

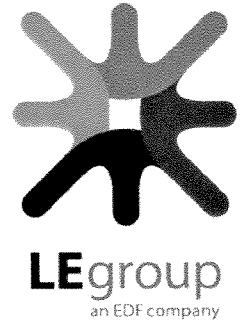
Date

21<sup>st</sup> November, 2002

Our Ref

Licf1/AJ

Your Ref



Mr. Michael Fews,  
Licensing Policy Manager,  
Ofgem,  
9 Millbank,  
LONDON,  
SW1P 3GE.

Dear *Michael,*

### **Review of the Licensing Application Regulations**

Thank you for the opportunity to comment on the above consultation. This response is made on behalf of all the regulated companies within the LE Group.

We support the additional checks on bankruptcy and criminal convictions that Ofgem plan to make but are concerned about the removal of the requirements to provide details of finance, expertise and business plans.

We accept that these requirements do not provide long term assurance of solvency; nevertheless, we note that they do provide useful assurance that companies who are entering the market are reputable, financially viable and fully understand the obligations they will be taking on. This continues to be particularly important in the case of Supply companies where we have seen a number of failures in recent years. It could also become increasingly important in both Distribution, if there is an increase in the number of companies building and retaining ownership of networks and Generation where there could be a considerable increase in the number of distributed generators.

We believe that the removal of the requirements will not reduce the risk of company failure and is likely to increase it. This will place greater risk on other companies within the industry who face bad debt problems and additional costs in the event of licensee failure which, in turn, will have to be passed on to customers.

We note that Ofgem consulted earlier in the year on the form and extent of credit cover that should be provided by Supply companies. We understand that recent events have caused delay to publication of a final proposals document, originally planned for July 2002, and urge that this work should be completed as soon as possible to reduce the present level of risk and uncertainty. In addition, Ofgem's recent paper on Structure of Charges recognises that there could be a risk from stranded assets caused by distributed generators who opt for annualised charges and who go out of business before all the charges are paid.

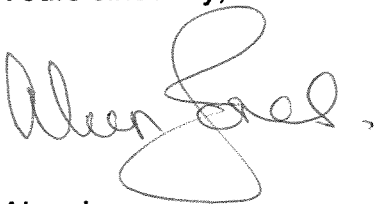
Whilst we do not object to the removal of the licensing requirements mentioned above, we believe it is imperative that before any such removal the additional risk that this would bring should be offset by ensuring that

1. final and comprehensive credit cover arrangements for suppliers are in place. These requirements should also clearly define how credit cover should vary as the size of customer base changes and the action that will be taken against suppliers who refuse to provide or modify such cover.
2. robust "Supplier of Last Resort" and "Distributor of Last Resort" processes should be in place.
3. clear rules are put in place regarding cost recovery of stranded assets associated with failure of distributed generators.

Such action should adequately protect the interests of other participants in the market and also the long term interests of customers.

Please contact me (01293 657419) if you wish to discuss this response further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alun Jones', with a stylized flourish at the end.

Alun Jones

Corporate Regulation Manager