



United Utilities North West
Dawson House
Great Sankey
Warrington WA5 3LW

Telephone 01925 237000
www.unitedutilities.com

Angela Bourke
Quality of Service Manager
Ofgem
9 Millbank
London
SW1P 3GE

Direct line 01925 237096
Direct fax 01925 233376
mike.boxall@uuplc.co.uk

9 December 2005

Dear Angela

Open letter on Electricity Distribution Customer Service Reward Scheme

Thank you for your letter of 26 October providing the opportunity to comment on the proposed Distribution Customer Service Reward Scheme. We have a number of comments and suggestions that we will base on paragraphs 1-4 of the Annex to your letter. These should also cover the questions you have posed in Paragraph 5 of your letter.

The Discretionary Reward Scheme

We are committed to excellence in customer service and welcome any scheme that will reward high performance and help in the sharing of best practice. We therefore support the general intent of your proposed scheme. However, we can see some dangers in the focus on generalities rather than specific events. We are thinking of a DNO's performance during an extreme event such as the severe weather/flooding in Cumbria in January 2005. This was probably one of the most serious events in the life of many of the people affected. A DNO's performance in such extreme circumstances does not fit neatly into your broad scheme or categories, but should be capable of recognition.

Proposed format for the scheme

We are broadly happy with the shape of the scheme proposed for the first year of its operation. We do understand your desire to focus part of the reward on priority care customers. It will be important to keep in mind the incentive effects of your scheme design. A balance needs to be struck between encouraging companies to put additional effort into a small but important element of the overall customer population, as opposed to achieving broader benefits for all customers. This may lead to quite different categorisation of rewards from one year to the next in order to keep the scheme fresh and to encourage new initiatives each year. As we have previously indicated, the views of energywatch and other customer representatives should be given particular weight here. We would also expect to be included in discussions about changes in the scheme.

We welcome your recognition of the importance of corporate social responsibility. As you will be aware, these responsibilities will often start at a Group level. We agree that your scheme

must be based on activities from within the DNO, but it is important to recognise that these will often emanate from Group level policy. This will be a difficult area for you to manage. Given the limited separation of branding between some supply and distribution companies, you will need to be sure that integrated companies do not seek to gain competitive advantage for their supply businesses from initiatives that are reported as distribution-led.

For the avoidance of doubt, it would help to clarify the application rules. We assume that you are anticipating a maximum of one application from each DNO under each of the three categories, and not that one application would cover all three.

Assessing reward recipients

We support the proposed process for assessing reward recipients. This looks familiar to us, based on our successful past experience with Charter Mark awards. Whilst each applicant may well feel their application merits a reward, we think that for the scheme to retain credibility and a sufficient incentive, you should not reward fourteen applications with fourteen rewards!

Discretionary Reward Scheme panel members

As it is proposed that the panel will consist of representatives from various consumer and industry organisations, we do not think that a DNO application needs to be supported by relevant external stakeholder organisations. Apart from the possibility of a conflict of interest between a supporter of the DNO application and a panel member from the same or similar organisation, we think this adds an unnecessary burden on the DNO. It will always be open to the panel to ask for the opinion of a particular stakeholder before they come to a judgement. With reference to a DNO, the views of energywatch on a particular application are bound to be of importance. We trust that DNOs will be advised of the identity of the panel members and a little more clarity in how the panel will measure customer service benefits, as this can be somewhat subjective.

I hope our comments are of assistance. Please contact me if you require any further help.

Yours sincerely

Mike Boxall
Electricity Regulation Director