GUERNSEY COMPETITION
& REGULATORY AUTHORITY

REMOVAL OF ECONOMIC MERIT ORDER DISPATCH REQUIREMENTS

E1619G

PROPOSED DECISION

Date: 06/11/2026

Guernsey Competition & Regulatory Authority
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1. SUMMARY

1.1 In 2023, the States of Guernsey adopted its Electricity Strategy, establishing a long-term vision for the Island's electricity sector. The Strategy seeks to support the transition towards a more sustainable, resilient and secure electricity system, including increasing on-island renewable generation, achieving approximately 10MW of installed solar photovoltaic ("**PV**") generation and supporting the Island's wider ambition to achieve net zero greenhouse gas emissions by 2050.

1.2 The existing electricity licensing framework was established in 2001, prior to the adoption of the current Electricity Strategy. Amongst other things, the framework requires electricity to be purchased and dispatched according to economic merit. These arrangements were introduced to promote the efficient procurement of electricity and protect consumers by ensuring that electricity is generally sourced from the lowest-cost available supplier.

1.3 In 2025, the Committee for Economic Development commissioned LCP Delta to review the operation of the Merit Order and the broader regulatory framework applicable to renewable generation. The review concluded that the existing framework may not support achievement of the States' renewable energy objectives and identified the Merit Order requirements as a potential constraint on the deployment of front-of-meter renewable generation.

1.4 The GCRA has considered the findings of that review, its statutory duties and subsequent engagement with the Committee for Economic Development regarding implementation of the Electricity Strategy.

1.5 Whilst the GCRA continues to recognise the benefits of economic dispatch and the important role it has historically played in protecting consumers, it is provisionally of the view that the continued application of the existing Merit Order requirements may, in certain circumstances, constrain implementation of the States' Electricity Strategy.

1.6 The GCRA therefore proposes to remove the licence conditions requiring electricity to be purchased and dispatched according to economic merit. The GCRA considers that this would provide greater flexibility pending the development of a longer-term policy and regulatory framework intended to support implementation of the Electricity Strategy.

1.7 The GCRA invites representations on this Proposed Decision by **5pm on Friday 4 December 2026**.

2. STRUCTURE OF THIS DOCUMENT

2.1 This document is structured as follows:

Section 3	Sets out the legal framework relevant to the proposed licence modification.
Section 4	Sets out the background to the Proposed Decision, including the States of Guernsey's Electricity Strategy, the LCP Delta review, the existing Merit Order framework and subsequent engagement with the Committee for Economic Development.
Section 5	Sets out the reasons for the Proposed Decision and the GCRA's proposal to modify the electricity licence held by Guernsey Electricity Limited.
Section 6	Provides notice of the proposed licence modification and explains the next steps in the licence modification process.
Annex A	Outlines the specific proposed modifications to Guernsey Electricity Limited's licence.

3. LEGAL FRAMEWORK

3.1 The GCRA is required to exercise its functions and powers in accordance with the objectives established by the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 ("**the Regulation Law**").

3.2 Section 2 of the Regulation Law requires the GCRA to pursue a number of objectives relevant to the exercise of its regulatory functions. These include:

"2(a) to protect the interests of consumers and other users in the Bailiwick in respect of the prices charged for, and the quality, service levels, permanence and variety of, utility services";

"2(b) to secure, so far as practicable, the provision of utility services that satisfy all reasonable demands for such services within the Bailiwick, whether those services are supplied from, within or to the Bailiwick";

"2(c) to ensure that utility activities are carried out in such a way as best to serve and contribute to the economic and social development and well-being of the Bailiwick"; and

"2(f) to lessen, where practicable, any adverse impact of utility activities on the environment"[1]

3.3 In performing its functions and exercising its powers, the GCRA must therefore balance a range of potentially competing considerations. These include both the protection of consumers from unnecessary costs and the promotion of longer-term objectives relating to sustainability, resilience and the future development of utility services.

