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value for all customers*

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Date: 6 February 2008

Dear Robert,

Generation Licence - Standard Licence Conditions 16 (Regulatory Accounts) and 16A (Change of Financial Year).

Thank you for your letter dated 18 October 2007, which asks Ofgem to either grant SSE Generation Limited (SSE) a formal derogation from standard licence conditions 16 and 16A of the generation licence or to take steps to remove those conditions from the licence.

As I explained during our telephone conversation on 30 January 2008, Ofgem has decided not to consult on the removal of these conditions from the licence at this time. Due to competing priorities, we do not currently have the resource to carry out this housekeeping exercise.

However, Ofgem is of the view that it is appropriate to maintain the current status of these licence conditions.

SSE has been operating under a derogation from the requirements of SLCs 16 and 16A since 2000. At this time, we do not consider that circumstances have changed such that we would require SSE to maintain and deliver to the Authority:

- (a) accounting and reporting arrangements which enable regulatory accounts to be prepared for each separate business and show the financial affairs of each such separate business; or
- (b) audited group accounts.

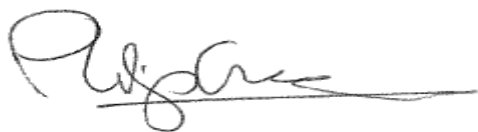
Therefore, pursuant to standard licence condition 16(6) of the generation licence, the Authority consents that SSE is not required to comply with any of the obligations in standard licence condition 16 of the generation licence.

It is noted that standard licence condition 16A does not currently have any impact on SSE since SSE has not sent a notice to the Authority under paragraph (2) of that condition.

This letter constitutes a notice of reasons for the giving of a consent under section 49A of the Electricity Act 1989.

Thank you for raising this issue. If you would like to discuss this further, please contact me on 020 7901 7256.

Yours sincerely,

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