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Registered in England and Wales No: 3870728

Rachel Fletcher  
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By email only to [Joanna.Campbell@ofgem.gov.uk](mailto:Joanna.Campbell@ofgem.gov.uk)

29 June 2011

Dear Rachel,

**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**

Thank you for the opportunity to comment on the above consultation.

Please note that this response should be regarded as a consolidated response on behalf of UK Power Networks who operate three electricity distribution licence holding companies – Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc. For convenience, the three licensees are collectively referred to as "UK Power Networks" throughout.

I can confirm that this response is non-confidential and can be published via the Ofgem website.

UK Power Networks agrees with Ofgem's conclusion that setting a new efficiency incentive rate of 49% for the four DNOs now under PPL ownership is the appropriate response to the recent acquisition of Central Networks.

This is likely to provide minimum disturbance to customers in respect of how any under-spend or over-spend would be handled. Equally it ensures that no distortions are introduced into existing incentive arrangements and that management across the 4 DNOs is incentivised to deliver efficiency savings consistently.

If I can be of any further assistance in respect of this response, please do not hesitate to contact me on 07875 112948.

Yours sincerely

Keith Hutton  
Head of Regulation, Risk and Compliance  
UK Power Networks