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2007/08 Electricity Distribution Quality of Service Report

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Target Audience: This document may be of particular interest to electricity network operators, consumer groups, individual consumers and any other interested parties.

Overview:

This report sets out the quality of service performance in the period 1 April 2007 to 31 March 2008 for the 14 electricity distribution network operators (DNOs).

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Context

This document brings together quality of service indicators that Ofgem uses as part of its work in regulating network monopolies in order to encourage improvements in quality of service.

Associated Documents

- 2006/07 Quality of Service Report (Reference 268/07)
- 2005/06 Quality of Service Report (Reference 204/06)
- 2004/05 Quality of Service Report (Reference 258/05)
- 2003/04 Quality of Service Report (Reference 260/04)
- 2002/03 Quality of Service Report (Reference 149/04)
- 2001/02 Quality of Service Report (Reference 51/03)
- Quality of Service Regulatory Instructions and Guidance version 5 (Reference 94/05)
- Guaranteed Standards: Ofgem Guidance and Proposals on Best Practice - Electricity Distribution
- Electricity Distribution Price Control Review, Policy Paper (Reference 159/08)

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Summary

Ofgem considers quality of service to be one of its key priorities for network regulation. Ofgem's work on quality of service is aimed at ensuring that all DNOs deliver an appropriate level of service to customers. This report sets out the quality of service performance in the period 1 April 2007 to 31 March 2008 for the 14 electricity distribution network operators (DNOs). 2007/08 was the sixth year that the DNOs faced financial incentives on their quality of service performance and it was the 3rd year of the fourth distribution price control period (DPCR4).

There are a number of metrics against which DNOs' quality of service performance is currently assessed. These metrics form the basis of financial incentives to encourage DNOs to deliver an appropriate level of service to customers. DNOs can be rewarded or penalised for their performance in a number of areas. These are:

Performance against interruptions targets – We have set targets for each DNO for the number of unplanned power cuts per 100 customers (CIs) and the number of customer minutes lost per customer (CMLs) on their networks. Performance against these targets is linked to financial rewards and penalties.

Quality and speed of telephone response performance – Each DNO is assessed on customer satisfaction with the quality of its telephone response through a monthly customer survey. DNOs may be rewarded or penalised depending on their overall score for the year.

Customer service reward scheme – This is a discretionary reward of £1 million per year designed to reward the performance of those DNOs that best serve the interests of their customers across the chosen categories throughout the year.

DNOs are subject to a number of guaranteed standards of performance that set out service levels that should be met. The standards cover a range of activities including supply restoration, connections and voltage quality. DNOs' performance against these standards can be a useful quality of service indicator. If the DNO fails to meet the level of service required, it must make a payment to the customer subject to certain exemptions.

The key performance messages from this report are:

- 2007/08 saw fewer exceptional events than the previous year and since the introduction of the incentive scheme in April 2002, the underlying average number of customer interruptions per 100 customers has fallen by 15 per cent and the number of customer minutes lost has reduced by 9 per cent. The scheme appears to be having some success in reducing interruptions;

- Two DNOs will receive a reward for their performance against the telephony incentive for 2007/08 and two companies will be penalised. There is clearly scope for DNOs to share lessons learned in providing call centre services;

- WPD and SSE performed particularly strongly against their interruptions targets and the telephony incentive scheme during 2007/08. However, in EDFE's Southern business (SPN) and its London business (LPN) the number and duration of interruptions were significantly above target and performance in the telephony scheme was relatively poor. This may partly be explained by the fact that companies currently have different incentive rates that impact on their management decisions under the interruptions incentive scheme and they therefore face different economic trade-offs in investing in the network and responding to faults;

- The 14 DNOs have earned a combined net total of £64 million reward for performance against the interruptions targets over the last three years. The maximum reward was £13 million for WPD South Wales and the maximum penalty was £8.4 million for CE YEDL. Rewards and penalties have accounted for between -67 and 150 basis points on the return on regulatory equity for DNOs.

- Three companies will receive a reward for customer service improvements as part of the customer service reward scheme for 2007/08. Many companies have been commended by the panel for initiatives identified as best practice. We very much hope that many of the initiatives that have been rewarded will be adopted as best practice in the industry.

As part of the ongoing review for the fifth distribution price control period (DCPR5) we undertook an extensive package of consumer research to get a clear understanding of what customers want from their DNOs. A key finding from the research was that customers indicated a low willingness to accept deterioration in service for the frequency and deterioration of power cuts. The research suggests that they are broadly satisfied with current service levels and they would expect a significant reduction in bills for longer or more frequent power cuts.

We issued a consultation paper in March 2008 and a policy paper earlier this month setting out potential changes to the quality of service arrangements from 2010 until 2015. As part of this review we will look to check that the potential for rewards and penalties associated with customer service are appropriately calibrated in relation to other incentive schemes and that there is a clear link between each company's performance and its earnings under the scheme. Key changes we are considering include:

- Introducing incentives around a broader measure of customer satisfaction with their network company;
- Improved incentives on customer interruptions;
- Measures to ensure better service for customers seeking a new connection;
- Measures to ensure better service for worst served customers;
- Refinements to the guaranteed standards;
- Streamlining and amending the telephony scheme; and
- Refocusing the customer service reward scheme.

Next year's data will be the last set we collect before concluding the price control arrangements for 2010 to 2015. We will publish our findings early in 2010.

1. Introduction

1.1. All licensees who operate electricity transmission or distribution systems are required to report annually on their performance in maintaining system security, availability and quality of service. This information provides a picture of the continuity and quality of service experienced by final customers.

1.2. Ofgem has made a commitment to publish an annual report on the overall performance of the 14 Distribution Network Operators (DNOs) and this report is the seventh of its kind. The aim of this report is to pull together the key information on the DNOs' quality of service in a format that is easy to understand. Transmission system information is published by the three companies responsible for transmission networks in the UK, National Grid Electricity (http://www.nationalgrid.com/uk/Electricity/), SP Transmission (http://www.scottishpower.com/) and Scottish and Southern (http://www.scottish-southern.co.uk/SSEInternet/).

1.3. The document contains the following chapters:

- Chapter 2 Background on the Electricity Distribution Network Operators
- Chapter 3 Key Quality of Service Measures
- Chapter 4 Quality of Service Performance in GB
- Chapter 5 2007/08 Quality and Speed of Telephone Response Performance
- Chapter 6 Customer Service Reward Scheme
- Chapter 7 Ongoing Work

1.4. Summary tables and additional information on DNOs performance in 2005/06 & 2006/07 are available in excel format on the Ofgem Quality of Service website (2005/06 QOS data & 2006/07 QOS data).

1.5. Data for 2007/08 was audited in respect of reporting accuracy in the summer of 2008, although no data required adjusting as all DNOs met the required accuracy thresholds, either via the initial smaller sample or through an audit of the full sample. This was the seventh year of such audits as well as audits for exceptional events. Ofgem intends to make the complex information relating to the distribution network operators as meaningful and user friendly as possible and welcomes any comments or suggestions for the format of future reports.

1.6. Ofgem intends to publish the 2008/09 Quality of Service Report before the end of 2009.

2. Background on the 14 Electricity Distribution Network Operators

2.1. At privatisation, the Public Electricity Suppliers (PESs) were responsible for both the distribution and supply of electricity, taking the place of the former regional electricity boards. However, with the introduction of competition in supply, it was important to ensure that all supply businesses, both new and old, had fair access to the distribution networks.

2.2. The Utilities Act 2000 introduced separate licences for distribution and supply, and required that these be held by separate legal entities.

