

# Draft Guidance

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## Apply for a gas or electricity licence [DRAFT]

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This draft guidance is for anyone that wishes to submit an application for any of the following purposes or is otherwise interested in our application processes.

- Obtaining a new licence from Ofgem (for activities listed in the Section 1 tables)
- Seeking consent to transfer an existing licence
- Extending, restricting and modifying existing licences

This guidance should be read in conjunction with the [Gas \(Applications for Licences and Extensions and Restrictions of Licences\) Regulations 2019](#) and the [Electricity \(Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences\) Regulations 2019](#) (together referred to as the ‘Applications Regulations’).

It is the responsibility of all licence applicants to understand the requirements of these regulations and the relevant provisions of the [Gas Act 1986](#) and the [Electricity Act 1989](#) (together referred to as the ‘Acts’) that define these processes. This guidance is not a definitive guide to the requirements and does not constitute legal advice.

All applicants are responsible for ensuring that they comply with all legislative and regulatory requirements and should obtain their own legal advice as required. Where

there is ambiguity between this guidance, the Application Regulations and the Acts, the Application Regulations and the Acts take precedent.

This guidance is not applicable to the National Energy System Operator (NESO), offshore transmission, or the smart meter communication licence

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## 1. Licensable activities

### Section summary

The Gas Act 1986 and the Electricity Act 1989 make it an offence for someone to carry out certain activities unless they hold a licence or are exempt from that requirement. This section sets out the activities that are the subject of this guidance and for which we determine applications from applicants.

### Gas licences

- 1.1 Under the [Gas Act 1986](#) it is a requirement to obtain the appropriate licence to undertake the following activities:

Licence type	Activity permitted by the Gas Act 1986	Cannot be held in conjunction with
<b>Gas Interconnector</b>	Permits the licensee to either: <ul style="list-style-type: none"><li>• Coordinate and direct the conveyance of gas into or through a gas interconnector</li><li>• Make an interconnector available for use for the conveyance of gas</li></ul>	Any other type of gas licence
<b>Gas Transporter</b>	Permits the licensee to either: <ul style="list-style-type: none"><li>• Convey gas through pipes to any premises within an area authorised by the licence</li><li>• Convey gas through pipes to any pipeline system operated by another gas transporter, or other pipeline system specified in the licence</li></ul>	Any other type of gas licence
<b>Gas Shipper</b>	Permits the licensee to arrange with a gas transporter for gas to be introduced into, conveyed through, or taken out of a pipeline system operated by that gas transporter.	<ul style="list-style-type: none"><li>• Gas Transporter</li><li>• Gas interconnector</li></ul>

<b>Gas Supplier</b>	<p>Permits the licensee to supply to any premises gas which has been conveyed to those premises through pipes.</p> <p>Supply can be to either:</p> <ul style="list-style-type: none"> <li>• Domestic and non-domestic premises</li> <li>• Non-domestic premises only</li> </ul>	<ul style="list-style-type: none"> <li>• Gas Transporter</li> <li>• Gas interconnector</li> </ul>
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## Electricity licences

1.2 Under the [Electricity Act 1989](#) it is a requirement to obtain the appropriate licence to undertake the following activities.

<b>Licence type</b>	<b>Activity permitted by the Electricity Act 1989</b>	<b>Cannot be held in conjunction with</b>
<b>Electricity Generation</b>	Permits the licensee to generate electricity for the purpose of giving a supply to any premises or enabling a supply to be given.	<ul style="list-style-type: none"> <li>• Electricity Interconnector</li> <li>• Electricity Transmission</li> <li>• Electricity Distribution</li> </ul>
<b>Electricity Interconnector</b>	<p>Permits the licensee to either:</p> <ul style="list-style-type: none"> <li>• Coordinate and direct the flow of electricity into or through an electricity interconnector</li> <li>• Make an interconnector available for use for the conveyance of electricity</li> </ul>	Any other type of electricity licence
<b>Electricity Transmission</b>	Permits the licensee to participate in the transmission of electricity for the purpose of enabling a supply to be given.	Any other type of electricity licence
<b>Electricity Distribution</b>	Permits the licensee to distribute electricity from the National Grid Network through a low voltage network of wires to customers.	Any other type of electricity licence

<b>Electricity Supply</b>	<p>Permits the licensee to supply electricity to premises.</p> <p>Supply can be either to:</p> <ul style="list-style-type: none"><li>• Domestic and non-domestic premises</li><li>• Non-domestic premises only</li></ul>	<ul style="list-style-type: none"><li>• Electricity Interconnector</li><li>• Electricity Transmission</li><li>• Electricity Distribution</li></ul>
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## Exemptions and exceptions

- 1.3 There are some circumstances in which a licence is not required. Exemptions can apply to individual cases or a class of activity. Exemptions may be unconditional or subject to certain conditions including length of time.
- 1.4 The [Gas Act 1986](#) and the [Electricity Act 1989](#) allow the Secretary of State to make orders giving exemptions from the need to hold licences. This means that some activities that fall within the definitions of a licensable activity are exempt from the need to hold licences.
- 1.5 [Schedule 2A of the Gas Act 1986](#) sets out certain specific exceptions to the need to hold a licence. Generators under the threshold covered by the exemption orders do not need to obtain a licence and the construction of generation stations does not rely on the prior granting of a licence.
- 1.6 The Electricity Act 1989 allows companies which meet certain criteria, to be exempt from a requirement to hold an electricity licence. The exemption classes are set out in the [Electricity \(Class Exemptions from the Requirement for a Licence\) Order 2001](#). The [electricity licence exemptions](#) apply automatically to persons who meet the given criteria.

## Determining whether a licence is required

- 1.7 It is for a potential applicant to consider whether it is going to be carrying out licensable activity, and whether it needs a licence. The Department for Energy Security and Net Zero provides [guidance on exemptions](#).



- 1.8 Ofgem provides [guidance on the options for selling electricity to consumers](#).
- 1.9 Those seeking to enter the energy market with an innovative or significantly different offering or approach, may wish to contact Ofgem's Innovation Hub in advance of making an application. See the section below on 'Supporting innovation'.
- 1.10 Ofgem is unable to advise on the need to hold a licence or whether exemptions are relevant. Ofgem's role is determine whether licence applications meet the applicable criteria set out in this guidance and related legislation.
- 1.11 We would strongly encourage potential applicants to obtain their own legal and technical advice on whether a licence is required for a particular activity.

### **Licences held in conjunction**

- 1.12 As set out in the tables above, certain licences cannot be held in conjunction with another. In the interests of consumers and the market, this is to ensure that there is sufficient separation between licenced entities.
- 1.13 Multiple licences might be held in a group structure provided there is sufficient proprietary, legal, managerial and operational separation. No single company that is a licenced entity can hold two licences where these cannot legally be held together.
- 1.14 If an applicant wishes to hold multiple licences it must have regard to the tables above. Where these cannot be held in conjunction it should take independent legal advice on sufficient separation and must satisfactorily demonstrate that to Ofgem on application.

### **National Energy System Operator**

- 1.15 The National Energy System Operator (NESO), as the designated Independent System Operator and Planner (ISOP) holds both an Electricity System Operator (ESO) and a Gas System Planner (GSP) licence.

- 1.16 The powers in the [Energy Act 2023](#) were used to create a licensing scheme directed by the Secretary of State so that the electricity transmission licence held by the company (previously known as National Grid Electricity System Operator Ltd (NGESO)) was converted, from 1 October 2024 to have effect as an ESO licence held by the ISOP. The ESO licence consists of both modified existing electricity transmission licence conditions and wholly new licence conditions. The GSP licence is an entirely new licence and all conditions within it are new.
- 1.17 Only a party designated by the Secretary of State can hold these licences, and only one party should hold them at any time. Application for these licences is therefore not covered by this guidance.

### **Supporting innovation**

- 1.18 Innovation in how regulated energy activities are performed may enable consumers to benefit from cleaner, greener and cheaper energy, that is better tailored to their needs. We are keen to support innovative ideas, products and services that could deliver benefits to consumers.
- 1.19 The [Innovation Hub](#) was created to provide support to innovators on navigating and understanding energy regulation.
- 1.20 Those with proposals to enter the energy market with an innovative or significantly different offering or approach may wish to contact Ofgem in advance of making an application by contacting the Innovation Hub team directly at [InnovationHub@ofgem.gov.uk](mailto:InnovationHub@ofgem.gov.uk).

## 2. Licence applications

### Section summary

In this section we provide a summary of how to access our application forms to submit an application, when to do so and how to make payment.

### Application forms

- 2.1 All licence applications must be submitted on the prescribed application form which sets out the minimum information that applicants will have to provide in order for an application to be determined. We publish the application forms on our website.
- 2.2 Further questions may arise from the information provided, as a result of our checks on the information provided, or comments received from other teams within Ofgem or third parties. Where we request additional information from an applicant, we will explain our reasoning.
- 2.3 If any of the details provided in an application form change once an application has been submitted, the applicant must inform us at the earliest opportunity to prevent this from delaying an application.
- 2.4 Any costs associated with applying for a licence are at the applicant's expense and will not be reimbursed by Ofgem

### Completing an application

- 2.5 Ofgem takes a tiered approach to processing licence applications. It applies greater scrutiny on the basis of risk and requires such additional information as is necessary and proportionate to come to the right decision on licence applications.
- 2.6 There are currently two tiers of application:

- **Tier 1:** we can make a decision on the application based on the core, baseline information as set out in Tier 1 section of the application form which is required from all applicants for the relevant category of licence
- **Tier 2:** we require specific additional information, to interview persons relevant to the application to come to a decision on the application or both

- 2.7 All applicants must provide all the Tier 1 information required in the application form, including the relevant licence-specific information. However, the Tier 2 section of the application only needs to be completed if requested by Ofgem.
- 2.8 On receipt of the application, we will conduct an initial risk assessment and determine whether to escalate the application to Tier 2 and request the additional information be completed.
- 2.9 Due to market wide risk and issues it is currently common for supplier and shipper licence application to be escalated to tier 2, so providing this information on initial submission may prevent any potential delays to the application.
- 2.10 For licence applications other than electricity generation, there are specific information requirements which applicants must provide under Tier 1. Guidance in respect of the licence-specific requirements is provided in the following chapters.

### **When to apply**

- 2.11 Once an applicant has established that it needs to obtain a licence, it is important to consider the timing of the application.
- 2.12 An applicant should have a credible plan and timescale in mind for commencing any licensable activity and must be able to provide us with an explanation as to why it believes it is the appropriate time to submit an application.

- 2.13 In considering when to apply, an applicant must be aware of our indicative timescales and processes for handling applications through to determination as set out at Section 3 of this guidance.
- 2.14 Applicants should also consider our discretion to revoke any licence that is granted but fails to be brought into use within the required timescales. For gas shipper and supply licences this is 12 months and for all other licences it is three years.

### **Multiple applications**

- 2.15 If an applicant intends to submit multiple applications (ie for several separate generation or battery storage projects), we ask that they contact us before applying where possible, using the following email address:  
[licensing@ofgem.gov.uk](mailto:licensing@ofgem.gov.uk).
- 2.16 We will discuss the purpose of the applications, intended application numbers, timelines and whether a dedicated account manager or point of contact would be helpful. We will also be able to explain any additional application requirements and criteria as may be required to prevent delays in processing the applications.

### **Submitting an application**

- 2.17 Applications should be made by email to [licensing@ofgem.gov.uk](mailto:licensing@ofgem.gov.uk).
- 2.18 We will acknowledge applications within two working days of receipt by emailing the contact provided in response to question 1.8 of the application form.

### **Making payment**

- 2.19 We will only begin consideration of a licence application once we have received the prescribed application fee as set out on the application form. All fees are non-refundable once paid as work will have started on the application.

- 2.20 We request payment be made by bank transfer using BACS or CHAPS using the following details:

**Bank Name: National Westminster Bank**

**Account name: OFGEM LICENCE APPLICATIONS BUSINESS CURRENT ACCOUNT**

**Account number: 10034447**

**Sort code: 60-70-80**

**BIC: NWBKGB2L**

**IBAN: GB16NWBK60708010006001**

- 2.21 When making payment, applicants should include the name of the applicant company as the reference for the bank transfer and confirm the payment reference in the cover email when submitting the application. Failure to do so will delay the processing of an application.
- 2.22 Paying by means other than by BACS or CHAPS will delay the processing of an application, however, to pay the application fee by cheque or other payment method, please contact us by email at [licensing@ofgem.gov.uk](mailto:licensing@ofgem.gov.uk).

### **Applicant conduct and behaviour**

- 2.23 Incomplete or incorrect information in an application will delay the processing of the application. Any undisclosed information relevant to the application that is discovered after a decision is made can result in licence revocation.
- 2.24 Applicants must be open and honest in their engagement with us and be proactive in providing relevant information. Intentionally providing incorrect information or false statements during the licence application process is an offence and may result in criminal proceedings.

### **Change of information after submission**

- 2.25 If any of the details provided in an application form change once the application has been submitted, the applicant must inform us at the earliest opportunity.

- 2.26 Any change in details will need to be considered as part of our application assessment and failure to provide details of any changes in a timely manner may negatively affect an application.

### **Contacting licensing**

- 2.27 If an applicant needs to contact the licensing team in relation to an application, it should email us at [Licensing@ofgem.gov.uk](mailto:Licensing@ofgem.gov.uk).
- 2.28 Before contacting the licensing team, please first check the [industry licensing section of the Ofgem website](#) as you may find the information you are looking for there.
- 2.29 While we cannot provide legal or commercial advice, we are able to assist in any questions about this guidance and the application process more generally.

