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Dear Mr McKenzie

Price Control Pensions Principle

Thank you for the opportunity to respond to your consultation on Price Control Pension Principles.

It is appreciated that your document is primarily aimed at the companies covered by your regulatory arrangements but as a Trustee body we have an interest in this area, particularly where changes can impact the employer covenant.

We have not sought to comment on a number of the issues which directly cover the regulatory regime but would like to make a number of more general observations.

The consultation document refers to the potential that Trustees are being more cautious as a result of the current regulatory arrangements. In law, as Trustees, we are an independent body with specific legal duties to act in the best interest of the members at all times. Additionally we have to consider the guidance provided by the Pensions Regulator. We would suggest that it may be appropriate for you to discuss potential changes aimed at affecting pension scheme investment and funding strategies with the Pensions Regulator to assess how the Trustee may be able and willing to make allowance of such changes.

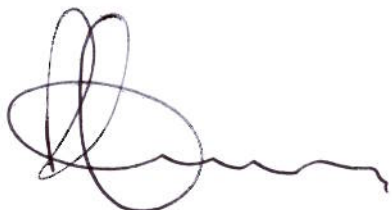
The document refers to Ofgem concerns regarding the possibility of stranded surplus. Greater confidence in the employers' covenant (through greater certainty on the long term treatment of pension costs) will allow trustee discussions with the employer to focus on longer term investment strategies. Such long-term strategies reduce the risk of higher short-term contribution rates and stranded surpluses and as such are ultimately in the customers' best interests.

Finally, whilst as a Trustee body we have not yet formally considered the options around the emerging market for pensions buy-in/ buy-out we believe that clarity on the regulatory treatment for such initiatives would help the Trustee to give proper consideration to these opportunities and to assess their relevance to our increasingly mature pension arrangements.

In conclusion, we wish to emphasise to you the independence and regulatory requirements that the Trustee has to consider. We would also confirm that long term certainty over the regulatory regime for the principal employer is important, as this will allow us to make an accurate assessment of the long term strength of the employer covenant in our investment and funding considerations.

Kind regards

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'B' followed by a series of loops and a wavy line extending to the right.

Bob Armstrong OBE
Chairman of the Trustee of the Electricity North West Group of the Electricity Supply Pension Scheme
