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21st November 2002

Dear Mr Fews,

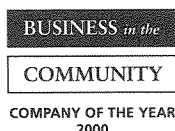
Electricity Licence Applications

I refer to the above consultation document and thank you for the further opportunity to comment.

As a general principle, we believe that Ofgem have a wider role than simply investigating the financial probity of an applicant. It is imperative that any applicant is able to fulfil their future licence obligations. We have supported the general review undertaken and whilst we reluctantly accept your view that it is not now practical for Ofgem to request and vet a significant amount of financial information prior to a licence being granted, we still consider that no licence should be granted "on the nod". Option 2b must therefore be rejected.

As the holder of an Electricity Distribution licence, our main interest is on the requirements for new entrants. However, as indicated above, we also consider that there is a need for all new entrants to be able to fulfil their obligations. They should be able to satisfy Ofgem that they can maintain their commitments that will allow their contractual counter-parties, customers and the market generally to operate smoothly. We have always agreed with the need for comprehensibility for new entrants and our main concern relates to the stated need to balance the burden of making an application for a licence with the regulator's requirement for information to ensure that only appropriate applicants are granted a licence. You have made six proposals in line with Option 2a and our comments are as follows:

- We support the basic requirement to publish Notices and as well as the Ofgem website, we suggest the Notice should also be published on the website of the applicant. We support the lengthening of the time for publishing the Notice from 7 days to 10 working days.



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- We welcome the intention to retain the need for applicants to submit information about directors and principal shareholders and to check that applicants are not insolvent. Clearly, in view of recent events, this sort of a check cannot be a guarantee of probity, but any significant findings should at least provide an early warning to Ofgem.
- Whilst we have indicated our view that it is to be regretted that Ofgem cannot request and vet a significant amount of information anymore, we do not accept the comments in paragraph 1.8. It would not be duplicating work for the applicant to copy Ofgem into the process with the Health and Safety Executive. Whilst new entrants should not be discouraged, their ability to safely operate a distribution system must be of paramount importance and an issue that Ofgem can totally delegate to the HSE.

In summary, a licence application should not be considered/granted without all the information that can be reasonably scrutinised being available to Ofgem to determine that a new applicant will be able to satisfy their future licence obligations.

We hope our comments are of assistance to you.

Yours sincerely,



M Boxall
Head of Electricity Regulation