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Dear Paul

Updated Proposals for Changes to the Ring Fence Conditions and their Impacts

Thank you for the opportunity to respond to this consultation. This consultation represents Ofgem's fourth publication on this issue and for the majority of the proposals the additional requirements are logical extensions of the existing framework and could have a significant benefit without placing any substantial additional burden on the network companies. Our only concern with the proposals relates to the detailed licence drafting for the requirement for appointment of two sufficiently independent directors (SIDs).

We agree that independent directors have a key role in the governance of DNOs and believe that our current structure provides appropriate protection for customers. Our group's sole purpose is the ownership and financing of an electricity distribution business. The boards of the companies in the group contain non-executive directors to ensure good corporate governance and compliance with the UK Corporate Governance Code and other relevant financial regulations and requirements. The Electricity North West Board is committed to maintaining this position.

As we have previously stated, the detailed drafting of the condition relating to SIDs is unduly restrictive and the latest consultation has not improved the position, indeed it has made it more restrictive. The current drafting of the definition of a qualifying group company would prevent independent non-executive directors of a DNO from also sitting on the boards of associated companies within the same group structure or within the group structure of an ultimate controller. The implementation of the current policy and license drafting will require companies to appoint additional directors to the holding companies of the licensee to ensure banking and other governance requirements continue to be met. This proposal is inconsistent with the UK Corporate Governance Code and will result in additional costs for the DNO with no associated additional benefits for customers, as the current directors (both executive and non-executive) are already required to act in the best interests of the company at all times. We do not believe that this regulatory requirement represents a proportionate solution to the perceived problem.

If you have any questions, please feel free to contact me or any of my team.

Yours sincerely,

Paul Bircham
Regulation Director