



Your ref

Our ref PM/ND/REG/OFGEM

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14 January 2013

Bill McKenzie
Senior Manager Technical Accounting
Regulatory Finance, Smarter Grids and
Governance
Ofgem, 2nd Floor
9 Millbank
London
SW1P 3GE

Dear Bill,

Open letter consultation on Ofgem's pension deficit allocation methodology

Thank you for giving us the opportunity to comment on the open letter consultation on our pension deficit allocation methodology.

Following the collaborative working between Network Operators, Actuaries and Ofgem over the last two years the proposed methodology represents an acceptable solution and avoids onerous record keeping requirements.

The proposed methodology represents an outcome which is not overly complex whilst ensuring a level of accuracy that is acceptable to Network Operators and Ofgem.

The input and support from Aon Hewitt in assisting with the creation of the methodology ensures that it is actuarially sound, economic and transparent to use in practice.

We will be able to provide an appropriate audit trail and are making arrangements with our Group Trustees and Scheme Administrator to have the necessary information available for audit and review by third parties if required.

We would anticipate the application of the methodology will produce a fair allocation between the established deficit and the incremental deficit for Network Operators.

We have no issue with our response being published on the Ofgem website.


NORTHERN POWERGRID HOLDINGS COMPANY

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If you would like an audio copy of this letter, a copy in large type, Braille or another language, please call 0800 169 7602

Yours sincerely,

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

Keith Mawson
Head of Regulatory Finance & Systems