

Bill McKenzie
Senior Manager, Financial Issues
Distribution Networks
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Your ref 120/08
Our ref LOG08/166
Name Charles Ruffell
Phone 01793 89 39 83
Fax 01793 89 29 81
E-Mail charles.ruffell@rwenpower.com

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**Price Control Pension Principles
August 2008**

Dear Bill,

We welcome the opportunity to respond to this consultation document. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Innogy.

Ofgem has established a number of principles for the treatment of pension costs and has applied these through three price controls since 2003. Given recent developments in the pension environment and the rising trend in defined benefit pension costs, we agree with Ofgem that it is timely and appropriate to review the working of the principles ahead of DPCR5.

At this stage in the process, we support Ofgem critically reviewing the principles and the extent to which they will continue to create appropriately aligned incentives on the pension scheme trustees and licensees. We believe that comparative regulation or benchmarking of pension costs between DNOs and comparator companies may be appropriate options to consider.

While it will be instructive to understand what other companies in competitive markets who have been faced with similar schemes have done, changes to the pension principles should only be made where they are in both customers' and pension scheme members' interests.

We hope these views are helpful and would be happy to discuss them further.

Yours sincerely,

By email so unsigned

Charles Ruffell
Economic Regulation

RWE npower

Trigonos
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T +44(0)1793/89 39 83
F +44(0)1793/89 29 81
I www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782