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Date : 8 September 2008

Dear Laura,

Re: Expectations of DNOs and willingness to pay for improvements in service – final report

SSE welcomes the opportunity to respond to Accent's final report on identifying consumers' likely willingness to pay in DPCR5.

We note Accent's findings with interest, in particular its finding that domestic consumers now consider DNOs' efforts in terms of reducing their environmental impact through improved (i.e. more efficient) equipment and less polluting vehicles, to be the area in which they are prepared to pay most for improvements. This is consistent with Ofgem's decision to place greater emphasis on environmental issues in DPCR5.

We believe this steer from domestic consumers (and to a lesser extent from business customers) should give Ofgem the signal it needs to put in place measures to drive further improvements in electrical losses. Whilst other environmental initiatives may provide incremental reductions in the DNOs' carbon footprint, we believe reductions in losses will offer the most significant benefits to both the environment and consumers. In addition to the existing losses incentive, which has driven improvements on the non-technical side, we have been advocating a change in the engineering standards to drive the installation of low-loss equipment. Investment in low loss equipment presents real engineering and physical challenges and these need to be both recognised and properly supported through adequate capex allowances. Importantly, by reducing both technical and non-technical losses, the cost to customers through paying for "lost" electricity is reduced.

We are also interested in Accent's findings regarding consumers' willingness to pay for undergrounding of overhead lines given the parallels with our own stakeholder engagement. Through both our web-based survey and bilateral discussions, our stakeholders have expressed support for a mechanism to facilitate undergrounding to continue into DPCR5. Indeed, several stakeholders have asked whether there is scope to extend the current mechanism to other designated areas. Recognising our stakeholders' views, we would welcome an opportunity to discuss this finding further with Ofgem.

Finally we note that there is still a willingness amongst consumers to fund modest reductions in both the frequency and duration of network interruptions. As part of our DPCR5 programme, we intend to explore what further measures we could take to improve our current performance and we will discuss

this information and the associated costs with our stakeholders through our ongoing engagement programme. As a way of measuring customer satisfaction in response to the service levels received during network interruptions, we believe there is merit in introducing into DPCR5 a measure of customer satisfaction. To this end, we have already discussed with Ofgem the possibility of including, within its existing quality of service incentive, the yardstick of 'Net Promoter Score' to measure customer satisfaction and to drive improvements in the areas that are most valued by customers.

I hope this is useful feedback. Should you wish to discuss any of our response in more detail, please do not hesitate to contact me.

Yours sincerely,

Malcolm J Burns
Regulation Manager