

Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone 0117 9332000
Fax 0117 9332001

Rachel Fletcher
Director, Electricity Distribution
Ofgem
9 Millbank
London
SW1P 3GE

<i>Our Ref</i>	<i>Your Ref</i>	<i>Direct Line</i>	<i>Date</i>
	32/08	0117 933 2175	23 May 2008

Dear Rachel

Ofgem Consultation: Electricity Distribution Price Control Review
Initial Consultation Document

Thank you for the opportunity to comment on Ofgem's initial consultation on the general approach and key issues for DPCR5. This response is provided on behalf of Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc.

The consultation raises a number of very important policy issues for DNOs and we welcome an initial consultation that is so comprehensive and detailed. We support the key themes and objectives of customer, environment and network taken together with the financial issues. Early conclusion of a number of the key policy issues outlined in the document is important and WPD would support early dialogue with Ofgem over the forthcoming months on a number of issues.

Our top five policy issues that we would like to see resolved prior to the start of DPCR5 are;

Environment

Our main concern in this area is the current losses incentive. The settlements system was created as a means to allocate power purchase between suppliers and is also used to allocate network access costs. Whilst the errors in the system are a small percentage of total usage, they are a more significant percentage of calculated losses. This results in a disconnect between the actions that distributors take and the results seen in terms of changes to reported system losses.

Customer

The IIS scheme is successful because it focuses on the measures that matter to customers i.e. the frequency and duration of interruptions as well as the quality of telephony response. We believe the focus on these prime drivers of customer satisfaction should be maintained for DPCR5. The DPCR4 target setting methodology should be continued to ensure consistent target setting and also to allow effective comparisons to be made between companies. Within this approach, an important principle is that frontier performing companies are rewarded and given the option of an allowance to support a target that reflects their current performance levels.

We would like to see objective measures introduced into the telephony response incentive.

Networks

The key issue with cost assessment is the comparability of the data and much work is still needed to ensure consistency of data between companies. The work to identify and document the cost drivers for each activity should also be pursued with great urgency as its conclusions will need to be used in conjunction with consistently prepared cost data for a robust result to the price review

Finance

Ofgem should set an appropriate cost of capital so as to ensure that financeability adjustments for individual companies are not required.

The attached Annex covers our response to the main body of the document

Yours sincerely

INSERT SIGNATURE

ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager