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Dear Nienke

### **Accent's Customer Survey Report**

This letter, together with the attached paper, gives EME's comments on Accent's Customer Survey Report, dated September 2003. The letter gives a summary of EME's main concerns with the stage 1 study and with the plans for stage 2, and the attached paper gives detailed comments on stage 1 in line with the structure of Accent's report.

### **The Stage 1 Research**

Amongst other more specific aims, the stage 1 survey had the following stated, general objectives, to explore:

- *"Customers' experience and satisfaction with the quality of supply they receive;*
- *Expectations of average levels of quality of supply, their relative priorities...and their willingness to pay for improvements;*
- *Views on variations in quality of supply in different geographical areas and customers' willingness to pay for improvements..."*

Since the stage 1 survey used quotas to include more customers who had experienced an outage, we believe it is not possible to draw particularly valuable conclusions on consumers' *general* experiences and satisfaction.

Although the use of quotas ensured that views on Guaranteed Standards were captured from customers who have experienced outages, it does not give a representative view of *general* experience. In the reporting year 2002/2003, 52.36% of EME's customers experienced no interruptions (of more than 3 minutes duration) and electricity has been available for 99.98% of the time. Since the majority of customers do not experience outages or Guaranteed

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Standards failures, this survey cannot be said to paint a picture of the typical service experienced by customers.

Consumers' "relative priorities" have also not been established since those surveyed were allowed to rank several aspects of service as equally important and were not asked to make trade-offs. This lack of the consideration of realistic trade-offs also means that "broad expectations of improvements and willingness to pay for such improvements" were not adequately elicited

Furthermore, it is not possible to draw useful conclusions from these results on "consumers' views on variations in quality of service delivered in different geographical areas" since the sample was not chosen to be representative of each geographical area.

All of this makes it difficult to make many helpful comments for most of the areas requested by Ofgem, namely:

- *The form and scope of the output incentive for the next control period;*
- *Additional outputs that should be used to monitor performance between price reviews;*
- *Changes to the standards of performance arrangements.*

Perhaps the firmest finding from the results is that customers generally are satisfied - the majority of consumers have no concerns regarding their electricity supply, and only a minority express concerns even when prompted to do so. Though we also think it is striking that, on supply interruption, customers are more concerned about good information and speedy resumption of service than getting "compensation" payments.

### **The Stage 2 Research**

If the results are to be used to inform the outputs, rewards and penalties of a **general** incentive scheme, there are issues that need to be addressed in developing the stage 2 research.

The danger of giving disproportionate weight to the views of untypical customers is the development of unrealistic and perverse incentives. To avoid this, the sample of the stage 2 study needs to represent much better the views and experiences of "average customers".

Furthermore, if regional differences (i.e. differences in services between different DNOs) are to be explored usefully, the sample size must be large and robust enough to support an analysis by each DNO area.

The survey will also need to give customers choices involving realistic trade-offs.

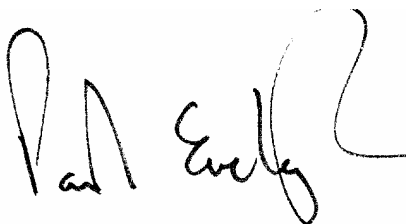
And, in considering willingness to pay and levels of compensation payment, whilst it is probably unreasonable to ask consumers to think in terms of separate distribution and supply charges, any results and conclusions must be put in the context of DUOS charges only.

Finally, members of Ofgem's working group have been given little time, if any, to review material prior to discussion at the meetings. For example the stage 1 questionnaire was given to group members at lunch prior to the afternoon meeting and comments were requested by noon the next day.

EME considers it to be important that the working group members are given adequate time to review material before discussion at the meetings, which will ensure time spent at the meetings is productive. Moreover, details of the stage 2 survey design and questionnaire should be published, perhaps as a formal consultation paper, with adequate time for all interested parties to respond, and adequate time for changes to be made in line with comments received.

EME continues to support Ofgem's working groups, considering them to be a valuable part of the distribution price control review process. We also agree that it is important to consider customers' views when designing incentive schemes and setting targets and standards. However, the views of customers must be representative and applied with regard to their level of understanding, wider government objectives and the societal value of a robust electricity distribution infrastructure.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Paul Eveleigh". The signature is fluid and cursive, with a large initial "P" and "E".

Paul Eveleigh  
Commercial & Regulation Manager

### **Overall Objectives**

EME agrees that it is important to consider customers' views when designing incentive schemes and setting targets and standards. However, the views of customers must be representative and applied with regard to their level of understanding, wider government objectives and the societal value of a robust electricity distribution infrastructure.

