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	49/09	0117 933 2175	22 June 2009

Dear Hannah

Ofgem Consultation: Arrangements for responding in the event that an energy network company experiences deteriorating financial health May 11 2009

This response is provided on behalf of Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc.

We support the publication of a single guidance document setting out the process that Ofgem will follow in responding to a case of financial distress. These arrangements are well understood across the industry and we do not intend to comment in detail on the existing arrangements.


We have one specific point that we wish to make in respect of Chapter 4, Question 4 as follows;

Do respondents have any views on the proposed process and triggers for reopening/disapplying price control as set out in Chapter 4 of the guidance document? Do respondents have any views on potential improvements to these arrangements?

If an individual licensee makes a request for a reopening/disapplying a price control Ofgem should review the particular circumstances of the licensee in financial stress in the context of other licensees operating under the same price control. It is possible that the circumstances impacting on the stressed licensee also impact on other licensees. The examples quoted in the document of additional workload arising from new legislation not anticipated at the time of the last review or generally poor financial market conditions are very likely to apply to other licensees; in which case any increase in the allowed revenues of the stressed licensee should also apply to the other licensees under the same price control. However, if Ofgem consider that the circumstances of the stressed licensee are essentially due to poor management, then there should be a trade sale, or failing that, energy administration.

If you have any questions regarding the above please do not hesitate to contact me

Yours sincerely

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

ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager