



Promoting choice and value
for all gas and electricity customers

DPCR5 Workshop Customers

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Customers – who are they?

- Domestic customers – both urban and rural
- Industrial and commercial customers – large and small
- Generators
- IDNOs, and
- Communities which depend on the network for local development and achieving policy objectives, for example around small scale renewable generators.

Customers – What do they want?

- Reporting mechanisms within DPCR4 and results of qualitative phase suggested that:
 - customers were showing more resistance to paying for quality of service improvements than in the past
 - customers place a high priority on receiving good communication during power cuts
 - environmental issues, such as energy conservation are important to consumers, and
 - customers still do not receive the quality of service they require or expect when seeking a connection to the network

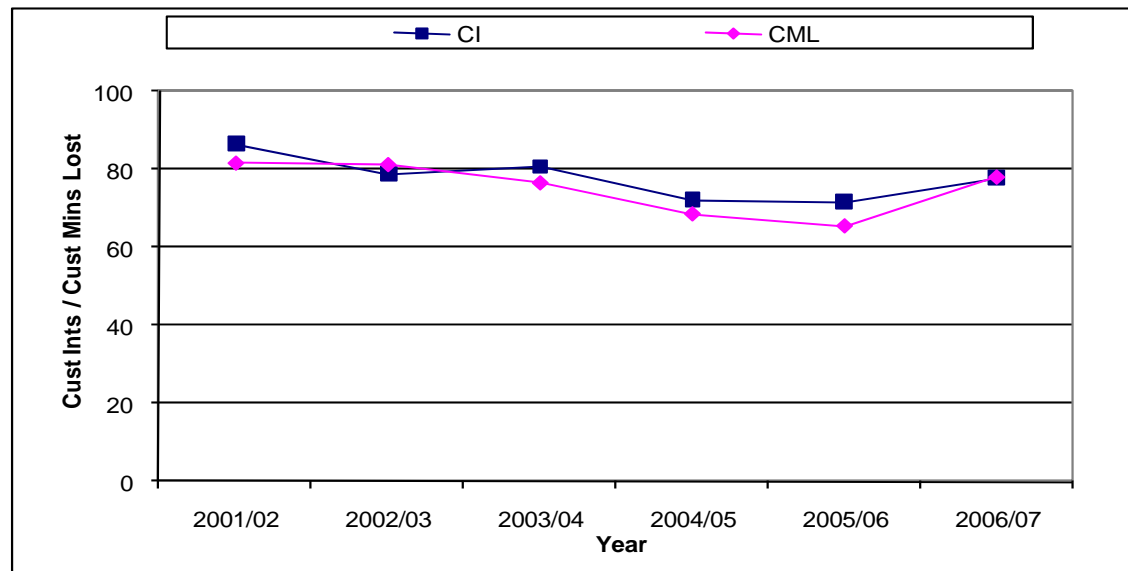
Customer research: initial quantitative findings

- Results of quantitative phase available in June
- Initial indications show there is some willingness to pay for:
 - environmental and undergrounding initiatives
 - improvements in the number and duration of interruptions
- There is resistance to deteriorations in service
 - i.e. a significant reduction in bills would be required to compensate for deteriorations in service

Interruptions incentive scheme

- Performance since scheme began has improved
- Scheme in DPCR4 more robust than previous target setting mechanisms – benefits of the disaggregation and benchmarking process
- Currently symmetric penalties and rewards – 3% of revenue exposed

Underlying customer interruptions (CI) and customer minutes lost (CML) performance



Telephony

- Backstop scheme
- Key areas for DPCR5
 - ability to survey customers dealt with via messaging
 - placing some financial weight on hard data such as the percentage of calls abandoned
 - making greater use of the opportunities presented by the 12,000 plus customer contacts per year from the Ofgem surveys

Worst served customers

- Development of new policy area
- Initial work to try and define worst served customers
- Customer engagement with worst served customers – views on what matters the most:
 - interruptions
 - duration
 - short interruptions
 - voltage
 - compensation

Consumer redress

- Recent changes in this area require focus from DNOs:
 - network operators required to become a member of an approved redress scheme
 - new complaint handling standards on network companies
 - energywatch's functions transferred to NCC
- Embedding of new arrangements during DPCR5 process
- Strong focus on the need for DNOs to engage effectively with their customers

Guaranteed standards of performance

- Apparent desire of customers to tighten the 18 hour standard
 - are they willing to pay?
 - what behaviour from companies will this drive?
- Possible complaint handling standard as per gas?
- Multiple interruptions standard
 - Practicalities of a total duration standard
- Apparent desire of business customers for higher compensation
 - willingness to pay
 - embedded in the same network as domestic customers
 - choice as to type of connection

Exceptional events

- One-off exceptional events
 - potential exposure to large IIS penalties – capped at 3% of revenue
 - unlimited GS exposure
 - currently anything non third party/act of God is deemed to be within the DNO's responsibility, therefore not up for exclusion
 - interaction with overall level of risk – cost of capital
- Severe weather exceptional events
 - are the thresholds set at an appropriate level?
 - should there be a materiality test for events – all events?
 - should incentives be placed on ee performance?

Connections in DPCR5

Background

- Concluded review of competition in connections resulting in:
 - SLC4F to support competition
 - good practice principles to improve service
 - continued monitoring of performance
- Concerns about delays and poor customer service remain

DPCR5 development

- Consulting on further changes to improve connections services and support competition, such as:
 - further licence conditions (quotations, completion of works)
 - financial incentives on performance
 - other measures?
 - separation of contestable/non-contestable into separate ring-fenced businesses