



Making a positive difference
for energy consumers

Regulation Manager
Western Power Distribution

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Date: 30 July 2014

Dear Regulation Manager,

Western Power Distribution RIIO-ED1 losses reduction strategy

We are writing to you in relation to your losses reduction strategy ('strategy'). From 1 April 2015 DNOs' licences will require them to ensure that losses on their networks are as low as reasonably practicable, and to maintain and act in accordance with their published losses strategies.

We do not approve the strategies; DNOs must satisfy themselves that they are compliant. We are providing comments on your strategy to assist you in fulfilling your licence obligations.

In our fast-track assessment, we noted some weaknesses in your strategy and encouraged you to review and strengthen it based on robust cost benefit analysis and supported by well-justified assumptions. We are disappointed that you did not address these issues in your revised strategy.

You have not quantified any costs or benefits associated with losses reduction activity and have not proposed any programmes of investment with a quantified losses benefit. You should demonstrate that you have fully explored opportunities for reduction of losses across your operations, including asset investment and operational measures, noting the proposed programmes of other DNOs.

In our slow-track assessment included as part of our RIIO-ED1 slow-track draft determinations,¹ we provide clear expectations of DNOs' strategies. We ask that you take account of these, noting particularly the general comments made in the losses section of Chapter 3 – Outputs.

¹ <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-draft-determinations-consultation-slow-track-electricity-distribution-companies>

We expect you to publish your revised strategy, addressing the feedback from this letter, as soon as practicable.

Yours sincerely,

Dora Guzeleva
Head of Networks Policy: Local Grids