

Our Ref: GS/kh

19 November 2012

Peter Trafford
Regulatory Finance
Ofgem
9 Millbank,
London SW1P 3GE



Dear Peter

CONSULTATION ON STRATEGY FOR THE NEXT ELECTRICITY DISTRIBUTION PRICE CONTROLS – PENSION SCHEMES

GMB has continually raised concerns about the application of OFGEM's new approach to price controls as this is manifested in the micro-management and interference in DNOs' occupational pension schemes. This consultation (reference 122/12) continues to raise issues of unnecessary double regulation, additional costs and unwarranted interference with pension scheme trustees.

OFGEM is referred to GMB's previous responses and correspondence on these issues. In addition there are some specific areas of the current consultation, specifically Appendices 6 and 7 on which we are commenting.

GMB maintains that prudent management of funds, deficits and associated elements are the purview of the scheme trustees and the Pension Regulator. In the absence of compelling evidence for OFGEM's role we believe this is sufficient and adequate regulation.

We maintain that it is not for OFGEM to judge the efficiency of trustee decisions in the running of occupational pension schemes covered by this consultation. The concept of an imminent reasonableness review on deficits in the current economic climate is particularly concerning. The impact of the government's policy of repeated quantitative easing on scheme deficits has been exceptional. What is reflected, therefore, in the recent experience of scheme deficit levels will not provide grounds for a robust assessment of 'efficiency'. Similarly current economic circumstances should have a material effect on the decisions trustees take regarding deficit recovery. The Pension Regulator is mindful of this, so, as we know, is government yet this consultation makes no reference to these very relevant considerations.

The current consultation does not fully recognise and account for the significant administration and advice costs that OFGEM is foisting on electricity distribution companies and schemes through its meddling. GMB believes the onus is on OFGEM to exemplify transparency and fully set out the costs associated with its approach to price control in the context of electricity distribution occupational pension schemes.

Cont/...

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In relation to the two approaches outlined for addressing pension scheme administration costs and the PPF levy (Appendix 7 para 1.8) – GMB would prefer the second outlined option: to apply the approach as introduced in RIIO-GD1 and T1.

GMB retains the hope that OFGEM will rethink its approach to price control in relation to the deferred pay of those working in the industry before the industry regulator causes more disruption and discontent among a dedicated and loyal workforce.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gary Smith', written in a cursive style.

GARY SMITH
NATIONAL SECRETARY
Commercial Services Section

