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19 April 2002

Dear John

## **DEVELOPMENT OF MULTIPLE INTERRUPTION AND OTHER STANDARDS FOR ELECTRICITY DISTRIBUTION.**

You have invited responses to the Consultation on the Draft Determination of the Overall Standard and Implementation Arrangements for the Guaranteed Standard, and I am pleased to give our comments below.

With regard to the Overall Standard, we welcome the exclusion of pre-arranged interruptions. We also support the change to exclude short interruptions of up to 3 minutes rather than one hour. However, we are disappointed that Scottish Hydro-Electric Power Distribution's target of 96%, the same as NEDL and WPD, still does not reflect the fact that it has between twice and four times the km of line per customer. This point was made to you in our letter of 7 December 2001.

Turning now to the Guaranteed Standard, we repeat the point, again made in our previous correspondence, that Ofgem accept for the OS that there are inherent differences in networks, but do not apply this principle to the GS. Ofgem have instead relied on an assurance to companies that "efficient" compensation and administration costs will be recoverable through the price control. In practice, this is of little comfort until "efficient" costs have been defined.

The extent of our exposure to the MI GS is therefore still subject to considerable uncertainty, and it is 'open-ended'. In particular, it is not clear what "up to efficient company levels" means in the context of comparing the performance of different companies and the "underlying technical and economic constraints". As a consequence, we regard the level of risk associated with this standard as wholly unacceptable and the 'promise' of future cost recovery as insufficient.

We note that Ofgem intend to carry out further work on this and we believe this is now urgent. We would like to see now a methodology for recovering our compensation and administration costs, subject only to claims having been properly validated. Furthermore, given the potentially unlimited nature of our exposure, particularly in the north of Scotland, we require an indemnity that the costs of making payments to customers will be fully recoverable in the year that they are made (via a K factor adjustment).