

RF1608

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Our Ref: LFP1301.doc

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Dear

## **REFORM OF THE LICENCE FEE REGIME: INTERIM ARRANGEMENTS**

I wrote to you on 3 April and 9 July, setting out our proposals for the new licence fee regime to come into play with effect from the beginning of the current financial year. Under the new arrangements, licence fee income will be collected via the residual natural monopolies.

The details were discussed at a meeting here on 25 July, and we are making a number of changes in the light of points raised orally and in earlier correspondence.

The new arrangements cannot take effect until the new Standard Licence Conditions are in place, and have then been amended as appropriate to take account of essential changes agreed. As you will know, the operative date for implementation of the SLCs has now moved to October. This presents a problem since under the existing licence fee regime, we are legally obliged to invoice the electricity companies before the end of September. Failure to do so would leave us unable to recover costs incurred in 2001-02. Clearly this would be unacceptable.

Therefore we plan to use S 8 of the Utilities Act 2000 to amend the existing licence fee regime. The main effect is to remove the deadline for issuing invoices, but we have also taken this opportunity to reflect a number of other changes. Of these the most important are to change the references in the existing licences to refer to energywatch, to reflect the current legal position with regard to the Authority, and to provide powers to recover costs incurred by the Secretary of State in respect of the creation of these bodies.

We do not propose to use the amended licence conditions to levy charges. No invoices will be issued until the new arrangements under the SLC/ licence fee regime are in place, unless there is further delay in implementing the new arrangements.

As the policy on licence fees has already been consulted on at some length, we do not plan a lengthy consultation. Any comments should be sent to me by 3 September 2001.

We plan to write separately to those companies who will be paying licence fees under the new arrangements, to follow up the issues discussed at the meeting on 25 July.

If you would like further information on the above please contact Andrew Reed (Tel: 0207 901 7315 or e-mail [andrew.reed@ofgem.gov.uk](mailto:andrew.reed@ofgem.gov.uk)).

Yours sincerely,



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