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Date: 2 May 2004

Dear Nick

**Notice Under Section 23(3) of the Gas Act 1986 to modify the gas supply licence in respect of Standard Condition 34A. The Supply Point Administration Agreement.**

Further to our recent conversations on the above, we welcome the note sent to us by Jonathan Dixon this afternoon in response to the points we sought comfort on from Ofgem in respect of the proposed supply licence condition 34A.

In particular, we welcome Ofgem's statement that the objectives set out in paragraph four are not in themselves obligations upon parties. Rather they are simply criteria against which to assess future change proposals.

Furthermore, we understand from Ofgem's response to points one and three of our note in particular, that, in effect, the only time Ofgem would be able to take enforcement action under this proposed licence condition would be in the event that a mandatory change was made to the SPAA that subsequently a supplier did not comply with.

Based on the above understanding therefore, I can confirm that we now formally remove the statutory objection to the proposed licence modification on behalf of SSE Energy Supply Ltd, Southern Electric Gas Ltd and SWALEC Gas Ltd.

Yours sincerely

Rob McDonald  
**Director of Regulation**

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Date 31 May 2004

Dear Nick

**Notice Under Section 23(3) of the Gas Act 1986 to modify the gas supply licence in respect of Standard Condition 34A. The Supply Point Administration Agreement**

Thank you for your letters dated 30 April 2004 addressed to me in respect of SSE Energy Supply Ltd, Southern Electric Gas Ltd and SWALEC Gas Ltd and the above notice to modify the gas suppliers' licence.

As I am sure you will be aware from our correspondence with Ofgem over the past two years, we strongly support Ofgem's proposal to introduce a Supply Point Administration Agreement (SPAA) in gas which would be similar to the Master Registration Agreement (MRA) in electricity. That is, we support the development of a supplier/Transco agreement that identifies and governs, through a formal change control mechanism, the core registration processes and the new competitive gas metering arrangements (the RGMA baseline).

Unfortunately however, the industry has not managed to deliver a SPAA that achieves the above objective, although over time it is anticipated that it will do so. Nevertheless, in the interest of providing a governance framework for the RGMA baseline prior to the implementation of the competitive gas metering arrangements, Ofgem has sought to progress the implementation of SPAA through the introduction of a new standard licence condition to Section C of the gas supply licence.

Although we are extremely concerned that the proposed licence condition would not apply to I&C suppliers and would not, therefore, provide robust RGMA governance arrangements, in principle we would have been minded to accept a SPAA licence condition at this stage. This acceptance would have been in recognition that the SPAA would provide a governance framework for the RGMA baseline to coincide with the implementation of RGMA and, subsequently, we hope, improved governance arrangements for the customer transfer process.

Unfortunately, however, the drafting of the proposed Standard Licence Condition 34A (The Supply Point Administration Agreement) would, if implemented, cause a fundamental shift in responsibility for the maintenance and facilitation of competition between suppliers and the associated customer transfer process from Gas Transporters to suppliers. We believe that this represents a significant change to the existing industry framework, is a major policy issue that must be consulted upon in its own right and is not necessary to introduce a SPAA that on day one will only provide limited RGMA governance arrangements. The licence condition also appears to place fundamental new duties on suppliers, such as obligations in respect of promoting competition, which we do not believe suppliers could reasonably comply with. It is also apparent that the licence condition is framed particularly broadly which would leave significant scope for Ofgem interpretation on matters of enforcement.

Based on the above therefore, we regret that SSE Energy Supply Ltd, Southern Electric Gas Ltd and SWALEC Gas Ltd object to the introduction to the gas supplier licence of the proposed Standard Licence Condition 34A. Completed forms to that effect are attached.

However, in recognition of the original intent of the SPAA and the immediate need for some form of governance of the RGMA baseline, if Ofgem were to propose a form of drafting that simply replicated (as appropriate) the drafting of the electricity supply Standard Licence Condition 20 (The Master Registration Agreement), we believe that we would be in a position to reconsider our objections.

I would be grateful if you could confirm receipt of our objection to the proposed modification. Please give me a call if you would like to discuss the above in more detail.

Yours sincerely

Rob McDonald  
**Director of Regulation**