

Paul Darby
Regulatory Finance Team
Ofgem
9 Millbank
London
SW1P 3GE

Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone 0117 9332000
Fax 0117 9332001

| <i>Our Ref</i> | <i>Your Ref</i> | <i>Direct Line</i> | <i>Date</i> |
|----------------|-----------------|--------------------|---------------|
| | 16/09 | 0117 933 2175 | 15 April 2009 |

Dear Paul

Electricity Distribution Allowed Loss Percentages – Representation by Scottish Power Energy Networks

I am writing on behalf of Western Power Distribution (South West) and Western Power Distribution (South Wales) plc in response to Ofgem's consultation on the request from Scottish Power Energy Networks to increase the allowed electricity loss within their existing price control for their two electricity distribution network companies.

In general WPD does not support re-opening of the price control Special Conditions, except in the circumstances specified in Condition A3. In particular we do not support backdating the effects of changes to price controls. However we are sympathetic to the problems caused by the current losses incentive.

The request from Scottish Power illustrates the problems with the non-technical losses data derived from the settlements process that WPD has highlighted repeatedly to Ofgem. Ofgem's paper states "*SP assert that the three years from 2001/02 to 2003/04 have turned out to have had exceptionally low reported losses for their areas, resulting from factors in the settlement process which is beyond their control. In particular the low level of reported losses in their areas for those years was not a result of any action on their part. SP argue that losses have reverted to a higher long term average.*"

WPD have raised concerns that the current method of measurement of distribution system losses using settlements data is a very crude estimate that gives a volatile measure that is outside the influence of the DNOs. Going forward we believe that reform of the losses incentive is essential. We believe that measuring distribution system losses would be more accurate if technical losses are measured at the DNO's equipment. To achieve this we are undertaking a project to currently fit advanced metering equipment at all 11kV/LV substations.

If there are any aspects of this letter that you would like to discuss then please contact me on my direct dial number above.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS', written in a cursive style.

ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager