UK Government

Smart Secure Electricity Systems (SSES) Programme: Notice of Proposed Class Exemptions from the Requirement to Hold a Load Control Licence

Closing date: 7 September 2026

Department for Energy Security and Net Zero (2026)

Contents

Introduction

This notice is published in accordance with sections 5(2) and 5(3) of the Electricity Act 1989 (the Act).[1] It sets out a proposal by the Secretary of State to make an order granting class exemptions from the requirement to hold a load control licence and invites representations from interested parties.

[1] Electricity Act 1989 (viewed on 5 August 2026)

General information

Why we are giving notice

The Secretary of State is required under sections 5(2) and 5(3) of the Act to give notice before making an order granting exemptions from the requirement to hold a licence. As the requirement to hold a load control licence will be introduced through the forthcoming Electricity Act 1989 (Load Control Licence) Regulations 2026 (the Regulations), this notice invites representations on the proposed scope and terms of the exemptions described below.

Notice details

Issued: 7 August 2026

Respond by: 7 September 2026 at 23:59

Enquiries to:

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

Email: sses.licensing@energysecurity.gov.uk

Notice reference: Notice of proposed class exemptions from the requirement to hold a load control licence.

Audiences:

This notice will be of interest to organisations in the energy sector that are currently providing, or are planning to introduce services involving the load control of Energy Smart Appliances (ESAs).[2] It will also be relevant to a wider range of stakeholders with an interest in consumer-led flexibility (CLF), consumer protection and the operation of the electricity system. This includes consumer advocacy groups, trade associations, electricity market participants such transmission and distribution network operators, and other organisations involved in the

[2] Government has decided to align the ESA definitions in the draft Exemptions Order, where applicable, with those specified in the Phase 1 ESA Regulations 2026. Government has also decided to make no changes to its approach to defining electric vehicles (EVs) and ancillary appliances. The updated ESA definitions reflect ongoing policy development following the closure of the Phase 1 ESA regulations consultation. Consistent with the SSES Programme 2025 government response, the scope of the licensing regime at launch will remain limited to private EVs and electric vehicle smart charge points (EVSCPs), relevant heat technologies and home batteries.

development and governance of smart, flexible energy systems. Academic institutions and think-tanks with an interest in energy system transformation may also wish to respond.

Territorial extent:

England, Wales and Scotland only

How to respond

Respond online at: https://energygovuk.citizenspace.com/energy-security/smart-secure-electricity-systems-exemptions

or

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

Write 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

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.

Confidentiality and data protection

Information you provide in response to this notice, 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 notice 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 responses to this notice.

We will summarise all responses and publish this summary on GOV.UK.

Quality assurance

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

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

Notice of proposed class exemptions from the requirement to hold a load control licence

Summary

The Secretary of State for the Department for Energy Security and Net Zero proposes to make Electricity (Class Exemptions from the Requirement for a Licence) (Amendment) Order [2027] (the Order) under section 5(1) of the Act.

The proposed Order forms part of the Smart Secure Electricity Systems (SSES) Programme, under which the government is introducing a licensing framework for load control activities to ensure appropriate protections for consumers and the electricity system. Class exemptions within this framework are intended to ensure regulatory requirements remain proportionate, focusing oversight on activities most relevant to consumer protection and the electricity system.

The requirement to hold a load control licence will be introduced through The Electricity Act 1989 (Load Control Licence) Regulations 2026. Once in force, the Regulations will make it an offence to carry out load control activity without a licence or an exemption. The licensing regime is intended to regulate the provision of CLF services involving ESAs, ensuring appropriate standards of consumer protection, cyber security and grid stability as the markets for these appliances and services grow.

The proposed Order would amend the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 to create three class exemptions from the requirement to hold a load control licence.[3] The exemptions reflect a proportionate approach to regulation at the current stage of market development, focusing licensing requirements on load control activities that present the greatest potential risks to consumers and the electricity system, while exempting activities where full regulatory oversight is not required.

In developing the proposed exemptions, the Secretary of State has had regard to the principal objective and general duties set out in section 3A of the Act, so far as relevant. In particular, the exemptions are designed to support a regulatory framework that protects the interests of existing and future consumers while maintaining efficient operation and security of the electricity system.

This notice sets out the proposed class exemptions and the reasons for them. Classes A and B reflect policy positions that were consulted on at the December 2025 consultation on draft load

[3] The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 (viewed on 25 June 2025)

control licensing regulations and conditions,[4] with a government response to that consultation published alongside this notice. Class C is a new proposal developed following consultation responses and ongoing stakeholder engagement. Further detail on the scope and rationale for each of the proposed classes is set out below.

In addition to the exemptions set out in the Order, the government is also considering whether further exemptions may be appropriate, including in relation to small Load Controllers and Flexibility Service Providers (FSPs).[5] This reflects stakeholder feedback highlighting the need to ensure that the licensing framework remains proportionate and does not impose undue burdens on smaller or early-stage market participants. The government has included these considerations within this notice and invites views on whether, how and to what extent, such approaches should be feasibly taken forward.

This notice should be read alongside the government's response to the SSES consultation on load control licensing regulations and conditions and the associated decision document published by Ofgem, which together set out the policy and regulatory context for the licensing regime.

Responses to this notice will inform the Secretary of State's final decision on whether to make the Order and, where relevant, on the appropriate regulatory treatment of different categories of load control activity.

The Proposals

The Secretary of State proposes to amend the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 to exempt the classes of persons set out below from the requirement to hold a load control licence.

The load control licensing regime separates the carrying on of load control activity into two distinct licensable functions: load control activity, undertaken by Load Controllers who control load on ESAs, and FSP activity, undertaken by organisations that enter into arrangements with consumers for the provision of load control services. The proposed class exemptions reflect this distinction, where Class A and C relate to both Load Controllers and FSPs while Class B relates only to FSP activity.

Class A applies to persons who carry on load control activity only in relation to energy smart appliances that are not within the defined scope of the licensing regime, as set out in the Order.

[4] GOV.UK, SESS: Proposals on load control licence regulations and licence conditions (viewed on 25 June 2026)
[5] Load Controller and FSP will be respectively defined by The Electricity Act 1989 (Load Control Licence) Regulations 2026 as "creating a load control signal; or changing a load control signal for the purposes of changing the effect of the load control signal on the energy smart appliance" and "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".

For the purposes of the licensing framework, Load Controller and FSP activity is intended to be in scope of the licensing regime where the load control relates to specified categories of ESAs:

- electric vehicle smart charge points (EVSCPs)
- electrical heating appliances
- battery energy storage systems (BESS)
- smart batteries in private electric vehicles
- ancillary appliances used to control the above technologies (whether those technologies are smart or non-smart)

Load control activity relating to these appliances will be subject to licensing requirements, once the Regulations are in force.

The Class A exemption applies where load control activity is undertaken solely in relation to ESAs that fall outside these defined categories.

Class B applies to persons who provide flexibility services only to consumers who are not domestic consumers or small business consumers.

This reflects the scope of the SSES Programme, which is focused on enabling CLF in domestic and small non-domestic settings, where there are particular consumer protection considerations that the licensing regime is designed to address.

This exemption reflects the position that larger non-domestic consumers, including commercial and industrial users, are generally better placed to understand and manage contractual, operational and commercial risks associated with flexibility services. In this context, the risks faced by such consumers are of a different nature and scale to those faced by domestic and small business consumers and are typically managed through commercial arrangements and contractual protections.

The exemption therefore supports a proportionate approach by ensuring that the licensing regime remains focused on domestic and small business consumers, where protections are most needed, while avoiding additional regulatory burdens on load control activities serving larger non-domestic users.

Class C applies to persons who carry on any load control activity only for the purpose of benefitting consumers and not for the purpose of providing services to any persons— (i) operating a transmission or distribution system in Great Britain or offshore waters, or (ii) engaged in the wholesale trading of electricity in Great Britain.

This reflects the intended targeted approach of the licensing regime on CLF which supports the operation of a smarter and more flexible electricity system, and has been developed following

stakeholder feedback to our 2025 consultation[6] that the proposed scope in that consultation had extended beyond the policy intent outlined in our 2024 licensing consultation.[7]

Where activity is intended to benefit the consumer and not to provide services to persons operating a transmission or distribution system or persons engaged in the wholesale trading of electricity in Great Britain, the rationale for regulatory oversight is reduced because the focus of the licensing regime is to unlock wider benefits of a more flexible electricity system, and the exemption helps ensure the regime remains proportionate and targeted at activities with a direct benefit to the operation of the electricity system.

These exemptions would apply subject to the definitions and conditions set out in the Order.

Legislative background

The Electricity Act 1989 (Load Control Licence) Regulations 2026, when brought into force, will insert a new paragraph (g) into section 4(1) of the Electricity Act 1989, prohibiting the carrying on of load control activity without a licence or an exemption.

Section 5(1)(a) of the Act allows the Secretary of State, by order, to grant exemptions to persons or classes of persons from that requirement to hold a licence under section 4(1). Sections 5(2) and 5(3) require the Secretary of State, before making such an order to publish a notice stating an exemption is proposed, the reasons for it, and a period within which representations may be made. This notice fulfils that requirement.

The Order would amend the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 by inserting a new Schedule providing three class exemptions from the requirement to hold a load control licence. The exemptions are intended to come into force at the same time as the prohibition on unlicensed load control activity under the Regulations, to ensure there is no gap between the licensing requirement taking effect and the exemptions being available.

