e.g. national security, the licensee(s) are obliged to comply with these directions. This safeguards against the scenario where a licensee's security deficiencies could pose a risk to national safety.

Consultation questions

18. **With reference to licence condition 8 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this condition? Please explain your answer and if you disagree provide alternative suggestions.**

19. **With reference to 8.4 – 8.10 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed provisions to support the functioning interaction between codes and the licence? If not, please specify which provisions you disagree with and your rationale.**

20. **Do you agree with our intention to create a framework to empower industry to manage grid stability risks posed by load controllers, by having a licence condition that requires load controllers to accede to, and comply with the relevant sections of The Grid Code via Connection and Use of System Code (CUSC) and The Distribution Code via Distribution Connection and Use of System Agreement (DCUSA)? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

4.3.2 Cyber assurance framework for load controllers

Government has previously confirmed that load controllers must meet proportionate cyber security requirements. These requirements are intended to apply to load controllers within scope of the licence, rather than FSPs, although Government will continue to keep wider assurance expectations under review. We previously confirmed we would use the CAF, a tool developed by the National Cyber Security Centre (NCSC) as an outcome focused framework to assess cyber resilience maturity, through tailored CAF profiles for organisations controlling ≥300MW and <300MW of load. We have therefore developed two bespoke CAF profiles – a Tier 1 profile for large load controllers managing ≥300MW load, and a Tier 2 profile for SSES licensees managing <300MW load.

It is the intention that load controllers who manage equal to or greater than 300MW of load will be regulated via the Network and Information Systems (NIS) Regulations 2018 (NIS Regulations), in line with other 'Operators of Essential Services' subject to Parliamentary scrutiny and passage of the Cyber Security and Resilience Bill (CSRB). However, under the CSRB proposals, DESNZ would have the ability to designate organisations below this threshold if deemed appropriate in accordance with conditions under the NIS Regulations. It is expected that organisations will be legally required to determine whether they exceed the 300MW compliance threshold and therefore should be designated as OES under NIS. This threshold is expected to be calculated based on the combined maximum electrical capacity of all ESAs controlled by the organisation, where these ESAs fall within scope for the purposes of NIS (rather than the licensing scope set out in this consultation). For the purposes of NIS, it is expected that in-scope ESAs include EVs, EVSCPs, electrical heating appliances, BESS, and virtual power plants. The intention is that this scope will apply to load control of relevant ESAs in any setting, not just limited to domestic and small non-domestic settings. The maximum rated electrical capacity of each relevant ESA, as stated by the manufacturer, should be used for this calculation, not average capacity or operational output.

Load controllers who are not designated as an OES under NIS will be subject to the cyber security conditions within the SSES licence, which apply only to the ESAs covered by the licence. Load controllers ≥300MW will still require a licence, but their cyber security duties are intended to be regulated through the NIS Regulations rather than through the licence, once passed and implemented through the CSRB.

This consultation seeks agreement on the specific draft cyber licence condition (condition 9 of the draft licence conditions). Government will consult separately on the Tier 1 CAF profile and relevant guidance affecting large (≥ 300MW) load controllers in 2026. The draft Tier 2 CAF profile and draft guidance will also be made available to relevant parties on request. We encourage potential licence applicants to request this information and consider it alongside implementation proposals to provide an informed consultation response on whether the proposals are reasonable, proportionate and achievable.

As set out above, alongside establishment of the regulatory framework for cyber security, government has decided in our SSES enduring governance government response that Elexon establish and administer a new Security Governance Group. The Security Governance Group

will: maintain and update critical security documentation and keep under review the need for additional security requirements; co-ordinate and support cyber security assurance regimes for organisations and devices; and provide cyber security advice and support to the sector.

The licence condition

In line with the above commitment, the draft licence condition is closely modelled on the approach taken in the NIS Regulations. Although it is based on the NIS Regulations as they currently stand, DESNZ and Ofgem will seek to review and amend the licence condition where appropriate to align with any legislative changes made through the Cyber Security and Resilience Bill, subject to its parliamentary passage and Royal Assent.

[Condition 9 Interpretation] as drafted includes provisions to exempt licensees from condition 9 who are designated as OES and reporting under the NIS Regulations. However, if the Secretary of State or the Authority (the Joint Competent Authority under the NIS Regulations) revokes this designation, condition 9 will apply to the licensee. It also establishes requirements for licensees to have regard to guidance published by the Secretary of State and/or the Authority.

[Condition 9 General Cyber Security Duties] as drafted requires the licensee to implement appropriate and proportionate technical and organisational measures to manage risks to the security of Network and Information Systems used in its licensed activities, ensuring continuity and resilience against incidents. If the licensee becomes responsible for the control of an aggregate load of 300 MW or more, it must notify the Secretary of State as soon as reasonably practicable and in any event within three months.

[Condition 9 Directions set by the Authority and Secretary of State] as drafted requires the licensee to submit a CAF Assessment, Remedial Action Plan (RAP) and a cyber resilience audit or an equivalent form of audit on an annual basis or as directed by the Authority. The authority may request further evidence of revisions, and the licensee may apply for a derogation from these obligations under specified conditions.