### **Withdrawing an application**

- 2.30 If an applicant decides not to proceed with an application, it may withdraw it at any time but application fees are non-refundable. If an applicant later changes its mind and wishes to proceed, it will need to submit a new application form and pay the fee again.

### 3. Our application process

#### Section summary

In this section we provide a summary of our application processes including what happens when we receive an application, our tiered assessment process and when we might stop the clock.

#### Duly made assessment

- 3.1 When we receive an application and the required application fee, we first assess whether the application is duly made.
- 3.2 We aim to come to a decision on whether an application is duly made within 15 working days of acknowledging receipt of the application and the application fee.
- 3.3 An application is duly made when it meets the following criteria:
- Completed electronic application form rather than a scanned copy
  - The correct application fee has been paid and received by Ofgem
  - The application form has been signed by an appropriately authorised person. Electronic signatures are preferred but if this is not possible, we will accept a scanned copy of the signed application form
  - All mandatory sections of the application form and supporting documentation have been provided
  - No material inaccuracies or risk factors requiring further clarification have been identified
- 3.4 The time period for determining each category of licence application starts from the date on which we inform an applicant that the application is duly made, not from the date on which we acknowledge receipt of the application.
- 3.5 When we have completed our duly made assessment, we will write to the applicant to confirm it is duly made if the criteria in paragraph 3.3 are met.



Should the criteria in paragraph 3.3 not be met or where further information or clarification is required to commence our full assessment of the application, we will confirm the application is not duly made.

3.6 Only when we have confirmed an application is duly made will the applicable time period for processing the application commence.

3.7 At any time during the processing of the application, we may contact an applicant to advise that we no longer consider the application to be duly made, and outline what steps are required to rectify this. This may typically happen if we find that information is inaccurate, incomplete, or insufficient, or if we decide to process the application as Tier 2, therefore giving rise to additional requirements.

### **Notice of application**

3.8 The Acts require applicants for a gas or electricity licence to publish notice of their application. The Applications Regulations stipulate that this must be done within 10 working days of our notification that an application is duly made.

3.9 We will facilitate this process by providing a draft notice of application to the applicant, when we advise that the application is duly made, and by publishing this notice on our website once the applicant has confirmed the draft notice is accurate. Applicants may alternatively choose to publish the notice on their own website, in which case they must inform us and provide us with a link to the notice, which we will also place on the Ofgem website.

3.10 If the application is for a supply licence restriction, within the 10 working day notice period, the applicant must also publish notice in such newspapers as are best calculated to circulate it throughout the area affected by the proposed restriction. This must be completed within the 10 working day notice period.

3.11 If an applicant fails to send us the completed notice within 10 working days, we will stop the clock on the processing time period and the application may be cancelled. If an applicant still wanted a licence, it would have to re-apply and start the process again, including payment of the relevant fee.

- 3.12 Where we receive representations about a licence application in response to an application notice, we will consider whether they are relevant to our application assessment criteria.
- 3.13 For a representation to be considered relevant, it must relate to matters that Ofgem has a remit to consider such as protection of consumers, suitability to hold a licence, financial resilience, the ability to comply with the licence, achieving net zero, or energy security. Representations should not be frivolous or vexatious and we cannot make decisions which are for other authorities, even if our decision may have some impact on these, such as planning permissions.

### **Tier 1 and Tier 2 assessment**

- 3.14 At any stage during the application process, as a result of our risk assessment or new information coming to light, we may write to an applicant to confirm that we will process the application under Tier 2 and that the additional information must be provided.
- 3.15 An application does not necessarily need to have progressed through Tier 2 before a licence may be refused. A licence application may be refused at any time in the application process where we consider it does not meet the general criteria, or where applicable, any specific criteria for licence grant.

### **What our licensing process does not do**

- 3.16 Holding a licence does not mean Ofgem has assured a company's business model, as this is an entirely commercial matter for shareholders, directors and senior management.
- 3.17 It is the responsibility of the applicant's directors to properly assess that they have adequate resources and have completed due diligence for their business. Any consideration of the applicant's resources that may be applied by Ofgem is solely in the context of the licence application process and is no substitute for the applicant's own due diligence, nor does it provide any form of warranty.

Under no circumstances should the granting of a licence be considered by third parties as a form of assurance in respect of the future prospects or conduct of the licensee.

### **General assessment approach**

- 3.18 We risk assess the applicant's responses to the application questions based on objective considerations and exercise of reasonable judgement. We adopt a proportionate and flexible approach, recognising that all businesses are different. We will, amongst other things, check that the information provided is consistent across the different questions and criteria.
- 3.19 Where our risk assessment identifies potential concerns, applicants may need to provide us with additional information or evidence to satisfy us that they meet the application criteria.
- 3.20 We will work with applicants to the extent possible to ensure that we provide clear guidance on the application requirements, however, it is not our role to provide consultative support, legal or commercial advice to applicants. If further information we request is not provided or the information returned remains unsatisfactory, the application will be refused. Unclear or missing information may adversely impact the decision to grant a licence.
- 3.21 We understand that some information provided may only be indicative until a licence has been granted and operations commence. For example, certain funding arrangements, signing of contracts, or recruitment of certain staff may not be possible until after the licence is granted. Our application criteria are not intended to be prohibitive in this regard. We will examine an applicants intentions and their provisional or conditional arrangements where necessary. Applicants should include the names of any relevant people or organisations with whom provisional or conditional offers or agreements have been made in the relevant sections of the application form. Whether these are for employment, services or for the provision of financial, operational or other resources.

- 3.22 Whilst it is acceptable for a third party to assist with an applicant's licence application, if we have concerns about the specificity of answers as a result of what appear to be stock or template responses, this will contribute toward a higher risk assessment score. In these circumstances, we may seek further assurances from the applicant that the information provided accurately reflects their planned operational arrangements.
- 3.23 It is essential for applicants to engage openly with us through the licence application process. If any applicant is not open and transparent with us during the application process, this will count against it in our assessment of suitability to hold a licence.

## 4. Processing time periods and tacit authorisation

### Section summary

In this section we provide a summary of our standard application processing times and when tacit authorisation might apply.

### Processing time period

- 4.1 When an application is duly made the relevant time period for processing the application commences. Day 1 of the time period is the first working day after the date of our duly made notification.
- 4.2 Working day means any day other than Saturday, Sunday, Christmas Day, Good Friday or a day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.
- 4.3 The relevant time periods are below:

Licence type	Time period
Gas or electricity supply	9 months
Gas Transporter	8 months
Electricity Distribution	6 months
Electricity Transmission	6 months
Gas shipper	65 working days
Electricity Generation	65 working days
Gas or electricity interconnector	65 working days

- 4.4 The maximum assessment time for a supply licence application is currently 9 months. Given our principal objective to act in the interests of existing and future consumers, and in light of the recent market uncertainty, we consider this is a [necessary and proportionate course of action](#), justified by overriding reasons of public interest.
- 4.5 The time period is longer for gas transporter applications compared to electricity distribution because we are required to give two months' notice of a proposal to grant a gas transporter licence.

### **Extended time periods**

- 4.6 The relevant time period for each application may be extended by Ofgem once, for a period of time specified by us. We will only consider extending the relevant time period when it is justified due to any apparent complexities of the application including but not limited to significant policy or consumer protection issues.
- 4.7 In all such cases, we will contact the applicant as soon as reasonably practicable, and before the end of the relevant time period, once a decision has been made that the time period will be extended. We will confirm the reason for the extension, and how long the extension will be, in writing. Where possible, we will usually advise applicants that an extension is being considered prior to making this decision.

### **Requests for additional information**

- 4.8 During the application process, new information relevant to the application process may be discovered that the applicant has not previously disclosed. In this case, we will request any additional information we feel may be required or seek clarification on any outstanding issues.
- 4.9 When further information is required from an applicant, we will set what we consider to be reasonable timeframes for response and may consult with an applicant if we consider it appropriate to do so. Should there be concerns

about the deadline for response, this should be raised as soon as possible, and before the deadline, with an explanation of these concerns. We will then confirm if the concerns merit a change to the reasonable timeframe provided.

- 4.10 Should an applicant fail to provide any additional information requested by us within the timeframe that we set, the application may be cancelled and case closed without further notice. This means a new application and payment of a new application fee would be required if the applicant still intended to obtain a licence.

### **Stopping the clock**

- 4.11 We will make the application not duly made when any information needed and relevant for us to make a determination is missing. The application will remain not duly made until the information requested has been provided to allow the assessment of the application to continue.
- 4.12 Once the outstanding information is provided, we will confirm that the application is duly made again. The processing time period will then be reset so that the clock will restart from zero days.
- 4.13 While this does not necessarily mean that we will require the full time period to reach a decision, applicants are strongly advised to ensure that as far as possible to get it right first time by providing full and accurate information to avoid any delays to their application being processed.

### **Cancelling an application**

- 4.14 We can cancel any application, and will do so when we consider we do not have sufficient information to make a determination, information requests are not responded to within our timeframe, or we are unable to get in contact with the applicant. Applicants are given a standard timeframe of 10 working days to respond to information requests.
- 4.15 In these instances, we will notify an applicant by letter that the application is considered cancelled and provide instructions on how to re-apply if they wish

to do so. If they do choose to re-apply they will need to ensure that the additional information requested by Ofgem is included in any new application to avoid further delays.

### **Tacit authorisation**

- 4.16 Tacit authorisation means where a licence is automatically granted because the Authority did not make a decision within the relevant time period on an application it received. Tacit authorisation can currently apply to shipper, generator or interconnector licence applications. Where it applies, tacit authorisation will be deemed to have been granted on the first working day after the relevant time period has lapsed if no decision has been made and no extension has been set.
- 4.17 Any licence deemed to have been granted by tacit authorisation is granted on the same terms and conditions as licences that have been expressly granted. The same terms, licence conditions and schedules (including but not limited to the relevant SLC and revocation schedules) apply to a deemed licence as they would in an expressly granted licence of that type as it would be usually granted by us.
- 4.18 The issuing of a licence on non-standard terms requires careful consideration, can require a consultation period and may raise consumer protection issues. Due to overriding reasons of public interest, tacit authorisation does not currently apply for gas shipper, generator or interconnector licences where any modifications to the licence conditions have been requested, or where the applicant is requesting any variation from standard terms.
- 4.19 Tacit authorisation also does not apply to interconnector licence applications, where any exemption from certain conditions is requested. Relevant conditions are SLC 9, 10 and 11 of the Electricity Interconnector licence and SLC 10 and 11 of the Gas Interconnector licence.
- 4.20 Due to overriding reasons of public interest, tacit authorisation does not currently apply to supply licence applications. Our policy on tacit authorisation



for supply licence applications was updated in October 2021 following a [decision to amend the time period for assessment and to remove tacit authorisation](#).

- 4.21 The removal of tacit authorisation for supply licence applications is intended to ensure that we have sufficient time to consider the information we might reasonably require to be able to conduct a full and robust assessment of the business models of new applicants, to make sure that applicants are sufficiently prepared for market entry.

### **National Security and Investment Act**

- 4.22 Companies operating in the downstream gas and electricity sector should be aware of the National Security and Act (NSI) when acquiring, selling and developing qualifying entities and assets. The NSI Act gives the government the power to call in acquisitions where there is a reasonable suspicion that the acquisition has given, or may give, rise to a national security risk.
- 4.23 In the context of new build downstream gas and electricity infrastructure, the right to operate the asset could be acquired through (but is not limited to) the grant of an operating licence, a licence modification, an operating contract or network connection agreement.
- 4.24 Those acquiring an entity which performs a certain activity in the energy sector, may legally be required to [submit a mandatory notification to the Investment Security Unit \(ISU\)](#) who administer the NSI Act. For further information on whether an acquisition is in scope of the mandatory notification requirement, refer to this guidance on the [National Security and Investment Act: details of the 17 types of notifiable acquisitions](#).
- 4.25 A voluntary notification can also be submitted to the ISU by a party to a planned qualifying acquisition that is not covered by mandatory notification and want to find out if the government is going to call it in. For further information on Applicability of the NSI Act to New Build Downstream Gas and Electricity Assets, refer to this industry guidance note published on [applicability of the](#)

[National Security and Investment Act 2021 to new build downstream gas and electricity assets.](#)

- 4.26 Applicants must inform us if a qualifying acquisition has been called in for assessment under the NSI Act. We will then confirm to the applicant that the gas or electricity licence application is no longer duly made. We will ‘stop the clock’ on the processing time period until the applicant notifies us of the outcome of the NSI assessment.
- 4.27 The NSI assessment can have three outcomes: a Final Notification clearing the acquisition to proceed; a Final Order allowing the acquisition to proceed with certain conditions; or a Final Order blocking the acquisition. Any conditions put in place under the NSI Act could have an effect on a licence application.
- 4.28 Once the investigation is conducted, we must receive evidence of the outcome of the investigation before deciding whether to proceed with an application.
- 4.29 We strongly suggest that applicants engage with the ISU if they believe that an application may be affected by the NSI Act prior to sending in an application to Ofgem. The ISU can be contacted by email at [investment.screening@cabinetoffice.gov.uk](mailto:investment.screening@cabinetoffice.gov.uk).

## 5. Licence grants and refusals

### Section summary

This section provides applicants with information on the granting of a licence, and the process and potential reasons for refusing a licence.

### Licence grants

- 5.1 A licence will be granted, if the results of our checks and assessment against all relevant criteria are satisfactory.
- 5.2 We will issue the licence grant by email, provide a pdf copy of the licence, and publish a notice of licence grant on our website. We will also publish a copy of each licence on our Electronic Public Register (ePR).