Policy background and previous consultation

The policy underpinning the load control licensing regime and the proposed class exemptions has been developed through a series of public consultations under the SSES Programme. Since 2022, the government consulted on the case for a licensing framework, the design of the licensing regime and the scope of activities and appliances that should be subject to licensing requirements. Most directly relevant to this notice, the government consulted between

[6] GOV.UK, SESS: Proposals on load control licence regulations and licence conditions (viewed on 15 July 2026)
[7] GOV.UK, 'Licensing regime: proposals for a load control licence – consultation paper (viewed on 9 July 2026)

December 2025 and February 2026 on draft load control licence regulations and licence conditions.[8]

Our December 2025 consultation sought views on the scope of the licensing regime and proposed exemptions, with the aim of ensuring that regulatory requirements are focused on load control activities that have a direct impact on the operation of the electricity system and on consumer-facing activities involving specified ESAs, while recognising that other forms of load control activity present different kinds of risk and that these may be addressed via other regulatory means or interventions at a later stage.

Between 24 to 30 responses were received to each of the three questions on the proposed exemptions from a wide range of stakeholders, including Load Controllers, FSPs, consumer groups, network operators and trade associations. A majority of respondents supported the government's proposed approach to exemptions, recognising the importance of a proportionate licensing framework that protects consumers and supports the development and growth of CLF. The feedback received informed the government's assessment of the appropriate scope of the licensing regime and the use of class exemptions. A government response to the consultation on the draft load control licence regulations and licence conditions has been published alongside this notification.

The consultation did not propose an exemption for load controllers and FSPs where their activity is for the purpose of benefitting the consumer and not for the purpose of providing services to persons operating a transmission or distribution system or persons engaged in the wholesale trading of electricity in Great Britain. That exemption, Class C, has been developed subsequently, informed both by consultation responses and further targeted stakeholder engagement. It is included in this notice as an additional proposed class exemption on which the government is now seeking views.

Reasons for the proposed exemptions and policy context

The government is introducing a load control licensing regime to regulate the provision of CLF services in a way that supports the transition to a secure, affordable and decarbonised electricity system, while ensuring appropriate protections for consumers and the electricity system. The proposed class exemptions have been developed to ensure the regime is proportionate and supports these objectives.

The government's Clean Power 2030 Action Plan identifies CLF as critical to managing the demands of increased electrification and delivering a clean power system.[9] Achieving the

[8] GOV.UK, SESS: Proposals on load control licence regulations and licence conditions (viewed on 5 August 2025). Alongside and at the same time, Ofgem published its consultation on implementing the load control licence regime: Smart Secure Electricity Systems: Implementing the load control licensing regime (viewed on 9 July 2026)
[9] GOV.UK, 'Clean Power 2030 Action Plan: A new era of clean electricity' (viewed on 25 June 2026)

ambition to scale flexibility from around 2.5 GW in 2023 to 10–12 GW by 2030 requires a regulatory framework that builds consumer and market confidence in load control, while ensuring that regulation does not create unnecessary barriers to participation for activities that support these goals. Within that, the SSES Programme and the introduction of class exemptions for the SSES load control licence is consistent with this ambition, allowing flexibility services to develop across a range of technologies and business models without imposing regulatory requirements that are not justified by the opportunities those technologies or business models present at this stage to support a smarter and more flexible electricity system.

The proposed class exemptions are designed to ensure that the licensing regime is proportionate and targeted, focusing regulatory oversight on load control activities that present the greatest potential risks or opportunities to support the operation of a more flexible electricity system. In particular, this means activities and ESAs that have the highest potential to provide flexibility benefits to consumers and to the electricity system will not be exempt from the requirement to hold a licence.

Class A: Exemptions relating to specified activities and appliances

Class A exemptions apply to load control activities and appliances that fall outside the core scope of the SSES licensing regime. These exemptions reflect the policy approach that certain technologies and use cases, which have much lower systemic impact at this stage, do not warrant being covered by the regulatory requirements and protections to be provided by the SSES licensing regime. They therefore support a proportionate and targeted framework by focusing regulatory oversight on higher-impact load control activities. By exempting specified activities and appliances that do not raise the same risk considerations, Class A supports the effective operation of the licensing regime.

Through our 2025 licensing consultation and response published alongside this statutory notice, government has decided only to license Load Controllers and FSPs in relation to certain ESAs. These are domestic EVSCPs, electrical heating appliances, BESS, batteries in private electric vehicles, and ancillary appliances that may be used to control these technologies (whether those technologies are smart or not). In our government response, published alongside this notification, we have made the decision to align the definitions of ESAs with those that will be included in the Phase 1 ESA regulations.

