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16th July 2007

Dear Bob,

Role of SHETL in the Offshore Electricity Transmission Project

I am writing in response to Ofgem's letter of 3rd July 2007 on the role of Scottish Hydro Electric Transmission Ltd (SHETL) in the Offshore Electricity Transmission project.

Ofgem's letter seeks confirmation that SHETL has appropriate arrangements in place to prevent any unfair commercial advantage being provided to any Related Business with regard to the working arrangements for the development of the STC and GBSQSS as part of the Offshore Transmission project.

I can confirm that the existing arrangements SHETL has in place for compliance with Special Condition C of its transmission licence are adequate to manage confidential information relating to the Offshore Transmission project. We would refer you to our Statement of Compliance, along with our Compliance Annual Report 2007 recently sent to Lesley Nugent.

The Statement of Compliance lays out in general terms how SSE Power Distribution, including SHETL, complies with its licence requirements on the restriction on use of certain information and independence of both the Distribution and Transmission businesses. The Compliance Annual Report is an independent review by our Compliance Officer, appointed in accordance with Special Licence Condition E of our transmission licence.

Having provided assurance that our existing arrangements for compliance are adequate to manage confidential information in relation to the Offshore Transmission project, we would appreciate confirmation that other parties involved in the project have similar arrangements in place. Whilst it is clear that SPT has a similar obligation under their special licence condition C, it is not clear to us that NGET's special licence condition M provides assurance that they have such arrangements in place.

Finally, our nominated point of contact for the Offshore Transmission project for the STC is Alec Morrison. For the GB SQSS, it is Chandra Triikka.

If you have any queries on any of the above please do not hesitate to contact me.

Yours sincerely,

Malcolm J Burns
Regulation Manager