

**EXPLANATORY MEMORANDUM TO
THE ELECTRICITY ACT 1989 (EXEMPTION FROM THE REQUIREMENT FOR AN
INTERCONNECTOR LICENCE) (AMENDMENT) ORDER 2014**

2014 No. 2587

1. 1.1 This explanatory memorandum has been prepared by the Department of Energy and Climate Change and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Order transfers to the Manx Utilities Authority the exemption, previously held by the Manx Electricity Authority, from the requirement to hold an electricity interconnection licence in respect of the electricity interconnector between Great Britain and the Isle of Man (“the Isle of Man Interconnector”). It also terminates the exemption from that requirement held by Northern Ireland Electricity plc in respect of the electricity interconnector between Great Britain and Northern Ireland (“the Moyle Interconnector”).

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The Electricity Act 1989 (Exemption from the Requirement for an Interconnector Licence) Order 2006 (S.I. 2006/2002) (“the 2006 Order”) granted exemptions from the requirement to hold an interconnector licence to, among other bodies, the Manx Electricity Authority, in respect of the Isle of Man Interconnector, and Northern Ireland Electricity plc, in respect of the Moyle Interconnector. The Isle of Man Government has transferred the functions of the Manx Electricity Authority to the Manx Utilities Authority. Northern Ireland Electricity plc no longer participates in operation of the Moyle Interconnector.

5. Territorial Extent and Application

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

6.1 As the Electricity Act 1989 (Exemption from the Requirement for an Interconnector Licence) (Amendment) Order 2014 is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 Electricity interconnectors are the cables linking the electricity network in Great Britain with electricity networks in other countries and territories. Interconnection has the potential to contribute to Government's energy security, affordability and decarbonisation objectives, including through facilitating the single European electricity market

7.2 Participation in the operation of an electricity interconnector without a licence is a prohibited activity under the Electricity Act 1989 ("the 1989 Act"); either a licence or an exemption is required. The interconnector licensing arrangements are intended to facilitate the development of properly functioning electricity markets between GB and other territories.

7.3 In the 2006 Order, five bodies, each of which participated in the operation of one of three electricity interconnectors, were granted exemptions from the requirement to hold an interconnector licence. The interconnectors in question convey electricity between Great Britain and either the Isle of Man, France or Northern Ireland.

7.4 Following a review of the 2006 Order, which involved engaging the operators of each of the three interconnectors, exempt parties, and Ofgem, the Government identified two out of date provisions. The Manx Electricity Authority was dissolved with effect from 31 March 2014, and all its functions and powers were transferred to the Manx Utilities Authority on 1 April 2014. Northern Ireland Electricity plc no longer participates in the operation of the Moyle Interconnector.

7.5 There is unlikely to be significant public, political or legal interest in this measure.

Consolidation

7.6 This Order amends the Electricity Act 1989 (Exemption from the Requirement for an Interconnector Licence) Order 2006. There are no plans to consolidate the amendments.

8. Consultation outcome

8.1 Parties from all three interconnectors with exemptions granted by the 2006 Order were involved in the review, which identified the two changes made by this Order. Ofgem was consulted on the proposal to amend the 2006 Order. The proposal was notified in accordance with the requirements of the 1989 Act and representations were sought. No representations were received.

9. Guidance

9.1 No guidance has been produced to accompany this Order.

10. Impact

10.1 An Impact Assessment has not been prepared for this instrument as no impact on the private or voluntary sector is foreseen.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 These amended exemptions are intended to facilitate the development of properly functioning electricity markets between GB and other territories. Their effectiveness will be considered as part of Ofgem and DECC's ongoing assessment of the GB electricity market.

13. Contact

13.1 Ben White at the Department of Energy and Climate Change (Tel: 03000686342 or email: ben.white@decc.gsi.gov.uk) can answer any queries regarding the instrument.