### After a licence is granted

- 5.3 Licensees are required to comply with the conditions of their licence from the date it is granted. The [Standard Licence Conditions](#) (SLCs) applicable to any licence we grant may be modified from time to time, through our established consultation process.
- 5.4 Licensees are responsible for ensuring that they keep up to date with any changes to the SLCs by reviewing all [licence modifications](#) published by Ofgem on its website and for complying with all current conditions as demonstrated by the consolidated licence conditions.
- 5.5 We have the power under sections 28-30F of the Gas Act and sections 25-27F of the Electricity Act to take [compliance and enforcement action](#) for breach of a licence.

## **Licence refusals**

### **Reasons for licence refusal**

- 5.6 There are occasions when we may reach the decision to refuse a licence application.
- 5.7 Common reasons we will refuse an application include, but are not limited to:
- granting a licence may conflict with our principal or general statutory duties
  - a person named in the application, or person with significant managerial responsibility or influence, is disqualified from acting in connection with the affairs of a company
  - any person or entity named in the application, or person with significant managerial responsibility or influence is an undischarged bankrupt, has been declared insolvent, or has unsatisfied county court judgment
  - any person or entity named in the application, or person with significant managerial responsibility or influence appears on the Consolidated List of Financial Sanctions Targets in the UK or is otherwise sanctioned in accordance with the Sanctions and Anti-Money Laundering Act 2018
  - the applicant has failed to provide sufficient information to satisfy us that they meet the relevant licence-specific criteria
  - we consider the information supplied to be false or misleading
- 5.8 Common reasons we may refuse an application include, but are not limited to:
- a person named in the application, or a person with significant managerial responsibility or influence, has an unspent criminal conviction
  - any person named in the application, or person with significant managerial responsibility or influence, was directly involved in Ofgem compliance or enforcement action
  - any person named in the application triggered a Supplier of Last Resort event where there was material consumer or market detriment
  - the applicant or any related person has previously had a licence application refused or a licence revoked

- the applicant has not demonstrated that it is capable of complying with the licence conditions

5.9 These are not exhaustive lists and are intended as guidance only. We will take an overall view of the application and information used to verify its contents against the published criteria for assessment of applications, in the context of our principal objective and duties. Applications will be considered on their own merits.

### **Licence refusal process**

5.10 When we intend to refuse a licence application, the applicant will receive a notice stating that we propose to refuse the application, providing the reasons why we propose to refuse the application and specifying the time within which any representations can be made.

5.11 We usually provide the applicant 10 working days from the date of the notice to make representations addressing the specific concerns as set out in the minded to refuse notice.

5.12 This is not an opportunity for the applicant to change material matters in the application or provide substantial new supporting material. If the applicant wishes for us to assess a substantially altered application or different business proposition a new application should be submitted.

5.13 Applicants are still able to withdraw their application during this time if they decide to do so.

5.14 If no representations are made within the time stated in the notice, or if after considering any representations made, we are still of the view that the application should be refused, the applicant will be notified in writing of our decision to refuse the licence.

5.15 The refusal notification will restate the reasons for the refusal of the application, referring to any representations made as appropriate. If the

applicant does not agree with our decision, they can raise this with us through our [complaints process](#).

- 5.16 When a licence is refused, we may publish notice of this. We will consider the public interest balanced against the potential impact on the applicant when deciding whether to publish a notice.

### **Reapplication following refusal**

- 5.17 Applicants who have been refused a licence, or withdrew at application at any stage, are not prevented from reapplying.
- 5.18 If an applicant chooses to reapply, any new application must include changes that address the reasons for refusal if the application is to have any potential of being granted. However, it is still possible that new reasons for refusal become relevant.

### **Prohibited names**

- 5.19 We consider it important that consumers and other market participants are protected from any confusion which may arise from the naming of [phoenix companies](#).
- 5.20 Where we suspect that an applicant may be using a prohibited name in breach of the [Insolvency Act 1986](#) (as amended) we will liaise with the relevant Insolvency Practitioner and, where appropriate, the Insolvency Service.
- 5.21 We will not grant a licence where there is a court decision that an applicant is using a prohibited name. However, under the Insolvency Act there are certain exceptions on prohibited names and a court can grant leave which would make the use of a prohibited name lawful.
- 5.22 Applications will not be accepted from companies awaiting a final outcome of any court proceedings to determine that question or where a claimant has sought the leave of the court to use a prohibited name.

## 6. Tier 1 assessment

### Section summary

An overview of the Tier 1 requirements for all applicants is provided below. For each type of licence except electricity generation licences there are specific information requirements which applicants must provide under Tier 1. Guidance in respect of the licence-specific requirements is provided in chapters 8 to 13.

### Application sections 1-7: Applicant and parent and ultimate holding company details

- 6.1 We will seek to verify key information provided in the application. Amongst other things we check the applicant's contact details and solvency history and, where available, the applicant's trading background and any recent substantive company changes. We will carry out checks with Companies House (or the overseas equivalent if available) and other sources to verify that the information received in an application is correct.
- 6.2 A comprehensive organogram showing the legal names and country of registration of all parent and holding companies must be provided by all applicants as part of their application.

### VAT number and service address

- 6.3 Where an applicant is registered for VAT, we will carry out checks to validate the VAT number provided. If a VAT number is not provided, this may be considered to be an indication that the applicant is not ready to commence licensable activities.
- 6.4 If we need to communicate using physical delivery of documents rather than by electronic means, we will serve documents to a licensee's registered address, in accordance with the Acts, unless an alternative address for the service which complies with the provisions of the relevant Act has been provided.

### **Directors, major shareholders or persons in effective control**

- 6.5 We check that the information provided in the form matches information held by official sources. Any discrepancies will be queried and may result in a higher risk rating, or the licence being refused. If there have been recent changes that may not yet be reflected in the public record, this must be explained in the relevant part of the form.
- 6.6 Applicants are asked to provide directors' home addresses. If we have reason to believe that the details provided do not relate to a domestic address, this may result in a higher risk rating.
- 6.7 We carry out following checks on all persons named in the application including to determine whether they are disqualified from acting in connection with the affairs of a company, if they are undischarged bankrupts or have a history of insolvency.

### **Application section 8: Licence application history**

- 6.8 If the applicant or any related person has previously held or applied for a licence, or they have had any licence revoked, this licensing history will be taken into account as part of the application.
- 6.9 If a previous application has been refused, or a previous licence revoked, the reasons for this may affect our decision whether to grant or refuse the licence applied for. If this is the case, we would encourage applicants to provide a full explanation of the circumstances of the refusal or revocation with their application.
- 6.10 If an applicant is related to multiple other licence holders we expect that applicant to explain the relationships in their application. If any relationship remains unclear, we will make further enquiries to consider if this is relevant to our decision.



## **Application section 9: Modifications to standard conditions**

- 6.11 Section 9 must be completed when an applicant is requesting any modification to the standard conditions of the licence being applied for.

## **Application section 10: Suitability to hold a licence**

- 6.12 We will consider whether the applicant is ‘fit and proper’ to be granted the licence applied for. Our assessment of suitability is based on our duty to protect the interests of existing and future consumers. We will take into account any disclosures or adverse information brought to light in respect of the applicant’s directors, including any shadow directors within the meaning of [section 251 of the Companies Act 2006](#), major shareholders, persons in effective control of the applicant, any person with significant managerial responsibility or influence who is not a director (eg a CEO), or directors of any parent undertaking or ultimate holding company that are collectively relevant persons.
- 6.13 ‘Significant managerial responsibility or influence’ refers to any individual who exerts (or will exert) significant influence over the managing or organising of the applicant’s activities in accordance with the definition set out in the Applications Regulations, whether as an employee of the applicant or not.
- 6.14 We regard persons of significant managerial responsibility or influence to include those individuals who hold responsibility for or manage key business areas, particularly regulatory compliance, financial management, trading (where applicable), operations and business strategy. This may include advisors (where their role goes beyond providing advice to company decision-makers) and, in small new entities may include the majority of staff.
- 6.15 In answering each question in Section 10, there is a space to record the details of any person who has significant managerial responsibility or influence for the purpose of this section if they are not already named as a director, shareholder or controller. In each case we require their full name, date of birth and position.

If there are no such individuals in addition to those named elsewhere in the application this must be confirmed in writing.

- 6.16 Question 10.7 then requires the disclosure of all persons of significant managerial responsibility or influence whether they have already been disclosed in response to other parts of Section 10 or not. This can be provided as a list but as a minimum we must receive each person's full name, date of birth and position in the applicant. the applicant must also provide a summary of their relevant experience for us to consider.
- 6.17 We understand that the applicant may not have all managerial staff in place at the time of application. The relevant disclosures must be correct at time of application and must be kept up to date throughout the application process. Applicants must update us with any changes to their application information between the application date and the date of our decision on the application.
- 6.18 We may use a range of information sources to verify the information provided and disclosures in this section, including publicly available sources and information we hold in accordance with our regulatory activities, statutory duties and other legislative requirements.
- 6.19 We will not automatically refuse an application where adverse disclosures are made in this section, but we will consider whether any information is relevant to our decision to grant the licence. Failure to disclose adverse information that is required at the earliest opportunity, will be taken into account when assessing the suitability of applicants.
- 6.20 Our assessment of the suitability of the applicant to hold a licence will take account of the particular circumstances and merits or facts of the case. In the event that we determine an applicant is not suitable to be granted a licence, we will explain clearly the reasons for our decision.
- 6.21 In the case of any criminal convictions, we will take account of the seriousness and relevance of the crime, and how recent the conviction is. Evidence of director disqualifications may also lead to refusal.

- 6.22 When applying for any type of licence an applicant must disclose if any director, shareholder or proposed person of significant managerial responsibility or influence is or has been connected to a supply licensee that triggered a Supplier of Last Resort (SoLR) event or that was taken into Special Administration Regime (SAR) – including where that person was connected to that company within the 12 months leading up to the SoLR or SAR event.
- 6.23 We will not automatically refuse an application as a result of such disclosures, but they will be of significant relevance to our decision whether to grant any licence, and in particular where the application is for supply. We will take account of all relevant factors before reaching a decision, including the recentness of the SoLR or SAR event, whether there was material consumer or market harm caused, whether there was evidence of financial mismanagement, the relevant individual’s role and their engagement and co-operation with Ofgem preceding and during the SoLR or SAR event. Failure to disclose a relevant connection to a SoLR or SAR event is likely to lead to refusal of the licence application.
- 6.24 Previous Ofgem compliance or enforcement action may be relevant to our decision to grant a new licence. Particularly if the applicant or any relevant person is related to any other company that holds an energy licence and is currently subject to ongoing compliance or enforcement action. Or if relevant persons were involved in serious or persistent compliance or enforcement action with another licensed company, particularly where the failings had significant consumer detriment or indicated financial mismanagement.
- 6.25 Applicants must disclose if any person of significant managerial responsibility or influence has been subject to action by any regulatory body in any jurisdiction. In respect of such actions by other regulatory bodies, any action taken by the regulatory body for energy in another jurisdiction is likely to be particularly relevant to our decision on granting a licence. We will also consider whether any regulatory action taken indicates potential dishonesty, lack of ability to comply with regulations, or financial mismanagement. We will also consider the details of any competition law infringements.

## **Application section 11: Proposed arrangements for commencing the licensable activity**

- 6.26 We will consider the details provided to gauge an applicant's readiness and intent to commence the licensable activity, and their understanding of the necessary steps and requirements before the licensable activity can commence.
- 6.27 Applicants should set out clearly the progress they have made, and further steps to be completed, towards commencement of the licensable activity with key dates and timeframes. For example, the steps taken to ensure the company has available or will have available by commencement of licensed activities the internal capability, financial arrangements, systems and processes to meet its licence obligations, steps taken to make its IT systems operationally ready (including system testing under industry codes), information about necessary infrastructure (where applicable) or appointment of required staff and other resources.
- 6.28 Licence applicants must be able to demonstrate sufficiently progressed plans for necessary industry code accessions. Whilst code membership might not be required on application, the applicant must demonstrate an understanding of which code membership is required, when and how they will obtain it. Once licensed, licensees are required to comply with the requirements of the relevant codes. The [industry codes and standards page](#) on the Ofgem website provides an up-to-date view of the current code requirements for licensees.
- 6.29 We may consider whether the details provided indicate that the applicant is suitable to become bound by the relevant licence conditions that would apply upon commencement of the licensable activity.

## 7. Tier 2 assessment

### Section summary

An overview of the Tier 2 requirements for applicants is provided below.

The Tier 2 section of the application form is to be completed if requested by Ofgem following our risk assessment.

### Question 1: Certified copies of official documents

- 7.1 Applicants must hold official documentation that confirms key details provided in the application. For example, applicants must be able to provide certified copy documentation that confirms the current directors or shareholders of the applicant.

### Question 2: Evidence of contact with industry code bodies

- 7.2 A licensee is required by its licence conditions to become a signatory or party to certain industry codes and agreements. An applicant that cannot provide evidence of substantive contact with relevant code bodies with a view to completing this requirement as soon as possible after a licence is granted is likely to receive a higher risk rating.
- 7.3 Applicants for electricity supply licences should be aware that the industry code entry testing requirements take several months to complete. Both gas and electricity suppliers are also required to be [Data Communications Company](#) users. Applicants should therefore have made progress with these requirements prior to making a licence application.

### Question 3: Details of applicant's bank, solicitors and auditors

- 7.4 We accept that a newly formed company may not necessarily have appointed auditors and will take this into consideration. However, an established company must be able to provide its bank and solicitors details.

#### **Question 4: Request to attend interview**

- 7.5 We may meet with Tier 2 applicants to make further enquiries and address any questions or concerns that have resulted in the application being scored as higher risk. We will advise an applicant if we consider it necessary to interview them as part of the application process.
- 7.6 At minimum, Directors of the applicant company must attend any interview organised. We may also require attendance of other relevant persons named in the application.
- 7.7 The interview will cover in greater detail the requirements in the application form focusing on areas of particular risk as assessed by Ofgem. It is an opportunity for individuals involved in the management of the applicant to demonstrate to Ofgem that they are fit and proper, and that the applicant is suitable to hold a licence.

#### **Question 5: Additional supporting documents**

- 7.8 We may request additional documentation, including, but not limited to, ID documents, CVs of relevant people, meeting minutes, and annual accounts. We will not always require all of these documents; we will request them where we consider it relevant to our decision on the application. The onus remains on applicants to provide us with all information relevant to their application.
- 7.9 If we request applicants to provide CVs for relevant persons, these should cover at least the past 10 years. CVs must list all positions held, clearly outlining primary duties and responsibilities, and identify which positions if any were held within organisations that are or were licensed by Ofgem or regulated by another body in any jurisdiction.
- 7.10 Applicants may also be asked to evidence the accuracy of their ‘suitability’ via disclosures. Applicants may be asked to provide a Disclosure and Barring Service or Disclosure Scotland certificate (or equivalent for overseas applicants) for relevant persons.

## 8. Gas and electricity supply applications

### Section summary

This section outlines our approach to the assessment of gas and electricity supply licence applications, including the criteria we apply and the relevant information requirements.

### Licence specific information and requirements

- 8.1 Energy is an essential service, and supply licensees are subject to obligations to deliver good outcomes for all customers, including the vulnerable.
- 8.2 We apply robust scrutiny to supply licence applicants to assess whether they are adequately prepared and resourced to operate in the energy supply markets before they are granted a licence. We do this by requiring applicants to submit details about their market entry plans.
- 8.3 Prior to submitting any application for a supply licence, applicants should ensure that they have fully researched the processes involved in market operation and have a sound understanding of the regulatory obligations that would apply to them as an energy supplier.
- 8.4 Supply licence applicants are seeking to enter a competitive market, with potential for such companies to fail. Such failures can impact on a range of groups including the company's consumers, the wider market and other consumers.

### Timing of licensing for suppliers

- 8.5 Applicants for an electricity supply licence are expected to have made progress with the [Balancing Settlement Code](#) (BSC) and [Retail Energy Code](#) (REC) entry testing processes prior to making their application. Both gas and electricity suppliers are also required under the licence conditions to be [Data Communication Company](#) (DCC) users. These processes can typically take 6-12 months to complete.

## **Non-domestic or Domestic and non-domestic applications**

- 8.6 We advise that applicants proposing to supply only non-domestic premises initially should consider applying for a non-domestic only licence and then apply for an extension to include domestic premises in the future, when able to provide sufficient information in relation to their plans to enter the domestic market.

## **Our approach to assessment**

- 8.7 We expect energy suppliers to take regulation, and their responsibilities, seriously. Any company entering the market needs to be well-prepared and appropriately resourced. Applicants must provide us with sufficient information to enable us to make a qualitative risk-based assessment against the following three criteria:
- The applicant has the appropriate resources for their proposal to enter the market.
  - The applicant understands their regulatory obligations and has appropriate plans in place to meet these.
  - The applicant is fit and proper to hold a supply licence.
- 8.8 There is a positive obligation on applicants to show us that they satisfy the application criteria. We will review the information provided and consider the nature and likely impact of any perceived risks to inform our decision-making process. Our risk-based assessment may lead to the refusal of a licence application. Where a licence is granted, our risk assessment may inform the level and nature of our ongoing engagement and monitoring with the licensee.
- 8.9 We have four key considerations for our assessment of supply licence applications, specifically:
- **Supply licensees must adopt effective risk management, be adequately prepared and resourced for growth, and bear an appropriate share of their risk.** Significant problems can occur when new entrants grow too quickly or beyond their capabilities. Overreliance on



customer credit balances as a source of working capital can be unsustainable and shifts the costs of failure to the market and consumers. Licensees must ensure that they have sufficient financial resources in place to meet the obligations set out in the Financial Responsibility Principle as set out in SLC 4B of the licence and have regard to our [Financial Responsibility Principle guidance](#).

- **Supply licensees must have in place and maintain robust internal capability, systems and processes to enable it to comply with all relevant legislative and regulatory obligations from the outset and as they grow.** Licensees are also required to take an open and cooperative approach in sharing information with Ofgem.
- **We maintain proportionate, risk-based and forward-looking oversight of suppliers, and effective protections for consumers exist in the event of failure.** Ofgem seeks to promote an open and competitive supply market and we will not operate a zero failure regime, but we need to ensure that arrangements are robust to protect consumers when failure occurs.
- **Our licensing regime facilitates effective competition and enables innovation.** Ofgem is committed to embedding innovation across the energy sector and within regulation, stimulate innovation that benefits all consumers and delivers net zero at low cost. We welcome innovative business models, provided the applicant is well prepared to meet all the relevant obligations. We will adopt a proportionate, risk-based approach, that is also in line with our commitment to principles-based regulation.

8.10 Ofgem's licensing process is a point in time assessment. We request information on applicants' plans to enter the market, including their financial projections and proposed funding for their first two years' operating in the market. The information that applicants must provide enables us to gain a broad understanding of their intentions and qualitatively assess whether they have made the requisite preparations to enter the supply market and that they have plans to manage key risks of operating in the energy market in a responsible way.

## Detailed information requirements

- 8.11 Applicants are required to provide information about their proposed supply business as context for their declared resourcing arrangements and arrangements for compliance with their licence obligations.
- 8.12 The minimum information we require is detailed below and must be provided for the first two years' trading operation. Applicants must provide detailed information for year one and anticipate that information and assumptions for year two will be higher level.

### Criteria 1: The applicant has the appropriate resources for their proposal to enter the market

- 8.13 We expect all supply licensees to be able to demonstrate how they are managing their financial risks and resources, based on the clear minimum standards and principles we have set out. We look to supply licensees to identify issues early, and to embed continuous improvement over time, setting out their business plan, risks, and mitigation strategies in their Annual Adequacy Self-Assessment.
- 8.14 We will only grant licences to applicants that have demonstrated that they have made appropriate preparations for operating in the supply market, have plans and forecasts that are based on relevant and reasonable assumptions and that they can meet all the obligations set out in the SLC 4A [Operational Capability Principle](#) and the SLC 4B [Financial Responsibility Principle](#) from the outset.
- 8.15 Applicants are required to provide proof of their initial funding to at least the end of their first year supplying customers. To support the submission, they must additionally provide a signed declaration of adequacy, as explained below. Applicants may provide this in the format of the AASA (see SLC.4B.11) as required within 12 months of licence grant.
- 8.16 All supply licensees are required to ensure that they maintain financial resources sufficient to meet their reasonably anticipated financial liabilities as they fall due on an ongoing basis. In addition, supply licensees supplying to

domestic premises are subject to a minimum quantitative Capital Target based on the number of Domestic customers they supply.

8.17 An applicant must set out its assessment of the level of financial resources on a fair valuation of both assets and reasonably anticipated financial liabilities, considering timing of cash flows under severe but plausible scenarios that the specific business could face. In carrying out this assessment, an applicant must explain how it has satisfied itself that it will have sufficient Capital and Liquidity to cover the nature and level of risks to which it might reasonably anticipate being exposed. Where an applicant is planning to supply to Domestic Customers, it must also demonstrate how it will meet the Capital Target.

8.18 We will consider the arrangements applicants have made, or are making, in the context of the market entry plans described, and whether their assumptions appear reasonable. In particular, we will consider:

- whether the applicant can demonstrate that they have an appropriate level of capital and liquidity (as defined in the SLCs) to enter the market and manage the risks that their business might prudently expect to face, without relying on customer credit balances; and
- whether the applicant has a plan to maintain financial and operational capacity and manage their risks as the business grows – including consideration of hedging, managing cashflows, and arrangements which will give them sufficient control over the material economic and operational assets needed to run their business.

## **Proposed plans for the first two years' operation in the supply market**

### **I. Core operational functions and processes**

8.19 Applicants must explain their proposed business functions and how they will be resourced, including details of any outsourced functions. This must make clear how the applicant intends to scale customer service functions against projected growth, demonstrate due regard has been given to maintaining

customer service standards, with reference to how customers in vulnerable circumstances will be identified and served.

- 8.20 Licensees remain responsible for outsourced functions. Applicants must include details of any outsourced functions and what oversight or controls will be in place to ensure that those third parties deliver the required service to the required standard. Applicants must set out how they will comply with the obligation under the SLC 4A [Operational Capability Principle](#) to have and maintain robust internal capability, systems and processes to enable the licensees to: efficiently and effectively serve each of its Customers; efficiently and effectively identify likely risks of consumer harm and to mitigate any such risks; and comply with relevant legislative and regulatory obligations.
- 8.21 For all core functions, applicants should provide a summary of the main responsibilities of each function, the names and capacity of key personnel already in place, and the number of staff forecast in each business function as at market entry, and during their initial two-year period of growth.
- 8.22 Applicants must provide details of their governance arrangements with reference to how they will establish appropriate lines of defence to manage business specific risks and any independent internal audit capabilities and how this is used in making judgements about business Capital and Liquidity planning. Where independent internal audit is not present applicants should explain how independent internal assurance is achieved.
- 8.23 This information helps us to understand the structure of the applicants operations and how these functions will be managed.

## **II. Target customer base and expected rate of growth**

- 8.24 Applicants must provide details of their target customer base and expected rate of growth, and whether they propose to have a unique selling point (USP) or target a specific group of customers or niche segment. This information helps us understand the nature of the proposed supply business and which licence conditions will be of particular relevance (for example, if a non-domestic only applicant intends to supply microbusinesses).

- 8.25 Ambitious or aggressive growth projections may be considered higher risk. Applicants are advised to ensure that clear evidence of financial and operational capacity to support growth aspirations is provided. If issued a supply licence, applicants will be required to undertake assessments at key customer acquisition milestones, where we will reassess resourcing and operational capacity.
- 8.26 Applicants must note SLC 28C, which requires supply licensees to notify Ofgem when there is a reasonable prospect that they will imminently reach, or at the latest, when it reaches its first 50,000 and 200,000 domestic customers for each fuel and enables Ofgem to undertake a [milestone assessment](#) of any licensee at any time where we have concerns about its financial sustainability or operational capability.

### **III. IT Systems**

- 8.27 Applicants must provide information about their IT systems and integration testing, including switching, billing and Customer Relationship Management (CRM), and how IT is integrated into the business and the growth strategy. Applicants should be aware of the impact their growth plans could have on their systems and customer service capability, including how they will identify, record and manage customers who are in a vulnerable situation to ensure that these customers are treated fairly. If applying for a supply licence authorising supply to domestic customers, this should include how they will set up and maintain a Priority Services Register.

### **IV. Pricing strategy, tariffs and products**

- 8.28 We want to understand how applicants will position their supply business in the market, including how they intend to grow the business and manage the associated risks. Applicants must provide details of their pricing strategy and highlight if plans are considered reflective of costs. If not, they must make clear how the risks associated with a loss-leading tariff are to be mitigated and demonstrate that they have sufficient funding to cover the expected costs of this strategy without relying on Customer Credit Balances or taking other

actions which would not comply with the obligations to minimise the costs at risk of mutualisation

## **V. Projected volume of energy and purchasing strategy**

- 8.29 Applicants must provide forecasts of the volume of energy they will supply and their strategy to buy this energy. This must include details of who will be trading on their behalf if applicable, their understanding of the market and costs and risks of their strategy, and what plans will be in place to mitigate wholesale and imbalance risks.
- 8.30 Applicants must provide specific detail on how they plan to hedge, any reliance on the balancing market for an extended period of time, any intention to put in place purchasing agreements and plans to deal with potential collateral requirements, if or how their approach differs by tariff type and how often they plan to review their strategy.
- 8.31 Applicants must understand the demand profile of their expected future customers, and what wholesale market contracts they plan to use for hedging as well as what percentage of their demand this covers. They must demonstrate an awareness of the associated risks and how the downside risks would be funded. This is particularly important if applicants are proposing to offer fixed-term tariffs without hedging, or with minimal hedging; or they plan to offer tariffs that are within the scope of the price cap without hedging in line with the price cap methodology.
- 8.32 If applicants are applying for a gas supply licence, they must outline how they will make arrangements for gas shipping, for example whether they have or plan to apply for a gas shipping licence, if they will contract with a licensed shipper which is related to themselves or if they will contract with a third-party licensed shipper, with details of that shipper.

## **Financial projections**

- 8.33 Applicants financial projections must demonstrate that all relevant industry costs as well as overheads have been considered, and that impacts of growth

have been included. Applicants must provide financial projections for the first two years' after commencing supply in an Excel compatible format (including profit and loss accounts, balance sheets and monthly cashflow), and highlight the projected profitability and percentage gross and net profit margins. These projections must start from the expected commencement date, which should take into account the current processing time for supply licences as advised earlier in this document.

8.34 We understand that figures and detailed workings will change as entrants gain learning and respond to changing conditions, however we will consider:

- costs that all businesses generally face (eg HR & IT costs, professional services, sales & marketing)
- energy specific charges and collateral requirements (including wholesale costs, [Capacity Market charging](#), imbalance charging, network charging, smart metering and DCC costs, ombudsman scheme)
- costs resulting from the obligations under the government's renewable energy, energy efficiency and social schemes
- changing costs associated with business scaling and how the applicant plans to manage this (including additional costs from government schemes and other regulatory obligations that apply once they meet a certain number of customers)
- the obligation to ensure that capital and liquidity of sufficient amount and quality are maintained to ensure that it meets its reasonably anticipated financial liabilities as they fall due on an ongoing basis;
- for applicants for licences authorising supply to domestic customers, that the licensee will meet its Capital Target and maintain sufficient cash to cover at least 20% of the domestic Customer Credit Balances owed to consumers (the "Cash Coverage Trigger")

8.35 Applicants must show their understanding of wholesale and other volatile costs, how these costs are affected by growth in customer numbers and trends in demands, and how they affect their cashflow and profit. They must also

- understand how collecting payments from customers in debt or experiencing payment difficulty might affect their costs.
- 8.36 Applicants projections must show that they understand how costs will differ across the calendar year and that they are aware of the cashflow issues this can cause and have a plan to cater for this. In particular, we are looking to see that applicants have taken into account seasonal variations in wholesale prices and energy demand. This should also include how these seasonal variations affect how and when payments are taken from customers, while complying with relevant supply licence conditions related to customer service and credit balances.
- 8.37 Applicants must expressly state how they will make provision for payments under the relevant government schemes.
- 8.38 Once licensed, applicants must plan to monitor the variables in their projections, review their assumptions periodically, and foresee the impact of changing regulations once thresholds are reached. Therefore, the business model and supporting processes must be robust to potential changes. Even if the initial two-year plan doesn't encompass key policy thresholds they must be able to show an understanding and awareness of these additional requirements and obligations.
- 8.39 If the two-year plan suggests other non-policy related threshold or other foreseeable significant changes to business costs at the end of the first two years of operation, the applicant must be able to demonstrate how these costs will impact the business; explaining how the business will ensure it has sufficient financial and other resources to meet them.
- 8.40 The aim of our assessment of an applicant's projections is in the context of our specific application criteria, and fundamentally to ascertain whether the applicant is knowledgeable about key costs or risks, and that they can demonstrate reasonable assumptions and appropriate controls in the context of their overall plans.



## **Risk management strategy, financial projections and stress tests**

- 8.41 As is set out in more detail in our published guidance on the [Financial Responsibility Principle](#), all supply licensees are required to report to Ofgem on how they have, and intend to, meet their obligations including through:
- an Annual Adequacy Self-Assessment (AASA)
  - monthly Requests for Information (RFI) on key financial metrics
  - quarterly or six-monthly Stress Tests (the frequency depends on the size and potential impact of the licensee in terms of market share)
- 8.42 While we cannot prescribe the format in which supply licensees provide evidence to evidence that they have appropriate resources for their proposal to enter the market, we recommend that an applicant use the templates Ofgem provides to existing supply licensees to provide the necessary information in support of their application. To obtain copies of these templates in advance of submitting an application for a supply licence, please contact [licensing@ofgem.gov.uk](mailto:licensing@ofgem.gov.uk).
- 8.43 Applicants are required to provide details of their risk management strategy and evidence of stress tests conducted on financial projections. This should be provided in an Excel compatible format. Applicants must provide details of the main risk factors affecting their business clearly listed with details of what stress testing has been undertaken in line with these risks. Applicants should state clearly any assumptions that have been made.
- 8.44 It is the applicant's responsibility to stress test their business. They must be able to show that they have considered how they plan to cope with market volatility, extreme winters, collateral or trading risks, and the impact of both slower or faster than anticipated growth. Applicants must show reasonable assumptions based on potential levels of customer churn, and how they will manage potential downside risk. We will consider whether the stress-testing is based on reasonable assumptions and parameters.

## **Source and proof of funding**

- 8.45 Applicants must be able to clearly demonstrate how they propose to cover their early-year losses. We ask for information on their proposed funding arrangements for the first two years and proof of funding for at least their first years' operation in the supply market. We will consider whether this appears to match their financial projections (including potential downside risks).
- 8.46 Proof of funding needs to demonstrate the amount of funding available and clearly evidence that the applicant's funding is readily available. Where the funding comes wholly or partially from an external source, applicants must provide evidence that demonstrates how the funding will be legally transferred to the applicant, the terms and conditions of any funding (including payment terms for loans and debt instruments), and satisfy Ofgem that the applicant is legally and readily able to access these funds.
- 8.47 It is acceptable that some funding may be conditional on completing market entry steps (including licensing) but licensees must demonstrate that any funding is consistent with the rules set out in SLC 4B (Financial Responsibility) (including, for example, those relating to alternative sources of capital which have to be approved in advance by Ofgem and access to funding from unlicensed third parties).

### **I. Certificate of adequacy**

- 8.48 As supporting evidence for this section, applicants should also provide a signed declaration of financial and operational adequacy for their first year operating in the supply market. The applicant's directors are responsible for properly assessing that they have adequate resources. We will not 'approve' or provide quality assurance in respect of an applicant's business proposals or projections.
- 8.49 The Certificate of Adequacy must be approved by a resolution of the applicant's board of directors, affirming that they have a reasonable expectation that the applicant has sufficient financial and operational resources, and financial facilities available to it, to comply with all elements of

the SLC 4B Financial Responsibility Principle for its first year of operation. If the applicant has chosen to undertake an external review of the adequacy of their resources, they may wish to provide a summary of this with their submission.

**Criteria 2: The applicant understands their regulatory obligations and has appropriate plans in place to meet them**

- 8.50 Amongst other things, we will consider applicants preparations to comply with the supply licence obligations including industry code accessions and payments for government schemes.
- 8.51 Applicants are required to provide a ‘statement of intent’ in respect of compliance with their customer service-related regulations. Applicants must demonstrate that they understand and are ready to comply with their licence obligations should a licence be granted.
- 8.52 Customer service provision should be given particular emphasis. Non-domestic suppliers should consider this section particularly relevant when supplying small and micro-businesses which are defined as meeting one of the following criteria:
- employs fewer than 10 employees (or their full time equivalent) and has an annual turnover or balance sheet no greater than £2 million.
  - uses no more than 100,000 kWh of electricity per year; or uses no more than 293,000 kWh of gas per year.
- 8.53 Suppliers must put the needs of consumers at the heart of their business, including the needs of vulnerable consumers. Applicants must demonstrate how they will meet all applicable consumer protection standards, deliver good customer outcomes, and how they will manage issues responsibly.
- 8.54 Below we describe areas we would expect applicants to provide a narrative on alongside any other material factors that may be particularly relevant to delivering good customer service under their specific proposal. We will consider whether applicants have demonstrated sufficiently progressed plans to meet relevant customer service obligations that will apply to them as a

supply licensee, and whether they can show the practical steps they are taking or will take to ensure that they can comply with them.

8.55 Applicants must:

- have knowledge and understanding of their duties under the licence, including the [Standards of Conduct](#) for consumers (including the vulnerability principle)
- have deliverable plans to put in place systems, policies and procedures in place to comply with those duties and deliver good customer outcomes

## **Customer service statement of intent**

### **I. Treating customers fairly**

8.56 Applicants must describe how they will treat customers fairly in line with the Standards of Conduct (including vulnerable customers, for domestic suppliers). The Standards of Conduct must be embedded throughout the organisation, to be driven by the board of directors and senior management and understood by all staff. ‘Fairness’ should also be embedded in the design, monitoring and revision of all relevant products and services and associated policies and processes. This is to help ensure suppliers are embodying the culture required to consistently deliver fair outcomes and better service for energy consumers.

8.57 Applicants must set out how they will ensure that any third party representatives will meet these requirements.

8.58 Applicants must also outline how they will ensure that their products and services will meet the needs of their customer base.

### **II. Vulnerability**

8.59 For domestic supply applicants, the applicants approach on vulnerability must be acknowledged throughout the statement of intent, as it is relevant within all customer obligations.

8.60 Applicants must specifically comment on how they will operationalise the vulnerability principle through the policies and procedures they have, or will

establish, to identify vulnerable customers, and how they will respond to their needs. Applicants must also tell us their plans to establish, maintain and promote a Priority Services Register.

### **III. Customer service operations**

- 8.61 Applicants must have planned the ratio of customer service staff to customers, considered what training will be in place for staff, and how they will maintain good standards of service as their business grows. Applicants should tell us how they will capture customer feedback and take this into account, and how they will respond to changing customer needs (eg if customers become vulnerable).
- 8.62 Applicants must explain their approach to complaints handling, how they plan to meet the requirements set out in [Gas and Electricity \(Consumer Complaints Handling Standards\) Regulations 2008](#), and have systems and resources allocated to complaint handling (including the ability for customer contact by a range of means).
- 8.63 Supply licensees must work with Citizens Advice, Citizens Advice Scotland and the Energy Ombudsman and are required to signpost these services to their domestic, small, and microbusiness customers. Applicants must indicate how they will meet this requirement and forecast resources required to deliver the complaint handling and reporting standards.
- 8.64 Applicants must outline their proposed approach to customer acquisition and how they will ensure they will be compliant with the relevant provisions of the licence. For domestic suppliers this must include:
- how customers will be able to easily compare and select appropriate tariffs
  - that tariffs are only recommended which consider, and are appropriate to, customers characteristics or preferences with particular regard to vulnerable customers
  - steps to ensure that they, or their representatives, do not mislead customers or use high pressure sales tactics

- 8.65 Applicants must provide details if they intend on undertaking any face-to-face selling, and outline what controls are in place where third party intermediaries (TPIs) are being utilised to acquire customers.
- 8.66 Applicants must also have considered how they will manage customers that they may acquire from outside their target group, including those that don't make an active choice (eg through change of tenancy).
- 8.67 For micro-business customers, they must explain how they will ensure price transparency, and the need to provide price information on their website plus at least one third party web portal.
- 8.68 Applicants must describe the systems they will have in place to ensure that customers are switched in line with relevant provisions of the licence including facilitating a switch within three weeks.

#### **IV. Customer Communications**

- 8.69 Applicants must be able to provide a narrative on how they will ensure that customers are provided with sufficient information to enable them to make informed choices, including how they will ensure that the information is appropriate to customers' characteristics and preferences.

#### **V. Payment, billing and credit balances**

- 8.70 Applicants must describe their proposed approach to offering a range of payment types, how they will provide accurate and timely billing (recognising consumer requirements, particularly for vulnerable customers), and their processes to review and refund credit balances.
- 8.71 All domestic supply applicants must acknowledge the pre-payment meter threshold requirements and indicate how they will manage requirements relating to customers in payment difficulty (including considering a customer's circumstances and their ability to pay). This is irrelevant of whether the initial two-year projected growth exceeds this threshold the within the growth projections.

## **VI. Domestic price protections**

- 8.72 If applicants are applying for a supply licence authorising supply to domestic customers, they must demonstrate how they will comply with the price cap, how they will ensure that the tariffs and pricing will remain compliant and that their financial projections are consistent with the price cap rules and assumptions.

## **VII. Smart metering**

- 8.73 Suppliers are required to install and serve customers with smart meters in line with government plans. They must have a clear plan for completing the DCC user entry process and demonstrate how the licensee will meet the obligations regarding the installation and operation of Smart Metering Systems and In-Home Displays. If the applicant intends to use third parties to help them deliver on these obligations (metering equipment, installers etc), they must provide a summary of the proposed arrangements for doing so.
- 8.74 Applicants must demonstrate how they will comply with the applicable safety obligations, and how they intend to ensure compliance with the [Consolidated Metering Code of Practice](#) (CoMCoP) including the requirements relating to non-domestic smart metering where relevant. The CoMCoP specifies the minimum standards that shall be complied with by those registered to perform work within the scope of the CoMCoP.

## **VIII. Compliance reporting**

- 8.75 Suppliers are required to submit data to Ofgem on their operations. Applicants must provide information on how they will comply with this reporting requirement and show that they understand how they will meet all relevant obligations as these change with growth (including government schemes).

For example, suppliers are required to submit monthly and quarterly complaints data to Ofgem and Citizens Advice on domestic and non-domestic customers, including the number of complaints received, those resolved, and timing of resolution. Suppliers also submit data quarterly on social obligations, and the

[Guaranteed Standards of Performance](#) for domestic and microbusiness customers.

**Criteria 3: The applicant is fit and proper to hold a supply licence**

- 8.76 We will consider applicants' suitability to hold a licence as set out in chapter 3. For supply licence applicants we will give particular consideration to the nature of the direct customer and supplier relationship.
- 8.77 Involvement by relevant people in a previously failed supply business will not automatically lead to refusal of a supply licence application, but it is an important and relevant factor in our decision on whether to grant a supply licence. Where the relevant SoLR or SAR event was recent, material consumer or market detriment was caused, the failure was associated with serious compliance failings, or the relevant individual concerned were not co-operative with us during the SoLR or SAR process, this will be highly relevant to our decision on whether to grant a supply licence. Applicants must give a full and frank account of the involvement of relevant persons. Where any risks are identified by the applicant in relation to a relevant person, if additional governance controls have been put in place to mitigate the risks in question, set out those arrangements in the application. Failure to disclose a relevant connection with a failed supplier may be regarded as providing false or misleading information, or as an indication that an applicant is not suitable to be granted a licence, either of which may lead to an application being refused.
- 8.78 It is not a prerequisite that supply licence applicants must have previous energy market experience; we will make judgements based on the quality of information provided as to whether the senior management team and other relevant persons have, or have access to, the necessary capabilities to operate in the supply market. However, consideration of whether applicants have the necessary experience and capability to manage financial risks faced by a retail supply business will be a highly relevant factor that will weigh more heavily in our assessment than overall energy supply experience.