Distribution

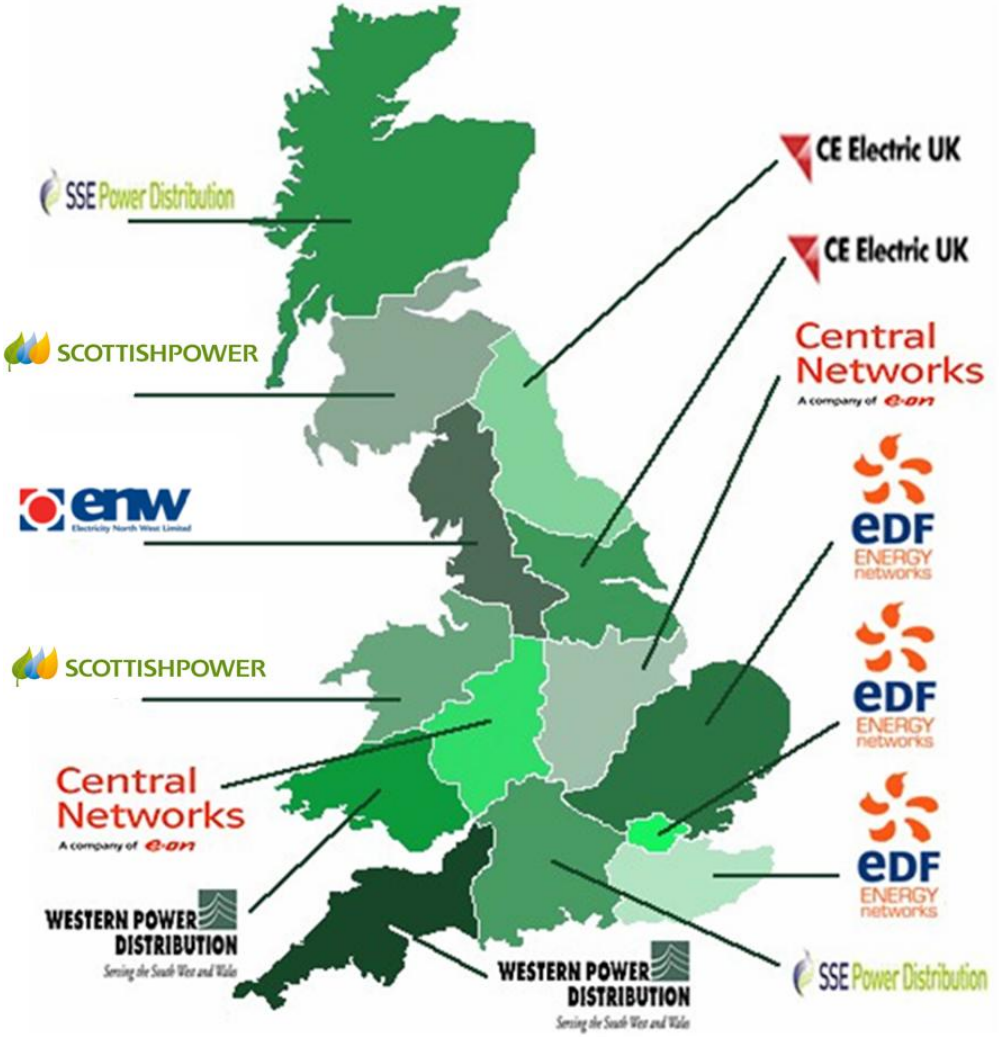
2.3. Distribution Network Operators are responsible for local distribution of electricity along overhead wires and through underground cables. This includes responsibility for ensuring that customers have a reliable electricity supply and restoring customers promptly in the event of an interruption to their electricity supply. We have schemes in place to compensate customers where particular standards of supply are not met. The DNOs also face rewards and penalties depending on how well they perform and these arrangements are discussed in Chapter 3. Following privatisation and a number of corporate acquisitions, during 2007/08 the 14 distribution licenses are owned by seven separate companies (see Map on page 4). In addition to the 14 distribution network operators, there are also five licensed Independent Distribution Network Operators (IDNOs).[1]

How much does distribution cost the customer?

2.4. Electricity distribution charges account for around £3.6 billion annually and make up around 14 per cent of customers' electricity bills. For a typical domestic electricity customer, based on consumption of 3300 kWh of electricity a year, the distribution element of their bill would be approximately £63.

1These are; Independent Power Networks Ltd, Energetics Electricity Ltd, ESP Networks Ltd, ECG Distribution Ltd & The Electricity Network Company Ltd.

Location of the 14 Distribution Network Operators in GB



Name in the report	Name on Map
CN West	Central Networks
CN East	Central Networks
ENW	Electricity North West plc
CE NEDL	CE Electric UK
CE YEDL	CE Electric UK
WPD S Wales	Western Power Distribution
WPD S West	Western Power Distribution
EDFE LPN	EDF Energy Networks
EDFE SPN	EDF Energy Networks
EDFE EPN	EDF Energy Networks
SP Distribution	Scottish Power Energy Networks
SP Manweb	Scottish Power Energy Networks
SSE Hydro	SSE Power Distribution
SSE Southern	SSE Power Distribution

3. Key Quality of Service Measures

3.1. There are two main sets of quality of service measures for the DNOs.

- Overall measures of the quality of service the DNOs provide; and
- Guaranteed Standards of Performance (annual performance statistics). This information will now be published by Consumer Focus, in accordance with its duties under section 42AA of the Electricity Act 1989 (as amended)[2]. Consumer Focus is the new statutory organisation campaigning for a fair deal for consumers in England, Wales and Scotland[3]

Overall Measures of Quality of Service

3.2. The revised quality of service incentive scheme which was introduced in April 2005 relates to the following areas:

- **the number and duration of interruptions to supply per yea**r – these are defined as the number of customers affected by power cuts per 100 customers per year and the average minutes without power per customer per year, only including power cuts that last three minutes or longer. Where several outages occur affecting the same customer as part of the same fault, this will only count as one power cut[4]. DNOs are rewarded or penalised according to their annual performance against the targets for each of these measures; and

- **the quality of telephone response** – this is assessed through a customer survey carried out on a monthly basis by Accent Marketing and Research. Accent survey a sample of customers who have recently called their DNO with respect to power cuts or a dangerous situation, asking for customers' views in five key areas as set out in the telephony section on page 11.

3.3. In addition, DNOs are required to report the following information:

- the number of short interruptions to supply per year – the number of customers affected by power cuts lasting less than three minutes per 100 customers per year;

- disaggregated information on interruptions by source, voltage and HV circuit; and

[2] The Consumers, Estate Agents and Redress Act 2007, section 30(3)(a) transfers the functions of energywatch to Consumer Focus.
3 http://www.consumerfocus.org.uk/
4 Unless the second or subsequent power cuts occurred more than 3 hours after all customers in the first power cut were restored, or after 18 hours in the case of temporary restoration.

- disaggregation by frequency and duration bands

3.4. A summary of the standards of performance and Best Practice guidance document on the guaranteed standards of performance is available on our website (see Associated Documents).

4. Quality of Service Performance in GB

This chapter presents performance trends in GB customer interruption and customer minutes lost over the past seven years. We set out the performance in 2007/08 of the 14 distribution companies against their 2007/08 incentive scheme targets, disaggregated performance against benchmarks and short interruptions in 2007/08.

Trends in GB Performance 2001/02 to 2007/08: total and excluding major storms

Figure 4.1 Average Customer Interruptions (CIs) per 100 customers

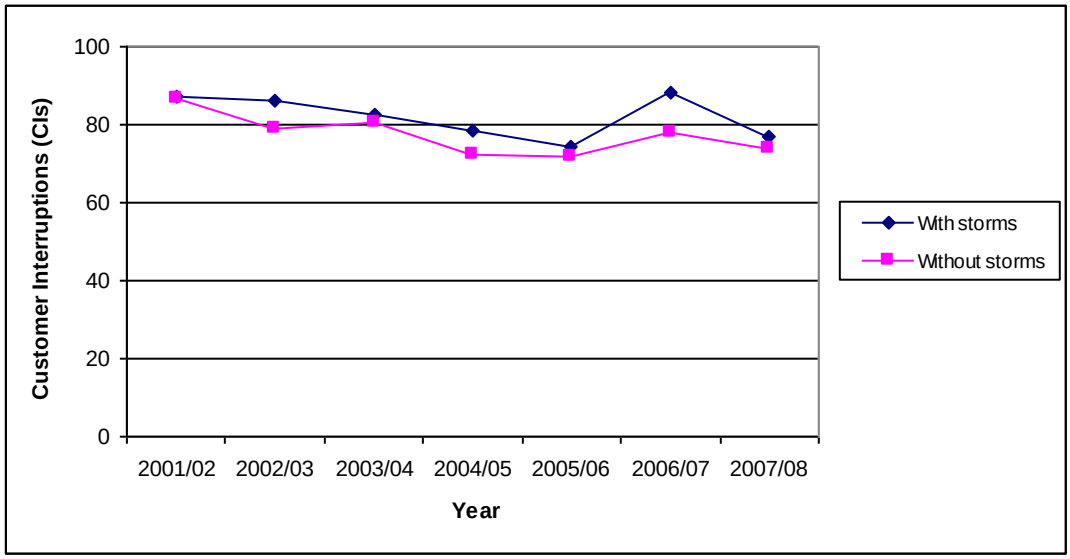
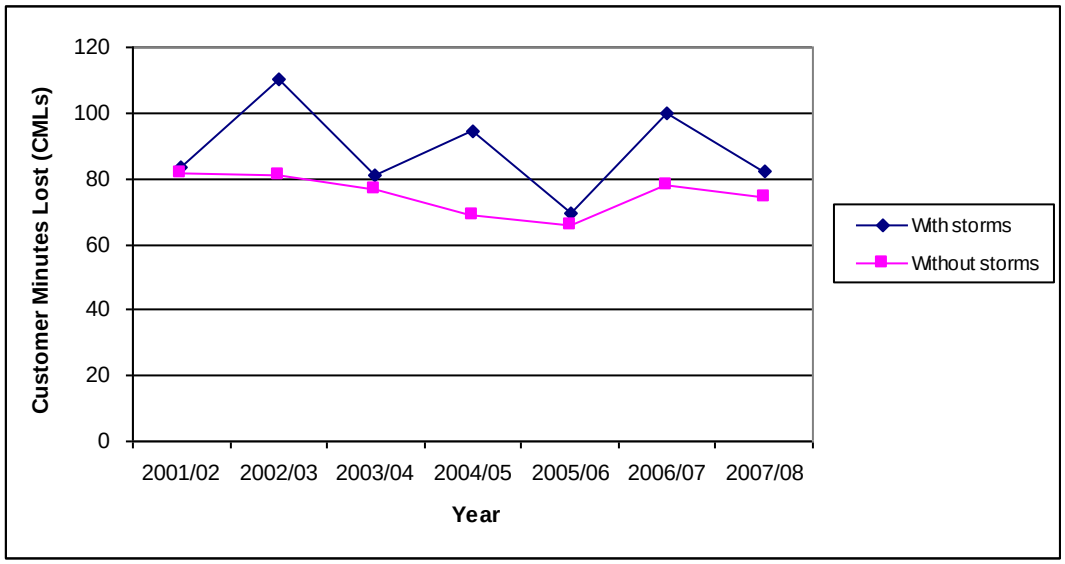


Figure 4.2 Average Customer Minutes Lost (CMLs) per customer



4.1. Figures 4.1 and 4.2 show the average performance for Britain's distribution networks from 2001 onwards. As part of the Information and Incentive Project, more robust definitions and consistent reporting of interruptions data was introduced from April 2001. Historically data had been significantly under-reported. The underlying average number of customer interruptions per 100 customers has fallen by 15 per cent and the number of customer minutes lost has reduced by 9 per cent. In a number of years, storms have impacted significantly on performance such as the October 2002 storms in 2002/03, the January 2005 storms in 2004/05, the storms in December 2006 and January 2007 in 2006/07. Underlying performance in 2007/08 was better than that experienced in 2006/07.

