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Dear Colleagues,

Summary of the Main DNO Forecast Business Plan Questionnaire Submissions for DPCR5

On 27 February 2009 we received the main Business Plan Questionnaire (FBPQ) submissions for DPCR5 from the DNOs. These submissions contain the DNOs' latest forecasts for costs, outputs and associated financial information for the DPCR5 period (April 2010 to March 2015). They also contain detailed historical and forecast cost information for each of the DNOs for the DPCR4 period (April 2005 to March 2010). The cost information is set out for each of the key building blocks of the DNOs' costs including:

- Customer specific investment
- General reinforcement
- DNO discretionary investment
- Asset replacement
- Other non-load related investment
- Network operating costs; and
- Business Costs

We have published a summary table of these costs for each DNO today on our website. These forecasts represent the latest view of the DNOs. The DNOs have the opportunity to submit further forecasts taking account new information in June 2009.

We are carrying out our own work to review and challenge the DNO forecasts including our own investment modelling, review of the companies' forecasts, benchmarking of network operating and business costs and an assessment of the scope for further efficiency improvements. We are having detailed discussions with the DNOs on both their cost forecasts and our own analysis in late March and early April.

We will then be publishing our Methodology and Initial results document in May. This will set out our cost assessment methodology for network investment, network operating costs and indirect costs and the initial results of our analysis. It will invite views from DNOs and other stakeholder on this and how we should bring our analysis together with other factors to set allowances for each DNO. This will then inform our Initial Proposals for DPCR5 in July.

Yours sincerely,

Chris Watts

Head of the Electricity Distribution Costs and Outputs Team