- 8.79 For a supply business, persons with significant managerial responsibility or influence will include (but may not be limited to) any head of a business area including finance, risk, operations, technology, data, compliance, and heads of business functions, head of trading or hedging, strategy, marketing and customer relationship management. Identified individuals must be able to demonstrate that they have the necessary capabilities to manage such activities. While some senior roles may not be filled at the time of application, we will consider whether the management team has sufficient breadth of experience and expertise to support the applicant's plan to commence the licensable activity.

## **Other information relating to supply licence applications**

### **Specified area or specified type of premises**

- 8.80 We have powers to grant supply licences that are restricted to a specified geographic area and/or specified types of premises (all "premises" need to be in a "relevant place" i.e. within Great Britain, in the territorial sea adjacent to Great Britain or in a Renewable Energy Zone).
- 8.81 There are different ways in which a specified area could be defined:
- Devolved nation (eg Scotland, Wales)
  - Local government (eg County councils, district councils, borough councils, city councils, unitary authorities, London borough, metropolitan boroughs, combined authorities)
  - Mayoral region (eg London, Manchester, West Midlands)
  - City/town/village (eg Glasgow, Darlington, Bangor)
  - Housing estate, business estate or industrial park
- 8.82 If an applicant wishes to request a supply licence that is restricted to a specific geographic area other than 'Great Britain' inclusively, and/or a specific type of premises (ie a supply licence that it is restricted to any premises apart from

‘Domestic and non-domestic premises’ or ‘Non-Domestic premises’) they must provide a clear explanation of:

- The proposed restriction to the specified area or type or premises
- Why they wish to have this restriction in place
- Why approving their application for a restricted licence is in consumers’ interest (eg does it better achieve consumer interests, as defined by our consumer interest framework)

8.83 Before we issue any restricted licence, we will consider whether there is an over-riding reason of public interest for us to do so. We will assess the competition impacts of any restricted licence supply application. We will assess competition impacts using our [competition framework](#) for the household retail market, applying it where possible to the non-domestic market. We will also assess whether the application is in consumers’ interests (eg would approving the application help deliver fair prices, improved quality and standards, drive a lower cost transition or improved resilience), and is consistent with our principal objective and statutory duties. Additionally, we will consider any potential constraints on the applicant’s ability to do business in Great Britain if the restricted licence is not provided.

8.84 Legislation limits who we can issue restricted licences to. We will not grant a supply licence where we consider the description or area of the premises to be supplied would artificially include in the restriction or exclude from the extension, vulnerable consumers. Please refer to our [Consumer Vulnerability Strategy](#) for our latest definition of consumer vulnerability.

8.85 It is important that consumers are able to maintain continuity of supply. For applicants proposing to only supply a specified type of premise, we would also need information on how the applicant proposes to manage the risk of a premises changing definition. We will check that proposals for ensuring continuity of supply are sufficient to deliver the following:

- notify existing and affected consumers of the effects of any restriction

- secure alternative supply for affected consumers on the same terms as nearly as is possible to the existing contract
- ensure that any prospective supplier is licensed

8.86 See Chapter 14 for information on how we would handle applications to extend, restrict and/or modify a 'specified area' or 'specified type of premises'.

### **Individually modified licence**

8.87 We are able to grant a licence with modifications to the standard licence conditions that are applicable only to that licensee, where this is considered requisite to meet the circumstances of the particular case. This enables us to assess an application for an individually modified supply licence. However, the Secretary of State is able to veto any proposed individually modified licence.

### **Other Than Gas Transporter licences**

8.88 We will notify the Health and Safety Executive ('HSE') of any application we receive for licences authorising the supply of gas through pipelines when a gas network is exempt from the requirement to hold a gas transporter licence. For example, local authorities or universities that supply gas to premises via their own private network. We will seek confirmation from applicants that they have secured approval of, or are in discussions with, the HSE regarding a gas safety case.

8.89 These licences do not contain standard licence conditions, and supply is restricted to properties named in the licence. Where there are multiple named properties to be supplied, we require the list of addresses to be provided to us in Word or Excel compatible formats in order that this can be copied directly into the licence if granted.

### **Licence lite**

8.90 Licence Lite is an approach that was developed to reduce regulatory barriers in certain circumstances via potential direction under electricity supply SLC 11

(Compliance with Industry Codes). While it is still possible to apply for a 'Licence Lite', Ofgem is highly unlikely to grant licences given current requirements on supply applicants.

- 8.91 The modification allows existing and prospective electricity supply licensees to apply to the Authority for a direction under SLC 11.3 of the electricity supply licence relieving it of certain obligations (in whole or in part) to comply with specified industry codes (this is known as 'licence lite').
- 8.92 We have published guidance outlining the procedures for [requesting a direction under SLC 11.3](#) as well as the eligibility and assessment criteria we will use to assess applications for a direction. Applicants seeking a direction under SLC 11.3 should refer to this guidance.
- 8.93 The time period within which we aim to reach a decision on whether or not to grant an electricity supply licence does not include making any decision on whether or not to issue a direction under SLC 11.3. If the applicant wishes for the licence application to be considered in parallel with a request for a direction under SLC 11.3, in order that any direction is made upon licence grant, tacit authorisation will not apply to the application, and we will discuss with the applicant the impact on the processing time period.
- 8.94 A direction may also be made under SLC 11.1 in respect of compliance with the Grid Code and Distribution Code.

## 9. Interconnector applications

### Section summary

This section provides the applicant with information on the additional requirements for gas and electricity interconnector licence applications. This includes information on exemptions from certain requirements and proposed points of connection.

### Licence specific information and requirements

- 9.1 A gas interconnector licence allows the licensee to participate in the operation of a gas interconnector which is defined as coordinating and directing the conveyance of gas into or through a gas interconnector; or making such an interconnector available for use for the conveyance of gas.
- 9.2 An electricity interconnector licence allows the licensee to participate in the operation of an electricity interconnector. This is defined as coordinating and directing the flow of electricity into or through an electricity interconnector; or making such an interconnector available for use for the conveyance of electricity.

### Electricity interconnector regulation models

- 9.3 There are two models of electricity interconnector regulation in GB:
- the regulated model (cap and floor regime)
  - the non-regulated model (exemption from certain aspects of the relevant law)

### The regulated model: cap and floor regime

- 9.4 We created the cap and floor regime to encourage investment in electricity interconnectors and it is the regulated route for interconnector investment in GB. It strikes a balance between commercial incentives and appropriate risk mitigation for project developers. It sets a maximum (cap) and minimum (floor)

amount of revenue for an interconnector, and there is a wide band of ‘merchant’ exposure between the cap and the floor.

- 9.5 The cap and floor regime sits alongside the exemption route<sup>1</sup>. This route allows developers to invest in and deliver interconnectors by applying for exemptions from specific aspects of relevant domestic law.
- 9.6 The cap and floor regime invites submissions from developers seeking to be regulated under the cap and floor regime within a time-bound application ‘window’.
- 9.7 Potential interconnector projects are assessed through application ‘windows’ to ensure that any interactions and dependencies between the needs case for new interconnector projects can be taken into account in our assessment.
- 9.8 The grant of an electricity interconnector licence does not mean the holder of that licence is also granted the cap and floor regime. They are assessed and governed under two separate processes.

### **Gas interconnector applications**

- 9.9 The gas interconnector licence contains a provision to switch off conditions relating to charging and third-party access should the operator hold a relevant exemption under European law. We may also in some situations decide to modify the applicable conditions as set out in Section 8(7) of the Gas Act.

### **Proposed points of connection**

- 9.10 In November 2007, we [published an open letter](#) clarifying our position regarding the requirement in the Electricity Applications Regulations for licence applicants to specify the actual or proposed points of connection for a proposed interconnector.

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<sup>1</sup> Currently, Ofgem is reviewing the legal framework applicable to exemptions for electricity interconnectors. This section will be updated in due course.

- 9.11 Applicants must, wherever possible, specify the locations of the actual substations at which the interconnector will be connected to an electricity transmission or distribution network.

## 10. Gas Shipper applications

### Section summary

This section provides the applicant with information on the additional requirements for gas shipper licence applications.

### Licence specific information and requirements

- 10.1 A gas shipper licence allows the licensee to arrange with a Gas Transporter (GT) for gas to be introduced into, conveyed through, or taken out of a pipeline system operated by that GT. In all instances, the purpose of the gas movement should be general or for purposes connected with the supplier of gas to the premises.
- 10.2 Persons not involved in the physical conveyance of gas on the GB network system, but who trade gas as a commodity at the National Balancing Point (NBP), are not included in the definition of gas shipper and are therefore not required to obtain a gas shipper licence. Applicants should seek their own independent advice to determine whether they require a gas shipper licence where appropriate.

### Information required under Section 11 of the application

- 10.3 In section 11 of the application form, we ask for a summary of proposed arrangements (including key dates), and any arrangements already in place, to commence the licensable activity. For gas shippers, the ‘internal capability’ part of the answer to section 11 (see paragraphs 6.28-6.30 of this document) is important for the Authority to come to a decision on whether a gas shipper licence should be granted.
- 10.4 The applicant must provide information that demonstrates sufficient industry and regulatory knowledge of the gas shipping market. We accept that use of third parties to outsource some gas shipping functions is not uncommon within the gas shipping market. Nevertheless, evidence that the licence holder is able



to carry out operational and trading activities should the outsourced partner fail or default must be provided.

- 10.5 Proposed arrangements must also include the mitigations in place to prevent consumer harm should the gas shipper fail or exit the market. Gas shippers that are able to demonstrate the risk surrounding their business and how they are able to mitigate them will be in a better position to receive a gas shipper licence.
- 10.6 Past wholesale market volatility has highlighted particular market risks to which shipper licence applicants are exposed. In line with the risk assessment criteria under Appendix 1, and the Tier 1 and Tier 2 structure, we recommend that all new applicants for shipper licences consider preparing their applications for a tier 2 review to avoid unnecessary delays while we seek new information.

## 11. Gas Transporter applications

### Section summary

This section provides applicants with information on the additional requirements for gas transporter licence applications. This includes information relating to charges and financial ring-fencing provisions, and the safe operation of transportation systems.

### Licence specific information and requirements

- 11.1 All gas transporters, other than the National Transmission System (NTS) and Gas Distribution Networks, are known as Independent Gas Transporters (IGTs).
- 11.2 For gas transporter licence applications, Ofgem publish a notice of intention to grant a licence setting out our reasons. The notice period for this is two months.
- 11.3 Where we receive representations about a proposal to grant a transporter licence, we will consider whether they are relevant to our decision and if necessary, the application may be re-assessed. To be relevant, any concerns raised must relate to Ofgem's functions and responsibilities.
- 11.4 Applicants for transporter licences should be aware that they must comply with the requirements to publish in plain and intelligible language statements setting out their obligations under their licence conditions relating to vulnerable customers.

### Charges and financial ringfencing provisions

- 11.5 Before granting an IGT licence, we will propose modifications to standard licence condition 4A. We will also require the applicant to agree to the insertion a special condition for a Relative Price Control for the charging of gas shippers into the licence at grant. These two actions will mean the Relative Price Control (RPC) conditions are in effect from licence grant, in line with other existing Gas Transporter licensees.

- 11.6 Under the terms of the RPC mechanism, IGTs' charges are capped at a level that is broadly consistent with the charges that the Distribution Network would levy for providing similar gas transportation services.
- 11.7 Following grant of an IGT licence, we will seek the licensee's consent to issue a Transportation Services Direction to give effect to the financial ring-fencing conditions set out in the [IGT standard licence conditions](#). The financial ring-fencing conditions cover: restrictions on activity; the availability of adequate resources; an undertaking from their ultimate controller; the obtaining of a suitable investment grade credit rating; and indebtedness of the licensee.

### **Safe operation of transportation systems**

- 11.8 We will consult the Health and Safety Executive (HSE) regarding safety matters relevant to the application. An applicant for a gas transporter licence is not required to submit information about the safe operation of its proposed system. However, we will take into account any comments made by the HSE about whether it considers the system can be operated safely.

### **SLC 8 (Provision and return of meters)**

- 11.9 Applicants should note that once licensed, to comply with the requirements of this condition they will need to become an [accredited Meter Asset Manager \(MAM\)](#) or appoint a service provider who is accredited.

## 12. Electricity Distribution applications

### Section summary

This section provides applicants with information on the additional requirements for electricity distribution licence applications. This includes information relating to their safety and security of supplies enquiry service, financial ringfencing, alternative arrangements, and safe operation of distribution systems.

### Licence specific information and requirements

- 12.1 All electricity distribution network operators other than the incumbent Distribution Network Operators (DNOs) are known as Independent Distribution Network Operators (IDNOs).
- 12.2 Applicants for distribution licences should be aware that they must comply with the requirements to publish in plain and intelligible language statements setting out their obligations under their licence conditions relating to vulnerable customers.

### Safety and Security of Supplies Enquiry Service

- 12.3 Applicants must, as part of their licence application, provide details of their proposed arrangements for compliance with SLC 8 (Safety and Security of Supplies Enquiry Service). These must be approved by us before a licence is granted. If the licence is granted the licensee must always have a statement approved by the Authority that sets out details of the Safety and Security of Supplies Enquiry Service.
- 12.4 During the assessment of any proposed arrangements for compliance, we will consider whether the applicant has demonstrated that the service adequately differentiates between enquiries relating to security, availability and quality of service of the licensee's distribution system, or concerning danger or requiring urgent attention, and other enquiries.