3.4 Section 5(1)(a) of the Regulation Law empowers the GCRA to impose licence conditions in relation to the provision of regulated utility services:

"The [Authority] may, having regard to the provisions of sections 2, 3 and 4, do anything that appears to [it] to be necessary or expedient for the purpose of exercising [its] functions and powers [under this Law or any Sector Law] and, without prejudice to the generality of the foregoing, [it] shall have power-

(a) to determine the conditions to be included in a licence […]"

3.5 The existing licence conditions discussed in this Proposed Decision were imposed pursuant to these powers. The modification of those licence conditions is governed by Section 8 of the Electricity (Bailiwick of Guernsey) Law, 2001 ("**the Electricity Law**").

3.6 Section 8 of the Electricity Law provides as follows:

"*Having regard to the objectives set out in section 2 of the Regulation Law, and subject to the provisions of any States' Directions[, section 5(7)] and the following provisions of this section, the [Authority] may modify a licence by amending or revoking any condition included in it or by adding any condition to it (including, subject to the provisions of section 9, any condition as to the application in relation to the licensee of the code).*"

[1] Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 – Section 2, page 5.

3.7 Before making any modifications to a licence, the GCRA must follow the procedure set out in section 8(2) of the Electricity Law, which provides as follows:

"*Before making modifications under this section to a licence, the [Authority] shall publish, and (in the case of an individual licence) give to the holder of the licence, notice –*

(a) stating the modifications that [it] proposes to make,

(b) stating the reasons why [it] proposes to make those modifications, and

(c) specifying the time (not being less than 7 days from the date of publication of the notice) within which written representations or objections in respect of the proposed modifications may be made by interested parties."

4. BACKGROUND

States of Guernsey Electricity Strategy

4.1. In 2023, the States of Guernsey adopted its Electricity Strategy, establishing a long-term vision for the future development of the Island's electricity sector.

4.2. The Strategy recognises the important role that electricity will play in supporting the Island's environmental, economic and social objectives over coming decades. In particular, the Strategy seeks to facilitate the decarbonisation of Guernsey's economy, support energy resilience and security, reduce reliance upon fossil fuels and contribute towards the Island's ambition to achieve net zero greenhouse gas emissions by 2050.

4.3. A central component of the Strategy is the increased deployment of on-island renewable generation. The Strategy identifies solar PV generation as an important technology and includes an ambition to increase installed solar PV capacity to approximately 10MW. Achievement of this ambition is expected to require both continued deployment of behind-the-meter solar generation and the development of larger front-of-meter renewable generation projects.

4.4. The Strategy therefore represents a significant evolution in the policy objectives applicable to Guernsey's electricity sector. Whilst the efficient procurement of electricity remains important, the States has also identified broader policy objectives relating to sustainability, resilience, security of supply and decarbonisation.

4.5. In 2025, the Committee for Economic Development commissioned LCP Delta to undertake an independent review of the operation of the electricity Merit Order, the Buy-Back Tariff and the broader regulatory framework affecting the deployment of renewable generation.

4.6. The review was commissioned to assess whether the existing arrangements remain appropriate in light of the objectives established by the Electricity Strategy and to identify measures capable of supporting increased deployment of on-island renewable generation.

4.7. The review concluded that the existing Merit Order framework is unlikely to support significant deployment of front-of-meter renewable generation. In particular, the review found that the current licensing framework requires electricity to be purchased and dispatched primarily according to cost. In circumstances where imported electricity is generally available at a lower cost than new front-of-meter renewable generation, renewable generators face uncertainty regarding future dispatch and revenues. The review concluded that such uncertainty may inhibit investment and make it difficult to deploy renewable generation at the scale envisaged by the Electricity Strategy.

4.8. The review further concluded that implementation of the States' renewable energy objectives is likely to require changes to the existing regulatory framework and identified reform of the Merit Order as an important component of any future solution.

