



**Arrangements for responding in the event that a network company experiences deteriorating financial health:
Consultation document (11 May 2009)
Response by SP Energy Networks**

SP Energy Networks ('SPEN') welcomes the opportunity to comment on the issues raised in the above paper.

We believe that the draft guidance document is helpful and do not think that significant changes are needed. We do, however, think that the guidance could be clearer on some issues, in particular

- arrangements to ensure continuity of service to users and connected customers;
- criteria that may be applied in the event of a proposed sale of a PEC to another licensed network operator.

We note that the Summary (page (1)) of the Guidance document says that a number of aspects of the paper relate "only" to Protected Energy Companies. This is potentially confusing, and it could be clearer that the paper relates to arrangements covering all network operators licensed under the Gas or Electricity Acts.

Our comments on the paper mainly focus on questions 1 and 2.

Question 1 – views on overall structure of guidance document

We are happy with the overall structure. We believe that the final guidance paper should be reviewed periodically and updated following consultation.

Question 2 - other aspects of the response plan that should be covered

The main areas that we think merit more coverage are follows.

(a) Continuity/quality of service

The paper does not explain how Ofgem will address a possible decline in performance of the licensee before or during the period of Energy Administration. It may be, for example, that licence breaches occur during this period or that services provided to users deteriorate. It would be helpful if the paper indicated how or whether Ofgem would use its discretion in responding to such occurrences.

(b) Criteria to be applied where a sale of a PEC to another licensed network operator is proposed

In chapter 8 the paper sets out some useful information on the statutory and licence position in relation to a sale of all or part of a PEC (however, the word “Transmissions” after the second bullet point in section 8.2.1 should read “Mergers”).

We think that it would be helpful if there was more detail on how Ofgem might take into account the potential impact on the PEC’s customers of a proposed merger in considering its advice to the Office of Fair Trading or European Commission.

Other points

The draft guidance paper has a number of gaps for chapter references (for example, penultimate paragraph on page 7, third paragraph on page 11, last line on page 11). There are also some incorrect licence references, such as Standard Condition A26 (should read 26) of the Electricity Distribution Licence (page 24) and SLC 52 (should read SLC 48) and SLC 50 (should read SLC 47) on page 40. On page 7 SP Transmission is incorrectly described as Scottish Power Transmission.