



SGN
St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

Ian Rowson
RIIO Finance
9 Millbank
London
SW1P 3GE

27 April 2016

Dear Ian,

SGN response to the second consultation on Ofgem's policy for funding Network Operators' pension scheme established deficits

We welcome the proposed changes to the reasonableness review outlined in Ofgem's second consultation paper. In particular, Ofgem reinforcing their enduring commitment to fund the Pension Scheme Established Deficit and allowing flexibility in the deficit repair payment period. This flexibility allows networks to choose a funding period that is most suitable to the scheme for both members and consumers and we are supportive of this approach. We also are encouraged to note that Ofgem have made no changes to the fundamental principles or to the enduring commitment to future funding.

The consultation also outlines the view that customers should receive a fair share of any benefit when a scheme is in surplus. The proposed changes would allow any reduction in ongoing contributions, because of an established surplus, to be returned to consumers. Whilst we think the likelihood of a scheme surplus are very low and we continue to ensure that the deficit funding is managed appropriately, we consider this approach to be reasonable.

In regard to the formulae noted in Appendix two of the consultation, there are some minor inconsistencies (which do not have a significant impact on the overall calculations) and these have been discussed with Ofgem separately.

We agree that decisions made by Trustees should consider the potential impacts on consumers however this should be considered within the overall responsibility of the Trustees. The primary role of a trustee is to impartially act in the best interests of the scheme beneficiaries in line with the trust deed and rules in a prudent, responsible and honest way and to comply with requirements set out by the Pensions Regulator.

The consultation has brought forward reporting requirements on the networks from 30 September to 31 August, given other external and internal staff commitments during this time we view this to place an unnecessary burden on networks and would recommend this is kept at 30 September.



Finally, whilst we are supportive of the proposed changes to the reasonableness review, and agree that benchmarking actuarial assumptions is not appropriate, we still seek clarification in certain areas;

1. Guidance on Ofgem's expectations for the format and substance of the corporate governance statement
2. Detail on the format of the reasonableness review, how this will work without the benefit of hindsight and any further detail on the expected format and content of the tri-annual report provided by networks

If you require any further clarification on the above please do not hesitate to contact me.

Yours sincerely,
Laurence Goodman
Regulation Manager
SGN