

19th January 2007

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Dear Sonia

**REVIEW OF STANDARD LICENCE CONDITIONS 14 AND 15 OF THE ELECTRICITY
GENERATION LICENCE**

British Energy welcomes the opportunity to comment on the issues raised by your consultation paper on the above as published in November 2006.

We consider that Ofgem has identified and evaluated all possible outcomes to their review of the applicability of standard licence conditions 14 and 15 of the electricity generation licence. Furthermore, we support Ofgem's preliminary view that these conditions should be given effect in all generation licences (i.e. Option 1). We consider that the adoption of this approach will remove the current inconsistency in the application of these conditions across electricity generation licence holders.

Currently, standard licence conditions 14&15 are two of a number of licence conditions that can be switched "on" or "off" by Ofgem via a direction. We consider that in implementing option 1 above Ofgem should not simply "turn on" the conditions in all generation licences via the issuing of directions but rather amend SLC 14&15 by removing paragraphs 1-4. If Ofgem's policy is to have SLC14&15 effective in all generation licences it is inappropriate for Ofgem to retain the flexibility in the application of these conditions.

We have previously advocated for a review of the electricity licensing regime and in particular a review of each licence obligation contained in all of the electricity licensees with a view to ensuring that there is continuing need for each explicit obligation. We continue to believe that Ofgem should be adopting a policy of withdrawing from direct regulation of properly functioning competitive markets and such a review would go some way to demonstrating the adoption of such a policy. Consequently, we welcomed the current review of electricity and gas supply licences and would urge Ofgem to conduct reviews of other licence types on completion of the current review.

I trust you will find these comments helpful I would be happy to clarify any aspect of our response with you should you wish.

Yours sincerely



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