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Dear Mick,

Notice on the modification of the Pension Regulatory Instructions and Guidance (RIGs) held by Network Operators

Thank you for the opportunity to review and comment on the changes to the Pension Regulatory Instructions and Guidance.

We note the proposed modifications to the Pension RIGs and have no comments. However, I do have comments on the following:

Workbook data

As mentioned in our response to the consultation on the Financial Handbook, we urge Ofgem to issue each licensee with a workbook populated with the licensee's data to 2015-16. In this way licensees can be confident that their interpretation is consistent with Ofgem's requirement.

Workbook comments

I have the following comments on the details within the Excel workbook:

- (i) The check in cell D40 in the P1.2 and P2.2 tables returns "OK" if the deficit from the reconciliation (D39) is greater than that from the assets and liabilities (D21). Similarly, the check in cell D64 returns "OK" if the liabilities from the reconciliation (D63) are lower than those entered above (D20). We suggest these are replaced by formula similar to that in D80.
- (ii) The description in cell B99 should refer to "(a) to (m)" rather than "(a) to (l)".
- (iii) The inputs in the 'Paragraph 6.20 adjustments' worksheet of the RIGs table workbook only allows the entry of one pre-retirement discount rate and one post-retirement discount rate in relation to the previous valuation. The format of the worksheet template therefore only seems to cater for valuations that use discount rates that do not vary by term. The amended worksheet needs to set out the pre and post retirement discount rates for each of the three years since the last valuation, which vary by term.

If you have any questions regarding our response please do not hesitate to contact me or Colin Ross.

Yours sincerely

A handwritten signature in black ink, appearing to read 'DBS', with a long horizontal flourish extending to the right.

David Brocksom
Chief Financial Officer