[Condition 9 Duty to Notify: Cyber Security Incidents] as drafted seeks to place a duty on licensees to notify the Authority and the Secretary of State, when they become aware of a cyber security incident that has, or could reasonably be expected to have, a significant impact on their licensed activities. The notification must be made without undue delay and within 72 hours of becoming aware. The licensee must also provide further relevant information after the initial notification and respond to any reasonable requests for additional details from the Authority or the Secretary of State regarding current or past incidents. Further guidance will set out how to determine whether an incident has a significant impact, drawing on factors such as scale, duration, geography, and potential compromise of data.

[Condition 9 Assurance of cyber security duties] as drafted enables the Authority to carry out or direct inspections to determine compliance with the licence's cyber security requirements. This includes powers for the Authority to appoint an approved inspector, require licensees to cover reasonable costs, and ensure cooperation with access to premises, documents, and systems. The condition broadly mirrors Regulation 16 of the NIS Regulations and also requires licensees to cooperate with the Secretary of State and any governance arrangements established to support oversight.

Implementation

The draft cyber security licence condition intends to introduce baseline cyber security duties for all load controllers. For organisations controlling less than 300MW in aggregate, these duties will be assessed against a Tier 2 CAF profile. Organisations controlling 300MW or more will be subject to a Tier 1 profile from the point the licence is in force, with the intention for the obligations and assurance regime for those organisations to be captured under the NIS Regulations, subject to proposed amendments and parliamentary scrutiny via the Cyber Security and Resilience Bill. Supporting guidance will be made available to aid implementation as appropriate.

We expect that within 18 months from the date the licence is in force that licensees will be able to demonstrate meeting CAF requirements. This implementation timeline is designed to provide a reasonable period for organisations to adapt their systems and processes, while ensuring timely delivery of the regulatory objectives. Ofgem will retain the discretion to extend this period either on a case-by-case basis or across the sector, based on organisational readiness or sector-specific challenges. We encourage respondents to engage with Ofgem's consultation on licence implementation in conjunction with this consultation.[43]

The licence condition sets outcomes-based duties aligned with the NIS Regulations, and the CAF profiles provide the process for assessing compliance with those duties. This gives clarity for licensees while maintaining flexibility in how outcomes are achieved. The Secretary of State will be responsible for setting the CAF profile and Ofgem will be responsible for producing guidance on compliance and assurance.

A working draft Tier 2 CAF profile and guidance has been developed by DESNZ with industry, through the Security Working Group. Due to its sensitive nature, the document is not being published alongside this consultation, but to request a copy you can email: sses_cyber@energysecurity.gov.uk.

Feedback on the CAF profile and guidance should be submitted to that same mailbox and will be shared with Ofgem to help inform implementation planning.

Consultation questions

21. **With reference to licence condition 9 and the relevant definitions in licence conditions 1 and 2, do you agree with the draft cyber security licence conditions, noting that many are modelled on the NIS Regulations but adapted for load controllers? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

22. **Do you agree with proposed 18-month period for newly licensed organisations to demonstrate meeting CAF requirements? Please provide your views on whether this period is appropriate, whether Ofgem's discretion to grant extensions is**

[43] Ofgem, 'Smart Secure Electricity Systems: Implementing the load control licensing regime consultation' (viewed on 5 December)

sufficient, and if there are any specific factors or challenges that should be considered when finalising the implementation timeline.

If you wish to review and provide feedback on the Tier 2 CAF profile and guidance, then please email: sses_cyber@energysecurity.gov.uk.

4.3.3 Load control check requirement

Condition 10 intends to introduce a requirement for licensees to pay due regard to the effects that the issuance of a load control instruction could have on an ESA and the electricity system and take appropriate steps to satisfy itself that appropriate controls are designed and implemented to reduce the likelihood of an unintended or adverse consequence being realised. It also requires the licensee to ensure that any data source that is used to inform load control decisions, is from a trusted and validated source and that the data is checked for irregularities that could lead to unintended or anomalous load control outcomes.

Consultation question

23. **With reference to licence condition 10 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

4.3.4 Cyber security cost appraisal

In the impact assessment accompanying this consultation, the cost impact of licence condition 9 and 10 on LCs has been appraised. The following assumptions were used. They are based on the results of the second post-implementation review of the 2018 NIS regulations[44] and have been adjusted to reflect the lower requirements of the Tier 2 CAF profile compared to Tier 1. They do not however, take into consideration any existing costs of cyber security measures, for example ISO 27001 compliance. Therefore, these figures are likely an overestimate. All assumptions are annual costs. Set up refers to Year 1 of implementation and Ongoing refers to all following years.

Tier 2 Load Controllers Cyber Costs - annual (2025£)		**Central Sensitivity**
Cost category	**Cost type**	
Familiarisation with NIS	Set Up	800
Contract Change Costs	Set Up	1,100
Incident reporting	Ongoing	0
Compliance costs	Ongoing	300
Additional Security Costs - physical	Set Up	76,200
Additional Security Costs - external	Ongoing	66,900
Additional Security Costs - internal staff	Ongoing	64,500
Total	**Set Up**	**209,800**
Total	**Ongoing**	**131,700**

[44] GOV.UK, 'Second Post-Implementation Review of the Network and Information Systems Regulations 2018' (viewed on 4 December 2025)

24. **Which additional costs would your organisation face for complying with licence condition 9? Please comment on the cyber security cost assumptions in the impact assessment. When calculating additional costs, please exclude existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply. Please include as much supporting evidence as possible in your response.**

4.4 Proposed licence conditions specific to FSPs only

4.4.1 Scope of consumer protection licence conditions

The scope of the proposed consumer protection licence conditions covers domestic and small business consumers, apart from specific provisions for consumers in vulnerable situations in the "Treating consumers fairly" condition. These apply to domestic vulnerable consumers only. This follows a decision in our 2025 government response not to extend the scope of the licence to large non-domestic consumers from the outset because the consumer protections have been designed with domestic and smaller non-domestic consumers in mind, and larger non-domestic consumers are likely to have bespoke arrangements with their FSP. Government remains open to reviewing the need to extend consumer protections to larger business and non-domestic consumers if evidence of consumer harm risks emerges.

As is proposed for the exemptions order, government proposes to use the existing definition of small business consumer (as defined by The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008) to determine the non-domestic consumers in scope of consumer protections, where a small business consumer is a person supplied or requiring to be supplied with electricity at a premises other than domestic premises:

(a) with an annual consumption of—

(i) electricity of not more than 200,000 kWh, or

(b) with—

(i) fewer than 50 employees (or their full time equivalent), and

(ii) an annual turnover not exceeding £6.5 million or a balance sheet total not exceeding £5 million

We acknowledge that for an FSP to determine whether a non-domestic consumer qualifies as a small business consumer would be contingent on the customer declaring the above information, and also to update this information should they move above or below the threshold. However, government believes this isn't a reason to extend the scope of the consumer protections to all non-domestic consumers and using a different definition for defining non-domestic consumers in scope would provoke the same implementation challenges.

Consultation question

25. **Do you agree with the definition of small business consumer for the purposes of determining which non-domestic consumers are in scope of consumer protections? Please explain your answer and if you disagree provide alternative suggestions.**

4.4.2 Treating consumers fairly

In our 2025 government response, government decided to include a requirement for FSPs to meet a general principle of fairness to ensure that consumers have adequate assurances that they can confidently engage in the market. This condition is also essential to maintain ongoing oversight of emerging consumer harms and to sanction licensees who fall short on expected minimum standards.

The proposed condition (condition 11 in the draft licence conditions) sets an overarching requirement for FSPs to ensure their customers are treated fairly, including that any third parties representing the FSP to its customers also meet the requirements of this condition. It sets out principles-based standards of conduct which require FSPs or representatives to:

- Behave and carry out actions in a fair, honest, transparent, appropriate and professional manner.
- Ensure they provide information to their customers that is clear, accurate and not misleading.
- Have adequate customer service arrangements in place that allow customers to easily contact the licensee and ensure that mistakes are rectified promptly and courteously.
- Seek to identify domestic customers in vulnerable situations and ensure that the vulnerable situation of any domestic customer is taken into account when the above standards of conduct are applied.

In the fast-growing CLF sector, this principles-based approach would give organisations space to develop and innovate while ensuring that fairness is at the heart of their operations. The proposed requirements are intended to put in place a broad baseline of minimum consumer protections that any consumer might expect from a quality service, such as accurate information and available customer service arrangements. It also supports access to these services for vulnerable domestic consumer, where FSPs are required to take additional consideration about the information they provide and customer service arrangements in place to ensure they are suitable to the needs of the customer. While we might expect FSPs to meet these standards in the absence of regulation, the introduction of this condition promotes a level playing field across FSPs and supports consumer confidence that, when taking up a flexibility service, they are protected against unfair treatment.

This condition closely reflects the Electricity Supply Licence condition (SLC0).[45] SLC0 and 0A are core elements of the Electricity Supply Licence which signal Ofgem's expectations for licensees' interactions with consumers. The Electricity Supply Licence conditions include Standards of Conduct which provide additional specific protections such as requirements on customer service arrangements and communication of information.[46] Ofgem has successfully acted against licensees where it has determined that suppliers are not adhering to these expectations, including where suppliers have failed to promptly resolve mistakes in the information they have shared with consumers. Aligning the load control licence's baseline consumer protections with the Electricity Supply Licence will ensure that, when it comes to fair treatment, there is a consistent approach taken that electricity consumers recognise across the retail sector.

The drafting of this licence condition has been presented to stakeholders through our LWG, and group participants were generally supportive of the principles-based approach to this condition. However, some stakeholders highlighted the need for clarity around some of the requirements related to vulnerability. Alongside the FSP specific consumer protection conditions we are proposing to introduce for the launch of the licence, Ofgem will be producing accompanying guidance to enable FSPs and other stakeholders to better understand licence conditions related to consumer protection. This will include providing clarity on requirements related to customers in vulnerable situations. Ofgem will be consulting on this guidance as part of their implementation consultation.

Consultation question

26. With reference to licence condition 11 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.

4.4.3 Recommending suitable services

In our 2025 government response, government decided to include a condition requiring FSPs to only recommend suitable services and for this condition to be based on the Electricity Supply Licence SLCs 25.1, 25.4 and 25.5[47]. Government believes supporting consumers to make more informed choices about their flexibility services is a key enabler of growth. Introducing baseline consumer protections which promote transparent service terms at the point of sale will support a consumer-centric competitive market.

