

Alistair Buchanan
Chief Executive



Our ref: AB 49-07VHL

Philip Bowman
ScottishPower Plc
1 Atlantic Quay
Glasgow G2 8SP

*Promoting choice and
value for all customers*

23rd April 2007

Dear Philip

As you know the issue of token PPMs and the build up of debt has been of concern to us for some time. Where recalibration is delayed customers are exposed to the build up of debt to reflect these current higher prices – with such debts building up for many months, even years, in some cases.

Following attempts by the industry to develop a self-regulatory solution to this issue we stepped in and took action. Our proposals for licence changes are being taken forward as part of the Supply Licence Review and in December 2006 we issued our best practice statement – which included commitments from suppliers, including ScottishPower, to improve performance. We made it clear that we would be monitoring progress closely and would not hesitate to take further action if we felt it was necessary.

Initial progress by ScottishPower was promising, as we noted in our first monitoring update which was published last month, although we made it clear we expected to see further progress over the following months. However your progress has slowed considerably with only a 5,000 reduction in the number of token meter customers still accruing debt in March 2007.

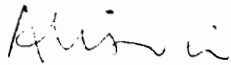
As you are aware this issue is the subject of intense political and media interest in Scotland at this moment – who are watching closely to see whether ScottishPower customers are being treated fairly. I am determined to keep a close watch on suppliers' activity in this area and will not hesitate to take further action if required.

I am particularly concerned about the downturn in your progress here which is very disappointing and is in contrast to the continued good progress we are seeing from the other affected suppliers. I am also concerned about reduced progress in replacing these meters with improved technology.

We are pursuing a number of specific issues with your company at working level to understand what the reasons are for these changes and I have asked my colleagues to look at what further regulatory action we might wish to take if we conclude that further action is required. Since Iberdrola became "owner – elect" today, I have also written to Ignacio Sanchez Galan to ensure that he is aware of this issue and the importance of effective resolution.

Both this letter and my letter to Ignacio Sanchez Galan will be published on our website later this week.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alistair Buchanan'.

Alistair Buchanan
Chief Executive