### **Willingness to Pay**

In expressing willingness to pay as a percentage of their bill, it is not clear if consumers were aware that the relevant charges are for distribution rather than their entire electricity bill, which is dependent on the supplier used and, of course, much higher than the DUOS element alone.

### **Customer Experiences and Concerns**

Despite the use of quotas to ensure over-representation of consumers who have experienced outages, this section shows that overall the majority of those surveyed are satisfied with the service received from distributors (77% table 2, 89% table 3, 84% table 4). Furthermore, the percentage of consumers who have no concerns is likely to be higher if a nationally representative sample were used.

### **Experience of Cuts**

The use of quotas means giving the percentage of customers experiencing unplanned power cuts is unnecessary, since the quotas ensured a given percentage in the sample. The concern is that this figure could be taken out of context. It is possible to derive the actual number of power cuts and average duration from information provided to Ofgem in the IIP submission. If need be, these could be analysed by region and by rural and urban areas using a specific definition.

### **Reasonable Circumstances for a Power Cut to Happen**

The majority of consumers surveyed appreciate that there are circumstances under which it is inevitable that loss of supply is experienced. This, together with consumers' expectations of restoration time in such circumstances, should be explored further and read across to exemptions for Guaranteed Standards, Overall standards and IIP.

### **Figure 17, What Should Distribution Companies Should Be Doing to Reduce the Impact of Severe Weather**

This finding is not as conclusive as it might at first seem. Two thirds of all respondents feel distribution companies should be doing more to reduce the impact of severe weather, and the percentage of consumers proposing undergrounding is about one half of this two thirds, i.e. just a third of the overall sample.

Moreover, the depth of consumers' understanding is open to question here, because it is not necessarily the case that under-grounding is a suitable response to threats of severe weather, which could, for instance, make restoration times longer.

### **Relative Importance of Aspects of Service and Supply to Consumers**

The consumers were prompted by being read out options by the interviewer and were not asked to make trade-offs; they could say all options were very important. Results would be more useful if consumers had to make a choice and could give options in addition to those provided by the interviewer. Nonetheless, it is interesting to note that even with the possibility of consumers ranking all options as equally important, receiving compensation was clearly lowest in importance.

## **Table 6: Importance of Different Information Requirements During a Power Cut**

All the information required seems reasonable, except for 'how to cope without electricity', which is actually something that should be addressed in general education rather than via a distribution company's emergency loss of supply line.

We believe it is important during network events to keep lines open to meet the needs of customers wanting to know about loss of supply and restoration times rather than for those seeking general advice or wanting to claim for compensation.

### **GS2**

45% of respondents felt that the 18 hour timeframe was about right. Given that the sample is biased towards customers having experienced an outage, it is likely that results from a nationally representative sample would show that more respondents were happy with the 18 hour timeframe. However, the survey then spends some time exploring what would be an acceptable timeframe, when, had a nationally representative sample been used, the result may have simply shown that the timeframe was considered appropriate by the majority of consumers.

Similarly, some effort was put into finding out what was the preferred level of compensation from those 19% of consumers who thought £50 was too little. In actual fact, the conclusion to be drawn here is that the majority of consumers feel that the compensation level is appropriate.

### **GS2A**

The majority of consumers felt that 4 or more interruptions are about right before compensation is paid. Again, the sample is biased towards consumers having experienced an outage, who are therefore more likely to be dissatisfied with some aspects of the service. Of those who felt 4 was too many a mean of 1.98 is given. It would be more representative to give an overall mean, i.e. 4 for 72% of consumers, 1.98 for 23% of consumers and a figure from the 5% of consumers who thought 4 was too few.

## **Attitudes Towards Automatic Payment of Compensation**

It is not unexpected that consumers would like automatic compensation payments. However, the cost benefit of this needs to be assessed alongside the cost benefit of making improvements in service. Furthermore, this view should be placed into context with the overall ranking of consumer preferences where compensation payments were low on the list.

It is interesting to note that consumers were, on average, willing to pay £2.63 per month more to receive automatic compensation payments. As an insurance this is an extremely high premium in comparison to the likely compensation. Even if a consumer could know that they would have an interruption of more than 18 hours and therefore receive a compensation payment of £50, their annual premium to receive this automatically would be £31.56. For EME, with approximately 2.4m consumers, this extra income would amount to £75.7m per annum, which would be better spent investing in the network than investing in systems to make automatic compensation payments.

