



SCOTTISHPOWER

The Energy People

23rd November 2010

[Redacted]

Department of Energy and Climate Change
Area 4C
3 Whitehall Place
London
SW1A 2HD

(by e-mail)

Email: [Redacted]

Dear [Redacted],

Consultation on the provision of third party access to licence exempt electricity and gas networks

Thank you for the opportunity to respond to the above referenced consultation. This submission is made on behalf of ScottishPower Energy Retail Limited (SPERL).

In general we are supportive of the proposals on how Government intend to apply third party access requirements to licence exempt distribution networks. We agree that it is sensible to achieve compliance with the EU law through a mechanism that is proportionate.

However, we do have some comments regarding the proposals and we have set out our response to the consultation questions in the attached Annex.

Should you have any queries regarding this response please do not hesitate to contact me.

Yours sincerely

[Redacted Signature]

ScottishPower

Annex

Do you have any views or concerns on how Government intends to apply third party access requirements to licence exempt distribution networks?

In general we are comfortable with the way in which Government intends to apply third party access. However, we have some concerns over industry interoperability given the fact that exempt licence distribution networks will not be bound with any of the existing industry protocols. For example, as a licenced supplier SPERL are bound by the provisions of various industry codes (MRA, DCUSA etc) which define and detail the interactions between industry parties and the consultation clearly states that licenced suppliers will have to comply with all relevant requirements of their licence. The current arrangements within the various codes assume that parties are licenced and will therefore operate in a consistent manner to aid the effective operation of the market, providing the necessary protection for customers.

Therefore, if licence exempt distribution networks do not have to comply with the current arrangements it may result in interoperability issues and furthermore have a negative impact on energy settlement. However, we do recognise that significant changes would be required to bring licence exempt distribution networks within the current licenced arrangements, for example, the development for new data flows. It is unlikely that such significant changes could be implemented, or indeed be considered proportionate, in time for March/April 2011. We are therefore supportive of the Commercial agreement option detailed within Annex A of the consultation. We believe this option offers the most proportionate solution to ensure energy use is properly accounted for. The only potential issue with this option is the fact that the meter reads used to charge would remain invisible to the market system. Although, we believe this could be resolved with some further investigation, potentially allowing the reads to be provided. This would be necessary to aid customer switching between licence exempt and licenced suppliers.

The other options (Deemed metering, Opt in/out, Full Settlement Metering) seem to be disproportionate to the volume of customers involved.

Guidance

We are fully supportive of the creation and publication of a guidance document that will enable exempt undertakings to be absolutely clear on their requirements and what is deemed to be compliant. The publication of this guidance should also aid suppliers and other impacted industry parties.

Charging

With regards to charging we welcome the fact that licence exempt network owners will be subject to a common charging methodology. Although we are concerned that it is also contemplated that exempt network operators may also choose to establish their own methodology for calculating tariffs or continue to follow an existing methodology. Our preference is for there to be common charging methodologies, in line with the recent common charging work completed for licenced distribution networks. However, we do take some comfort from the fact that charging methodologies/tariffs have to be approved by Ofgem and that suppliers are not expected to agree contracts until all charges are established.

Do you have any views or concerns on how Government intends to apply these Third Package requirements to licence exempt undertakings?

We believe that exempt suppliers should have to follow the same requirements as licenced suppliers with regards to the key requirements of the third package:

- to allow customers to switch within three weeks
- to provide customers with information about their energy consumption in order to enable them to regulate their consumption and consider alternative suppliers

This approach will ensure consistency for the customer irrespective of whether their supplier is licenced or licence exempt.

