



Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ

Joanna Campbell
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Tel: 01738 456 107

aileen.mcleod@sse.com

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Dear Joanna,

Open letter consultation on equalising the efficiency incentive rate for electricity distribution network companies under common ownership following PPL's purchase of E.ON's Central Networks business

We welcome the opportunity to respond to the consultation regarding the treatment of the efficiency incentive rate for electricity distribution networks under common ownership. We appreciate Ofgem's timely progression of this issue given PPL's recent purchase of E.ON's Central Networks business.

We consider that option three, recalculating the IQI to give a new incentive rate, is in line with Ofgem's revised merger policy as published in May 2010. It is therefore appropriate that this option is followed in calculating a new incentive rate.

If you would like to discuss any of this further, please be in touch.

Yours sincerely,

Aileen McLeod
Head of Regulation, Networks