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Company:
UK Power Networks
(Operations) Limited

Registered in England and Wales No: 3870728

Bill McKenzie
Ofgem
9 Millbank
LONDON
SW1P 3GE

By email only

21 January 2013

Dear Bill

Open letter on Pension Deficit Allocation Methodology

Thank you for the opportunity to comment on the above consultation/letter from Ian Marlee dated 17 December 2012. This response should be regarded as a consolidated response on behalf of UK Power Networks' three electricity distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc.

UK Power Networks has been involved all the way through the working group discussions and have been party to the drafting of this document. Therefore, we are happy with where we have arrived at and provide only short feedback to the specific questions in the letter:

Achieves an appropriate balance between complexity and simplicity is actuarially sound, economic and transparent to use in practise & will provide an appropriate and not disproportionate audit trail

UK Power Networks recognises the amount of work that has been undertaken on PDAM and believe that the final paper is a workable solution for all parties. UK Power Networks believes that the recommended proposal, whilst requiring additional record keeping requirements and changes in processes, is not prohibitively complex. The one point to note is that for DNOs, the clarification of the PDAM (and therefore the record keeping requirements) has come approximately three years after the cut off date. Accordingly this may cause an additional layer of complexity for DNOs for the 2013 Valuation submissions which we seek Ofgem's understanding on.

Produces a fair allocation between the established deficit and the incremental deficit

UK Power Networks recognises the pragmatic approach recommended and believes that the parameters specified will produce a fair result. We also welcome the fact that Ofgem recognise the need for PDAM to be able to cater for Schemes with more complex investment strategies (points 5.5 – 5.7) and the impact this may have on the investment returns for the differing sub funds.

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I hope that you will find our comments helpful. If you have any questions please do not hesitate to contact me in the first instance.

Yours sincerely

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

Keith Hutton
Head of Regulation

Copy Paul Measday, Regulatory Returns & Compliance Manager