

Maxine Frerk
Ofgem
9 Millbank
London
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29 March 2016

Dear Maxine

Open letter consultation on the proposed modification of Part C of “the Network Innovation Competition” licence condition – ‘The Funding Return Mechanism’ in all the licences with the Network Innovation Competition licence condition in force

Thank you for the opportunity to respond to the above consultation. This response should be regarded as a consolidated response on behalf of UK Power Networks’ three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc. For convenience, the three licensees are collectively referred to as “UK Power Networks” throughout. Please note that our response is not confidential and can be published via the Ofgem website.

Having reviewed your proposals we are comfortable with them and have only two questions:

- You have proposed a change to NIC only – is Ofgem planning to amend the LCNF tier 2 mechanism to ensure consistency? We are supportive of an equivalent amendment to the LCNF mechanism.
- On CRC5A.11(c) of the DNO condition we believe that the mechanism by which a licensee can propose to retain some of the revenue should be documented. At the moment this is unclear and its inclusion would provide clarity for all parties, be they licensees or not.

If you have any queries on the above please do not hesitate to contact Paul Measday in the first instance.

Yours sincerely



James Hope
Head of Regulation and Regulatory Finance
UK Power Networks

Copy Paul Measday, Regulatory Returns & Compliance Manager
Tom Mackenzie, RIIO Networks, Ofgem