



Alistair Buchanan
Chief Executive
Ofgem
9 Millbank
London
SW1P 3GE

23 December 2009

Dear Alistair

DPCR5 Final Proposals

I am responding to Ofgem's Final Proposals dated 7 December 2009. I am responding on behalf of EDF Energy's three licensed distributors, LPN, SPN and EPN.

After carrying out a comprehensive assessment of Ofgem's decision documents, EDF Energy has decided to accept the final proposals. This acceptance is as always subject to appropriate adjustment of the Final Proposals by Ofgem if any material errors in them are identified in the coming weeks, and to the appropriate translation of the Final Proposals into modified licence conditions.

EDF Energy has viewed Ofgem's Final Proposals as a package. The company is developing detailed plans to improve operational efficiency and effectiveness further, to offset the headline allowed weighted average cost of capital, which would not in itself provide an adequate return on investment. In the course of this, the company will be delivering improvements for customers and responding to the various incentive mechanisms. EDF Energy expects that these planned actions will mean that it will earn a sufficient return on its electricity distribution assets.

EDF Energy does not regard Ofgem's proposed weighted average cost of capital as sustainable for the longer term, given the investment challenge facing the sector. The company expects to see more realistic proposals in future reviews.

In delivering £2.1bn of capital expenditure since 2005, EDF Energy has led the way in demonstrating the need for increased investment, a path which the other DNOs are now following for the DPCR5 period. Putting the detailed programme of efficiency improvements together with proven capability to deliver the necessary levels of investment as well as high levels of customer service means that the package as whole is acceptable.

EDF Energy is also looking forward to participating in the £500m low carbon networks fund. The company is focused on delivering innovative solutions in its networks businesses to help achieve the decarbonisation of the electricity industry. EDF Energy is already a leading player in distribution network research and development and is well placed to take advantage of the opportunities provided by the new scheme.

To conclude, EDF Energy is accepting the Final Proposals as a complete package of proposals for each licensee. They provide sufficient opportunities for the company to earn an acceptable return and improve service to customers. My team will now work with Ofgem to ensure that the Final Proposals are properly translated into the proposed licence modifications.

Yours sincerely

A handwritten signature in blue ink, appearing to read "V. Rivaz".

Vincent de Rivaz