Since the consultation on the Phase 1 SSES ESA Regulations, the definitions of relevant ESAs have been updated in line with consultation feedback (see Annex A below).[10] Final definitions will be published in the forthcoming Phase 1 ESA Regulations alongside the corresponding government response to that consultation, later this year.

[10] GOV.UK, SSES Programme: first phase energy smart appliances regulations (viewed on 20 July 2026)

1. Do you agree with the drafting of the proposed Class A exemption?

Class B: Exemptions relating to industrial and commercial non-domestic consumers

Class B exemptions apply to FSP activity, where an FSP enters into contracts with consumers to provide them load control, and they contract solely with non-domestic consumers who are not small business consumers.

This reflects the position that the licensing regime is primarily intended to provide protections for domestic and small business consumers. By contrast, large non-domestic consumers typically operate under bespoke commercial arrangements and have greater capacity to assess and manage contractual, technical and commercial risks. While large non-domestic consumers using their electricity flexibility will offer significant potential for wider flexibility and system benefits, the provision of flexibility services to this segment of the market in many circumstances would involve a very different set of consumer protection considerations. As a result, government made the decision not to extend the scope of the SSES load control licence to include consumers other than domestic and small non-domestic consumers as confirmed in the 2025 government response.[11]

Through our 2025 licensing consultation and response published alongside this notice, government decided to align the definition of small business consumer with article 2 of the Gas and Electricity Regulated Providers (Redress Scheme) Order 2008:[12]

(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

2. Do you agree with the drafting of the proposed Class B exemption?

Class C: Exemptions relating to the purpose of load control

Class C exemptions apply to load control activities which are for the purpose of configuring devices for the benefit of the consumer and not also for the purpose of providing services that

[11] GOV.UK, SSES Programme: government response (viewed on 25 June 2026)
[12] The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 (viewed on 25 June 2026)

additionally benefit persons operating a transmission or distribution system (including Capacity Market, flexibility markets, or ancillary/balancing services), or persons engaged in the wholesale trading of electricity in Great Britain (participation in the Balancing Mechanism or energy imbalance arrangements under the Balancing and Settlement Code). This exemption has been developed to address a category of activity that was not explicitly proposed for exemption in our 2025 consultation on load control licensing but remains in line with the government's primary aim of enabling consumers to confidently engage in flexibility which directly benefits the operation of a smarter and more flexible electricity system.

In our 2024 licensing consultation, we proposed to limit the requirement for a licence to contracting with consumers for services where load control is being carried out 'for the purposes of DSR' (now termed CLF), where we defined load control activity for the purpose of CLF as changing, or issuing a request to change, electricity consumption in response to price signals or instructions communicated to benefit any electricity market participant.[13] At the time, we said this could include changing load of a consumer's ESA in response to requests from the National Energy System Operator (NESO) or Distribution Network Operators (DNOs) to support grid or network operations (like frequency response services) or to alleviate transmission or distribution constraints. We also suggested it could include changing the future power consumption of a consumer's ESA in response to time-of-use-tariffs (TOUTs) or day-ahead half-hourly electricity prices; doing so could benefit suppliers, other relevant balancing parties and the overall balance position of the electricity system.

In response to the 2025 consultation, stakeholders highlighted that the definition of load control activity extended beyond the policy intent set out in 2024 and could capture activities designed solely to optimise local or on-site energy use on behalf of the consumer. Examples include improving the performance or efficiency of appliances or managing energy consumption within a home or building. These activities are not undertaken for the purpose of providing benefits to electricity system operators and do not directly provide services to organisations trading in the wholesale markets. Instead, their purpose is to support consumers in optimising the efficiency of their ESA according to consumers' preferences. As such, this activity differs in purpose and effect from flexibility that directly supports the electricity system, which remains the core focus of the SSES licensing regime.

In developing the proposed licensing framework, the government has sought to ensure that regulatory requirements are proportionate and targeted at activities that are most relevant to the operation of the electricity system. Applying licensing requirements to load control activities that are not for the purpose of providing services to persons operating a transmission or distribution system or persons engaged in the wholesale trading of electricity in Great Britain could risk capturing business models and technologies that do not present a direct flexibility benefit to the electricity system. This could discourage innovation and growth in local energy optimisation without delivering corresponding benefits for the system.

[13] GOV.UK, 'Licensing regime: proposals for a load control licence – consultation paper' (viewed on 01 July 2026)

The proposed Class C exemption is therefore intended to provide regulatory clarity by distinguishing between load control activities based on their purpose, while preserving the focus of the licensing regime on load control activities that support the operation of a more flexible electricity system. To ensure it remains clear to Ofgem and industry about who falls within scope of the Class C exemption, the policy intent determining whether an entity falls within scope of the exemption is that where:

- An entity undertakes a licensable activity and is trading in the wholesale markets (participation in the Balancing Mechanism or energy imbalance arrangements under the Balancing and Settlement Code) or provides a flexibility service to NESO or DNOs (including Capacity Market, flexibility markets, or ancillary/balancing services) whether or not it can be proven that the trading or service relates directly to the provision of load control, the Class C exemption will not apply. They will be required to hold a licence.
- An entity undertakes a licensable activity and (either the FSP or the Load Controller) has a contract in place, in relation to the use of the load control in question, with an entity (or their representatives) who is trading in the above markets or provides a flexibility service to NESO or DNOs, the Class C exemption will not apply. They will be required to hold a licence. This could include an aggregator who controls load for a third party to trade in markets or provide a service to NESO or DNOs. However, it would not include manufacturers or ESA operators if they only change load control signals for safety reasons or to benefit the consumer, as the load control in question would not be associated with trading or providing services to NESO or DNOs.

In summary, the Class C exemption will only apply if an entity undertakes a licensable activity and neither the FSP nor the Load Controller trades in wholesale markets, nor provides flexibility services to NESO or DNOs, nor has contracts in place with trading parties for the use of the load control in question.

The government welcomes feedback on whether the drafting of the proposed Class C exemption meets this and our overarching policy intent.

3. Do you agree with the drafting of the proposed Class C exemption?

Treatment of small and micro-scale businesses

Market design and policy context

The government is seeking to establish a licensing framework for load control activities that supports the development of a competitive and innovative consumer-led flexibility market, while ensuring appropriate protections for consumers and the electricity system. This reflects the broader policy objective of enabling the growth of flexibility services in a way that protects the electricity system and consumer confidence.

In designing this framework, the government recognises the importance of ensuring that regulatory requirements do not impose disproportionate costs or barriers to entry, particularly for smaller or early-stage organisations. A proportionate approach to regulation is therefore intended to support market entry and innovation, promote competition and diversity of service providers, and enable consumers to access a wider range of flexibility services.

Issue under consideration

Stakeholder feedback and consultation responses indicate that the costs associated with licensing requirements may be proportionately greater for small and micro-scale organisations. Internal analysis also indicates that smaller companies face higher relative costs than medium and large companies, in some cases representing more than 10% of revenues. This is largely because larger organisations are more likely to have already implemented many of the governance, operational and compliance arrangements required by the licence, whereas smaller organisations often need to establish these from scratch, resulting in comparatively higher relative costs.

As a result, smaller organisations may bear a disproportionately higher cost burden relative to their size and revenue, which could act as a barrier to market entry or continued participation. These costs arise from a range of obligations, including implementation of cyber security standards and governance and reporting requirements. At smaller scales, these costs could represent a material share of revenues, potentially deterring market entry, limiting innovation and constraining the development of a competitive and diverse market for CLF. This raises a broader risk that, if not carefully designed, the licensing framework could limit participation and reduce competition in the market.

At the same time, the evidence base to support the introduction of a specific exemption threshold remains limited. In particular, the evidence base to reach our indicative view of the cost of the licence is relatively limited where few respondents to our consultations have felt in a position to accurately quantify the cost of the licence. There is also uncertainty regarding the scale of load managed by smaller organisations, and the extent to which load controlled could be concentrated within a local geographical area, creating uncertainty about the corresponding risk profile associated with an exemption for small organisations.

The government therefore considers that further views are required on how best to ensure that the licensing regime remains proportionate for small and micro-scale businesses while continuing to support market growth and maintaining appropriate protections for consumers and the electricity system. The government is therefore seeking views on a range of design options before reaching a final decision on the treatment of small and micro-scale businesses under the licensing regime.

Approaches under consideration

The government is considering options on how to treat small Load Controllers and FSPs under the licensing regime.

The options under consideration are:

- Option 1: **Exemption for small Load Controllers only**. Introduce a load-based exemption for smaller-scale load control activity undertaken by Load Controllers.
- Option 2: **Exemption for small Load Controllers and FSPs**. Apply a consistent load-based exemption across both Load Controllers and FSPs.
- Option 3: **No exemption for small Load Controllers or FSPs**. Small Load Controllers and FSPs are required to comply with the licence.

Another option for treating small organisations differently under the licensing regime could be to require all organisations to hold a licence but apply a tiered or lighter touch set of requirements for smaller organisations (for example, reduced obligations, derogations, or reporting only approaches). In line with our 2025 government response, we are not exploring this as an option.[14] While tiering could provide some regulatory relief for small Load Controllers and/or FSPs, the requirement to obtain and maintain a licence, including ongoing reporting obligations, may still create barriers to entry for smaller organisations, even where the obligations are less onerous.

