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Ofgem
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Date
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Contact / Extension
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Dear Heather

Preparing for EU Exit: statutory consultation on consequential licence modifications in the event the UK leaves the EU without a deal

SP Energy Networks (SPEN) owns and operates the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) serving 2 million customers. We also own and maintain the electricity transmission network in the Central Belt and South of Scotland (SP Transmission). In addition, we hold a third electricity license (SP Manweb) which serves 1.5 million customers in Merseyside and North Wales.

As network owners of both transmission and distribution network assets, SPEN welcomes the opportunity to respond to this statutory consultation. This response focuses specifically on the proposed modifications to the electricity transmission and electricity distribution licences which SP Transmission, SP Distribution and SP Manweb hold.

We understand the purpose of this statutory consultation is to propose modifications to ensure that retained EU law will function effectively at the point of exit, and that the licences take into account the provisions of the Statutory Instruments (SIs) that have been prepared under the European Union (Withdrawal) Act 2018. We welcome Ofgem's confirmation that the proposed modifications do not seek to change the current obligations and duties of licensees, nor do they seek to change current policy positions.

In general, we are content with the modifications which Ofgem proposes to both the electricity transmission and electricity distribution licences. We agree that the proposed modifications will ensure retained EU law continues to function effectively, post Brexit. However, we would like to draw your attention to a particular point which affects SP Transmission, given SPEN's parent company arrangements.

As you are aware, SPEN is part of the Spanish Utility group, Iberdrola and its ultimate parent company is Iberdrola S.A. (our Ultimate Controller). Transmission Standard Licence Condition B.21 "Notification of changes that may affect eligibility for certification" stipulates that the licensee must inform Ofgem in writing when "*the licensee is or may become a person from a third country, or that a person from a third country has or may take control of the licensee*". Ofgem is proposing to amend the reference to a "*person from a third country*" to a "*person from a country outside the United Kingdom*" to reflect the fact that post Brexit, the EU will become a "third country". Should this proposed amendment take effect in the outcome of the UK leaving the EU without a deal, this will mean that SP Transmission will now

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be controlled by a “*person from a country outside the United Kingdom*”, given our ultimate Spanish parent company.

Should this modification be made to SPT’s licence, in response, as per SLC B.21.5(b) we would intend to write to notify Ofgem by 31 July 2019 that a “*person from a country outside of the United Kingdom*” has taken control of the licensee. However, we would welcome a meeting with Ofgem, at the earliest opportunity, in light of this licence modification to ensure that Ofgem is content with our proposed action.

Please do not hesitate to get in touch with me if you have any questions in relation to this response.

Yours sincerely



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