

## **Statement of compliance with Section 42(C) of the Electricity Act 1989 (as amended by Section 61 of the Utilities Act 2000).**

During the year ended 31 March 2008 ownership of Electricity North West Limited was transferred out of the group of which United Utilities PLC (“UU”) was the ultimate holding company on 19<sup>th</sup> December 2007 (the “Sale Date”).

On the 1st April 2007 United Utilities plc (“UU”) adopted a new operating model to manage its electricity distribution network by separating its asset operations and maintenance from the functions of asset ownership and management. Asset ownership and management remained as United Utilities Electricity PLC (‘the Company’), with a new company, United Utilities Electricity Services Limited (‘UUES’) providing the asset operations and maintenance services. On 31st August 2007, the Company went through re-incorporation from a PLC to a Limited company. The sale of the Company by UU was completed on 19 December 2007 and on 20 December 2007 the Company changed its name to Electricity North West Limited (“ENW”).

From 1 April 2007 until the end of September 2007, the Company Board of Directors comprised six executive directors, all of whom were employees of the Company or of another company in the UU group. One of the executive directors then retired from his executive position but continued to serve on the Board as a non-executive director. His executive role on the Board was then replaced, resulting in six executive directors and one non-executive director. On the Sale Date, the four directors who also held executive capacities within the UU group resigned from the Board and were replaced by four Company executives.

Until the Sale Date, Charles Cornish, Managing Director of United Utilities North West PLC was the chairman of the Board of the Company. Eóin Cooke, the Company’s Managing Director, took the chair from the Sale Date.

A bonus scheme is in operation from the start of each financial year for all employees, including directors. Remuneration has been paid by ENW to the directors as a result of arrangements linking directors’ remuneration to levels of performance in respect of service standards linked to activities subject to price regulation. On the Sale Date, the four directors who also held executive capacities within the UU group resigned from the Board when they were replaced by four Company executives. These UU group directors were paid no remuneration linked to electricity service standards during the financial year 2007-08.

The 2007-08 bonus scheme was based on two scorecards: the interim for the period 1st April 2007 to 31st December 2007; and the final for the period 1st Jan 2008 to 31st March 2008. The two elements of each scorecard applicable to Section 42(c) are measures based on:

- (i) Customer Satisfaction (survey) and
- (ii) Incentive Performance (driven by performance against the regulatory incentives, eg. Customer Minutes Lost and Customer Interruptions).

For (i), the interim period’s scorecard achieved a 75.7% customer satisfaction rating (6 month rolling average) as determined by customer surveys and attracted a bonus linked to electricity service standards of 3.0% of the overall scorecard. The final period’s customer satisfaction rating (6 month rolling average) of 75.0% did not achieve 95% of the 82.0% customer satisfaction target threshold under the final period scorecard rules, and did not therefore trigger a bonus payment relating to electricity service standards.

For (ii), the interim period’s scorecard achieved the year to date target of £3.8m out performance benefit, and attracted a bonus linked to electricity service standards of 2.5% of the overall scorecard. The final period

scorecard showed an actual year- end position of £6.5m which did not achieve 95% of the £7.7m target and did not therefore trigger a bonus payment relating to electricity service standards.

The total payment made to directors of ENW Ltd in respect of service standards in the year ended 31 March 2008 was £4,539.

The bonus for 2008-09 will continue to be based on specifically defined customer and performance measures via a scorecard mechanism.