However, Section 5 of the Electricity Act 1989 gives the Secretary of State the power to impose certain conditions on an exemption, meaning that the government might decide small Load Controllers and/or FSPs would only qualify for this exemption if they meet certain conditions. For example, government could require small Load Controllers to hold a Cyber Essentials or Cyber Essentials Plus certificate in order for them to qualify for the exemption. This could provide assurance that there remain some cyber security protections in place, without imposing the additional administrative burdens of a licensing regime on smaller organisations. Although, Ofgem may be limited in its capacity to have ongoing oversight of compliance with those conditions. We are therefore seeking views on the above options, where an appropriate threshold might also be set in relation to a full exemption from the licence, and whether this type of exemption should be accompanied by additional conditions.

The government recognises that each option involves trade-offs between reducing regulatory burdens, supporting innovation and market entry, and maintaining appropriate levels of consumer protection, system resilience and regulatory oversight.

[14] GOV.UK, SSES Programme: government response (viewed on 07 July 2026)

Option 1 and Option 2: Load-based exemption

Under consideration is whether to provide an exemption from licensing requirements for smaller-scale load control activity, defined by reference to the amount of load managed. This would involve setting a threshold below which organisations would not be required to hold a licence. The government is considering a range of possible threshold levels, for example, 1 MW, 5 MW, 10 MW and 35 MW, as a means of identifying activity that may present lower levels of risk. To ensure it is clear to organisations and Ofgem about who would qualify for the exemption, the nameplate capacity of ESAs would be used to determine whether an organisation would fall within the exemption threshold. In considering this approach, we are exploring whether any such threshold should apply only to Load Controllers or consistently across both Load Controllers and FSPs, in order to reflect the range of business models operating in the market and to ensure a coherent regulatory framework.

To support understanding of the scale of activity associated with different threshold levels, the government has developed illustrative examples based on typical device load assumptions. These are indicative only and intended to provide a sense of scale:

1 MW threshold is approximately equivalent to:	**5 MW threshold is approximately equivalent to:**	**10 MW threshold is approximately equivalent to:**	**35 MW threshold is approximately equivalent to:**
130 EV charge points, or	750 EV charge points, or	1500 EV charge points, or	5250 EV charge points, or
260 heat pumps, or	1500 heat pumps, or	3000 heat pumps, or	10500 heat pumps, or
200 5kW ESAs	1000 5kW ESAs	2000 5kW ESAs	7000 5kW ESAs

A load-based threshold could provide a clear and scalable mechanism for distinguishing between activities that should be subject to full licensing requirements and those for where such requirements may be disproportionate. It could also support smaller and early-stage businesses to enter and participate in the market, while allowing regulatory requirements to apply as businesses grow and the scale of their activity increases. However, it could also pose consumer protection and cyber security and grid stability risks, which would increase the higher the exemption threshold was set.

In relation to an exemption for small Load Controllers, we expect the impact of a cyber or grid stability incident affecting a single Load Controller to be localised and short-lived, with impacts at national scale considered unlikely; however, risks may increase where load is highly

concentrated in a particular area, potentially giving rise to localised impacts on distribution infrastructure or a significant number of consumers. Furthermore, even if an attacker could not shift enough load to cause supply impacts, any kind of malicious control of consumer load could undermine consumer trust in CLF more broadly. It is difficult to gauge exact trust impacts, since these would depend, for example, on how and the extent to which an incident is reported. The above table provides an indication of how many consumers could be affected if an exempt Load Controller by threshold level was successfully attacked.

One option to mitigate the risk of a small Load Controller exemption creating localised threats to loss of supply could be for the exemption not to apply where a Load Controller has control of ESAs clustered in a local geographic area. This option could better reflect the variation in risk profiles across different types of load control activity and retain the ability to capture higher risk activities. However, it may be more complex to administer and less predictable for industry to adjust to than a simple threshold-based exemption, particularly where it would rely on a case-by-case assessment of asset concentration or other risk factors.

While this more refined approach could offer advantages from a proportionality and risk mitigation perspective, it won't be feasible to implement as part of the initial phase of the licensing regime due to legislative and operational complexity, including the need to define and apply designation criteria. The government therefore considers that this would only be a viable option as part of phase 2 of the licensing framework, once further evidence on market structure, asset distribution and risk profiles has been gathered. Given this, we are not seeking views on this as an option within this notice.

In considering Options 1 and 2 against one another, government recognises that these approaches involve different trade-offs between proportionality and the scope of consumer protections. Exempting FSPs under a certain threshold would mean that consumers receiving flexibility services from smaller FSPs would not receive the protections provided through the licensing regime. By contrast, under Option 1 (where the exemption would only apply to Load Controllers) smaller organisations that operate as FSPs would still be required to hold a licence and comply with relevant FSP obligations. This could discourage new entrants into the market, particularly where they intend to be both a Load Controller and an FSP but are disincentivised by the need to apply for, comply with, and report on a licence.

