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Dear Laura

Consumer First Research for DPCR5 – Qualitative Findings

I write in response to Martin Crouch's letter of 14th December 2007 on behalf of Electricity North West Limited, we have concentrated our comments on the attributes to be tested as part of the Accent Research.

Successive surveys have shown that the general mass of urban customers enjoy high levels of service and are not particularly interested in improving it; as for most it never goes off therefore they are unwilling to subsidise rural customers.

The Accent Customer research on 'Expectation of DNO's and willingness to pay for improvements in service' ("the qualitative report") identifies that customer's perception is that the service has improved in recent years, indicating that the IIS scheme has been a success. Customer awareness of the differences between supply and distribution companies is limited (this may be due to the fact that, with good service, they have very little need to pay attention to who a distributor is) and, therefore, their willingness to pay is heavily influenced by the size of their total electricity bill rather than the distribution element. Considerable care must, therefore, be taken in interpreting all results as recognition of value for money by customers in relation to distribution improvements may be skewed by such misconceptions. Customers' expectations will never be satisfied and, therefore, an 18 hour GS payment seems appropriate when a 24 hour regime is in place, but 12 hours becomes the expectation once the 18 hour standard is adopted as the norm. However, we should be looking to provide better information about outages, etc and also making the points that for issues like floods or storms, there are things that the industry can do to reduce the impact, which will be a modest cost overall.

After review of the recent findings of the qualitative report we agree that it would be beneficial during the second phase of research to test all seven attributes with the exception of number 4 – Business Compensation, in line with the comments detailed above and below:

1. Power cuts – Frequency. Improve/Reduce &

2. Power cuts – duration. Improve/Reduce

Given recent developments in relation to security of supply, it would be very helpful to understand customer expectations in extreme circumstances – such as high impact low probability events. Key points to consider would be; what are customers expectations for in – built redundancy and contingency planning to avoid frequent/long periods of loss of supply (period of days?); would they pay an additional amount per annum to secure a network that will survive more of the expected impacts of climate change?; or pay less and just maintain a network at current standards but in good condition. Responses need to be separated out from those associated with short periods of loss of supply to ensure understanding of the trends. A key question could be: Is it more acceptable to the customer if better information about outages etc is provided.

3. GS2 Supply restoration: normal conditions (18 hour standard)

Restoration time 6 hours or 12 hours/Compensation Level/timing of the cut

In considering valuations for GS would it be relevant to ask the customer to consider how a payment for GS compensation should be sized, relative to the % paid for distribution annually. Avoid asking the customer which time span is acceptable to them as it is already recognised within the industry that customers will opt for the for the lowest time span unless the question is positioned appropriately. It may be more useful to try to determine the value of a % improvement with compensation levels determined by relating the time span off supply against distribution cost paid over the year.

When considering the timing of the power outages through a 24 hour period it would be helpful to test whether the timing is important as this information can then be used when planning outages.

4. Business Compensation

Business customers will always want the levels of compensation to be higher to act as a reimbursement scheme for the value of lost business. Whilst education is ongoing with this sector of the customer base to ensure that they do not and cannot take a continuous supply for granted, recognising that DNO's have legal protection in this area, we suggest this is removed from the survey so as not to set an expectation with Business Customers that this may change as a result of their feedback.

5. Undergrounding

Given the success of the initial tests of undergrounding in DPCR4 we would support an increase in the level to around 2% and would be interested in understanding whether customers would support expenditure at this sort of level.

6. GS2 Supply Restoration: multiple interruptions

It may be worth testing the willingness to pay for improvements amongst customers who have experienced multiple interruptions. However, recognition must be given to the design standards that P2/5 and P2/6 that are based upon 4 interruptions in one year and, therefore, that the cost to change this standard could be considerable.

7. Proactive Communications

This would be a useful attribute to test to support improvement to the level of customer communication by documenting customers' expectations on the regularity of communication, level of detail, and the requirements for different vehicles for specific communications.

With regard to testing further attributes we have the following comments on your suggestions:

Cross subsidy (urban only) – if the context can be given between differences in service experience between urban and rural customers it would be interesting to test customer views on issues to create understanding for further funding/investment .

Flooding – It would be good to consider this issue given other ongoing work in the industry with Ofgem and BERR.

Automatic vs, claimed compensation - This needs to be tested with caution as customer valuations have historically come nowhere near the actual implementation costs. We should consider when questioning customers, explaining how we assess who is eligible for compensation.

GS11 Supply Restoration & GS4 Notice of Planned Interruptions - incorporate into research on point 2 above.

GS8 Making and Keeping Appointments – A good attribute to test the customer understanding of the appointments system identifying the potential need for further investment in this area.

Voltage – do not test, refer to comments against point 4 above.

Green Issues - Interesting to understand the customer value to DNO commitments to green issues to level understand the levels of future investment.

It is suggested that the testing of Cross subsidy, flooding, GS4, GS8 and Green issues would be beneficial.

We have found the process of using separate qualitative and quantitative investigations very interesting and the process of considering what issues to test in the second phase has prompted a number of questions that we may seek may seek more information on directly from our customers in the North West. I look forward to receiving the next level of research results.

I hope our comments are of assistance

Yours sincerely,

Paul Bircham
Regulation Director
Electricity North West Limited