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Dear Steve,

### **Response to Final Proposals Document**

In response to your Final Proposals document and Rachel Fletcher's letter of 17 December, I am writing to notify you that the Board of Electricity North West Limited is minded to accept the proposals you have set out when they are presented as licence modifications.

As you will be aware, we find these proposals extremely challenging and the decision we have reached was finely balanced. In particular, the profile of revenues proposed puts undue strain on the finances of our business and the low cost of capital has resulted in a reassessment of the incentives for investment and the level of risk the business should adopt. In part our decision is influenced by the very high degree of uncertainty associated with our evaluation of the potential process and opinions of a Competition Commission enquiry, given the amount of time that has elapsed since their last electricity distribution review.

In reaching this decision we have re-evaluated the profile of our expenditure plans and have had extensive dialogue with our investors. We believe that with our investors direct financial support we will be able to undertake a revised expenditure profile that will enable us to meet all of our legal and licence obligations and ensure that we will deliver our output targets by the end of the DPCR5 period. However, it may be necessary for the phasing of our activity plan to be very different from the optimised proposal we included within our FBPQ. We will work out and share the detail of this revised plan with Ofgem over the next few months.

Yours sincerely,

Paul Bircham on behalf of  
**Steve Johnson**  
**Chief Executive Officer**  
**Electricity North West Limited**