In summary, Option 1 may provide a more consistent level of consumer protections across FSP-provided services, ensuring that there are no FSP consumers who do not receive protections. However, this could come at the cost of potentially imposing higher administrative burdens on smaller dual-function organisations, thus discouraging new entrants from the market. Option 2 may reduce these burdens and support market entry and participation but could result in some consumers not being protected by the licence. The government is therefore seeking stakeholder views on how these trade-offs should be balanced in designing a proportionate and effective regulatory framework.

The approaches set out above are under active consideration, and no final decision has been made at this stage. The government will use responses to this notice, alongside further

analysis and evidence-gathering, to inform its decision on how best to treat small and micro-scale businesses within the licensing framework. The final Order may adopt, refine, or not proceed with these approaches in light of responses to this notice and further analysis, to ensure that the licensing framework remains proportionate and aligned with its policy objectives.

4. **Which option do you agree with and why?**

- Option 1: Exemption for small Load Controllers only
- Option 2: Exemption for small Load Controllers and FSPs
- Option 3: No exemption for small Load Controllers and FSPs

5. **If an exemption was taken, what do you think an appropriate threshold would be (1, 5, 10, or 35MW)?**

6. **If an exemption was taken, do you think the exemption should be subject to certain conditions? If so, please provide details of the conditions which you think the exemption should be contingent upon.**

Terms of the proposed exemptions

This section explains how the proposed class exemptions would operate in practice. Under the Electricity Act 1989, the Secretary of State may grant exemptions by order, and if appropriate, may also specify conditions that apply to those exemptions. Under the proposed Order:

- The government does not consider it necessary for the proposed class exemptions to be subject to additional conditions, except in relation to a small Load Controller and/or FSP exemption, if we decide to take that forward. Where the exemptions are not subject to additional conditions, they would apply where the relevant definitions and scope provisions set out in Schedule 6 of the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 are met.
- Activities falling outside the scope of the exemptions would continue to require a load control licence once the licensing requirements come into force.
- The exemptions are intended to come into force at the same time as the new prohibition on unlicensed load control activity comes into force to ensure there is no gap between the licensing requirement taking effect and the exemptions being available.

Invitation to respond

The Secretary of State invites representations from interested parties on the proposal to make the Order and on the scope and terms of the proposed class exemptions.

Statutory Notice Questions

The government welcomes stakeholder views on the proposed class exemptions and, in particular, invites responses to the following questions:

1. **Do you agree with the drafting of the proposed Class A exemption?**
2. **Do you agree with the drafting of the proposed Class B exemption?**
3. **Do you agree with the drafting of the proposed Class C exemption?**
4. **Which option do you agree with and why?**

- Option 1: Exemption for small Load Controllers only
- Option 2: Exemption for small Load Controllers and FSPs
- Option 3: No exemption for small Load Controllers and FSPs

5. **If an exemption was taken, what do you think an appropriate threshold would be (1, 5, 10, or 35MW)?**
6. **If an exemption was taken, do you think the exemption should be subject to certain conditions? If so, please provide details of the conditions which you think the exemption should be contingent upon.**

Annex A: Energy smart appliances in scope of the load control licensing framework

This Annex sets out the categories of ESAs that are proposed to be within scope of the load control licensing framework for the purposes of the Class A exemption.

The definitions of EV smart charge points, electrical heating appliances and battery energy storage systems are reproduced from the draft Energy Smart Appliances Regulations 2026, where applicable. These definitions remain subject to ongoing policy development and refinement, with final definitions to be published in the forthcoming Phase 1 ESA Regulations and accompanying government response later this year.

Private EVs and ancillary appliances are also included for the purposes of the SSES Load Control Licensing framework.

ESA Categories	Definitions
EV smart charge points (EVSCPs)	1. Relevant charge point means a charge point to which these Regulations apply in accordance with [regulation 3]. Relevant smart charge point means a relevant charge point with the energy smart function. 2. These Regulations apply to charge points which: (a) can connect to and are designed to interact with the electricity grid, and (b) are intended to be used for charging cars, vans or both of them. 3. These Regulations do not apply to: (a) non-smart cables; (b) rapid charge points; (c) public charge points.

