



WESTERN POWER DISTRIBUTION

Serving the South West and Wales

Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone 0117 933 2277
Fax 0117 933 2428
Email bwestlake@westernpower.co.uk

Mr Michael Fews
Licensing Policy Manager
Gas and Electricity Markets Authority
9, Millbank
London
SW1P 3GE

Our ref
551

Your ref

Date
24 February 2004

Dear Mr Fews

GAS AND ELECTRICITY LICENCE APPLICATIONS

Thank you for the opportunity to comment on the Guidance Document on gas and electricity licence applications.

We are concerned that in the case of supply licences, there will be insufficient checks on the applicant's viability.

As a natural monopoly we are expected to allow any supplier access to our network and to maintain supplies to their customers even after a supplier failure. We are also expected to be rigorous with our credit management in order to minimise any losses resulting from defaulting suppliers. The experience of recent supplier failure has been significant financial losses to distributors.

In view of the expectations on distributors, Ofgem should be similarly rigorous in their process for granting licences. We accept that it is not possible for financial information provided for a licence application to guarantee future financial viability; this can only be achieved by ongoing monitoring. However upfront financial checks do at least ensure that applicants are in a position to finance their activities from an initial position. Other than very basic checks with Companies House, suppliers will only need to prepare Customer Codes of Practice and sign agreements with meter operators.

Therefore we see the Ofgem process as adding to the risks borne by distributors.

Yours sincerely

NATASHA RICHARDSON
Regulatory & Government Affairs Adviser

Western Power Distribution (South West) plc
Registered in England and Wales No. 2366894
Registered Office:
Avonbank, Feeder Road, Bristol BS2 0TB

