

ANNUAL STATEMENT OF LICENCE COMPLIANCE PROCESS

**Utility Regulator Instructions and Guidance
November 2025**

1. UR licence compliance framework

1.1 The compliance monitoring framework is comprised of two core pillars (shown in Figure 1 below):

1. Routine monitoring of licence compliance; and
2. Annual assurance process known as the Statement of Licence Compliance (SoLC).

An external reporting regime underpins both pillars of the licence compliance monitoring framework.

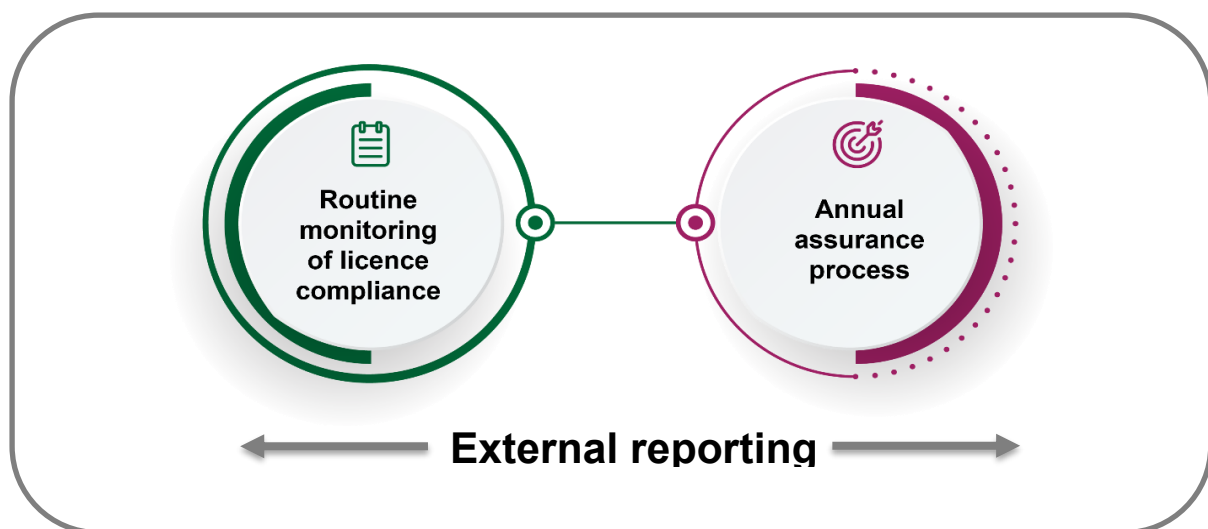


Figure 1: Licence compliance monitoring framework

1.2 This document focuses on the annual assurance process. For full detail of the compliance approach, please read our guidance document: **Instructions and guidance for licensees on our new approach to compliance monitoring and reporting | Utility Regulator**

2. Annual Statement of Licence Compliance (SoLC)

Instructions and guidance on how to complete your SoLC template

- 2.1 The Statement of Licence Compliance (SoLC) requires all licensees to provide assurance on an annual basis that they are compliant with their licence.
- 2.2 Licence compliance is central to ensuring consumer protection and market performance. Compliance must therefore be a central focus of the work of licensees and that focus must run through all levels of the organisation. This compliance starts from the point of licence award, and all licensees should have the systems and processes in place to ensure compliance. Our annual assurance process seeks confirmation of compliance at the highest level within the licensed companies.
- 2.3 Each December an annual SoLC initiation letter is issued to each licensee alongside a SoLC excel template and any relevant supplementary templates. This letter details what is required from each licensee as part of the process and the assurances sought.
- 2.4 Licensees are required to provide their returns by the end of February each year, providing the relevant assurances for the reporting period which is the previous calendar year (January – December). As with the routine monitoring of compliance activity, this information is requested from all licensees under the applicable licence condition relating to Provision of Information to the Authority for the purpose of monitoring compliance and ensuring that regulated companies comply with their licence obligations. This condition is cited in the annual SoLC initiation letter. Failure to provide such information is considered itself a compliance issue and will be subject to further investigation in line with our compliance framework and/or our published enforcement procedure.