2007/08 Performance against Targets

4.2. Figures 4.3 and 4.4 show DNOs' 2007/08 performance relative to their targets for the year. Targets are set taking into account DNOs' historical performance and other network factors and they vary for each DNO. DNOs that have beat their targets are below the line and those that failed are above. In 2007/08 ten of the 14 DNOs beat their CI targets and will receive a reward under the incentive scheme and the remaining four will be penalised. In the same period only 6 DNOs beat their CML targets and will receive a reward. The remaining majority of DNOs will be penalised for CML performance. Individual company rewards and penalties for the last three years are shown in table 4.1 and appendix 1 sets out figures for this year.

Figure 4.3 Customer Interruptions – 2007/08 Performance Relative to 2007/08 Targets

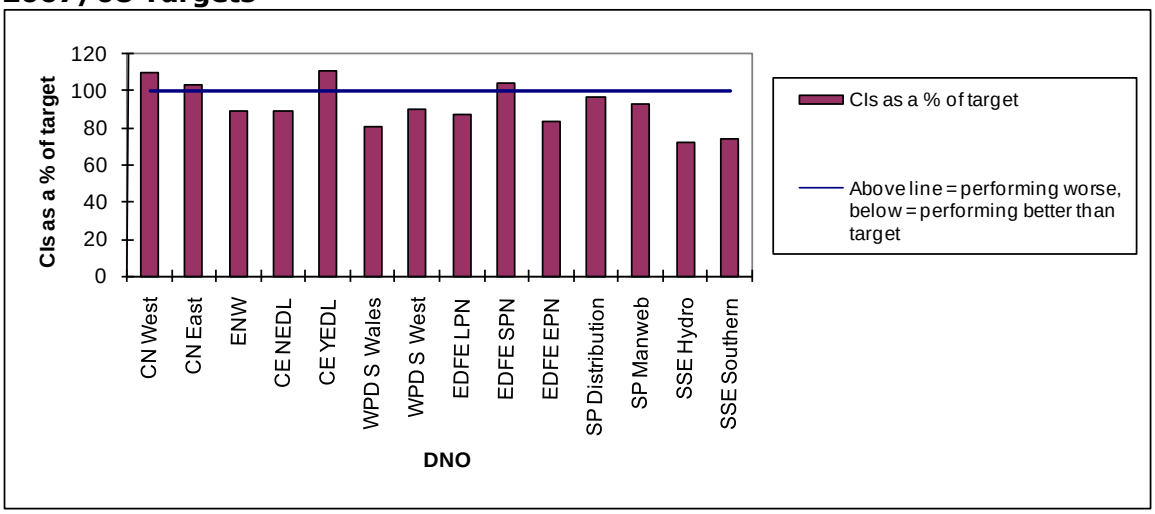
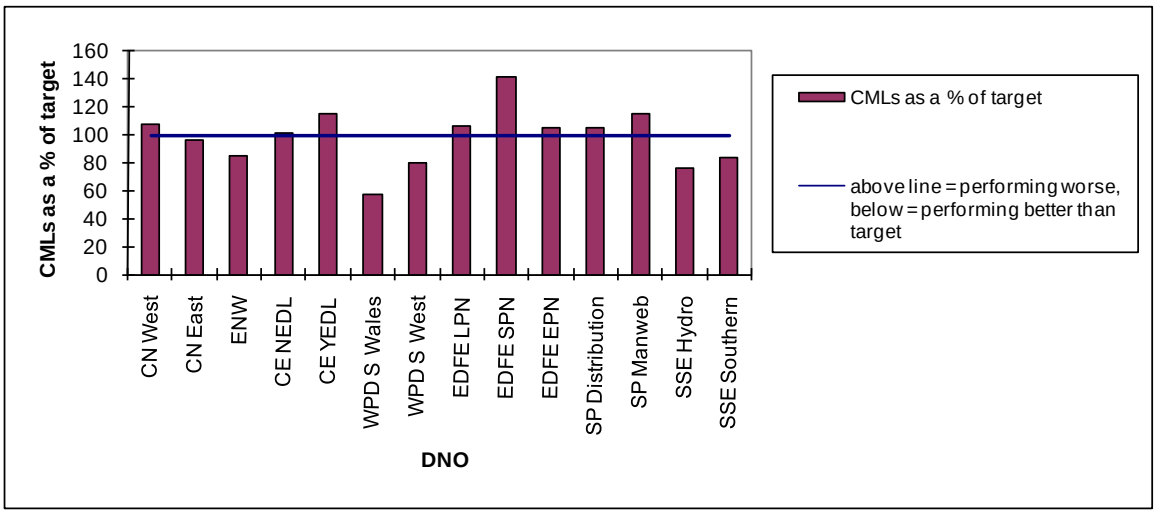


Figure 4.4 Customer Minutes Lost – 2007/08 Performance Relative to 2007/08 Targets



4.3. In measuring DNOs' performance against the targets, Ofgem recognises that the number of interruptions arising on other networks (e.g. transmission networks), are outside the DNO's control. They are therefore excluded. However, a DNO can take appropriate actions to mitigate the duration of these interruptions. 10 per cent of the duration of interruptions on other networks is therefore included in assessing performance against targets.

4.4. On the evidence of customer research carried out as part of the fourth price control review, the weighting attached to planned/pre-arranged interruptions and minutes lost was reduced from 100 per cent to 50 per cent as customers were less inconvenienced when they had forewarning of an interruption.

4.5. DNOs may also claim an adjustment for events which they believe were exceptional and had a significant impact on their performance. Ofgem will only make such an adjustment if the event is found to be exceptional.

4.6. For severe weather exceptional events, Ofgem will exclude the full impact of the event on customer interruptions and customer minutes lost. For one-off exceptional events, only those customer interruptions and/or those customer minutes lost exceeding the relevant CI and CML thresholds are eligible for exclusion. The size of the adjustment(s) also depends on whether the DNO took all reasonable steps to prevent the incident occurring and took all reasonable steps to restore customers in an efficient and effective manner.

Table 4.1 – DNO interruptions performance to date (2005/06-2007/08) and financial impact

2005-2008 Quality of Service Penalties and Rewards for Interruptions and Minutes Lost								
	CUSTOMER INTERUPTIONS (CI)			CUSTOMER MINUTES LOST (CML)			CI & CML Combined	
	Average Target	Average Performance	Total 3 year penalties and rewards	Average Target	Average Performance	Total 3 year penalties and rewards	Total 3 year penalties and rewards	Total reward/ penalty as % of Return on Regulatory Equity
CN West	107.8	114.7	-£ 2,626,265	98.5	98.6	-£ 254,357	-£ 2,880,622	-0.19%
CN East	77.5	78.1	-£ 259,045	76.7	71.3	£ 3,409,225	£ 3,150,180	0.21%
ENW	57.1	51.6	£ 3,409,056	58.1	51.1	£ 5,405,826	£ 8,814,882	0.60%
CE NEDL	74.5	68.7	£ 1,986,536	70.4	71.0	-£ 290,566	£ 1,695,970	0.18%
CE YEDL	68.6	75.9	-£ 3,490,716	66.8	74.7	-£ 4,894,929	-£ 8,385,645	-0.67%
WPD S Wales	98.2	80.8	£ 4,202,402	72.2	43.9	£ 8,797,683	£ 13,000,085	1.50%
WPD S West	84.5	76.3	£ 2,831,340	62.2	47.9	£ 8,361,207	£ 11,192,547	1.03%
EDFE LPN	36.2	33.5	£ 2,782,127	40.1	40.0	£ 125,097	£ 2,907,224	0.20%
EDFE SPN	88.5	84.6	£ 1,210,018	77.0	87.9	-£ 3,954,938	-£ 2,744,920	-0.25%
EDFE EPN	88.8	72.2	£ 8,530,265	72.2	66.4	£ 4,490,221	£ 13,020,486	0.69%
SP Distribution	60.8	60.4	£ 371,442	61.2	68.3	-£ 6,801,926	-£ 6,430,484	-0.36%
SP Manweb	46.7	44.0	£ 1,699,212	49.9	58.3	-£ 6,048,560	-£ 4,349,348	-0.36%
SSE Hydro	95.8	75.2	£ 5,540,468	94.9	71.0	£ 8,549,686	£ 14,090,154	1.30%
SSE Southern	90.1	73.1	£ 10,653,578	80.5	68.6	£ 10,203,360	£ 20,856,938	0.99%
			£ 36,840,419			**£ 27,097,029**	**£ 63,937,448**	0.33%

Note: Return on Regulatory Equity figures shown in Table 4.1 are based on actual in year rewards and penalties and do not include a two year lag.