- 12.5 It is important to ensure that the efficiency of the service will not suffer due to large numbers of other enquiries; if any part of the establishment, operation, and maintenance of the service is to be procured from another organisation, the applicant must demonstrate that the contractual arrangements are adequate, and the organisation has the capability to provide a satisfactory service.
- 12.6 The service should be available through a wide range of communication media. These must include telephone, correspondence and personal visits. It would also be desirable to include internet and e-mail facilities. All relevant addresses and telephone numbers must be included in the statement required by SLC 8; and the service must provide a telephone response service that is able to always receive, and process reports and enquiries. These details should be in bold in the statement to make them easy to find.
- 12.7 Where companies operate an automated telephone answering service, simple and swift access to an operator must always be available. The service shall include facilities that can be used by all classes of consumer, including the disabled and the elderly, and shall be free at the point of use; and the service should be equally effective in responding to reports and enquiries that are received direct from consumers and those received via supply businesses.
- 12.8 The arrangements should not discriminate between reports and enquiries received via different suppliers.

### **Financial and alternative arrangements**

- 12.9 To protect electricity customers, we will review the need to make modifications to the standard conditions of distribution licences prior to granting such licences. The modifications reflect the expectation that the standard conditions in Section B of the distribution licence will not be in effect for new applicants and that certain amended standard conditions will be inserted in an additional Section BA. The amended standard conditions can refer to the

regulation of charging arrangements, credit rating of licensees and restriction on indebtedness and transfers of funds.

- 12.10 Following consultation on this proposed modification, we may modify the standard licence conditions in the applicant's licence to such extent as we consider requisite to meet the circumstances of the particular case.
- 12.11 The applicant will need to provide details of their proposed arrangements for compliance with these amended standard conditions as part of its application.
- 12.12 We will need to be satisfied with any proposed arrangements to comply with SLC 31 (Undertaking from Ultimate Controller) and amended standard condition BA3 (Credit Rating of Licensee).
- 12.13 We have published [guidance on alternative ring fencing arrangements](#) that might better suit the circumstances of smaller companies in complying with the proposed modified licence condition relating to the Credit Rating of the Licensee. We have also published a [decision on the Regulation of Independent Electricity Distribution Network Operators](#) which sets out the appropriate long term regulatory regime for IDNOs and incumbent DNOs operating outside their distribution services area.

### **Safe operation of distribution systems**

- 12.14 We will consult the Health and Safety Executive (HSE) regarding safety matters. An applicant for an electricity distribution licence is not required to submit information about the safe operation of its proposed system. However, we will take into account any comments made by the HSE about whether it considers the system can be operated safely.

## 13. Electricity Transmission applications

### Section summary

This section provides applicants with information on the additional requirements for electricity transmission licence applications. This includes information on the extent of participation in transmission and standard licence conditions in transmission licences.

### Licence specific information and requirements

- 13.1 This guidance is not applicable to applications for offshore transmission licences.
- 13.2 For electricity transmission licence applications, Ofgem publishes a notice of intention to grant a licence setting out our reasons. The notice period for this is 28 days.
- 13.3 Where we receive representations about a proposal to grant a transmission licence, we will consider whether they are relevant to our decision and if necessary, the application may be re-assessed. To be relevant, any concerns raised must relate to Ofgem's functions and responsibilities.
- 13.4 Information on the [delivery of large onshore electricity transmission projects](#) is available on our website.

### Extent of participation in transmission

- 13.5 There is a [single licensed transmission system operator for GB](#). Separately, other transmission licensees undertake 'transmission ownership' activities.
- 13.6 For applicants seeking to undertake transmission ownership activities, we will consider whether the activities the applicant wishes to undertake are currently undertaken by another transmission licensee in that particular area.
- 13.7 Where we intend to grant a licence to an applicant allowing transmission ownership activities to be undertaken in an area currently covered by another transmission licensee's licence, we may seek to modify the incumbent

transmission licensee's licence to remove that area from the incumbent's licence.

### **Standard licence conditions in transmission licences**

13.8 An applicant for a transmission licence will have conditions in effect in its licence according to the activities it plans to undertake. An applicant who wishes to act as a transmission owner will have the following sections in effect in its licence:

- Section A. Interpretation, application and payments
- Section B. General
- Section D. Transmission owner standard conditions.

13.9 The system operator will have the following sections in effect in its licence:

- Section A. Interpretation, applications and payments
- Section B. General
- Section C. System operator standard conditions.



## 14. Transfers, extensions, restrictions, modifications of area

### Section summary

This section provides existing licence holders with information on transfers, extensions, restrictions and modifications of area.

### Licence transfers

- 14.1 The transfer process applies if a licensee wishes to transfer its licence to a different legal entity, ie a company with a different registered company number. A licence can only be transferred with the consent of the Authority.
- 14.2 Transfer applications are assessed in the same way as new applications.
- 14.3 Applicants for a transfer should submit a covering letter and a fully completed application form on behalf of the proposed new licence holder. The covering letter should set out clearly the existing licensee's details (as the transferor), the reasons for the transfer request, and the date it is proposed it to take place (subject to our consent).
- 14.4 Transfer applicants must provide information including their market entry plans, initial funding, and plans to comply with key customer service obligations. However, we will treat this information requirement proportionately, for example if the transfer is for a corporate restructuring within the group of an established company.
- 14.5 As part of the application, in respect of the transferee's proposed arrangements to commence the licensable activity, applicants must explicitly set out the transferee's arrangements to accede to the relevant industry codes, and arrangements in respect of the transferor's existing customers if applicable. All relevant licence conditions apply to the transferee with immediate effect following the transfer being confirmed.
- 14.6 Before consenting to transfer a licence, we are required by the Acts to consult (give notice) for a period of not less than two months. Where we receive

representations about a proposal to transfer a licence, we will consider whether they are relevant to our decision and, if necessary, the application may be re-assessed. To be relevant, any concerns raised must relate to Ofgem's functions and responsibilities.

14.7 Following the close of the notice period, subject to any representations and final checks we may undertake, we will make a determination as to whether to issue consent to the transfer which will include the date the transfer is expected to take place.

14.8 There is no processing time period for transfers, however we aim to complete the process within a similar timeframe to that if it were a new licence application, plus allowance for the additional period required for consultation as set out above.

### **Supply licence transfers**

14.9 Suppliers must take all reasonable steps to ensure continuity of supply for each applicable customer on terms that are the same as, or as similar as possible to, the terms in place between the original licence holder and that customer immediately before the transfer is to have effect. Applicants for a transfer should provide us with information on how this will be achieved.

14.10 Suppliers wishing to transfer their licence must be aware of the need to comply with the relevant licence conditions and provisions of consumer protection law which concern the transparency of information and changes to contracts. For example, in respect of domestic customers, this would include the need to consider compliance with the Consumer Rights Act 2015, the Standards of Conduct in SLC 0 and the provisions of SLC 23 of the supply licence which cover advance notification about the ending of contracts, price increases and other changes to contractual terms that are to the disadvantage of a domestic customer.

- 14.11 Apart from the requirements set out above, suppliers are also required to notify Ofgem when they seek to make [significant commercial developments or senior personnel changes](#).

### **Extensions, restrictions and modifications of area**

- 14.12 Gas and electricity supply licences can be modified in terms of the specified area or premises covered including whether domestic premises can be supplied. An extension of a non-domestic supply licence to cover domestic premises is given effect through a Domestic Supply Direction. This is a direction issued by the Authority under paragraph 3 of standard condition 3 (Application of Section B of the standard conditions).
- 14.13 The Authority can on request direct that an existing domestic supply licence is restricted to non-domestic premises only.
- 14.14 For supply restrictions, because it is important that any restriction does not leave consumers without a supply, we will check that proposals for ensuring continuity of supply are sufficient to deliver the following:
- notify existing and affected consumers of the effects of any restriction
  - secure alternative supply for affected consumers on the same terms as nearly as is possible to the existing contract
  - ensure that any prospective supplier is licensed
- 14.15 We will not grant an extension or restriction where we consider that the description or area of the premises to be supplied would artificially include in the restriction or exclude from the extension, any vulnerable consumers.
- 14.16 In respect of network licences, because it is important that any restriction does not leave consumers without a connection, we will check that the applicant's proposals for ensuring consumers remain connected are sufficient. When assessing an applicant's proposals to ensure consumers have a connection, we will check that the proposed arrangements are sufficient to:
- notify affected consumers of the effects of any restriction

- notify existing suppliers of the effects of any restriction
- ensure that arrangements have or will be made to secure alternative connection for affected consumers
- ensure that any prospective transporter or distributor is licensed

### **Modification of a transmission licence area**

- 14.17 We will apply the same criteria when assessing an application for modification of an electricity transmission licence as those used in the assessment of an application for a licence. we will take into consideration whether the proposed modification would affect persons connecting to the National Electricity Transmission System; it is important that any modification of an area does not affect the operation of the National Electricity Transmission System.

## Appendices

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## **Appendix 1– Risk assessment criteria**

### **Risk assessment process**

- A1.1 The following criteria is used for all licence applications and indicates the type of considerations we will apply to the information provided.
- A1.2 When completing the risk assessment, we will consider the nature, likelihood and impact of any areas of risk identified in the application, representations made or via any other means.
- A1.3 The exact template used by the Licensing Team is written in a table-style with shorter explanations for each risk. The below has been written for the benefit of the Guidance document, aiming to be accessible as possible. All criteria remains the same.

### **Tier 1 risk assessment**

- A1.4 For each of the tier 1 risk assessment criteria, the applicant is assigned a score between zero and two, zero being low risk, and two being high risk.
- A1.5 The score for each criteria is totalled after the Tier 1 assessment. If the total score is greater than two, then the application may be escalated to Tier 2. However, an application may also be refused at Tier 1 assessment, depending on the total risk score.
- A1.6 Further details about the tier 1 risk assessment process can be found in section 5 of this guidance.

### **Applicant/Parent/Ultimate Holding Company details**

- A1.7 A low score would be given if all company details were able to be verified and were consistent with public records or registry. In this case, there would be up to date filing and relevant contact details provided, with confirmation of VAT registration. There would also be no insolvency history associated with the companies, directors, or SMRIs etc. involved with the application.
- A1.8 To have a medium score under this criteria, we would be unable to verify details of relevant overseas companies. It may also be the case that the company is dormant, or there are public records of overdue accounts. An applicant who presented minimal contacts details and no VAT registration may also receive a medium score.
- A1.9 A high score would be awarded if there were clear inconsistencies with the information provided by the applicant and what is stated on public

records. Evidence of insolvency history and no VAT registration for the applicant would prompt a high risk score for this criteria.

### **Proposed arrangements to commence licensable activity**

- A1.10 To achieve a low risk score for this criteria, the applicant would have presented a clear outline of relevant activities and arrangements in preparation to commence the licensable activity. There would be clear timelines and key milestones with realistic timeframes. The applicant's plans would present a low risk to the industry and market of the application type.
- A1.11 A medium risk score would be awarded under this criteria if there were notable omissions in the plans provided, or unrealistic timings of key milestones. The market conditions would present moderate risk to the plans stated by the applicant.
- A1.12 Insufficient detail in proposed plans would prompt a high risk score to be awarded for this criteria. It would also be given if there were substantial gaps in management personnel to support the commencement of the licensable activity. The market conditions would also present significant risk to the applicant's stated plans, which is something we note as high risk.

### **Licence/application history**

- A1.13 A low risk score would be given under this criteria if there was no evidence of previous licence revocations, refusals, or any potential adverse licensing history.
- A1.14 For a medium score, there may have been previous revocations or refusals, but the reasons for these decisions is not directly relevant to the current application, or significant time has elapsed since these decisions were made. If there are multiple licensees with an unclear relationship between them, a medium risk score would be awarded.
- A1.15 A high risk score would be given should there be previous refusals, revocations, or any additional adverse licensing history, with reasons that are relevant to the decision of the current application

### **Suitability to hold a licence**

- A1.16 A low risk score in this area would be given if there was no evidence of criminal convictions, director disqualifications, insolvencies, bankruptcies, County Court Judgements, supplier of last resort events or related compliance and enforcement history with Ofgem. There would also be no adverse information regarding refusals, revocations, terminations or disciplinaries issued by another public body, including

competition law infringements. To be scored low in this category, the applicant must have engaged openly and constructively during the application process.

- A1.17 For a medium risk score, there may be evidence of some adverse information against any of the factors laid out in A1.16. There may also be some inconsistency between information stated in the applicant and Ofgem's own assessment of information sources.
- A1.18 For a high risk score, there is clear evidence of adverse information relevant to the application, including information regarding the factors set out in A1.16. In this case, the applicant has not engaged openly or there may be evidence of false or misleading information.

### **Licence specific criteria/information (if applicable)**

- A1.19 The following sections set out risks that are applicable to Network, Interconnector, and Supply Licence applicants. Due to the complexity of these licence types, it is important that we assess the detail of information provided in the applications as a separate risk assessment to the core framework explained in points A1.1 to A1.18.
- A1.20 The same scoring levels of zero to two are used for the licence specific criteria.

### **Networks or Interconnector Licence, or any restriction**

- A1.21 The applicant would have a low risk score if the information provided satisfied the licence-specific requirements, and there are no significant risks.
- A1.22 For a medium risk score, the information is not quite sufficient, and further clarifications are needed. There would also be some areas of elevated risk.
- A1.23 For a high risk score, there would be clear inconsistencies and omissions in the licence-specific information, and significant risks.

