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Date
29 August 2003

Dear Gary

Electricity Distribution Losses - Initial Proposals - June 2003

I am writing in response to the above initial proposals on behalf of Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc.

We welcome the decision to adopt a loss incentive that is a modification of the existing incentive rather than the other options considered. Whilst agreeing with the principle of matching the loss incentive retention rate with that for the rolling capex incentive, we would like to see the mechanics of how this will be achieved when the benchmark will be reset every 5 years.

We welcome the RIA included in the paper and believe that it assists in allowing a rational evaluation of the options considered.

Please do not hesitate to contact me should you require further information or expansion of our views.

Yours sincerely

R G WESTLAKE
Regulatory & Government Affairs Manager