Existing Regulatory Framework

4.9. The current electricity licensing framework was established in 2001 and reflects the policy objectives and market conditions prevailing at that time.

4.10. A key feature of the framework is the requirement that electricity should be purchased and dispatched according to economic merit.

4.11. The rationale for this approach is straightforward. Where multiple sources of electricity are available, purchasing electricity from the lowest-cost supplier is generally expected to minimise procurement costs and thereby protect consumers from unnecessary expense. Economic dispatch therefore promotes efficiency and supports the GCRA's statutory objective of protecting the interests of consumers, particularly in relation to the prices charged for utility services.

4.12. The Merit Order framework is principally implemented through the following licence conditions in GEL's electricity licence:

Licence Condition	Explanation
Condition 24.2(b)	Requires GEL to provide the Conveyance Licensee with information reasonably required to operate the merit order system. This provision supports the operation of the current economic merit order framework.
Condition 34.2	Requires the Conveyance Licensee to establish and operate a merit order for generation units subject to central dispatch. This is a core provision establishing the existing merit order framework.
Condition 34.3(a)	Requires available generation units to be dispatched in ascending order of relevant prices. The practical effect of this provision is that lower-cost sources of electricity are generally dispatched ahead of higher-cost sources.
Condition 35	Requires GEL to contract for electricity and ancillary services at the best effective price reasonably obtainable, subject to limited consideration of security, reliability and diversity of supply. This provision embeds economic purchasing principles into electricity procurement decisions.
Condition 39.1	Requires GEL to purchase goods, assets and services required for its licensed activities from the most economical sources available. This provision promotes economic procurement and cost minimisation across the conduct of the licensed business.

4.13. The GCRA recognises that these provisions have historically played an important role in promoting efficient procurement and protecting consumers from unnecessary costs. However, they were developed more than twenty years before adoption of the current Electricity Strategy and were not designed to facilitate the policy objectives now being pursued by the States.

Policy Development

4.14. Following completion of the LCP Delta review, GCRA Case Officers engaged with officers of the Committee for Economic Development regarding the findings of the review and the future implementation of the Electricity Strategy.

4.15. Through those discussions, the GCRA became aware that the Committee for Economic Development is developing a broader programme of policy, legislative and regulatory reform intended to support implementation of the Electricity Strategy. The Committee has indicated that this work is expected to be brought before the States Assembly during 2027.

4.16. Having considered the findings of the LCP Delta review, the GCRA subsequently considered whether the existing licensing framework may unnecessarily constrain progress towards the States' policy objectives pending development and implementation of that broader framework.

4.17. In particular, the GCRA considered whether the continued application of the existing Merit Order requirements could limit the ability of the States, GEL or prospective renewable generators to implement arrangements capable of supporting additional renewable generation in the short term.

4.18. In response to enquiries from the GCRA, officers of the Committee for Economic Development indicated that the existing Merit Order requirements may present practical difficulties for the delivery of the States' renewable energy objectives and acknowledged that removal of these requirements may assist in facilitating earlier progress whilst longer-term reforms are being developed.

5. PROPOSED DECISIONS AND REASONS

5.1 The GCRA notes that:

- the States has adopted the Electricity Strategy and established ambitious objectives regarding renewable generation, sustainability and decarbonisation;
- the current Merit Order framework was developed in 2001, prior to adoption of those policy objectives;
- the LCP Delta review concluded that the existing framework may inhibit the development of front-of-meter renewable generation; and
- the Committee for Economic Development is currently developing a broader package of reforms intended to support implementation of the Electricity Strategy.

5.2 The GCRA has considered the findings of the LCP Delta review, the objectives established by the Electricity Strategy and its statutory duties under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001.

5.3 In doing so, the GCRA recognises that the existing Merit Order framework continues to provide important benefits for consumers by promoting efficient electricity procurement and helping to minimise costs.

