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Dear Chris,

Training and Apprentice Costs

On behalf of the GDN Heads of Regulation, we welcome Ofgem's response to our original submission and have amended the original model to address some of your observations and comments.

As discussed last week, I attach a revised version of the ageing workforce model with recruitment profiles and costs. I also attach the revised assumptions that underpin the model, with the key changes highlighted so you can see where we believe we have addressed your concerns.

This model is the consolidated version representing all networks and all the networks have collaborated to review the original submission and agree on this revised version.

The main changes are:

1. We have recognised the capacity constraints in delivering the apprentice and graduate numbers defined in the original model and this revised version represents what the Networks believe is achievable over the next 5 years.
2. We have provided for two other pathways:
 - a. The Recruitment of Competent Operatives (this could include migrant workers or skilled employees from other organisations, including contractors).
 - b. Upskilling existing semi skilled employees and backfilling their positions with new recruits at the semi skilled level.
3. We have reduced the level of apprentice drop out from 10% to 5%.
4. We have assumed that on average graduates would achieve competency within two years (not four as previously).

24 hour gas escape number
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*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

5. We have accepted a level of competency and productivity in the final years of apprenticeship training and reflected this in a reduction of costs.

Although all these changes have reduced the cost of addressing this issue we are concerned that the current projections for natural wastage (2%) is based on historical figures and it does not reflect changing factors, such as changes to Terms and Conditions and age profiles, that are highly likely to increase this figure. Indeed, latest figures show that current natural wastage levels are running nearer to 4%. The model and the subsequential costs are very sensitive to this factor and we believe that we face an additional challenge in this area that is not currently factored into the model assumptions.

Because of the detailed nature of this model we believe it fairly reflects both the challenge facing our networks and the range of options and the costs of addressing these issues. We believe the profile of age leavers and the long term planning horizon reflects the true picture of Training and Apprentice requirements going forward rather than the pro rata of FTEs employed within your revised proposals.

We would like to take this opportunity to summarise the impact of the changes we have made, from the original costs of £217.869m in the model presented by EU Skill which took into account maximum manageable recruitment numbers for each GDN at the end of July, to the revised model in October, which has reduced costs to £98.5m on account of reducing the apprentice drop out rate, and discounting salary and on-costs by 30% and 50% respectively for apprentices in their final year and in the case of employees requiring upskilling. This does however mean that we still require a further £31m, against the allowance of £67.5m proposed in the Updated Proposals document in order to fully address the skills shortage facing the GDNs, and we would welcome your recognition of this fact.

We would welcome further dialogue on this issue and if you have any queries regarding the attached please contact me.

Yours sincerely,



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