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*Date*  
13<sup>th</sup> 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**

Ofgem outline three options for setting a common efficiency rate for the four DNOs now within PPL's ownership.

- Option One: Apply the lower rate
- Option Two: Apply the higher rate
- Option Three: Recalculation of the IQL to give a new rate

WPD support the proposal to implement Option Three effective from April 2011. This is consistent with the method applied to calculate an efficiency incentive rate for DNOs under shared ownership at DPCR5 and in line with Ofgem's published merger policy

Yours sincerely



ALISON SLEIGHTHOLM  
Regulation & Government Affairs Manager