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Dear Mr Rowson

Second Pensions Deficit Funding Consultation

As you may remember, I am Chair of the Group Trustees for the Central Networks Group and also the Western Power Distribution Group of the Electricity Supply Pension Scheme. I provided a response to you in relation to the Ofgem consultation issued in May 2015 for each set of Group Trustees (on 30 June and 9 July 2015 respectively).

In the "Second Consultation on Ofgem's policy for funding Network Operators' Pension Scheme Established Deficits" issued on 16 March 2016, you have asked for responses by 27 April. Our meeting timetables have not allowed for the full Group Trustee bodies to agree a response. Nevertheless, looking from the perspective of the points made by the Group Trustees in the June and July 2015 responses, I would make the following comments on the second consultation.

- We welcome Ofgem's more developed acknowledgement of the primacy of the pension scheme trustees in appropriate areas.
- We note the commentary on the importance of the regulatory ring-fencing in assessing covenant strength, which reflects our conclusions on the interests of consumers in the stability of support for scheme sponsors.
- We also commend the acceptance that reasonableness reviews should not seek to substitute Ofgem assumptions for those made by an appropriately qualified and appointed actuary.
- We acknowledge that it is not unreasonable for Ofgem to insist that NWOs place consumers at the heart of how they participate in pension scheme governance. The content and overall tone of the proposed amendments to the guidance note and the financial handbook will we believe help achieve the "discrete, yet compatible" objectives of Ofgem and the Pensions Regulator. The proposals would address a major part of the seemingly intractable tension between Group Trustees (on behalf of their members) and consumers by providing an alternative to the general presumption that "the Deficit Repair Period must equal the PSED Allowance Period".

- Consideration of the possibility of surplus emerging in the future is a matter that we accept is properly within the scope of this guidance. We would, however, regret any suggestion that augmentation provided from such surplus would represent "unnecessary benefit increases" (paragraph 2.43). We do not think it is helpful to comment now in a manner that would appear to criticise actions that may be proper under the rules and the wider legal obligations of the parties should the scheme situation improve so significantly.

As mentioned above, the full Group Trustee bodies have not had the opportunity to address this consultation, so the position of each Group is formally reserved as set out in the letters of June and July 2015.

Yours sincerely



Ian Williams
Chairman of the Central Networks and Western Power Distribution Groups
of the Electricity Supply Pension Scheme

cc Charl Oosthuizen, Finance Director
Sally Jones, Company Secretary

Western Power Distribution
Western Power Distribution