Energy Intelligence Briefing

Strategic Assessment
P442 License Exempt Electricity Supply



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ExecutiveSummary

This strategic assessment is here to help you understand the reputational, financial and operational risks, all of which need to be carefully considered when entering into a License Exempt Supply (LES) arrangement.

Noveus Energy's procurement and tendering expertise, together with LES contracts already secured for clients, demonstrates that a well-structured LES arrangement can reduce delivered electricity costs by around 7–10%.

This is dependent on a customer profile, contract structure and successful half-hourly matching with a known, willing and eligible generation source.

Potential Cost Reduction

Your electricity costs could reduce by

7-10%



Dependant on Half-Hourly Matching



Benefits depends on successful half-hourly matching between the customer's consumption and a known, willing and eligible generation source

"With the industrial and energy environment changing so rapidly, we needed an expert consultant that understood energy. Noveus Energy is able to advise and apply a dynamic strategy on the entire energy cost stack"

Operations Manager
UK Food Manufacturer

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StrategicRationale

01 Cost Efficiency

LES can reduce exposure to non-commodity charges (e.g. network charges and environmental levies).



02 Sustainability

Linked to a local specific renewable generation asset, supporting ESG targets.



03 Energy Resilience

Enhances control over energy sourcing and site-level resilience.



Advantages

01	**Avoided Charges / Cost Savings**	Projected savings can arise from certain levies (including Renewables Obligation (RO), Feed-in Tariff (FiT), Contracts for Difference (CfD), Capacity Market (CM), Climate Change Levy (CCL) & Nuclear RAB, subject to the level of qualifying generation successfully matched to the customer's half-hourly consumption. Noveus Energy's Procurement Team has shown approximately 7-10% savings against the nearest conventional supply offers, although actual savings will vary and are not guaranteed.
02	**Green Credentials**	Direct access to a generation asset and (if renewable) potentially improved more transparent carbon reporting.
03	**Local Control**	Enables site-specific energy strategies and resilience.
04	**Regulatory Simplicity**	No need for a full supply licence under qualifying conditions.
05	**Revenue Sharing**	Potential for financial benefit-sharing with generators.

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StrategicRationale

Risks & Disadvantages

01 **Legal Non-Compliance**

Operating outside the conditions of the relevant licence exemption, can constitute an offence under the Electricity Act 1989 and may result in regulatory and legal consequences. Appropriate monitoring, governance and periodic compliance reviews are therefore essential.

02 **Reputational Risk**

LES can reduce or avoid renewable policy charges for the participating customer. Those scheme costs do not disappear and may be recovered from a smaller pool of other electricity users. This may create a perception that the participating customer is reducing its contribution to renewable support mechanisms while a greater proportion of those costs is recovered from other electricity consumers. The position should therefore be assessed with ESG, Communications and Public Affairs teams before adoption.

03 **Operational Complexity**

Requires accurate half-hourly generation and consumption matching, robust settlement and data-management processes, and periodic reconciliation. Projected savings depend on achieved matched volumes and may be lower than forecast where generation and demand profiles do not align, market conditions change, or administration partners and counterparties retain a significant share of the available benefit.

04 **Limited Scalability**

LES is better suited to single site or small portfolios. Additional hurdles & greater scrutiny are required to replicate across larger portfolios.

05 **Evolving Energy Policy Changes**

Future regulatory changes to levies, legislation, rules, settlement arrangements or exemption regimes could reduce or remove part of the economic benefits along with increased consumer obligations.

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01 Regulatory Considerations

Electricity Act 1989
Defines supply and distribution; misinterpretation can lead to enforcement action.

Class Exemptions Order 2001
Sets out conditions for exemption.

Balancing & Settlement Code (BSC)
Post-P442, requires an (Elexon accredited) official ESNA (Exempt Supply Notification Agent) to be in place for compliance.

02 Recommendations

01 **Legal/Expert Review**
Commission an independent opinion on exemption eligibility and compliance.

02 **Financial Validation**
Present LES savings as projected, state the assumed matched volume and separately identify any annual matching payment or credit.

03 **Risk Assessment**
Conduct a full risk analysis including reputational and operational impacts.

04 **Stakeholder Engagement**
Align with internal ESG, communications and public affairs teams, particularly on how avoided renewable policy charges may be perceived.

05 **Pilot Project**
Consider a controlled trial at a single site with robust monitoring and half-hourly matching.

06 **Contractual Safeguards**
Ensure the LES agreement includes clear terms on volume, generators, pricing, benefit share, reconciliation and liabilities.

03 Conclusion

LES can offer a material projected cost opportunity, with Noveus Energy's Procurement Team showing approximately 7-10% savings against the nearest conventional offers in the tenders reviewed to date.

However, the benefit depends on successful generation-to-consumption matching and must be weighed against legal, operational, policy and reputational considerations, including the potential perception that renewable support costs are being shifted to other electricity users.

A structured pilot, supported by transparent financial modelling, expert legal review and robust operational safeguards, is recommended before wider adoption.

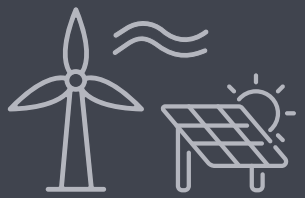
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LESParties schematic

P442 Licence Exempt Electricity Supply - Half-hourly matching for a cleaner, lower cost energy supply

The following schematic illustrates the key parties involved in a Licence Exempt Electricity Supply (LES) arrangement.

01 Eligible Generation



≤ 5 MW installed capacity.

Match generator export and customer consumption for each half-hour settlement period, in accordance with P442 rules.

Must not receive RO or FiT export payments.

Generator export data (half-hourly)

02 Exempt Supply Notification Agent (ESNA)



Match generator export and customer consumption for each half-hour settlement period, in accordance with P442 rules.

Customer consumption data (half-hourly)

03 Half-Hourly Matching

Only volumes generated and consumed in the same half-hour qualify as LES.

Settlement Period (HH)	Generator Export (kWh)	Client Demand (kWh)	Matched LES Volume (kWh)
HH1	100	120	100
HH2	80	70	70
HH3	60	90	60
Total	**240**	**280**	**230**

Client

Half-hourly metered business consuming electricity.



04 Split Supply Volumes



EXEMPT VOLUME (LES)

Matched half-hourly volume supplied under licence exemption rules.



LICENSED VOLUME

Unmatched demand supplied under the supplier's Ofgem licence.

05 Avoided Charges

(On exempt volume)



- Renewables Obligation (RO)
- Feed-in Tariff (FiT)
- Contracts for Difference (CfD)
- Capacity Market (CM)
- Climate Change Levy (CCL)
- Nuclear RAB

06 Standard Charges

(On licensed volume)



Includes all applicable energy and non-commodity charges.

NextSteps

Now is the time to rethink your business energy strategy

Let's understand together what License Exempt Energy Supply really means for your organisation. There are options and solutions available that will look attractive on first glance but there are some significant risks and aspects to carefully consider.

Noveus Energy is bringing new dynamism to the energy market – backed by transparent fees, true innovation and bespoke solutions that put your real needs first – we excel where other consultants simply do not deliver.

Contact Robert Brown at Noveus Energy today on 07960 286 061 or email robert.brown@noveusenergy.com and let's start a conversation.