4.7. DNOs' performance against their interruptions targets is linked to rewards and penalties under the interruptions incentive scheme. Table 4.1 sets out the rewards and penalties that DNOs have earned over the last three years. We are keen to understand how incentives affect DNOs' financial performance on a consistent basis. Table 4.1 therefore shows rewards and penalties earned over the last three years as a percentage of each company's Return on Regulatory Equity[5]. The financial impact varies between DNOs ranging from -67 basis points (CE YEDL) to 150 basis points (WPD South Wales) on the return on regulatory equity.

2007/08 Performance against Average HV Benchmarks

4.8. Although the number of unplanned power cuts per 100 customers (CIs) and the number of customer minutes lost per customer (CMLs) take account of different customer numbers in each DNO, performance still varies significantly. The difference in performance can be as a result of a number of different factors such as;

- Inherited Differences - differences in the business inherited at privatisation such as network design and configuration;

[5] Return on Regulatory Equity (RORE) is the rate of return to the portion of the RAV assumed to be financed by equity under DPCR4 final proposals. The detailed calculation of the rate is described in Appendix 11 of Electricity Distribution Price Control Review, Policy Paper, supplementary appendices (Reference 159a/08)

- Inherent Differences - differences in the area in which the DNO operates which may include topographic factors such as length of network, customers' location and customer density etc;
- Exceptional Events - events outside the control of the DNO which can affect performance such as severe weather;
- Incurred Differences - differences that are a direct result of management decisions including the strategy taken for operating and maintaining the network.

4.9. In order to take these factors into account when comparing quality of supply, Ofgem jointly with the Quality of Service Working Group, has developed a method for calculating benchmarks for CIs and CMLs taking into account inherited and inherent differences in the DNOs' networks (and excluding exceptional events). In essence this method involves grouping physically similar parts of networks together and then comparing performance at this more disaggregated level. Overall benchmarks are then calculated for each company based on the number of circuits it has in each group.

4.10. Each DNO's performance is compared to their benchmark (actual performance divided by benchmark, expressed as a percentage). As the benchmarks are calculated based on similar groups of circuits and take into account DNOs' own customer numbers per circuit and average circuit length, this method provides a more robust basis for comparing quality of supply performance. It forms one of the key inputs to our target setting for DPCR5.

4.11. Care should be taken in interpreting the results as there are a range of factors that may explain the remaining performance gaps. The 2004/05 Quality of Service report contains a more detailed explanation of the process.

4.12. Restoration of supplies in remote areas and those with low population density can sometimes be delayed by difficult terrain and longer distances between DNO depots and customers and similarly in urban areas, the time taken to reach a fault may be affected by traffic congestion. DNOs are typically tackling these issues by investing in protection, network automation, remote-control, reorganisation of fault teams to locate them closer to the areas they serve and more recently, satellite navigation and in some cases mobile tracking for restoration crews.

Figure 4.5 HV unplanned Customer Interruptions - 2007/08 Performance Relative to 2007/08 Benchmarks

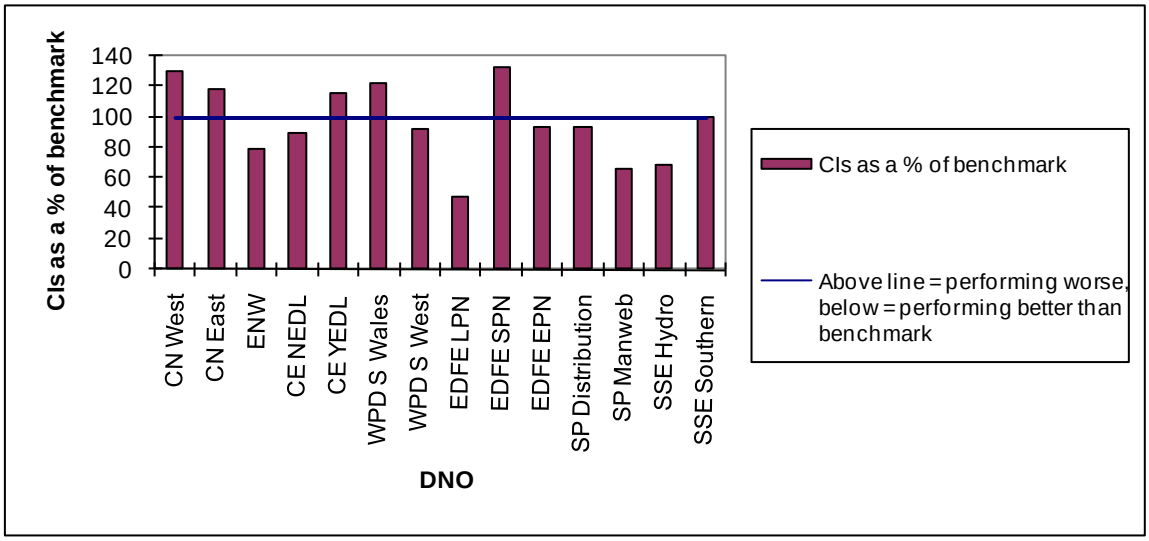
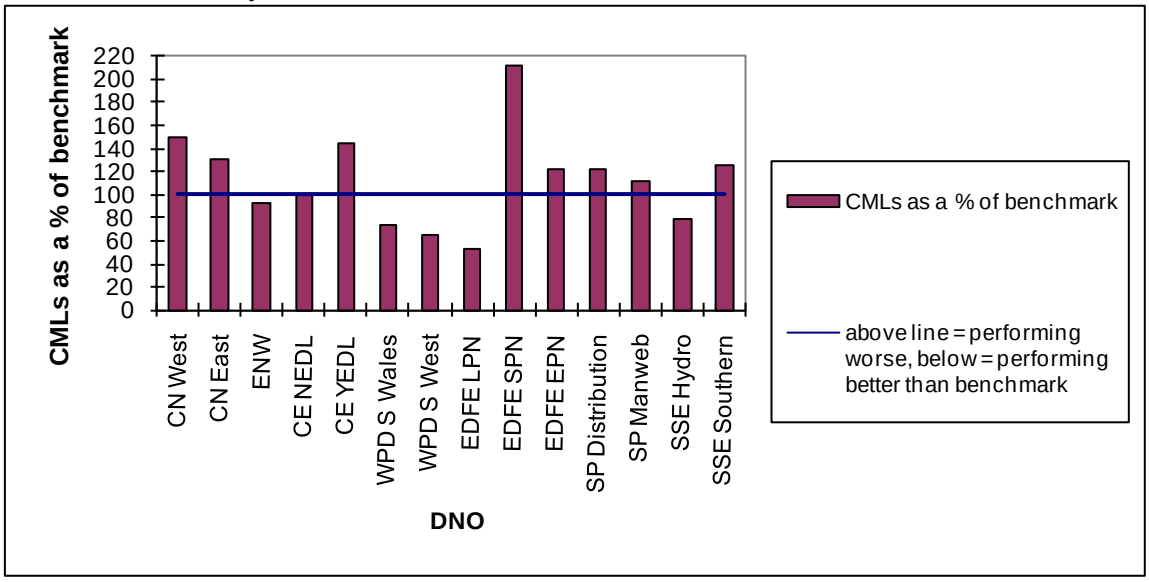
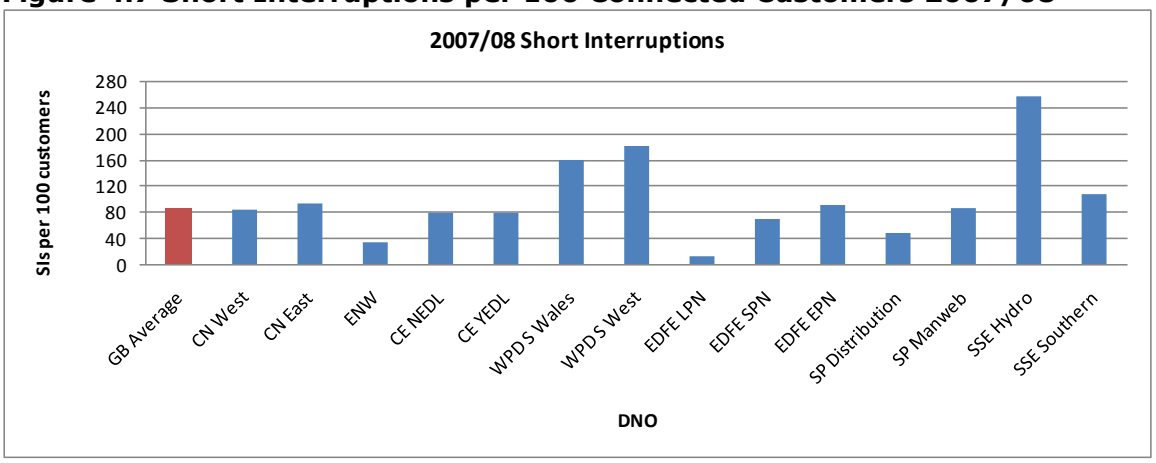


Figure 4.6 HV unplanned Customer Minutes Lost - 2007/08 Performance Relative to 2007/08 Benchmarks



2007/08 Short Interruptions Performance

Figure 4.7 Short Interruptions per 100 Connected Customers 2007/08



4.13. The average number of short interruptions per 100 connected customers across Great Britain was 86. Figure 4.7 shows the performance of each of the DNOs. SSE Hydro, WPD S Wales, WPD S West and SSE Southern reported significantly above the GB average with CN East and EDFE EPN also above average but not significantly so. SSE Hydro appears to be an outlier which may be because their network has long radial feeders with many auto-reclosers that can cause short interruptions. The remaining eight DNOs, SP Manweb, CN West, CE YEDL, CE NEDL, EDFE SPN SP Distribution, EDFE LPN and Electricity North West plc recorded scores below the GB average with scores for EDFE LPN being significantly so.

