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Dear Mark,

**Gas and Electricity Licences – Proposed Changes to the Application Regulations and Revocation Schedules of Future Licences**

Thank you for providing SSE with the opportunity to comment on the above consultation. We have detailed our responses to the consultation questions below.

**Chapter 2**

**1. Do you agree with the proposed changes to the Current Application Regulations and the Current Guidance Document?**

In general we agree with the proposed changes. However, we do not agree with the requirement to provide details of all revoked licences. In the interests of efficiency and avoiding unduly onerous reporting requirements, we believe that an applicant should only be required to provide details of licences which have been revoked without their consent.

We also believe the Gas Licence Application form should stipulate that the form can be used for the transference of licences.

**2. Are there any additional questions which you consider could be included in the New Regulations?**

We believe the proposed questions suffice.

**3. Do you have any additional comments on the content and format of the Revised Guidance Document?**

We welcome Ofgem's intent to make completing an application more user friendly.

**4. Do you have any views on the proposed introduction of a tiered application process, based on risk profiling?**

We support the process through which applications can be moved to Tier 2 and Tier 3. However, we would suggest that the following alterations be made to further improve the application process:

- We believe applicants should be informed as soon as possible if their application is escalated to a Tier 2 or 3 level to meet time line expectations. The applicant should also be provided with a written explanation as to why the application has been escalated to a higher tier.
- The consultation document states that if there have been no recent changes the applicant will receive a low risk scoring, and that if there have been "frequent recent changes/previously unrelated business" that it will receive a medium risk rating. However it is not clear what constitutes a "change". For example if an applicant were to have acquired new assets or companies, it should not be assumed that the applicant is more of a risk. We would request that Ofgem provide clarity in the guidance in regards to what constitutes a "change" which in Ofgem's eyes would make the applicant more risky.

### Chapter 3

**1. Do you have any views as to why such a high number of gas shipper licences are not being used for their intended purpose?**

We believe that the reason for the high number of gas shippers licences is the prerequisite being set by trading platforms/exchanges and Xoserve to hold a gas shipper licence before you can access the Gemini system and trade.

**2. Do you think further action is necessary or proportionate given the issues raised in the chapter in relation to gas shipper licences?**

We believe the proposal to modify the UNC and other agreements is proportionate and an effective remedy to these issues. However it must be recognised that it will involve a great deal of work and is likely to take up to a year to implement.

**3. Do you agree that parties should not be required to obtain a gas shipper licence prior to being able to carry out non-physical trades of gas?**

Yes. We believe that if a party intends to carry out activities that do not involve gas shipping, it is inappropriate to require that party to hold a gas shipper licence.

### Chapter 4

**Do you agree with our proposed changes to the Revocation Schedule of future licences? In particular:**

In general we agree with the proposed changes. However, we do have some concerns and have listed these in our responses below.

**1. Do you agree we should align the Revocation Schedule between the gas and electricity sectors?**

There seem no compelling reasons to align the Revocation Schedules between the gas and electricity sectors other than that it would improve consistency and perhaps simplify understanding of the different licences. However, we have no objections to such a change.

**2. Do you agree that we should reduce the time period to 1 year before a licence can be revoked in cases where parties have not commenced the licensable activity?**

No. We believe that reducing the time period where parties have not commenced the licensable activity to 1 year will not be a sufficient time in a number of cases. The application and issue of a licence early in the process of setting up a business to generate, supply or distribute electricity may be required to satisfy investors, finance institutions and in some cases to make use of the powers that are provided by the licence. Using the generation licence as an example, we do not agree with Ofgem's implied view that if a generator were to apply for a generation licence over a year in advance of the commencement of generation that it would be "too far in advance". If generators are unable to acquire a generation licence at the early stages of their proposal development, it will increase the risk exposure of the project and may hinder its development. We believe that the time period should be at least three years.

We also have reservations with the removal of the time limit on revocations where the licensed activity has ceased. It is not clear how Ofgem will monitor such situations or what indicators will be used to ascertain non-use of the licence. Again, using the generation licence as an example, if a generator does not generate for a number of months due to maintenance or plant problems, it would not be expected that their licence would come under scrutiny. Whilst we take comfort from Ofgem's statement in the consultation document that "*We will always provide a licensee with an opportunity to make representations as to why its licence should not be revoked and fully consider any representations that are made before making a final decision on whether to revoke the licence*", we believe that it would be appropriate to have a time period for this revocation and for that to be at least one year.

We hope you find this information useful. If you would like to discuss any of the point raised in more detail, please do not hesitate to contact me.

Yours sincerely,

Claire Rattey  
Regulation Analyst