



Electricity and gas distribution
network operators, owners and
operators of transmission
networks

*Promoting choice and
value for all customers*

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Dear Colleagues

Price Control Pension Principles Questionnaire

On 7 August 2008 we published a consultation document on our Price Control Pension Principles¹. We also organised a workshop on 8 October providing an additional opportunity for interested parties to express their views and discuss the issues raised by our consultation. Respondents generally agreed that we had identified the key issues, that our Pension Principles² remain appropriate and generally work well.

From the responses and the workshop, we concluded that we needed to ensure that our first pension principle - *Efficient and Economic Employment and Pension Costs* - is being adhered to by the network companies. In the workshop on 8 October it was also agreed that there is need for greater transparency of the key assumptions used to determine pension costs and the actions network companies have undertaken to manage them. The attached questionnaire is intended to provide the opportunity for companies to make available information to improve transparency and to demonstrate that they are meeting the first pension principle. It will enable us to collect data on the relevant defined benefit pension schemes and any actions taken by the companies to manage their pension costs; and to assess the costs and evaluate those actions taken under each scheme in meeting that principle.

A completed questionnaire is required from each licensee for each Defined Benefit scheme in which a licensee is or has been a participating employer since 1990. It would be helpful if colleagues would complete this questionnaire even if you have previously supplied any of this information so that we can collate it in the same format for all.

We wish to reassure owners and operators of transmission networks and gas distribution network operators that completion of the questionnaires will not lead to a re-opener of either of the existing transmission (TPCR4) or gas distribution (GDCPR) price controls.

¹ Price Control Pension Principles document reference 120/08

² Developing Network Monopoly Price Controls May 2003 (54/03)

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=41&refer=Networks/Policy>

Given the broad support by the companies for greater transparency at our October pensions seminar, we look forward to receiving the response from all colleagues. However, if you do not intend to provide the information please email Bill McKenzie at the email address below by return, explaining your reasons. We hope that companies will agree to provide us with the data but if they are unable, or unwilling, to do so we will consider exercising our powers to obtain the information requested.

We intend to keep open the option of publishing the data and the results of our analysis as part of the move to greater transparency. It would be helpful if you could assist in this process by completing the section on the questionnaire indicating your consent and the consent of the relevant parties to publication of the data. If you are not able to give consent it would be helpful if you could set out what information you would be willing to consent to us publishing and/or your views on whether aggregation or anonymising the data would overcome any concerns you have regarding its publication. However, if appropriate, we will consider use of our powers under section 48 Electricity Act 1989 and section 35 Gas Act 1986 to publish information that would be useful to consumers.

A completed questionnaire for each Defined Benefit scheme in which the licensee is or has been a participating employer since 1990 should be sent both in electronic form and hard copy to Bill McKenzie (william.mckenzie@ofgem.gov.uk) by close of business on 6 February 2009. If you have any questions please contact Bill McKenzie at the email address above or by telephone at 020 7901 7220.

Yours faithfully



Steve Smith
Managing Director, Networks