4.14. Short interruptions are brought about by operations of the network designed to reduce the length of interruptions. The majority of short interruptions are associated with automatic restoration schemes, such as:

- pole mounted auto reclosers;
- ground mounted auto-reclosers;
- rural automation schemes; and
- load transfer schemes.

5. 2007/08 Quality and Speed of Telephone Response Performance

2007/08 Quality of Telephone Response Performance

5.1. Each of the DNOs is assessed on customer satisfaction with the quality of its telephone response through a customer survey carried out on a monthly basis. Performance is currently assessed across the five key areas listed below:

- The politeness of the members of staff;
- Their willingness to help;
- The accuracy of the information given (if information was given);
- The usefulness of the information given (if information was given); and
- The speed of telephone response.

5.2. Customers are asked to score DNOs on a scale of 1 (very dissatisfied) to 5 (very satisfied) based on their individual experiences of the telephone conversation they had with the DNO during a power loss. An overall performance score is calculated for each DNO.

5.3. DNOs are only subject to a sliding-scale penalty if their annual mean performance deteriorates below 4.1 (the minimum average performance level at the time of revising the scheme). A DNO will be liable for the full penalty of 0.25 per cent of revenue if its annual mean score falls below 3.6. There is a small reward of 0.05 per cent of revenue for those DNOs with annual mean scores equal to or greater than 4.5. This revised and simplified structure ensures that DNOs are incentivised to maintain a high level of performance with regard to telephony and that exceptional performance is rewarded.

5.4. Table 5.1 below shows the combined mean scores for the period from 1 April 2006 until 31 March 2007 for each DNO for the five assessed attributes listed above. The performance scores and rankings reported here are based on the mean annual scores.

5.5. The overall assessed mean score for the 12 month period was 4.33. The highest score was recorded for SSE Hydro (4.57) along with WPD S Wales (4.56). They were the only DNOs to receive a reward for 2007/08. Seven DNOs recorded scores above the overall mean for 2007/08, three DNOs performed below the overall mean but above the penalty threshold of 4.1. EDFE LPN and EDFE SPN recorded overall mean scores below the penalty threshold and as such were penalised.

Table 5.1 2007/08 Overall Performance Scores (All Assessed Attributes)

Ranking 07/08 (06/07)	DNO	07/08 Scores	Rewards/Penalties[6]
	Ind. Mean 04/05	**4.35**	
	Ind. Mean 05/06	**4.34**	
	Ind. Mean 06/07	**4.30**	
	Ind. Mean 07/08	**4.33**	
1(1)	SSE Hydro	4.57	£ 97,300
2(2)	WPD S Wales	4.56	£ 82,300
3(4)	WPD S West	4.47	£ -
4(3)	CE NEDL	4.43	£ -
5(6)	CN East	4.40	£ -
6(13)	ENW	4.39	£ -
6(7)	SSE Southern	4.39	£ -
8(8)	CN West	4.37	£ -
9(5)	CE YEDL	4.34	£ -
10(10)	SP Manweb	4.30	£ -
11(9)	EDFE EPN	4.16	£ -
12(14)	SP Distribution	4.14	£ -
13(10)	EDFE SPN	4.03	-£ 67,000
13(12)	EDFE LPN	4.03	-£ 89,500
	Industry Mean	**4.33**	

5.6. The DPCR4 telephony scheme was designed as a backstop scheme to encourage DNOs to maintain existing good levels of performance. In practice telephony performance has remained relatively consistent since 2004/05. We are considering whether there should be additional steps to refine the assessment of performance and encourage future improvements. There is clearly a broad range of performance amongst the DNOs and further scope for improvements for the worst performers.

2007/08 Speed of Telephone Response Performance

5.7. DNOs are required to report to Ofgem each month their performance on the speed of telephone response by an agent once a customer has decided to speak to an agent (for more information see 2004/05 QofS report). There are no financial incentives attached to this measure.

[6] A small reward of up to 0.05 per cent of revenue is available under the scheme for those DNOs with annual mean scores greater than 4.5. DNOs are subject to a sliding scale penalty if their annual mean performance deteriorates below 4.1. If their annual mean performance falls below 3.6, DNOs will be liable to a full penalty of 0.25 per cent of revenue.

5.8. Table 5.2 below shows the average speed of response (in seconds) for the period from 1 April 2007 until 31 March 2008 for each DNO split by telephony system[7].

Table 5.2 2007/08 Average Speed of Telephone Response by Telephony System

Hold telephony system		**Redial telephony system**	
DNO	Response time (s)	DNO	Response time (s)
WPD S Wales	1.8	ENW	15.4
WPD S West	2.1	CE YEDL	18.7
SSE Hydro	9.8	CN East	47.3
SSE Southern	14.1	CN West	49.6
CE NEDL	16.8	EDFE EPN	81.2
SP Manweb	20.0	EDFE LPN	87.9
SP Distribution	20.2	EDFE SPN	95.3
Average	**12.1**	**Average**	**56.5**

[7] Hold systems require customers to wait for an agent following an automated message. Redial systems require customers to dial an alternative number to speak to an agent following an automated message.

6. Customer Service Reward Scheme

The aim of the customer reward scheme is to encourage better service for consumers in areas that cannot be easily measured or incentivised through more mechanistic regimes. It has been in operation since 2005/06.

6.1. The Customer Service Reward Scheme recognises leading performance and beacons of excellence within the industry and drives innovation and creativity through the promotion of best practice. It is designed to reward the performance of those DNOs which best serve the interests of customers across the chosen categories throughout the year, particularly those DNOs which exceed their licence obligations and have embedded these areas of customer service into their business processes.

Format for the scheme

6.2. The scheme has a total annual reward of £1 million available across all DNOs and for DPCR4 the categories of focus are priority customer care, wider communications and corporate social responsibility. In 2007/08 the following rewards were available.

- Corporate social responsibility initiatives: £700,000
- Wider communication strategies implemented by DNOs: £300,000

6.3. Entries were assessed by an independent panel of judges who recommend which companies should be rewarded and the split of the reward.

Awards for the scheme

Corporate Social Responsibility initiatives

6.4. Central Networks and EDF Energy are each to receive a £350,000 reward under this category for exceeding their obligations within their local communities to mitigate the environmental and social impacts of electricity networks. These companies were chosen in recognition of the breadth of initiatives that they demonstrated. Both companies showed a wider business commitment to corporate social responsibility and senior level engagement and received praise for the innovation of their initiatives.

6.5. Central Networks was congratulated for schemes such as its bogus callers campaign to prevent doorstep crime and its efforts during the 2007 floods to have a visible and active presence amongst affected customers and provide aftercare. EDF Energy was also congratulated for schemes such as its substation safety campaigns and partnership work with the East Anglian Air Ambulance service to mitigate the safety risks of overhead lines. The panel considered that both submissions provided

examples of best practice in this category of the kind that should be widely adopted by DNOs.

6.6. Schemes from CE Electric, Western Power Distribution, Electricity North West and SP Energy Networks (who submitted an entry in this category for the first time) were also recognised by the panel. Scottish and Southern Energy received a special commendation for its Youth Build scheme which, while as a single initiative it did not meet the requirements of the category, was acknowledged for the scale and ambition of the work and support for disadvantaged young persons.

Wider communication strategies

6.7. Central Networks and Western Power Distribution are each to receive £150,000 under this category for responding to the specific communication needs of their particular communities and in particular harder to reach customers.

6.8. Central Networks received praise for schemes such as its communication efforts to raise safety awareness among workers in their region for whom English is not the first language and work to obtain the RNID 'Louder than Words' charter mark. Western Power Distribution was congratulated for the degree of progress made in this category and for the proactive roll-out of their partnership work with oxygen providers to promote access to the priority service register. Western Power Distribution also received praise for its bogus callers campaign in partnership with the charity Safer Merthyr Tydfil which provided safety information and devices for elderly residents. Both companies demonstrated a wider business commitment to communicating with hard to reach customers and senior management engagement with the cause.

6.9. The panel also recognised wider communications strategies and initiatives put forward by CE Electric, Electricity North West, Scottish and Southern Energy and EDF Energy. The 2007/08 submissions can be viewed on the Ofgem website. Other companies were also highly commended by the panel in both categories.

Future of the scheme

6.10. The scheme has been successful in bringing about a wide variety of DNO programmes and practices which are over and above the minimum licence requirements and we are committed to the continuation of the scheme in DPCR5 with some minor refinements. A detailed list of best practice examples from the scheme can be found in the DPCR5 Policy Paper appendices[8].

6.11. The 2008/09 scheme has a total annual reward of £1million available across all DNO groups and will cover:

[8] Electricity Distribution Price Control review Policy paper – Supplementary appendices Ref159a/08, December 2008

Corporate social responsibility	£500,000 reward
Priority customer care	£500,000 reward

7. Ongoing Work

Ofgem is currently undertaking a Distribution Price Control Review to set the controls on the DNOs for 2010-2015. We have recently published the second document in the review which proposes to develop a number of existing mechanisms and to introduce a number of new initiatives to facilitate and encourage DNOs to respond better to their customers' needs. This section summarises the areas of quality of service work that we are addressing as part of the review.

Customer satisfaction

7.1. We have two customer satisfaction work streams: developing a broader measure of customer satisfaction to better understand the performance of the DNOs in this area and then designing a new incentive around this measure, with a reward and/or penalty; and improving the existing telephony incentive scheme.

