



Bringing choice and value
to customers

(By email)

Your Ref:
Our Ref:
Direct Dial: 020 7901 7052
Email: philip.davies@ofgem.gov.uk

1 June 2007

Dear Colleague

CONSEQUENTIAL AMENDMENT TO ELECTRICITY (STANDARDS OF PERFORMANCE) REGULATIONS 2005: NOTICE UNDER SECTION 40B OF THE ELECTRICITY ACT 1989

In August 2005 Ofgem began a review of the standard conditions of the gas and electricity supply licences as part of its drive towards better regulation. The purpose of the review is to ensure that these licence conditions are simple, enforceable and remain necessary now that competition is firmly established in the retail energy markets.

In December 2006, we published further proposals on the Supply Licence Review (SLR)¹. In that document we discussed, inter alia, our proposals to remove condition 3 and Section D of the electricity supply licence. In the electricity market, each ex-monopoly supplier has Section D switched on in its licence for its ex-monopoly (service) area.

In the event that the proposed modifications to remove condition 3 and section D from the electricity supply licence are made, consequential amendments will need to be made to the Statutory Instrument (SI) dealing with electricity standards of performance.²

Specifically, the definition of a 'relevant supplier' in that SI currently refers to "*an electricity supplier in whose licence Section D of the standard conditions of supply licences is in effect but only to the extent that the supplier is undertaking activities within its supply services area*"; and the definition of "supply services area" currently refers to "*...the area specified or described pursuant to standard condition 3 of the standard conditions of electricity supply licences as incorporated in that electricity supplier's licence*".

We propose to amend these definitions so that it is clear that the references to condition 3 and Section D are to that condition and Section as they had effect on the date immediately prior to the proposed modified conditions coming into effect. A copy of the

¹ Supply Licence Review – Further proposals – December 2006 – 217/06

² Electricity (Standards of Performance) Regulations 2005 SI 2005/1019

draft Statutory Instrument which we propose will make these amendments is attached to this letter. For the avoidance of doubt, the relevant date will be inserted once the date on which the new supply licence conditions will come into effect is known.

These amendments will not make any substantive change to the provisions of the SI.

These modifications require the consent of the Secretary of State.

This letter constitutes the notice required under section 40B of the Electricity Act 1989.

Next Steps

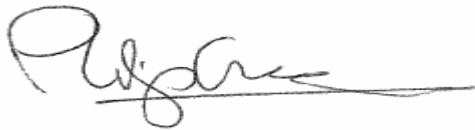
It is our intention to publish our final proposals for the Supply Licence Review shortly.

We would welcome comments on this proposal to amend the Regulations by 29 June 2007.

Responses to this consultation letter will be placed on the Ofgem website unless they are marked as confidential.

Please contact Nigel Nash (0207 901 7065: nigel.nash@ofgem.gov.uk) should you have any queries.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Philip Davies', with a long horizontal line extending to the right.

Philip Davies
Director, GB Markets