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Mr John Scott Technical Director Ofgem 9 Millbank LONDON SW1P 3GE

Our ref

Your ref

Date 15 March 2006

Dear Mr Scott

Simplified P.2/5 Regulation Arrangements

Thank you for the opportunity to comment on your letter of 28 February setting out the proposed arrangements for the requirements for derogations from P.2/5 (or P.2/6 as the case may be).

As the Authority already has powers to issue directions relieving licence holders of obligations under P.2/5, we do not believe that it is necessary to amend the licence condition. Therefore we do not support a staged implementation of the simplified arrangements.

Furthermore there is no need to "amend" the P.2/5 compliance obligation, as DNOs will remain obliged to comply with P.2/5 unless they have either the general or specific consent of the Authority not to comply.

In response to the implementation options outlined, we would propose a solution similar to the first option outlined in your letter. Rather than "amending the P.2/5 compliance obligation", we would suggest that the Simplified P.2/5 Regulation Arrangements could be captured as a general derogation made by the Authority using its existing powers under paragraph 4 of Condition 5. This would be a similar mechanism as applied to Condition 29, (Disposal of Assets), through the general direction dated April 1992. This has worked well over a long period of time.

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The general derogation could be reviewed and amended from time to time as necessary.

I hope these comments are helpful.

Yours sincerely

 $\sum_{n=1}^{\infty}$ *

NATASHA RICHARDSON Regulatory & Government Affairs Adviser