2.5 A timeline outlining the annual SoLC process is provided below:

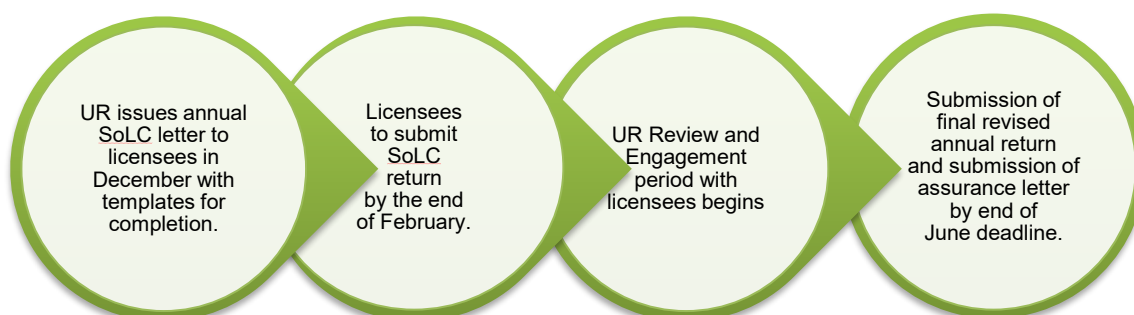


Figure 2: Annual SoLC process

2.6 The template which accompanies the initiation letter outlines all conditions of the relevant licence to which the licensee must indicate compliance. For each licence condition, the licensee must complete the SoLC template using the following definitions:

- C: Compliant – the company was compliant with every clause of each part of the Condition and any documents pursuant to the licence condition (for example Network Codes or Codes of Practice) for the entire twelve-month reporting period.
- CI: Compliance Issue – the company has experienced an instance or instances of potential non-compliance with the relevant condition, a sub-paragraph therein, or any document pursuant to the licence condition.

The current classification of ‘CI’ applies to any instance of potential non-compliance¹ regardless of duration or extent. Any such issue will require the completion of a compliance pro forma. Should the company have more than one ‘CI’ within the relevant licence condition, a separate compliance pro forma for each issue must be completed.

- NA: Not Applicable – this condition does not apply to the company. Conditions marked NA must include an explanation² as to why the condition does not apply: for example, a supply licensee may be active in the Industrial and Commercial non-domestic market only and specific clauses relate exclusively to domestic customers or, the UR has not yet directed the licensee that the licence condition has come into effect.

¹ Potential compliance issues do not include ‘near misses’ where the Licensee has taken action to prevent a compliance issue from occurring. We are not expecting a compliance pro forma in these instances.

² If a condition is marked NA and no comment has been included, the submission will be returned to the licensee for further clarification.

- 2.7 Where a licence condition was subject to investigation³ by the UR during the reporting year, this should be indicated on the SoLC tab by way of the drop-down list. The company should make clear in the 'comments' section of the SoLC tab which matters had been under investigation during the reporting year, however further information on these matters will not need to be declared or detailed in a compliance pro forma.⁴ The same process applies for licence conditions currently under investigation i.e, these should be recorded via the drop-down list, a comment added and no pro forma submitted.
- 2.8 As part of the annual SoLC return, we may request additional supplementary information relating to a specific licence condition. Detail of any supplementary information required is provided to the licensee at the commencement of the annual SoLC process.
- 2.9 Once completed, the licensee should return the SoLC excel template along with any supplementary information relevant to certain conditions within the licence (if applicable).
- 2.10 This process should reflect the routine licence compliance monitoring and reporting undertaken across the entirety of the year. A licensee should not wait to the annual assurance process to make us aware of a compliance issue and issues previously identified should already be known to us, where possible.
- 2.11 A new compliance pro forma should be created by the licensee within the SoLC excel template for each potential compliance issue reported. This includes all potential compliance issues that occurred at any point during the reporting period⁵, and extends to both new issues and those that have already been reported to us. This pro forma is the same as the pro forma used as part of the routine compliance monitoring pillar of the compliance framework. It should provide the current and up to date details of the compliance issue, associated impacts, the cause of the issue and subsequent corrective/preventative actions. The licensee should record when compliance resumed/will resume. Please note, any aspect of the pro forma that is lacking the required detail will be returned to the licensee for rework and the submission deemed incomplete.