Connections

7.2. Many customers continue to receive a poor connections service from their DNO and our recent review shows that while greater competition could help, it has been slow to develop and is still not adequately protecting customers. We are developing proposals to address this including further regulation of service standards and changing the way we regulate those parts of the market where competition is emerging. If, having allowed a period of time for competition to develop, there is little sign of progress we may recommend to the Authority that they refer the market segment to the Competition Commission for review.

Guaranteed standards of performance

7.3. With the exception of connections discussed above, we are satisfied that the strength and scope of the current standards is adequate and we have not proposed making amendments for this purpose as part of the review. However, we are considering a number of refinements such as updating compensation payments for inflation.

7.4. With the recent disbanding of energywatch, Consumer Focus will assume responsibility for the publication of DNOs' annual performance against the guaranteed standards.

Customer service reward scheme

7.5. Embedding best practice identified during DPCR4 is an important objective for the scheme as we move towards DPCR5. We are keen to ensure that customers

nationwide benefit from the service improvements that the scheme has given rise to. We are considering the options for ensuring that DNOs adopt best practice. Best practice could be enshrined in the licence or become part of the minimum requirements for the DPCR5 discretionary reward scheme. We do not propose to increase the value of the scheme or change the broad focus.

Interruptions Incentive Scheme ("IIS")

7.6. The areas of focus for DPCR5 are:

- How much of the total return on equity exposed to incentives should be allocated to interruptions,
- The long-term path for improvement in interruptions information,
- Whether we should be signalling/committing to long-term incentives for interruptions where the targets will either stay the same or tighten over time,
- Incentive rates, and
- General refinements to the IIS.

Worst-served customers

7.7. Ofgem has undertaken a programme of research with worst-served customers to inform its understanding of their experiences, expectations and priorities for improvement with a view to what improvements customers would like to see during DPCR5.

7.8. Ofgem is also currently exploring as part of the review how worst-served customers should be defined and the options for delivering service improvements both in terms of network performance and communication with worst-served.

Appendices

Index

Appendix 1 - DNO Summaries

1.1. This appendix contains pages on the performance of each of the 14 DNOs. It sets out their:

- 2007/08 performance for the number and duration of interruptions;
- 2007/08 targets;
- 2007/08 quality of telephone response performance;
- 2007/08 rewards/penalties;
- 2007/08 unplanned performance against benchmarks; and
- HV & LV overhead and underground fault rates per 100km of circuits (including exceptional events where they have occurred).

1.2. The unplanned performance used in the disaggregation and benchmarking analysis is based on disaggregated performance with a different treatment for exceptional events. Therefore, these figures may differ from performance reported elsewhere.

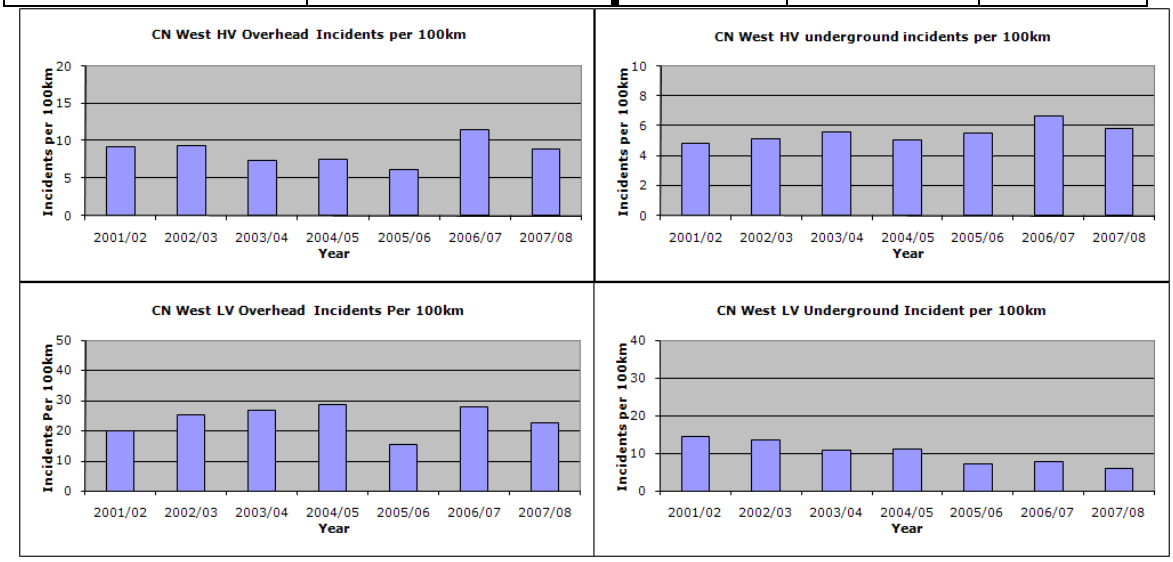
1.3. Due to revised reporting requirements set out in the Quality of Service Regulatory Instructions and Guidance Version 5, DNOs now provide a more detailed breakdown of medium term performance information. To provide a track record of information going forward for assessing reliability, DNOs were required to provide historical information according to the revised classifications for the years 2001/02, 2002/03, 2003/04 and 2004/05 with their 2005/06 data submissions. The fault rate charts in this report therefore, cover the years from 2001/02 onwards.

1.4. In addition each DNO has provided commentary on its 2007/08 performance.

CN West – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	116.9	101.5	75	55
Target/benchmark	106.2	94.7	58	37

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.47	4.33	0	-1.36	-1.18



Commentary provided by CN West

Central Networks continued to target improvements to quality of supply during 2007/8, though the overall customer performance benefits have been masked by the effects of poor weather conditions.

By far the most significant event the year was the severe flooding which occurred in July 2007 affecting large parts of Gloucestershire and causing loss of supply to over 173,000 customers. The impact of the flooding was minimised through expedient action by our engineers and the coordinated efforts of the emergency services and armed forces. This event was deemed to be exceptional and the impact has been excluded from performance measures.

A number of other non-excluded weather events had a detrimental effect on performance measures, but Central Networks continues to minimise the impact on customers through effective and timely deployment of resources and emergency plans.

Ongoing investment in the installation of advanced network switching technology at strategic locations continues to reduce the impact of faults on our customers and restore supplies as quickly as possible. Furthermore staff involved in supply restoration and repair activities continue to take on greater local ownership to improve overall service to customers when faults occur.

Equipment thefts driven by worldwide metal prices and repeated vandalism continue to give cause safety concerns as well as interrupting supplies to customers and increasing costs. Whilst reviewing security arrangements at key sites, public awareness of this vandalism has been raised through a number of media routes, and rewards offered for information.

Central Networks remains determined to continue improving customer service through ongoing investment to maintain the underlying reliability of the network and developing operational incident response that further reduces the number and duration of interruptions.

CN East – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	79.4	70.4	60	43
Target/benchmark	77.1	73.4	51	33

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.40	4.33	0	-0.40	0.69

Commentary provided by CN East

Central Networks continued to target improvements to quality of supply during 2007/8 achieving substantial improvements on performance in 2006/7.

The most significant event was caused by high winds across the East Midlands region which occurred at the end of February 2008 causing loss of supply to over 35,000 customers. This event was deemed to be exceptional and the impact has been excluded from performance measures.

A number of other non-excluded weather events had a detrimental effect on performance measures, but Central Networks seeks to minimise the impact of these events on customers through effective and timely deployment of resources and emergency plans.

Ongoing investment in the installation of advanced network switching technology at strategic locations continues to reduce the impact of faults on our customers and restore supplies as quickly as possible. More recently, in Central Networks East, a number of fully automated supply restoration schemes are being trialled using these devices offering even faster restoration of supplies. Furthermore staff involved in supply restoration and repair activities continue to take on greater local ownership to improve overall service to customers when faults occur.

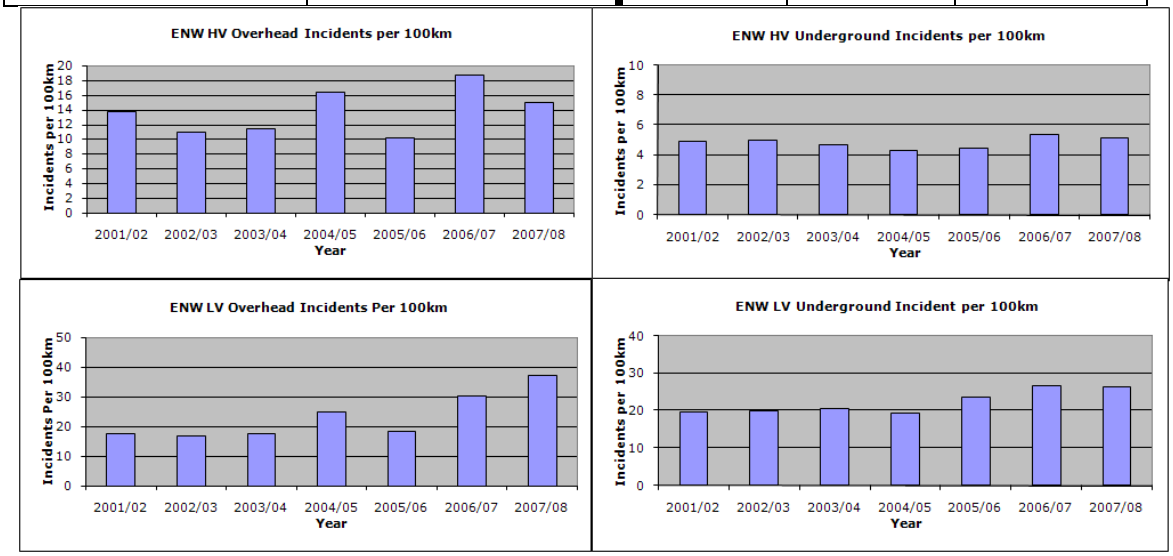
Equipment thefts driven by worldwide metal prices and repeated vandalism continue to give cause safety concerns as well as interrupting supplies to customers and increasing costs. Whilst reviewing security arrangements at key sites, public awareness of this vandalism has been raised through a number of media routes, and rewards offered for information.

