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30 June 2011

Dear Rachel

PROPOSED MODIFICATIONS TO THE 'RING FENCE' CONDITIONS IN NETWORK OPERATOR LICENCES

I refer to your consultation of 25 March and we welcome the opportunity to comment.

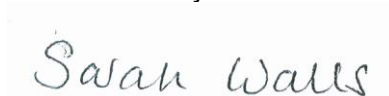
We commented in our previous response of 12 November 2010 that those drafts were an improvement on Ofgem's initial proposals though there were still a number of issues that remained a matter of concern. These latest proposals represent a further significant improvement which we broadly welcome. In particular, we note that Ofgem has agreed not to require the auditor's certificate to apply to operational resources and the reference to financial covenants applies to banks or other finance providers and not to other kinds of contractual terms and conditions.

Our previous letter did argue for having one Sufficiently Independent Director (SID). However, we understand and accept the logic of Ofgem's view that two or more SIDs provides mutual support in testing circumstances and avoids the position that one SID feels exposed. We also agree that it also avoids the situation where one SID is unable to perform his/her duties for a period of time due to illness. I can also add that we believe we are already compliant in having two SIDs on our board and we can therefore accept this proposal.

Whilst we can accept the proposed licence changes in principle, the supporting licence drafting must reflect those proposed modifications. The ENA Licence Drafting Group met on 7 June and has proposed a number of drafting changes for Ofgem's consideration which we support.

I hope our comments are of assistance and we look forward to receiving Ofgem's further drafting in support of your proposals in due course.

Yours sincerely

A handwritten signature in blue ink that reads 'Sarah Walls'.

Sarah Walls
Head of Economic Regulation