³ This applies to any licence condition that had been subject to investigation at any point in the UR Enforcement Procedure (initial enquiries or Enforcement Action Stages I, II, III or IV).

⁴ Licensees are still required, however, to include a compliance pro forma for any non-related issues under the same licence condition not subject to investigation.

⁵ For clarity, this can include issues that first arose during the reporting year but also includes those issues that began in previous reporting year and extended into the current reporting year.

- 2.12 Once the licensee has submitted their SoLC template by the deadline at the end of February, the process of engagement begins between the UR and the licensee.
- 2.13 The SoLC will be reviewed and checked against all ongoing compliance pro formas which have been submitted during the previous calendar year. If any issues / queries are identified with the SoLC submission, it will be returned to the licensee with feedback and a date for required resubmission will be provided.
- 2.14 The process of engagement between us and the licensee (via submission, review, and return of feedback) continues until we are content that all necessary amendments have been made to the SoLC and all potential compliance issues have been identified, recorded, and addressed⁶ for each licensee. We will ensure that we allow licensees sufficient to respond to any requests in a timely manner.
- 2.15 Once we are satisfied with the information provided, an annual assurance letter must be provided. A template for this letter is sent to each licensee once the SoLC submission has been confirmed by the UR as being accurate and complete.⁷ This assurance letter should be signed off at CEO/Managing Director level (or equivalent) within the organisation and licensees should have the processes in place to satisfy the CEO/MD/equivalent that the information provided in the SoLC return is accurate. This includes a declaration that the company was compliant with its licence in accordance with the SoLC return for the period covered by the SoLC process only. The SoLC assurance letter is a retrospective declaration of licence compliance for the previous calendar year as detailed in the final return as submitted.
- 2.16 The deadline for the process to be closed off for all licensees is the end of June for the previous calendar year, i.e. the SoLC for the reporting year 2025 should be completed by the end of June 2026. The SoLC process is deemed complete for each licensee when:
- The licensee has submitted a completed SoLC template with all declared compliance issues identified, documented,⁸ and addressed to ensure any compliance plans or further relevant actions have been established;

⁶ Resolved through, for example, a compliance plan, steps taken by the licensee, engagement, or escalation to the Compliance and & Enforcement Team for further investigation.

⁷ This annual assurance letter may be updated from year to year to allow for any changes or requirements.

⁸ Compliance pro formas completed for each relevant identified issue.

- All requested supplementary information (if applicable) has been submitted; and
- An annual assurance letter signed off at CEO/Managing Director level (or equivalent) has been received.

2.17 If at the end of the SoLC process there are any ongoing compliance issues, we will continue to engage with the licensee and monitor progress until compliance is resumed.

2.18 Table 1 below outlines the key tasks and timelines for the SoLC process.

Task	Due Date
SoLC initiation letter sent to each licensee along with the SoLC excel template and any other supplementary information required for submission.	Start of December
Licensee deadline for submission of initial SoLC annual return including any relevant supplementary information (where applicable).	End of February
UR Review, engagement, and additional information request period with licensees	To commence as soon as practicable and be completed by June
Following UR review of all submitted information, final deadline for submission of revised SoLC Return and submission of annual assurance letter.	End of June

2.19 This licence reporting and monitoring framework may be new for a small number of licensees, i.e those who have recently been granted their licence. We will work closely and collaboratively with each licensee throughout their SoLC annual process.

2.20 A continuous review process will be applied to the compliance framework. This will help us provide assurance, both internally and externally, that the new framework continues to be robust, efficient and fit-for-purpose. We will continue to learn from best practice in other markets to ensure our approach is fit for purpose and continues to operate for the benefit of consumers. Ongoing review will help to ensure it continues to meet its objectives as well as help us learn from market experience and develop accordingly.

2.21 We welcome and encourage ongoing engagement from all licensees. If you need to contact us for clarification on the contents of this document, or any aspect of the compliance framework, please email investcompliance.enforcement@uregni.gov.uk.