The proposed licence condition (condition 12 in the draft licence conditions) requires FSPs to:

- Only recommend services which are suitable to a customer's characteristics and/or preferences. This would, for example, require that EV smart charging FSPs enquire

[45] Ofgem, Condition 0. Treating Domestic Customers Fairly, 'Electricity Supply Licence' (viewed on 4 November 2025)
[46] Ofgem, Standards of Conduct Guidance (viewed on 4 November 2025)
[47] Ofgem, Condition 25. Informed choices – Tariff comparability and marketing, 'Electricity Supply Licence' (viewed on 4 November 2025)

about their customers' charging schedule preferences before recommending a particular charging service, to ensure its suitability.

- Not use inappropriate tactics such as high-pressure sales when selling or marketing. The scope of this requirement also extends to third parties representing the FSP to protect consumers from being mis-sold or pressured into services across the whole market.
- Make clear certain terms and conditions, known as “Principal Terms”, when agreeing a contract and when a contract is confirmed. Not only does this ensure customers have the key information they need to assess the terms of a contract it also mitigates the risk of unclear contract terms leading to consumer “lock-in” to a contract. As set out below, we are therefore proposing that options for and implications of signing the ESA up to a service with another FSP will be included within the “Principal Terms” definition.
- Ensure that the terms and conditions surrounding the financial incentives that might lead a consumer to choose a specific service are clear and comprehensible.

Empowering consumers to choose services which cut their energy bill costs without compromising their energy needs not only benefits the consumer but also supports a level-playing field for FSPs, where they can have confidence that consumer choice is focused on the quality of the service rather than selling techniques from ill-willed organisations. Furthermore, unclear contract terms could not only result in consumer harms such as consumers unknowingly being locked into a contract, but could also create dysfunctional markets, where incoming FSPs could be misled about the consumer’s rights to switch to their service. Government is aware of anecdotal evidence that this has led to issues of multiple organisations submitting flexibility associated with the same ESAs into certain electricity markets. As set out below, we are therefore proposing that FSPs are required to communicate to customers options for and implications of signing the ESA up to a service with another FSP, which is based on 5.7.2 of the HomeFlex Code of Conduct.[48]

It is intended that FSPs will be required to make principal terms for contracts clear to customers before any CLF contract is agreed. The detail of the contract terms which we are proposing FSPs will be required to make clear to customers will be set out in the “Principal Terms” definition in the licence. We have conducted some preliminary stakeholder engagement with industry to help inform what terms should be considered for inclusion and welcome any feedback from stakeholders on the current draft definition. Included in the current draft definition are:

- Any charges
- Terms related to the duration of the Contract (including, but not limited to, the duration of any fixed term periods and any arrangements for renewing or extending the duration of the Contract or any fixed term periods)
- The rights to end the Contract (including any obligation to pay an Exit Fee)
- Any rewards offered

[48] Flex Assure, HOMEflex Code of Conduct, 5.7 ‘Service Switching’ (viewed on 4 November 2025)

- Options for and implications of signing the ESA up to a service with another FSP

Consultation questions

27. **With reference to licence condition 12 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

28. **Do you agree with the terms that are included in the "Principal Terms" definition? If not, please specify which terms you disagree with.**

29. **Do you think there should be any additional terms included in the "Principal Terms" definition? If so, please provide suggestions.**

4.4.4 Consumer protection cost appraisal

In the impact assessment accompanying this consultation, the combined cost impact of licence conditions 11 and 12 as well as the requirement to offer complaints procedures and contribute to dispute resolutions is appraised under the heading of customer protection costs.

The cost assumptions are shown below. The Low/High sensitivities could represent licensees that have to implement minimal/substantial changes to their organisations to comply. The cost assumptions are based on only eight responses to the last consultation and are believed to be an overestimate due to the proposed licence conditions being different to those described in the last consultation. Here we present them with a reduction factor applied to approximate the narrower proposed licence conditions.

Customer Protection Costs (2025£)	Company Size	
	Small & Medium	Large
Low	34,000	0
Central	130,000	88,000
High	227,000	176,000

Cost estimates indicated that costs for small and medium businesses could be much greater than for large businesses as small companies are less likely to be undertaking the required practices already and will have to implement greater changes to be compliant. Large companies may be suppliers who have to fulfil similar requirements for the supply licence already.

In the first instance, we are seeking to validate these assumptions because the estimates provided were based on the 2024 consultation which only covered high level policy proposals and did not include details of the proposed licence conditions underpinning company obligations and resultant costs. Little detail was also included on Ofgem's approach to administering the licence obligations, which also has an impact on the costs to companies. Government is therefore seeking more evidence through this consultation to expand this sample to ensure robustness.

30. **Which <u>additional</u> costs would your organisation face for complying with licence conditions 11 and 12, as well as the requirement to offer complaints procedures**

and contribute to dispute resolutions? Please comment on the customer protection cost assumptions in the impact assessment. When calculating additional costs, please exclude existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply. Please include as much supporting evidence as possible in your response.

4.4.5 Allow customers to exit a service

In the April 2025 SSES consultation response, government outlined its intention to include a requirement to allow customers to exit an FSP service. The intended purpose of this condition (condition 13 in the draft licence conditions) is to set out a requirement for FSPs to allow customers to exit a service.

Part of the proposed licence condition is adapted from the HOMEflex Code of Conduct, 5.5 'End of participation in Energy Flexibility Service' to allow consumers to exit a service.[49] It requires FSPs to ensure the steps which its customer would need to take to exit a service are clear in the contract. It also protects consumers from these steps being unduly onerous and any associated notice period from being unreasonably long. This requirement will apply whether a consumer is exiting the contract with the intent of signing up to another service provider or deciding that they no longer want to pursue CLF services more generally, provided that in both scenarios the customer has met the relevant contractual obligations. Ensuring consumers have the information needed to exit a service and the conditions for them to exit a service are reasonable will empower consumers to compare flexibility services, enabling a more competitive growing market by encouraging FSPs to build offerings that deliver more value for consumers and the electricity system.

The proposed licence condition also includes a requirement that FSPs must not act in any way that unduly prevents, restricts, or delays a customer from entering into a contract provided by another FSP. Government is aware there could be legitimate technical or commercial barriers that prevent a consumer from switching to another FSP, and is exploring this in more detail to assess if further regulatory intervention is necessary. The purpose of this requirement is to protect consumers from unfair contract terms or inadequate activity blocking or delaying a switch which could feasibly occur.

While FSPs will already be required to make clear to customers certain contract terms (through the Recommending Suitable Services proposals above), government also wants to protect consumers from FSPs including any terms and conditions which could unfairly frustrate their customer switching to a new service. An example of this could be a bundled offer, that combines FSP services and the ESA, which might prevent a consumer from switching their ESA to another FSP.

While there will almost certainly be a role for load controllers and ESA manufacturers to play in more seamless switching between different CLF services, government believes, at least for the

[49] Flex Assure, HOMEflex Code of Conduct, 5.5 'End of Participation in Energy Flexibility Service' (viewed on 4 November 2025)

first phase of the licence, it's important that FSPs as the consumer-facing organisation remain the single point of responsibility should consumers face issues when trying to switch to a new FSP. Introducing specific requirements on load controllers could convolute the desired effect of this requirement, which is to support the interests of consumers that intend to switch.

As part of ongoing government work to develop a Companion Specification which mitigates some technical barriers to interoperability, we will be considering the need for further licence conditions and obligations associated with switching, including the need to introduce requirements on load controllers who we are aware may also have a role to play in improving switching experiences for consumers, as well as requirements on ESA manufacturers through second phase ESA regulations. The introduction of any new licence conditions and regulations will be subject to further consultation.

We had considered using the Electricity Supply Licence SLC 24 (Termination of Domestic Supply Contracts) as a basis for this licence condition. However, we deemed this unsuitable as SLC 24 has been drafted to meet the needs of continuous electricity supply to premises and a centralised switching system. While government remains open to supporting more seamless switching systems, we recognise the cost that a centralised switching system would bring to the sector and therefore, at this stage of market maturity, believe exploring associated options would be disproportionate, particularly given that load control is still a nascent market.

Consultation questions

31. **With reference to licence condition 13 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

32. **Do you think that load controllers should also be subject to a requirement similar to licence condition 13.2? If so, please provide your rationale.**

33. **Government wants to build its evidence base for more detailed policy appraisal. Could you set out how <u>additional</u> costs could potentially arise for FSPs from complying with licence condition 13 and could you quantify these? When calculating additional costs, please <u>exclude</u> existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply.**

4.4.6 Ensuring Exit Fees are Proportionate

In the 2025 government response, government decided to include a condition requiring exit fees associated with a consumer's exit to be proportionate. We also set out our minded to position at the time to follow the supply licence requirement that the exit fee be "proportionate" and "must not exceed the direct economic loss to the licensee resulting from the Customer's termination of the Contract, including the costs of any Non-Energy Product comprised in any

Tied Bundle that has already been provided to the Domestic Customer as part of the Contract."[50]

The proposed licence condition (condition 14 in the draft licence conditions) aligns with the supply licence requirement, where we have defined:

- Non-CLF Product to mean any goods and/or services that could not reasonably be considered as being directly related to the provision of FSP services to the Customer.
- Tied Bundle to mean a bundled service including a Non-CLF Product that is offered as part of, or which is in any way linked to, an FSP service and which the customer has to receive.

This is to account for FSPs that offer "bundled services", where the provision of load control could be bundled with other services such as supply or telecoms. Including this within the licence condition drafting ensures that FSPs do not maliciously use bundled services as a route to lock-in consumers to their services by including a disproportionately high exit fee associated with the non-CLF aspect of the bundled service.

This condition not only safeguards consumers from disproportionately high exit fees. It also supports a more vibrant competitive market by ensuring there is a level-playing field, where FSPs do not suffer direct economic loss as a result of consumers switching away from their service and mitigates the risk of disproportionately high exit fees locking a consumer into a contract.

Consultation question

34. With reference to licence condition 14 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.

4.5 Licence condition derogations

In our 2025 Government Response, we decided that energy suppliers undertaking licensable load control activities will be required to hold a separate load control licence because load control is a distinct economic activity and to ensure a level playing field between suppliers and other licensees.