Central Networks remains determined to continue improving customer service through ongoing investment to maintain the underlying reliability of the network and developing operational incident response that further reduces the number and duration of interruptions.

Electricity North West – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	50.7	48.1	32	24
Target/benchmark	57.1	56.4	41	26

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.39	4.33	0	1.33	2.2



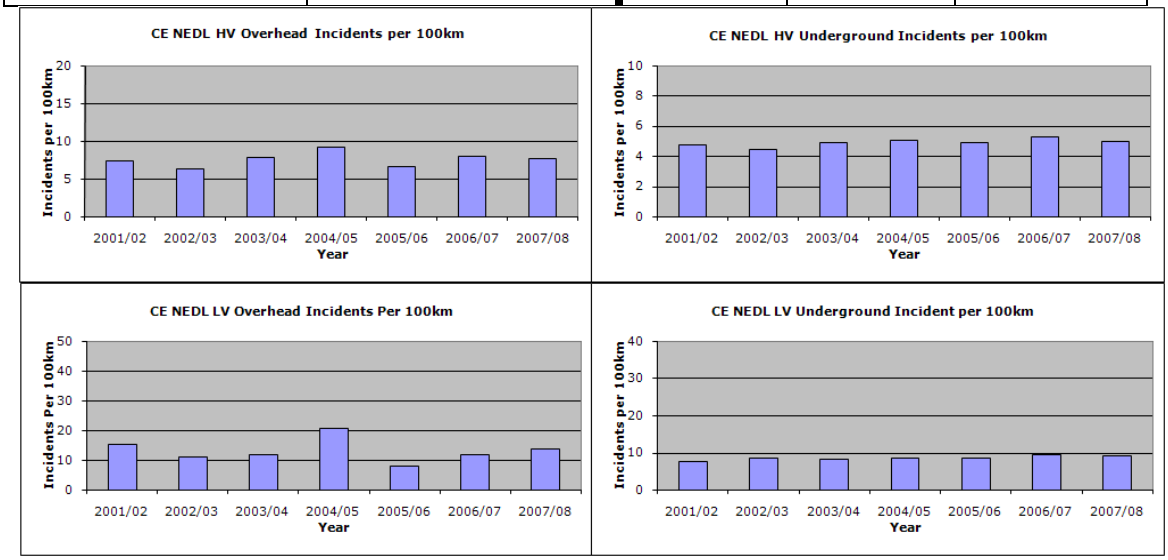
Commentary provided by Electricity North West

A primary objective of our asset management strategy is to maintain stability of equipment fault rates. We continue to maintain network investment focussing particularly on deteriorating or poor performing assets. Across the high and low voltage networks five year fault rates remain generally stable. Whilst aiming to maintain these stable asset fault rates we are continuing to identify opportunities to improve customer service by reducing the number and duration of supply interruptions to our customers. We have continued our investment in additional switching devices on key circuits and are further extending the use of remote control devices and network automation across the high voltage system. We will continue to monitor and review our operational practices, including despatch of personnel to affected parts of the network and an appropriate use of mobile generators. Whilst annual performance for customer interruptions and customer minutes lost may be influenced by annual weather conditions and may also be disproportionately affected by a small number of significant incidents, particularly on the extra high voltage network our underlying performance continues to improve. ENW is committed to providing a high quality and efficient service to its customers. Future investment will continue to be focused on meeting customer expectations whilst maintaining a high level of network reliability.

CE NEDL – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	66.3	70.5	45	34
Target/benchmark	74.5	69.4	51	34

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.43	4.33	0	0.94	-0.18



Commentary provided by CE NEDL

The NEDL network headline performance was reasonable in 2007/8 and, despite a year of relatively adverse weather with several severe storms coming in at just under the thresholds for exemption, beat both the CI and CML unplanned interruption performance targets set by the regulator. However, the additional planned interruptions we have to undertake to meet the improved tree clearances required by ESQCR have adversely affected the overall performance shown in the above tables.

It was disappointing that the poor weather in the first 3 months of 2008 adversely affected the overhead line fault rates and the service delivered to rural customers. To further improve poor weather performance will require additional major investment in overhead networks and in particular the light duty lines that make up 50% of NEDL's overhead network.

A disaggregation process has been introduced to take into account some of the inherited and inherent differences in DNOs' networks so that more meaningful comparisons can be made between the performances of DNOs. Analysis of the scheme so far is indicating that there are weaknesses with this process and we are discussing improvements that will more accurately reflect the real drivers on performance with the regulator.

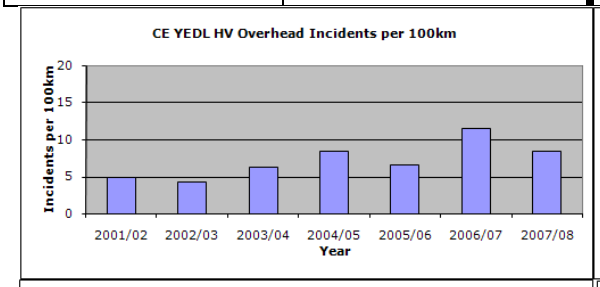
As a result of the targets set by the regulator we had moved the focus of our improvement initiatives towards restoration time. In particular we have already introduced a "Power in an hour" initiative which aims to restore as many customers as possible within an hour of the start of an interruption and are using the latest mobile phone technology to locate and contact the nearest persons able to deal with faults. In addition to this we are continuing with our investments to expand remote control on the distribution network.

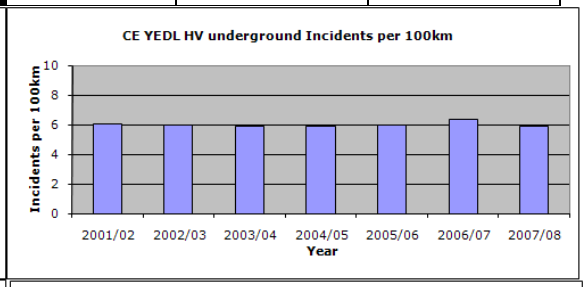
NEDL continues to have an above average performance in this vital area of customer service. In late 2008 we are installing a replacement telephone system that takes advantage of the latest developments in automatic messaging which we expect will improve on this performance.

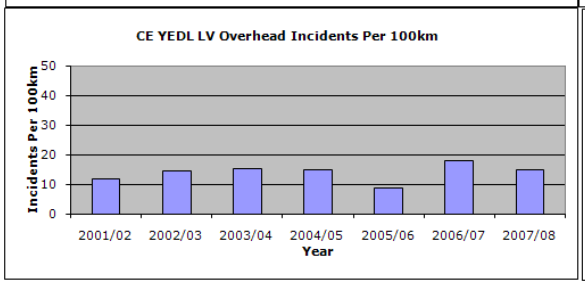
CE YEDL – Quality of service and network performance for 2007/08

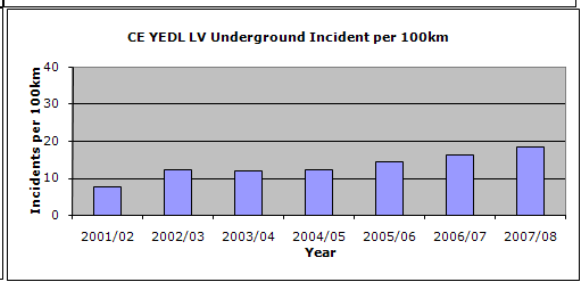
	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	75.7	75.0	50	40
Target/benchmark	68.5	65.1	43	28

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.34	4.33	0	-1.16	-2.05









Commentary provided by CE YEDL

The YEDL performance in 2007/8 was dominated by the effects of the unprecedented flooding that occurred in June 2007. The flooding, and the violent storms that caused it, resulted in nearly 270 HV/EHV and 2,000 LV faults on mainly the underground networks. Although the identifiable effects of this severe weather event are excluded from the CI and CML figures above, they have adversely affected the fault rate graphs.

Although in historic terms the YEDL network is performing well, we are concerned over the unplanned performance relative to the assumptions inherent in the targets set by the regulator. Variances relative to those assumptions have been mainly manifested on the HV and LV underground networks, areas where it is also becoming uneconomic to effect further improvements. Further factors that have adversely affected the incentivised performance are the additional planned interruptions we have to undertake to meet the improved tree clearances required by ESQCR, and the number of severe weather events we have had that have came in at just under the thresholds for exemption.

A disaggregation process has been introduced to take into account some of the inherited and inherent differences in DNOs' networks so that more meaningful comparisons can be made between the performances of DNOs. Analysis of the scheme so far is indicating that there are weaknesses with this process and we are discussing improvements that more accurately reflect the real drivers on performance with the regulator.

