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Our ref

Your ref

Date

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Dear Mr Buchanan

Ofgem Plan – January 2004

I am writing on behalf of Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc following the publication of the Ofgem Plan in January 2004.

Western Power Distribution supports the general themes of the paper and the transparency of the process and we welcome the opportunity to comment.

We welcome the acknowledgement in the paper that one of Ofgem's major pieces of work in the coming year is the Distribution Price Control Review. We believe it is important that companies are rewarded for their improvements in levels of service and agree with the statement in the paper "companies must meet their statutory and licence obligations, if they do so while out-performing their price control targets they should earn higher returns".

As with the DPCR we have responded to Ofgem following the publications on the issues associated with Distributed Generation. It is important that the correct incentives are placed on distributors to connect distributed generation and that adequate financial protection is given in respect of the longer term sustainability of the generators and the impact on DNOs.

We welcome the work on Willingness to Pay and network resilience mentioned in the Ofgem Plan, we input our views and contributions through the working groups on which we have WPD representative. We agree that clearer incentives are needed in respect of severe weather and believe an incentive mechanism should be introduced whereby companies are rewarded for good performance and penalised for poor performance.

We look forward to working with your colleagues in developing these areas further.

Yours sincerely

R G WESTLAKE
Regulatory & Government Affairs Manager