	4. These Regulations do not apply to a replacement charge point for a period of two years beginning with the day on which [Chapter 3 of Part 2] comes into force. In [paragraph (3)], replacement charge point means a charge point supplied by a manufacturer or importer to replace a defective charge point that was supplied before [Chapter 3 of Part 2] comes into force. 5. In this regulation: a) car has the meaning given in regulation 3(1) of the Vehicle Emissions Trading Schemes Order 2023(a); b) van has the meaning given in regulation 3(1) of the Vehicle Emissions Trading Schemes Order 2023; c) non-smart cable means an electrical cable which is a charge point but which is not able to send and receive information independently to or from a communications network or the electricity grid; d) 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; e) public charge point includes, subject to paragraph (f), 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; f) public charge point does not include:

	(i) a workplace charge point; (ii) a charge point restricted for the exclusive use by: (aa) a vehicle produced by a specific manufacturer, (bb) a person engaged in a specific occupation, or (cc) an occupier of, or visitor to, residential premises.
Electrical heating appliances	1. These Regulations apply to the following electrical heating appliances: (a) hydronic heat pumps; (b) storage heaters; (c) direct electric heat batteries; (d) hot water heat pumps; (e) standalone direct electric hot water cylinders; (f) hybrid heat pumps. 2. These Regulations do not apply to electrical heating appliances that have a rated thermal capacity of more than 45 kilowatts. 3. These Regulations do not apply to a replacement electrical heating appliance on or before 31st December 2029. 4. In paragraph 3 replacement electrical heating appliance means an electrical heating appliance supplied by a manufacturer or importer to replace a defective electrical heating appliance that was supplied before 31st December 2029.

	5. In this regulation: (a) hydronic heat pump means a heat pump that heats the liquid circulated in a central heating system; (b) storage heater means a non-hydronic and non-portable local space heater which stores thermal energy converted from electricity in an internal accumulating core; (c) direct electric 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) charges directly using the Joule effect in electric resistance heating elements only; (d) hot water heat pump means a heat pump that – (i) heats water, either directly or via a fixed thermal storage medium, (ii) does not provide space heating or cooling functions, and (iii) does not have a water cylinder whose capacity is either less than 50 litres or more than 300 litres; (e) standalone direct electric hot water cylinder” means a water cylinder that - (i) is not connected to a central heating system, (ii) heats water directly using the Joule effect in its electric resistance heating elements (iii) only, and

	(iv) has a capacity of at least 50 litres and no more than 300 litres; (f) hybrid heat pump" means - (i) a package containing all the necessary hybrid heat pump system components, or (ii) all the necessary hybrid heat pump system components integrated in a unit, whether or not the package, or unit, contains any other device. (6) For the purposes of paragraph (5) and this paragraph – central heating system means a system designed to provide space heating to multiple rooms or zones in a building; 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 is an appliance that uses electricity to transfer thermal energy from ambient air, ground, water or waste heat sources to premises using a thermodynamic cycle for the purposes of space heating or hot water heating or both; local space heater means an electric space heater that does not distribute heat via a central heating system; necessary hybrid heat pump system components means all of the following –

	(a) a hydronic heat pump, (b) a fuel boiler, and (c) a single master control which determines, based on operating conditions, the heat output of each of the heaters.
Battery energy storage systems (BESS)	1. These Regulations apply to smart battery energy storage systems. 2. These Regulations do not apply to a replacement smart battery energy storage system on or before 31 December 2029. 3. replacement smart battery energy storage system means a smart battery energy storage system supplied by a manufacturer or importer to replace a defective smart battery energy storage system that was supplied before 31 December 2029. 4. In this regulation – battery cell means a single anode and cathode separated by electrolyte used to produce a voltage and current; battery energy storage system means a set of rechargeable battery cells that - (a) are enclosed in an outer casing so as to form a complete unit, (b) is designed to be [permanently] 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(a) for billing purposes, (c) is designed to become a fixture of a building when installed, and (d) has an inverter;

	smart battery energy storage system means a battery energy storage system with the energy smart function(b).
Private EVs	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. (a) used primarily for social, domestic, or pleasure purposes, and not primarily for hire or business purposes
Ancillary appliances	Ancillary appliance means an energy smart appliance, other than a smart metering appliance, which is used to adjust the immediate or future flow of electricity into or out of: (a) a private electric vehicle; (b) a relevant charge point; (c) an electrical heating appliance; (d) a battery energy storage system; but which is not itself one of the devices or appliances specified above. For the purposes of this definition, electricity smart meters, Standalone Auxiliary Proportional Controllers (SAPCs) and HAN Connected Auxiliary Load Control Switches (HCALCs) are not proposed to be treated as ancillary appliances within scope of the load control licensing framework. This reflects the existing regulatory framework that applies to smart metering activity, including requirements relating to the security of smart metering systems. For

	example, Standard Licence Condition 46 requires suppliers to maintain secure end-to-end smart metering systems. The government therefore considers that bringing these technologies within scope of the load control licensing framework would be unlikely to deliver additional consumer protection or cyber security benefits that are proportionate to the associated regulatory burden. For these purposes smart metering appliance means an appliance to which all communications that are sent are processed as part of providing a smart meter communication service.

This publication is available from: https://www.gov.uk/government/publications/smart-secure-electricity-systems-proposed-class-exemptions-from-the-requirement-to-hold-a-load-control-licence

Any enquiries regarding this publication should be sent to us at: sses.licensing@energysecurity.gov.uk

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