5.4 Equally, the GCRA has considered whether the continued application of the existing licence conditions may, in certain circumstances, constrain implementation of the States' policy objectives pending development of a longer-term regulatory framework.

5.5 The GCRA's provisional view is not that economic dispatch is inappropriate as a matter of principle. Rather, it is that the continued application of the existing licence conditions may unnecessarily restrict the ability of the States, GEL and other stakeholders to develop and implement arrangements intended to support deployment of renewable generation consistent with the objectives of the Electricity Strategy.

5.6 The GCRA considers that the provisions identified in Annex A are those licence conditions which directly require electricity to be purchased or dispatched according to economic merit and that their removal would therefore remove the regulatory constraint identified by the LCP Delta review

5.7 The GCRA therefore proposes to modify GEL's licence by:

- removing Condition 24.2(b);
- removing Conditions 34.2 and 34.3;
- removing Condition 35;
- removing Condition 39.1; and
- making any consequential amendments necessary to maintain consistency of terms and definitions throughout the licence.

5.8 The proposed licence modifications are set out in Annex A.

5.9 The GCRA considers that these modifications would remove a potential regulatory constraint whilst the States develops a longer-term policy and regulatory framework intended to support achievement of the objectives established by the Electricity Strategy.

6. NOTIFICATION OF PROPOSED LICENCE MODIFICATION

6.1. The GCRA hereby:

a) gives notice to Guernsey Electricity Limited of its proposed decision to modify their electricity licence as set out in Annex A to this proposed licence modification,

b) gives notice to the public of the above proposed licence modification,

c) requests any written objections or representations from any interested party to this proposed licence modification and its terms as set out in Annex 1, before **5pm on Friday 4 December** in the manner indicated below,

d) Responses can be submitted by email to info@gcra.gg or alternatively in writing to:

GCRA, Suite 4, 1st Floor,
La Plaiderie Chambers, La Plaiderie,
St Peter Port,
GY1 1WG

6.2. All written comments should be clearly marked '*Matter E1619G: Proposed Licence Modification'*. The GCRA's normal practice is to publish responses on its website. If any part of a response is considered to be commercially confidential, it should be clearly marked (by highlighting the confidential sections in yellow) when the response is submitted.

6.3. The proposed licence modification and the reasons for it have been notified to holders of those licences to which the proposed modifications related. It will also be published on the GCRA website and in La Gazette Officielle for any public comment and/or objection.

ANNEX A

Proposed amendments

1. The GCRA proposes to amend Licence Condition 24 ("Central Despatch and Merit Order") in Guernsey Electricity Limited's Licence by deleting the following conditions:

24. CENTRAL DESPATCH ~~AND MERIT ORDER~~

24.1 The Licensee shall submit all available Generation Units forming part of a generating station which is capable of providing 500 kilowatts or more to the electricity network to central despatch by the Conveyance Licensee.

24.2 The Licensee shall, at all times and in such manner as may be provided under any approved technical and operational codes, and in accordance with any directions issued by the GCRA provide the Conveyance Licensee with all information reasonably required by it to enable it, in conformity with the conditions of the conveyance licence:

(a) to operate the system of central despatch;

~~(b) to operate the merit order system;~~ and

(c) to prepare the statement referred to in Condition 35.4 in Part IV of this Licence.

24.3 The Licensee hereby acknowledges that the information referred to in Condition 24.2 and in particular 24.2(c) above, may be disclosed by the Conveyance Licensee to third parties pursuant to the Conveyance Licensee's obligations under Condition 35.4 of Part IV of this licence.

24.4 The Licensee may, with the prior written agreement of the GCRA, withhold from providing this information or may provide the information in aggregated form as directed by the GCRA, where the GCRA considers that the disclosure of the information referred to in condition 24.2(c) by the Conveyance Licensee to third parties would seriously and prejudicially affect the commercial interests of the Licensee.