### **Supply Licence**

- A1.24 The applicant would have a low risk score if they had demonstrated the following:
- Appropriate resources for their plan to enter the supply market, considering the current market conditions
  - Clear information on how they will manage and resource core functions, and that they understand relevant market costs



- Defined relevant assumptions regarding the impacts of growth on their financial and operational resources
  - An awareness of key risks and corresponding plans to mitigate these are presented, including financial stress-testing with reasonable parameters
  - Proof of available financial resources, for at least the first year, that is consistent with entry plans and stress testing
  - Clear understanding from the applicant of their regulatory obligations and their plan to comply with these, including industry codes, government schemes, and customer service obligations
  - A statement of intent covers all relevant areas set out in the guidance
  - Certificate of adequacy
- A1.25 For a medium risk score for a supply licence application, the information regarding the elements set out in point A1.24 is limited, and further clarifications are needed. There would also be some areas of elevated risk.
- A1.26 For a high risk score, there are clear inconsistencies and omissions in the information provided regarding the elements set out in point A1.24. The information provided by the applicant is insufficient or implausible, and a certificate of adequacy has not been provided. If significant risks are identified, then the applicant would receive a high risk score in this area.

## **Tier 2 risk assessment**

- A1.27 If an application is escalated to Tier 2, additional risk assessment criteria are utilised to assess the additional information provided. Under the Tier 2 assessment, not all of the following information is requested, this is determined on a case-by-case basis and considering the degree of risk identified.
- A1.28 Where certain information has been provided, there is a risk score allocated from zero to two, dictating low, medium, and high risk as used across the rest of the risk assessment framework. This score will be added to the risk score calculated in the Tier 1 assessment to make the final determination of the application. Any further information supplied may also prompt a re-evaluation of the Tier 1 scores, as the information may impact some of the initial criteria.
- A1.29 Where copies of official documents are requested, a low risk score would be allocated if the documents are provided and verified. For a medium score, the documentation provided may be incomplete, but there is no significant risk identified. For a high risk score, the

documentation requested is not provided or it may show clear inconsistencies.

- A1.30 Where evidence of progress with relevant industry codes is requested, a low risk score would be awarded where there is clear proof of substantive contact and progress with code accessions and testing requirements. If an applicant has shown minimal evidence of contact or progress, then a medium score is awarded. For a high risk score, the applicant have no evidence of progress made toward code accessions.
- A1.31 If details of the applicant's bank, solicitors, or auditors were requested as part of the Tier 2 assessment, then a low risk score would be marked if verifiable details were provided. Should Licensing be unable to verify details, but assess that there is no significant risk, then a medium score would be given. For a high risk score in the area, the applicant would have not provided any of the requested information, or there would be clear inconsistencies in what they had provided.
- A1.32 If the applicant were to be interviewed by Ofgem, or provide any additional requested information, then they would receive a low risk score for being open and proactive in respect of all issues. This would also be the case where explanations provided at interview are satisfactory. To receive a medium risk score under this category, there would be risks and issues identified and remain unsolved. The responses in interview would also be incomplete or lacking in detail. For a high risk score, the applicant would fail to co-operate, and there are significant risks and issues that remain unresolved. In this case, the interview responses would conflict with what is provided in the application form.

## Appendix 2– References and useful links

Document Title	Document type	Link to Document
<a href="#">Gas Act 1986</a>	Legislation	<a href="https://www.legislation.gov.uk/ukpga/1986/44/contents">https://www.legislation.gov.uk/ukpga/1986/44/contents</a>
<a href="#">Electricity Act 1989</a>	Legislation	<a href="https://www.legislation.gov.uk/ukpga/1989/29/contents">https://www.legislation.gov.uk/ukpga/1989/29/contents</a>
<a href="#">The Gas (Applications for Licences and Extensions and Restrictions of Licences) Regulations 2019</a>	Legislation	<a href="https://www.legislation.gov.uk/uksi/2019/1024/contents/made">https://www.legislation.gov.uk/uksi/2019/1024/contents/made</a>
<a href="#">The Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019</a>	Legislation	<a href="https://www.legislation.gov.uk/uksi/2019/1023/contents/made">https://www.legislation.gov.uk/uksi/2019/1023/contents/made</a>
<a href="#">Utilities Act 2000</a>	Legislation	<a href="https://www.legislation.gov.uk/ukpga/2000/27/contents">https://www.legislation.gov.uk/ukpga/2000/27/contents</a>
Energy Act 2004	Legislation	<a href="https://www.legislation.gov.uk/ukpga/2004/20/contents">https://www.legislation.gov.uk/ukpga/2004/20/contents</a>
<a href="#">Energy Act 2008</a>	Legislation	<a href="https://www.legislation.gov.uk/ukpga/2008/32/contents">https://www.legislation.gov.uk/ukpga/2008/32/contents</a>
<a href="#">The Provision of Services Regulations 2009</a>	Legislation	<a href="https://www.legislation.gov.uk/ukdsi/2009/9780111486276/contents">https://www.legislation.gov.uk/ukdsi/2009/9780111486276/contents</a>
<a href="#">Energy Act 2010</a>	Legislation	<a href="https://www.legislation.gov.uk/ukpga/2010/27/contents">https://www.legislation.gov.uk/ukpga/2010/27/contents</a>
National Security and Investment Act 2021	Legislation	<a href="https://www.legislation.gov.uk/ukpga/2021/25/contents/enacted">https://www.legislation.gov.uk/ukpga/2021/25/contents/enacted</a>
<a href="#">Application forms</a>		<a href="https://www.ofgem.gov.uk/publications/gas-and-electricity-licence-application-forms">https://www.ofgem.gov.uk/publications/gas-and-electricity-licence-application-forms</a>
<a href="#">Supply licence applications: reasons for the decision to amend the time period for assessment and to remove tacit authorisation</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications/supply-licence-applications-reasons-decision-amend-time-period-assessment-and-remove-tacit-authorisation#:~:text=Given%20our%20Principal%20Objective%20to,by%20overriding%20reasons%20of%20public">https://www.ofgem.gov.uk/publications/supply-licence-applications-reasons-decision-amend-time-period-assessment-and-remove-tacit-authorisation#:~:text=Given%20our%20Principal%20Objective%20to,by%20overriding%20reasons%20of%20public</a>
Rising wholesale energy prices and implications for the regulatory framework	Ofgem Open Letter to Suppliers	<a href="https://www.ofgem.gov.uk/sites/default/files/2021-10/20211028%20-%20JB%20open%20letter%20to%20suppliers_0.pdf">https://www.ofgem.gov.uk/sites/default/files/2021-10/20211028%20-%20JB%20open%20letter%20to%20suppliers_0.pdf</a>
<a href="#">Action plan on retail financial resilience</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications/action-plan-retail-financial-resilience">https://www.ofgem.gov.uk/publications/action-plan-retail-financial-resilience</a>

<a href="#">Supplier Licensing Review: Final Proposals on Entry Requirements</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications-and-updates/supplier-licensing-review-final-proposals-entry-requirements">https://www.ofgem.gov.uk/publications-and-updates/supplier-licensing-review-final-proposals-entry-requirements</a>
<a href="#">Licences and licence conditions</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/licences-industry-codes-and-standards/licences/guides-supply-licences">https://www.ofgem.gov.uk/licences-industry-codes-and-standards/licences/guides-supply-licences</a>
<a href="#">A consolidated list of documents to help you understand supply licence obligations</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications-and-updates/consolidated-list-documents-help-you-understand-supply-licence-obligations">https://www.ofgem.gov.uk/publications-and-updates/consolidated-list-documents-help-you-understand-supply-licence-obligations</a>
<a href="#">Milestone assessment guidance</a>	Guidance	<a href="https://www.ofgem.gov.uk/sites/default/files/docs/2020/11/milestone_assessment_guidance.pdf">https://www.ofgem.gov.uk/sites/default/files/docs/2020/11/milestone_assessment_guidance.pdf</a>
<a href="#">Decision on strengthening milestone assessments and additional reporting requirements</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications/decision-strengthening-milestone-assessments-and-additional-reporting-requirements">https://www.ofgem.gov.uk/publications/decision-strengthening-milestone-assessments-and-additional-reporting-requirements</a>
<a href="#">Technical amendments to the capacity market: Government response to consultation</a>	BEIS Guidance	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782657/capacity-market-technical-amendments-consultation-government-response.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782657/capacity-market-technical-amendments-consultation-government-response.pdf</a>
<a href="#">Supplier Obligations: Environmental and social schemes</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications-and-updates/environmental-schemes-information-independent-suppliers">https://www.ofgem.gov.uk/publications-and-updates/environmental-schemes-information-independent-suppliers</a>
<a href="#">The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008</a>	Legislation	<a href="http://www.legislation.gov.uk/ukxi/2008/1898/contents/made">http://www.legislation.gov.uk/ukxi/2008/1898/contents/made</a>
<a href="#">Energy price cap</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/energy-price-caps/levels-energy-price-caps">https://www.ofgem.gov.uk/energy-price-caps/levels-energy-price-caps</a>
<a href="#">Quality of Service Guaranteed Standards</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/licences-codes-and-standards/standards/quality-service-guaranteed-standards">https://www.ofgem.gov.uk/licences-codes-and-standards/standards/quality-service-guaranteed-standards</a>
<a href="#">Regulation (ec) no 714/2009 of the European Parliament and of the Council</a>	EU Regulation	<a href="https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF">https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF</a>
<a href="#">Financial ring fencing alternative arrangements for new independent distribution network operators (IDNOs)</a>	Ofgem open letter	<a href="https://www.ofgem.gov.uk/ofgem-publications/45467/7811-alternative-arrangements-update-final.pdf">https://www.ofgem.gov.uk/ofgem-publications/45467/7811-alternative-arrangements-update-final.pdf</a>
<a href="#">The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001</a>	Legislation	<a href="https://www.legislation.gov.uk/ukxi/1997/989/made">https://www.legislation.gov.uk/ukxi/1997/989/made</a>

Regulation of Independent Electricity Distribution Network Operators	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications-and-updates/regulation-independent-electricity-distribution-network-operators?docid=2&amp;refer=Networks/ElecDist/Policy/IDNOs">https://www.ofgem.gov.uk/publications-and-updates/regulation-independent-electricity-distribution-network-operators?docid=2&amp;refer=Networks/ElecDist/Policy/IDNOs</a>
<a href="#">Onshore transmission project delivery</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/electricity/transmission-networks/competition-onshore-transmission">https://www.ofgem.gov.uk/electricity/transmission-networks/competition-onshore-transmission</a>
<a href="#">Authority's decision to grant or transfer relevant consents and to issue a direction to National Grid Electricity System Operator (NGESO)</a>	Ofgem open letter	<a href="https://www.ofgem.gov.uk/system/files/docs/2019/04/ngeso_consents_and_direction_letter_-_01.04.19.pdf">https://www.ofgem.gov.uk/system/files/docs/2019/04/ngeso_consents_and_direction_letter_-_01.04.19.pdf</a>
<a href="#">Microbusiness Strategic Review: Decision to modify the SLCs of all gas and electricity supply licences</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications/microbusiness-strategic-review-decision-modify-slcs-all-gas-and-electricity-supply-licences">https://www.ofgem.gov.uk/publications/microbusiness-strategic-review-decision-modify-slcs-all-gas-and-electricity-supply-licences</a>
<a href="#">Regulatory expectations letter to suppliers regarding concerns over remote switching of smart meters to prepayment mode – November 2022</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications/regulatory-expectations-letter-suppliers-regarding-concerns-over-remote-switching-smart-meters-prepayment-mode-november-2022#:~:text=The%20guidance%20to%20these%20assessments,include%20monitoring%20of%20self%2Ddisconnection.">https://www.ofgem.gov.uk/publications/regulatory-expectations-letter-suppliers-regarding-concerns-over-remote-switching-smart-meters-prepayment-mode-november-2022#:~:text=The%20guidance%20to%20these%20assessments,include%20monitoring%20of%20self%2Ddisconnection.</a>
Offshore Transmission Licences	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/offshore-electricity-transmission-ofto">https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/offshore-electricity-transmission-ofto</a>
<a href="#">Smart Meter Communication Licence</a>	Ofgem Webpage	<a href="https://www.ofgem.gov.uk/publications/smart-meter-communication-licence">https://www.ofgem.gov.uk/publications/smart-meter-communication-licence</a>

## Appendix 3 – Version history

Version	Comments	Publication date	Effective date
1.0	New guidance document published for 2019 Applications Regulations, following Supplier Licensing Review (Entry) final proposals	18 June 2019	5 July 2019
1.1	<p>Updates to the following sections:</p> <ul style="list-style-type: none"> <li>Chapter 2: <ul style="list-style-type: none"> <li>Section 2.20-2.37 – updated time period and tacit authorisation arrangements for supply licence applications, and added supporting rationale</li> </ul> </li> <li>Chapter 4: added note at start</li> <li>Footnotes: footnote 16 and 90 broken links amended</li> </ul> <p>Throughout: section numbers and footnotes updated where appropriate</p>	15 December 2021	15 December 2021
1.2	<p><b>Draft for consultation</b></p> <p>Updates to:</p> <ul style="list-style-type: none"> <li>Chapter 3 updated definition of SMRI; clarified assessment of readiness to commence licensable activity; added</li> </ul>	4 February 2022	Confirmed upon publication of decision

	<p>information on content of interviews and CVs;</p> <ul style="list-style-type: none"> <li>• Chapter 4 added factors considered when assessing supply licence applications; clarified what information must be provided to enable assessment; updated definition of SMRI;</li> <li>• Chapter 10 clarified scope of representations; updated process for issuing licences; clarified licence refusals grounds</li> <li>• Appendix 1 risk assessment criteria</li> </ul> <p>Throughout: footnotes updates or removed where appropriate</p>		
1.3	Guidance document updated with new bank details for licence fees (section 2.3)	01 August 2024	01 August 2024
2.0	This draft version of the guidance will become version 2.0 upon publication following the end of the consultation period	TBC	TBC

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