In their implementation consultation, Ofgem are considering ways to mitigate risks associated with unnecessary duplicative regulatory burden where an electricity supplier chooses to bundle electricity supply and load control services in a single product. As part of this work, government and Ofgem are considering the need for additional licence condition derogations, which Ofgem may grant to omit certain licence obligations from certain licences. As covered by the relevant sections of this consultation, we are already proposing to include derogations in conditions 8.4 and 9.15 in the draft licence conditions.

[50] Ofgem, Condition 24.3. Termination Fees, 'Electricity Supply Licence' (viewed on 4 November 2025)

In the case of a supplier that is also an FSP, where the drafting of certain load control licence conditions take the same approach as the supply licence, relieving suppliers of duplicative obligations could reflect a simpler and more streamlined approach to regulation. We are therefore interested in considering the case for licence condition derogations to manage instances of significant overlap. At this stage, government believes licence condition derogations should only be pursued if it neither leads to a loss of consumer benefit nor affects the level playing field of a load control market made up of suppliers and non-suppliers, which government wants the licence to support.

On this basis, we believe it would only be licence obligations related to management and financial and/or certain consumer protection conditions (in addition to derogations already proposed in draft licence conditions 8.4 and 9.15), where these conditions include the same obligations as the electricity supply licence, which we could consider for derogations. We would also note that the current load control licence conditions represent phase 1 of the licence development and there are likely to be further conditions in the future that are more specific to load control. However, we invite feedback on any licence obligations which respondents think could be appropriate for derogations.

Following consideration of consultation responses, and if government decides to include derogation provisions within the licence, government would write these provisions into the relevant sections of the standard licence conditions. We are asking respondents to consider whether provisions enabling licence condition derogations should be included in the load control standard licence conditions and, if so, in relation to which licence obligations.

Consultation question

35. **Do you think licence condition provisions enabling derogations from certain licence obligations should be included in the load control standard licence conditions, either to mitigate risks of duplicative regulation or for other reasons? Please explain your answer and provide a rationale. If you think derogations from certain licence obligations should be included, please specify which licence obligations you think these should apply to.**

Consultation questions

1. **With reference to regulation 4 and inserting new sub-sections (3J)(a) and (3K) into section 4 of the Electricity Act 1989, do you agree with the proposed load controller licensable activity, noting that it distinctly captures organisations creating a load control signal, changing a load control signal, and controlling the timing of sending a load control signal where controlling the timing of sending a load control signal is for the purpose of effecting load control? Please explain your answer and if you disagree provide alternative suggestions.**

2. **With reference to regulation 4 and inserting a new sub-section (3J)(b) into section 4 of the Electricity Act 1989, do you agree with the proposed FSP licensable activity? Please explain your answer and if you disagree provide alternative suggestions.**

3. **With reference to regulations 4 (amending section 4 of the Electricity Act 1989) and 6 (amending section 6 of the Electricity Act 1989), do you agree with the rest of the proposed drafting to make load control a licensable activity and authorising Ofgem to grant load control licences? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

4. **Do you agree with the ESA definitions outlined in this section and the intent to align the ESA definitions of the exemptions order with first phase ESA regulations (where applicable), noting that organisations will need to identify whether they are required to hold a licence based on the scope and definitions outlined (although, please also note it is only load controllers and FSPs that exclusively undertake out of scope activity that will not require a licence)? If not, please specify the definitions you disagree with, alternative suggestions or ways to mitigate your implementation concerns and your rationale.**

5. **Do you agree with using the small business consumer definition to determine the additional consumer-based exemption for FSPs? Please explain your answer and if you disagree provide alternative suggestions.**

6. **Do you think government should consider any further exemptions? If so, please specify which exemption(s), the approach you would take to the exemption(s) and your rationale.**

7. **Do you agree with a 12-month transitional period being written into legislation? Please explain your answer and if you disagree, provide alternative suggestions.**

8. **With reference to regulations 8-15 and Schedule 1, do you agree with the proposed amendments to the Electricity Act 1989, the Utilities Act 2000 and the Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019, noting that Ofgem are separately consulting on the detail of the load control licence application form? Please explain your answer and if you disagree provide alternative suggestions where relevant.**

9. **With reference to regulation 16 and Schedule 2, do you agree with the approach to bring FSPs within scope of the existing statutory framework to regulate complaints handling standards and ADR, noting that this:**

   a. **Will require FSPs to comply with regulations 1 -7, and 11 of The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008;**

   b. **Will require FSPs to participate in the Energy Ombudsman ADR scheme.**

   Please explain your answer and if you disagree provide alternative suggestions.

