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PERFORMANCE OF LOCAL ELECTRICITY NETWORKS CONTINUES TO IMPROVE

The overall performance of local electricity networks continues to improve for customers according to a report published today (Thursday) by energy regulator Ofgem.

Ofgem's 2005-2006 Quality of Service for Electricity Distribution Report examines the performance of the 14 companies which run the wires transporting electricity to people's homes. Although the performance of these companies can be significantly affected by severe weather in any one year, Ofgem's report shows that there has been a general improvement resulting from an incentive scheme for performance introduced in 2002.

Since then, the average number of power cuts has fallen by **17 per cent**. Over the same period, the duration of those power cuts has also fallen by **20 per cent**.

The current quality of service incentive scheme for electricity distribution companies is part of the distribution price control for 2005-2010. It works by allowing the companies to claim additional revenue if they beat performance targets set by Ofgem. However, if they miss these targets their revenue is reduced.

- Ends -

Notes to Editors

1. All companies which operate electricity distribution systems are required to report annually to Ofgem on their performance in maintaining system security, availability and quality of service. This information provides a picture of the continuity and quality of service experienced by final customers.
2. A quality of service incentive scheme for electricity distribution network operators (DNOs) was first introduced in April 2002 and was built upon during the distribution price control review for 2005-2010. Currently it financially incentivises the overall quality of service DNOs deliver in terms of the number and duration of power cuts and the interaction with customers that telephone the DNO when they experience a power cut. In addition DNOs have financial incentives via compensation payment arrangements to minimise the number of customers off supply for extended periods following severe weather.
3. Ofgem therefore monitors performance in several ways including:

- the number and duration of interruptions to supply per year – these are defined as the number of customers affected by power cuts per 100 customers per year and the average length of power cuts per customer per year, DNOs are incentivised based on their annual performance against the targets for each of these measures.
- the quality of telephone response – is assessed through a customer survey carried out on a monthly basis. This considers responses by a sample of customers who have recently called their DNO with respect to power cuts or other issues.
- the number of short interruptions to supply per year – the number of customers affected by power cuts lasting less than three minutes per 100 customers per year.

4. Copies of the document “Electricity Distribution Quality of Service report 2005-2006 and 2005-2006 Gas Distribution Quality of Service Report” can be obtained from the Ofgem website on www.ofgem.gov.uk. Hard copies can be ordered from the Ofgem Distribution Centre on 020 7901 7116 or by email from distribution@ofgem.gov.uk.

5. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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