

Mick Watson
Senior Advisor
RIIO Finance
9 Millbank
London
SW1P 3GE

Electricity North West
304 Bridgewater Place, Birchwood Park
Warrington, Cheshire WA3 6XG

Telephone: +44(0) 843 311 4800
Fax: +44(0) 843 311 5119
Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

27 October 2017

Dear Mick,

Notice of our provisional revised pension allowance values and 2017 reasonableness review

Thank you for the opportunity to review and comment on the provisional outcome to the revised pension allowances.

We note the proposed modifications to the EDE value and have no further comment on this.

We very much support Ofgem's emphasis on companies adopting consumer-led pension strategies towards governance of their pension schemes in the future. For our part we have certainly engaged with both pensions industry professionals and consumer organisations to validate our current funding and investment strategy.

The provisional notice letter sets out some important areas that companies need to consider in respect of understanding and evaluating the benefits of alternative approaches for repairing pension deficits in the future. The section 'Interpreting the interest of consumers and the next reasonableness review' indicates that, over time, Ofgem expects there to be room for some consumer strategy consensus, following appropriate collaboration between industry participants and consumer protection organisations; and further, such consensus and the authority it carries, would be necessary to convince Ofgem that a de-risking strategy could have anything other than a detrimental impact on the consumer. We have four concerns on this position:

1. Despite considerable investment of resource, key conclusions from the two cited studies appear contradictory. It is difficult to see at this stage how the two positions could be reconciled.
2. It is clear that there has been considerable investment of time and resource to arrive at these conclusions. The cost and scope of future studies should be considered carefully to ensure that further investment represents good value for money for customers.
3. There seems to be an underlying presumption that generic conclusions/assumptions can be applied to individual company deficit situations. The report acknowledges that "There will not be a 'one-size fits all' approach to managing the pension schemes, and various factors will influence this, eg size of deficit, profile of members". Given these very individual pension deficit positions, and following appropriate consumer consultation on the scheme-specific situation and potential alternative solutions, it is difficult to see how companies could apply 'consensus' positions.

4. All that network operators can do in connection with the pensions trust is to adopt an influencing strategy. The trustees make the decisions and have legal and trust responsibilities for which they are personally responsible. The Trustees have to operate and make decisions within the framework imposed on them by The Pensions Regulator. Ofgem should actively engage with The Pensions Regulator to ensure that there is no regulatory conflict before any different approach is considered.

For the avoidance of doubt, we support Ofgem's new emphasis on consumer-led strategies that would help to minimise pension costs funded by consumers. We think that active consideration of, together with innovative approaches towards pension deficit management, with the consumer at its heart, should be encouraged. We would simply like to strike a note of caution about preconceptions in approach to this strategy development.

If you have any questions regarding this, please do not hesitate to contact Colin Ross (on 0843 311 5042) or myself.

Yours sincerely

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

Danny Clarke
Head of Corporate Finance and Investor Relations