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Your Ref: Ofgem doc 11/08

Dear Graham

**Modification of electricity transmission standard licence conditions - way forward consultation document**

energywatch welcomes the opportunity to respond to the issues raised in this consultation. This response is non-confidential and we are happy for it to be published on the Ofgem website.

Consumers need comfort that the operation of onshore transmission and offshore transmission is adequately regulated; that reporting, facilitated through financial and legal separation is robust; and that consumers' expectations of obtaining safe, secure and reliable electricity supplies in an efficient and economic manner are met.

We agree with the proposed approach to the development of the standard licences to accommodate offshore transmission. It is appropriate for a separate section of the licence to house all the relevant conditions relating to offshore transmission and which would be switched on for OFTOs only. We also agree that any existing onshore transmission owner/operator intending to apply for an offshore licence ought to do so through a legally separate affiliate company that operates at arm's length to the onshore licence holder, providing adequate assurance to third parties.

We support the need for offshore and onshore SLCs to be as consistent as possible unless there is a clear and objectively verified rationale for a different approach. Any modifications to existing licences need to minimise any risks of creating instability or uncertainty. Transmission businesses have to take a long-term perspective due to the longevity of the assets involved and ought to operate in a low-risk environment. We look forward to seeing the outcome of the work on licence development in a future consultation and will comment further then, always considering the possible impact on consumers.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley  
Head of Regulatory Affairs