## **Improvements Desired**

The additional improvements regarding environmental concerns and better communication were actually raised by 27 respondents (2% of original sample) and 23 respondents (1.8% of total sample) respectively.

Therefore these issues are not shown to be significant enough to warrant the introduction of new measures in these areas.

### **Attitudes Towards Laying Cables Underground**

Although 75% of consumers would like more undergrounding, only 40% of those would pay extra for distribution companies to put 5% of overhead line underground. This amounts to only 30% of the original sample who would be willing to pay for undergrounding, and perhaps the specific 5% of overhead line undergrounded would influence their answer.

If all consumers were willing to pay £3.70 per month, then for EME's 2.4m consumers that would amount to an additional annual investment of around £106.6m.

The issues, as have already been highlighted, are of realistic trade-offs, level of understanding and resolving differences of opinion between consumers.

### **Customer Priorities for Improvements**

Making payments under the standards is low on the list of consumers' priorities.

### **Business Customer Experiences / Concerns**

As with domestic consumers, the majority have no concerns about the quality or reliability of electricity supply. Only a very small number had concerns even when prompted. Again, this result despite the fact that quotas were used such that the sample is biased towards those consumers who have experienced a power cut. It would be expected that a nationally representative sample would show a greater percentage had no concerns about their electricity supply.

### **Reasonable Circumstances for a Power Cut to Happen**

As with domestic consumers, the majority of business consumers surveyed appreciate that there are circumstances under which it is inevitable that loss of supply is experienced. This, together with consumers' expectations of restoration time in such circumstances, should be explored further and read across to exemptions for Guaranteed Standards, Overall standards and IIP.

### **Attitudes Towards the Usage of Generators**

It is clear that business consumers would like not to experience power cuts but are not willing to invest e.g. by having their own back up generator or negotiating a more secure supply.

### **Attitudes Towards Having a Dedicated Contact Line For Businesses in the Event of a Power Cut**

It is not clear why business consumers should have a priority service above domestic consumers. Business consumers are in a position to either negotiate a more secure supply or, should they wish to, hire or own a back up generator.

### **Relative Importance of Aspects of Service and Supply to Businesses**

As with domestic consumers, business consumers need to be asked to make realistic trade-offs of such priorities together with the cost of providing any improvement. It is, again, interesting to note that receiving compensation is low on the list of priorities, even though the consumers surveyed could have ranked all options as equally important.

### **Key Information Desired During a Power Cut Ranked By Importance**

It is clear that when consumers experience an outage, the key information they want is when the power will be restored. It is also the distribution companies' aim to give that information as soon as it is known. The distribution network is a complex system and restoration times are not usually at all easy to determine.

### **Attitudes Toward Standards and Targets**

The levels of compensation payments expected by some of the business consumers surveyed are not at all realistic (£5000+). It should be remembered that insurance is available to companies, which will pay them for loss of business under such circumstances. It is their choice.

Payments under the Guaranteed Standards can clearly not compensate for the inconvenience experienced by the loss of supply in all circumstances for all consumers. The payment is essentially an 'apology', not insurance cover.

We cannot stress enough our view that businesses should not be entitled to the same protections as domestic consumers. Unlike domestic consumers, businesses are in a position not only to insure against loss of supply, but also to equip themselves with generation to mitigate the effects of an outage or negotiate suitable connection terms with the distributor. They have choices, and insofar as they choose not to pay for the various types of protection, they are indicating the risks they are prepared to take and how much they value the types of services available.

### **Dedicated Service Agreements**

The fact that roughly half of the respondents did not know the details of their service contract indicates that it is not that great a concern. As the survey results show "Business Customers Experiences / Concerns", the majority of business consumers have no concerns regarding their electricity supply.

### **Business Attitudes Towards Undergrounding**

Although 71% of consumers would like more undergrounding, only 34% of those would pay extra for distribution companies to put 5% of overhead line underground. This amounts to only 24% of the original sample who would be willing to pay for under-grounding.

### **Business Customer Priorities**

Receiving automatic payments under the standards, better communication or contact, speed of response and reducing impact of streetworks were all very low on the list of priorities.

### **Conclusions and Recommendations**

It is noted that awareness of the Guaranteed Standards is very low for both business and domestic consumers. The Distribution companies provide the Notice of Rights to suppliers who should then pass them on to their customers.

We would also point out that any increased publication of the standards will lead to increased claim rates and costs to companies. Measures to increase publication, therefore, increase DNOs' risk exposure. This may be something which needs to be taken into account in the wider price control settlement.