24.5 In this Condition:

"available" in relation to any Generation Unit, means a Generation Unit which is available for despatch in accordance with any approved technical and operational codes and "availability" shall be construed accordingly;

"central despatch" means the process of scheduling and issuing direct instructions for despatch of available Generation Units by the Conveyance Licensee under the conditions of the Conveyance Licence; and

~~"merit order system" means a system, establishing economic precedence of electricity from available Generation Units to be delivered to the electricity network, operated by the Conveyance Licensee under the conditions of the Conveyance Licence~~.

2. The GCRA proposes to amend Licence Condition 34 ("Central Despatch and Merit Order") in Guernsey Electricity Limited's Licence by deleting the following conditions:

34. CENTRAL DESPATCH ~~AND MERIT ORDER~~

34.1 The Licensee shall schedule and issue direct instructions for the despatch in accordance with paragraphs 34.1, 34.2, 34.4 and 34.5 of all available Generation Units of each Generation Business in Guernsey which:

(a) are required to be subject to such scheduling and despatch instructions under the terms of the licence or exemption of the Generation Business, as the case may be; or

(b) are agreed by any such Generation Business to be subject to such scheduling and despatch instructions.

~~*34.2 The Licensee shall establish and shall operate a merit order for Generation Units subject to central despatch.*~~

34.3 The Licensee shall schedule and issue direct instructions for the despatch of Generation Units as are available to generate electricity:

~~*(a) in ascending order of relevant prices;*~~

(b) in accordance with any approved technical and operational codes; and

(c) thereafter, taking account of the factors referred to in paragraph 34.4 as will in aggregate be sufficient to match at all times (to the extent possible having regard to the availability of Generation Units) demand forecast taking account of information provided by Electricity Undertakings, together with an appropriate margin of reserve.

[…]

34.8 In this Condition:

"available" in relation to any generation unit means a generation unit which is available for despatch in accordance with any approved technical and operational codes and "availability" shall be construed accordingly.

"central despatch" means the process of scheduling and issuing direct instructions by the Licensee referred to in paragraph 34.1.

~~*"relevant price" means the price at which the Licensee is able to procure (or the prices that are offered for) the generation and delivery of electricity into the Conveyance System in respect of any relevant period.*~~

3. The GCRA proposes to amend Licence Condition 35 ("Economic Purchasing of Electricity and Ancillary Services") in Guernsey Electricity Limited's Licence by deleting the following conditions:

~~*35. ECONOMIC PURCHASING OF ELECTRICITY AND ANCILLARY SERVICES*~~

~~*35.1 The Licensee shall contract for electricity and Ancillary Services at the best effective price reasonably obtainable having regard to the sources available.*~~

~~*35.2 In determining the effective price at which electricity and Ancillary Services are contracted for by the Licensee, regard shall be had to any payments made or received or to be made or received for the grant of or pursuant to any Power Purchase Agreement.*~~

~~*35.3 In the discharge of its obligations under paragraph 35.1 above, the Licensee may additionally have regard to any considerations liable to affect its ability to discharge its obligations under this licence in the future, including the future security, reliability and diversity of sources of electricity available for purchase.*~~

4. The GCRA proposes to amend Licence Condition 39 ("Economic Purchasing of Electricity and Ancillary Services") in Guernsey Electricity Limited's Licence by deleting the following conditions:

39. ECONOMIC PURCHASING OF GOODS, ASSETS AND SERVICES

~~39.1 In contracting or arranging for the provision of goods, assets and services required to enable the Licensee to carry out its licensed activities, the Licensee shall purchase or otherwise acquire such goods, assets and services from the most economical sources available to it, having regard to the quantity and nature of the goods, assets and services required to enable it to discharge its obligations under the Act and this licence and to the diversity, number and reliability of such goods, assets and services at the time available for purchase or other acquisition~~.

39.2 Any contracts or arrangements for the purchase of goods, assets and services from an Associated Company shall be on arm's length terms.