10. **With reference to paragraph 2(3) of Schedule 2 of the draft regulations, do you agree that regulation 9 of The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 should not apply to FSPs until a future time when government and Ofgem deem it appropriate to extend consumer advocacy services to this market? Please explain your answer and if you disagree suggest when you think it would be appropriate for consumer advocacy services to extend to this market, whether that be for the launch of the licence or another specific time.**

11. **With reference to licence condition 3 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this licence condition, noting that to meet the requirement the licensee would need to have direct ownership or legally enforceable rights over assets, mechanisms or arrangements such as but not limited to premises, facilities, staff, equipment, IT systems and brand name? Please explain your answer and if you disagree provide alternative suggestions.**

12. **In the impact assessment accompanying this consultation we assume that licence condition 3 creates no additional costs. Do you agree with this assumption? If not, please provide a rationale and details of the additional costs that condition 3 would entail for your organisation. When calculating these costs, please exclude existing costs which your organisation may already face in relation to these conditions. Please include as much supporting evidence as possible in your response.**

13. **With reference to licence condition 4 and the relevant definitions in licence conditions 1 and 2, do you agree that the drafting of this licence condition is the right approach to proportionately promote financial responsibility in the market? Please explain your answer and if you disagree provide alternative suggestions.**

14. **With reference to licence condition 5 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions.**

15. **Which additional costs would your organisation face for complying with licence conditions 4 and 5? Please comment on the management cost assumptions in the impact assessment. When calculating these costs, please exclude existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply. Please include as much supporting evidence as possible in your response.**

16. **With reference to licence condition 6 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this condition, noting that we have not included obligations related to data retention? Please explain your answer and if you disagree provide alternative suggestions.**

17. **With reference to licence condition 7 and the relevant definitions and interpretation set out in licence conditions 1 and 2, do you agree with the proposed drafting of this condition? Please explain your answer and if you disagree provide alternative suggestions.**

18. **With reference to licence condition 8 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this condition? Please explain your answer and if you disagree provide alternative suggestions.**

19. **With reference to 8.4 – 8.10 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed provisions to support the functioning interaction between codes and the licence? If not, please specify which provisions you disagree with and your rationale.**

20. **Do you agree with our intention to create a framework to empower industry to manage grid stability risks posed by load controllers, by having a licence condition that requires load controllers to accede to, and comply with the relevant sections of The Grid Code via Connection and Use of System Code (CUSC) and The Distribution Code via Distribution Connection and Use of System Agreement (DCUSA)? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

21. **With reference to licence condition 9 and the relevant definitions in licence conditions 1 and 2, do you agree with the draft cyber security licence conditions, noting that many are modelled on the NIS Regulations but adapted for load controllers? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

22. **Do you agree with proposed 18-month period for newly licensed organisations to demonstrate meeting CAF requirements? Please provide your views on whether this period is appropriate, whether Ofgem's discretion to grant extensions is sufficient, and if there are any specific factors or challenges that should be considered when finalising the implementation timeline.**

23. **With reference to licence condition 10 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

24. **Which <u>additional</u> costs would your organisation face for complying with licence condition 9? Please comment on the cyber security cost assumptions in the impact assessment. When calculating additional costs, please <u>exclude</u> existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply. Please include as much supporting evidence as possible in your response.**

25. **Do you agree with the definition of small business consumer for the purposes of determining which non-domestic consumers are in scope of consumer protections? Please explain your answer and if you disagree provide alternative suggestions.**

26. **With reference to licence condition 11 and the relevant definitions in licence conditions 1 and 2, do you agree with the drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

27. **With reference to licence condition 12 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

28. **Do you agree with the terms that are included in the "Principal Terms" definition? If not, please specify which terms you disagree with.**

29. **Do you think there should be any additional terms included in the "Principal Terms" definition? If so, please provide suggestions.**

30. **Which additional costs would your organisation face for complying with licence conditions 11 and 12, as well as the requirement to offer complaints procedures and contribute to dispute resolutions? Please comment on the customer protection cost assumptions in the impact assessment. When calculating additional costs, please exclude existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply. Please include as much supporting evidence as possible in your response.**

31. **With reference to licence condition 13 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

32. **Do you think that load controllers should also be subject to a requirement similar to licence condition 13.2? If so, please provide your rationale.**

33. **Government wants to build its evidence base for more detailed policy appraisal. Could you set out how additional costs could potentially arise for FSPs from complying with licence condition 13 and could you quantify these? When calculating additional costs, please exclude existing costs which your organisation may already face in relation to these conditions. Please include an explanation of the additional costs you may face, such as additional FTE, and why the additional costs are necessary to comply. Please include as much supporting evidence as possible in your response.**

34. **With reference to licence condition 14 and the relevant definitions in licence conditions 1 and 2, do you agree with the proposed drafting of this licence condition? Please explain your answer and if you disagree provide alternative suggestions for achieving the same outcome.**

35. **Do you think licence condition provisions enabling derogations from certain licence obligations should be included in the load control standard licence conditions, either to mitigate risks of duplicative regulation or for other reasons? Please explain your answer and provide a rationale. If you think derogations from certain licence obligations should be included, please specify which licence obligations you think these should apply to.**

Next steps

Consider consultation responses and stakeholder engagement: This consultation will be open until 18th February 2026.Government will consider written responses to this consultation. Where necessary, we will use our LWG to test specific points of contention.

Amendments to regulations and licence conditions. Following consideration of responses and any needed follow-up stakeholder engagement, government and Ofgem will make amendments to the regulations and proposed standard licence conditions, if required.

Publish government's response to this consultation. Following consideration of responses, government will publish a response to this consultation, detailing the decisions made following feedback and the amendments, if required, which will be made to the draft regulations and licence conditions before they are subject to parliamentary scrutiny.

