

Our ref: RF/SK/HBF/ELE005

23<sup>rd</sup> May 2006

Heather Glass  
OFGEM  
9 Millbank  
London  
SW1P 3GE

Dear Madam

**Re: Regulation of independent electricity distributors: consultation on implications of licence applications from affiliates of existing licensees**

Further to your letter of 13<sup>th</sup> April 2006, we would want to express some concern about EDF Energy applying for an affiliate to become an electricity distribution licensee.

It would be true to say that if such a license was granted with a caveat that it was only to be used outside of EDF Energy's existing operational area, it probably would not cause our Industry any concern. However if they were allowed to operate with Thames Water in-region we see that the whole process could be open for abuse. As well as having an adverse effect on the ability of other organisations to act on a level playing field. Also the amalgamation of two monopoly organisations acting together in this area does need some serious investigation by both OFGEM and OFWAT.

We would see that such a license would not promote effective competition and cannot understand why EDF Energy could not use their existing license to allow them to adopt networks using the existing legislation.

It is also questionable if this would in fact constitute an increase in IDNO activity or would create an opportunity for EDF Energy to cross trade with this affiliated company to restrict competition in the delaying of information to other IDNO's to the advantage of this affiliated company thus deterring IDNO's into the south-east.

We would agree with paragraphs 16 and 17 of your letter which to a certain extent replicates some of the points we have raised above.

It is difficult to see what benefit this will have other than stopping competition within IDNO's unless the license did contain conditions which allowed this affiliated company to conduct its business only outside of EDF Energy's existing DNO obligations and area of the United Kingdom.

We hope our comments are of some help in OFGEM coming to a decision on this matter.

Yours sincerely

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

**Ray Farrow**  
Associate Consultant

c.c. Dave Mitchell - HBF  
Sian Lewis – HBF  
Vince Colby – Chair of the MCSG  
Robert Harries-Harris – Clancy Docwra