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Dear Ikbal,

Open letter: Review of policy on licence revocation

Thank you for the opportunity to respond to the above letter in which Ofgem asks for comments on the proposed revised policy and the proposed administrative exercise that may follow as a result of the letter. We have set out our comments below.

We agree that it is appropriate for Ofgem to review current policy in respect of licence revocations where a licensee has become insolvent or where a licence is not being used.

In relation to Ofgem's proposed administrative exercise we agree that this is the appropriate way forward. As you are aware we have previously written to Ofgem highlighting our concerns about the number of licences that some of the larger suppliers hold and the effect that this has on the collective licence modification process.

Therefore, we welcome Ofgem's proposal to write to all licensed suppliers (other than those licences granted this year) seeking confirmation of whether or not they have ceased carrying out the relevant licensable activity, if they have commenced or when they plan to commence the relevant licensable activity. However, we also believe that it is essential that Ofgem take into consideration the reasons for not having commenced the relevant licensable activity or having ceased carrying out the relevant activity as there are a number of different reasons for maintaining licences.

We agree that where licensees indicate that they have not commenced licensable activities (within one year of the Specified Time) or have ceased carrying out the licensable activity (for a period that is less than a year away from the Specified Time for gas and electricity licences) that Ofgem should seek clarification as to whether or not the licensee intends to commence the licensable activity. Where the licensee does not intend to commence licensable activities within the Specified Time we agree that it is appropriate for Ofgem to encourage those suppliers to write to Ofgem asking for a revocation of the licence.

We would support Ofgem issuing an information request to those suppliers who do not respond to the letters.

We would also support the proposal to write to the insolvency practitioners of existing insolvent licensees to advise that subject to the relevant factors Ofgem will revoke the licence with no less than 24 hours notice and to publish the reason for revoking the licence on the Ofgem website.

I hope that the above is helpful, if you would like to discuss this further, please call.

Yours sincerely,

Rob McDonald
Director of Regulation