Glossary

Term	Definition
Alternative Dispute Resolution (ADR)	Types of dispute resolution that do not involve having to go to court; an alternative to litigation.
Authority	The Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000
Balancing and Settlement Code (BSC)	Means the Balancing and Settlement Code provided for in condition E1 (Balancing and Settlement Code (BSC)) of the Electricity System Operator Licence
Consumer-Led Flexibility (for the purpose of the licensing regime)	A contract between a FSP and a consumer in relation to providing for the sending of a load control signal to an energy smart appliance at that consumer's premises.
Critical National Infrastructure (CNI)	National assets that are essential for the functioning of society, such as those associated with energy supply, water supply, transportation, health, and telecommunications.
Connection and Use of System Code (CUSC)	The contractual framework for connecting to and using the National Electricity Transmission System (NETS).
Consumer	Means a consumer in relation to electricity conveyed by distribution systems or transmission systems.
Cyber Assessment Framework (CAF)	The framework of that name established by NCSC to assist in carrying out cyber resilience assessments.
Distribution Code	Via the Distribution Connection and Use of System Agreement (DCUSA), details the technical parameters and considerations relating to connection to, and use of, the Distribution Networks.

Distribution Connection and Use of System Agreement (DCUSA)	A multi-party contract between the licensed electricity Distributors, Suppliers and Generators of Great Britain.
Distribution Network / Distribution Network Operator (DNO)	A network or the operator of a network that is authorised to be operated by the holder of an electricity distribution licence.
Energy Smart Appliance (ESA)	An appliance which is capable of adjusting the immediate or future flow of electricity into or out of itself or another appliance in response to a load control signal; and includes any software or other systems which enable or facilitate the adjustment to be made in response to the signal.
Flexibility Service Provider (FSP). Formerly, Demand Side Response Service Provider (DSRSP)	An organisation entering into a contract with a consumer to provide for the sending of a load control signal to an energy smart appliance at that consumer's premises.
Grid Code	The technical rules for connecting to and using the National Electricity Transmission System (NETS). Following the Grid Code is required by the Connection and Use of System Code (CUSC).
Homes energy management system (HEMS)	A device or system that controls and configures the energy usage or production of one or more ESAs, in order to optimise usage across all devices within a consumer premises and factoring in other elements such as local generation, tariffs and carbon intensity.
Interoperability	The ability of a product or system to operate in conjunction with other products and systems. For the SSES programme, interoperability in reference to ESAs, specifically refers to the ability of the ESA to change its FSP without the need for a visit to the premises and whilst maintaining the ability to provide CLF.

Load Control	Adjusting the immediate or future flow of electricity into or out of an energy smart appliance or another appliance in response to a load control signal.
Load Controller	An organisation that: a) creates a load control signal; b) changes a load control signal; c) controls the timing of the sending of a load control signal for the purpose of adjusting the immediate or future flow of electricity into or out of an energy smart appliance or another appliance in response to the load control signal.
Load control signal	A digital communication sent via a relevant electronic communications network to an energy smart appliance for the purpose of causing or otherwise facilitating an adjustment in the immediate or future flow of electricity into or out of the energy smart appliance
National Cyber Security Centre (NCSC)	The organisation of that name established by the UK government to, amongst other things, provide advice in relation to cyber security.
National Energy System Operator (NESO)	Established in October 2024 is an operationally independent and impartial body with responsibilities across both the electricity and gas systems for driving progress towards net zero while maintaining energy security and minimising costs for consumers.
Network and Information Systems (NIS) Regulations	The Network and Information Systems Regulations 2018, that require organisations to take appropriate and proportionate technical and organisational measures to manage risks posed to the security of the network and information systems on which their essential service relies.
Ofgem	The Office of Gas and Electricity Markets, i.e., the organisation supporting the Gas and Electricity Markets Authority.

Operator of Essential Services (OES)	An organisation designated under the Network and Information Systems (NIS) Regulations 2018 as providing an essential service for the UK.
Retail Energy Code (REC)	A central industry document that sets out how centralised information is managed including, for example, which energy supplier supplies which consumer.
Smart Energy Code (SEC)	A central industry document that sets out how energy suppliers and other parties communicate with Smart Meters via the DCC.
Smart	Means, in relation to a device, the ability of the device to respond in real time to remote communication signals, using digital technologies, to deliver a service.
Smart Secure Electricity Systems Programme (SSES)	A DESNZ programme with the primary objective of unlocking the benefits of a smart and flexible electricity system for domestic and small non-domestic consumers, whilst protecting consumers and the grid.
Tariff	The charges applied to a consumer for their energy supply (and the associated contract terms).
Time-Of-Use Tariff (TOUT)	An electricity Tariff under which the unit price for electricity varies throughout the day.
Vulnerable Situation	The personal circumstances and characteristics of a domestic customer, creating a situation where he or she is: (a) significantly less able than a typical domestic customer to protect or represent his or her interests; and/or (b) significantly more likely than a typical domestic customer to suffer detriment or that detriment is likely to be more substantial.

This publication is available from: www.gov.uk/government/consultations/smart-secure-electricity-systems-sses-programme-draft-load-control-licence-regulations-and-conditions

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