



Paul Heseltine
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Ofgem
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Your ref

Our Ref

Date 29 September 2008

Contact / Extension
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Dear Paul

**CHANGES TO THE LICENCE FEE COST RECOVERY PRINCIPLES FOLLOWING
THE CONSUMER, ESTATE AGENTS AND REDRESS ACT 2007**

I am writing on behalf of SP Transmission, SP Distribution, SP Manweb and Scottish Power Energy Retail in response to the consultation issued on 1 September 2008.

In general, we agree that the changes proposed to the Principles are appropriate to accommodate the abolition of energywatch and costs relating to Consumer Direct and the National Consumer Council in relation to licence fees.

We have two comments on the detailed text of the Principles.

1. Costs for Consumer Direct

The text following the seventh bullet point under paragraph 2.5 refers to *“the appropriate proportion of expenses of the OFT on ... Consumer Direct”*. The term ‘appropriate’ could be interpreted in a number of ways. We think that for the sake of clarity, after “Consumer Direct” there should follow the words *“... in its role of catering for gas and electricity customers.”*

2. References to licence fees for Transmission owners

Paragraph 2.16 refers to earlier amendments to special conditions of each transmission licensee to allow recovery of the licence fee from the system operator rather than all transmission licensees. SP Transmission’s licence includes a

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standard condition (A4 – Payments by Licensee to the Authority), which does not distinguish between transmission owners and the system operator. It is only by virtue of paragraph 2.13 of the Principles that SP Transmission is not required to pay licence fees. We think that this is unsatisfactory (as SP Transmission has little or no control over the Principles), and that standard condition A4 of electricity transmission licences should be amended accordingly to make it clear that only the System Operator (i.e. for whom a section C direction is in force) is liable for licence fees.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Blackford', written in a cursive style.

Jeremy Blackford
Regulation
SP Energy Networks