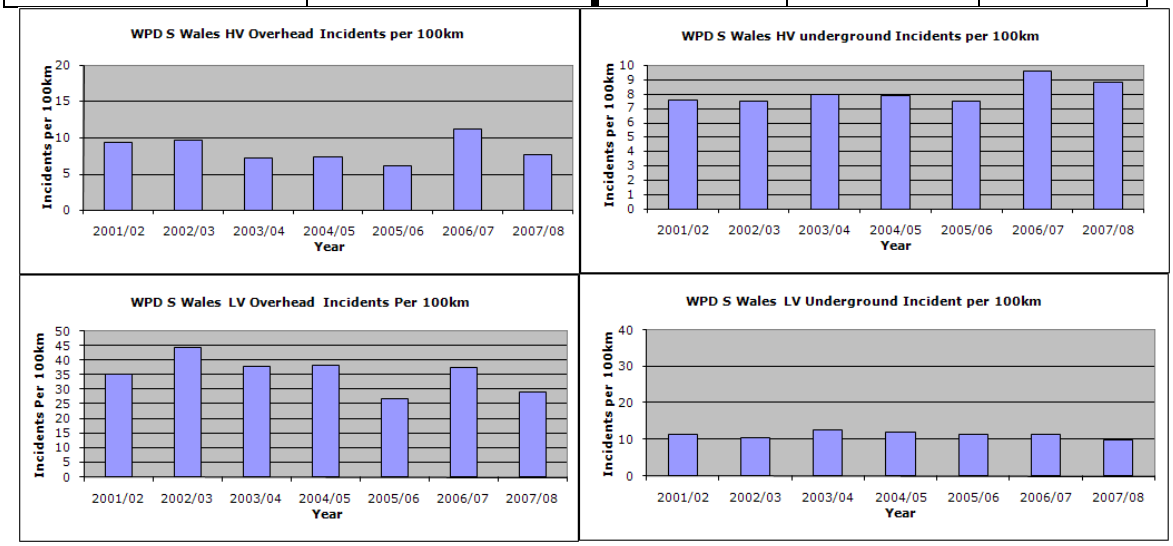
As a result of the targets set by the regulator we had moved the focus of our improvement initiatives towards restoration time. In particular we have already introduced a "Power in an hour" initiative which aims to restore as many customers as possible within an hour of the start of an interruption and are using the latest mobile phone technology to locate and contact the nearest persons able to deal with faults. In addition to this we are continuing with our investments to expand remote control on the distribution network.

YEDL continues to have an above average performance in this vital area of customer service. In late 2008 we are installing a replacement telephone system that takes advantage of the latest developments in automatic messaging which we expect will improve on this performance.

WPD South Wales – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	77.7	41.9	62	27
Target/benchmark	96.8	72.2	51	36

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.56	4.33	0.08	1.54	2.96



Commentary provided by WPD South Wales

Western Power Distribution (WPD) South Wales delivers electricity supplies to customers in the south west of Wales including Cardiff and Swansea, the south Wales valleys, Carmarthenshire, Pembrokeshire and parts of Ceredigion in west Wales and Powys in mid Wales.

Network Performance
In 2007/08 our performance was 77.7 interruptions per 100 connected customers (CI) and 41.9 customer minutes lost (CML). The company outperformed Ofgem's 2007/08 targets for both customer interruption and customer minutes by 20% and 42% respectively.

The weather was generally benign and there were no periods of exceptional weather reported during the year.

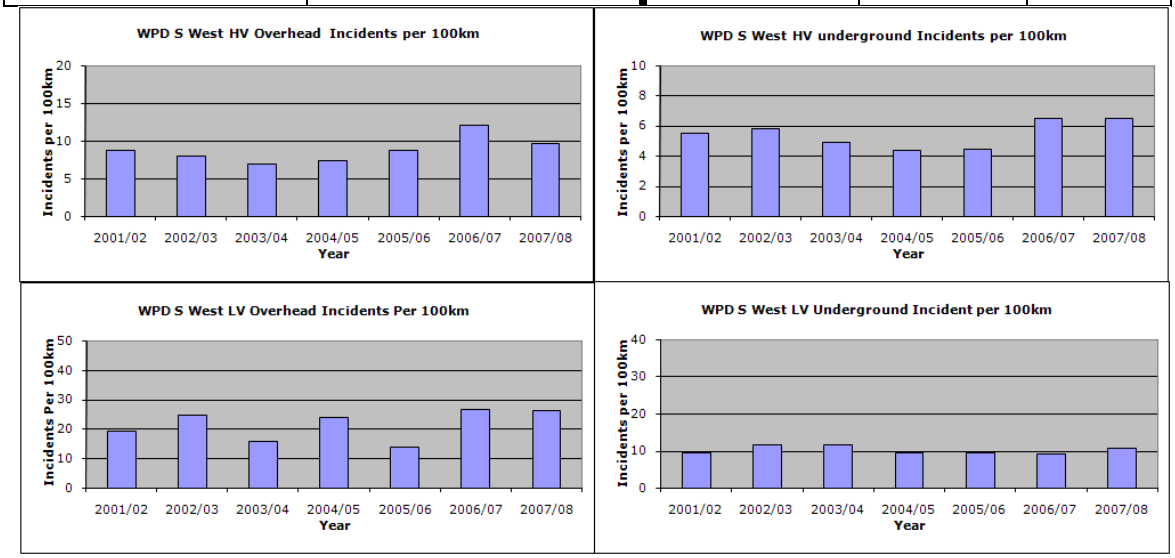
Much of our continued improvement has been due to our focus on operational response via our "Target 60" initiative to restore customers within one hour of a fault occurring, together with the delivery of an investment programme targeted at reducing the impact of HV faults through the use of remote control and automation technology. The latter has enabled us to restore supplies within three minutes on those circuits where automation has been commissioned.

Quality of Telephone Response
We are proud that WPD has maintained its high score in quality of telephone response surveys. Our initiative to proactively contact vulnerable customers to offer support during an outage has been well received and using this together with other direct feedback from our customers has enabled us to introduce further initiatives that will hopefully further improve our performance in this area.

WPD South West – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	76.4	50.0	50	26
Target/benchmark	84.5	62.2	54	40

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.47	4.33	0	0.93	2.39



Commentary provided by WPD South West

Western Power Distribution (WPD) South West delivers electricity supplies to customers in the south west of England incorporating the major towns and cites of Bristol, Taunton, Exeter and Plymouth. We serve all of the counties of Somerset, Devon and Cornwall and parts of Dorset and south Gloucestershire

Network Performance
In 2007/08 our performance was 76.4 interruptions per 100 connected customers (CI) and 50 customer minutes lost (CML). The company outperformed Ofgem's 2007/08 targets for both customer interruption and customer minutes by 11% and 20% respectively.

A total of three exceptional events were reported to Ofgem during the year associated either with gales and flooding during March 2008 or individual events beyond WPD's control at Newton Abbot and Churchill major substations. Ofgem have verified that we had taken all reasonably practicable steps to safeguard our overhead line network and that we did all we could in response to these events to restore customers in an efficient and effective manner. The impact of these events is therefore excluded from our IIS performance.

Much of our continued improvement has been due to our focus on operational response via our "Target 60" initiative to restore customers within one hour of a fault occurring together with the delivery of an investment programme targeted at reducing the impact of HV faults through the use of remote control and automation technology. The latter has enabled us to restore supplies within three minutes on those circuits where automation has been commissioned.

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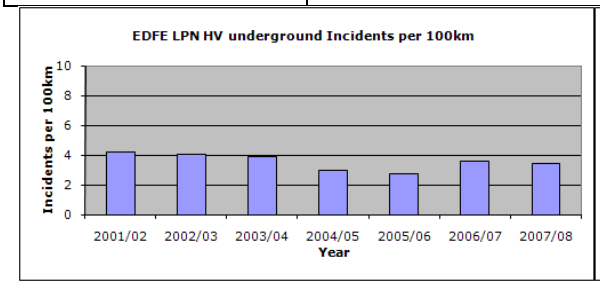
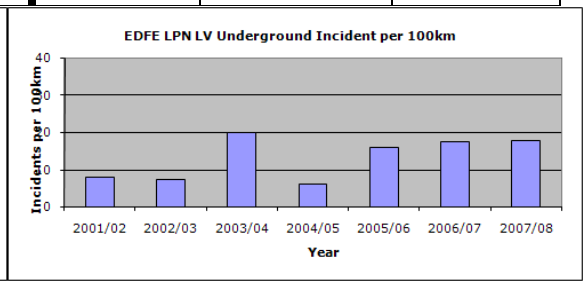
EDFE LPN – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	31.5	42.6	16	10
Target/benchmark	36.2	40.1	34	18

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.03	4.33	-0.09	1.62	-0.98





Commentary provided by EDFE LPN

We are pleased to report that customers in EDF Energy (LPN) plc's distribution area continue to enjoy the most secure electricity supplies in the country. With performance for 2007/08 being 31.5 interruptions per 100 connected customers (CI) and 42.6 customer minutes lost (CML) – achieving Ofgem's CI target and just missing the CML target for the year.

In order to maintain the improvements in network performance achieved last year through our highly successful HV automation programme we continued to look for ways to improve it performance. Currently we have circa 950 HV feeders automated resulting in a saving of 10 CI per year on average.

In 2007/08 EDF Energy continued its work to improve the service it provides to vulnerable customers and for a third year in a row, this was recognised by Ofgem when EDF Energy was rewarded under Ofgem's 2007/08 discretionary reward scheme.

In order for LPN to continue to meet its quality of supply targets set for 2005/10 we will be:

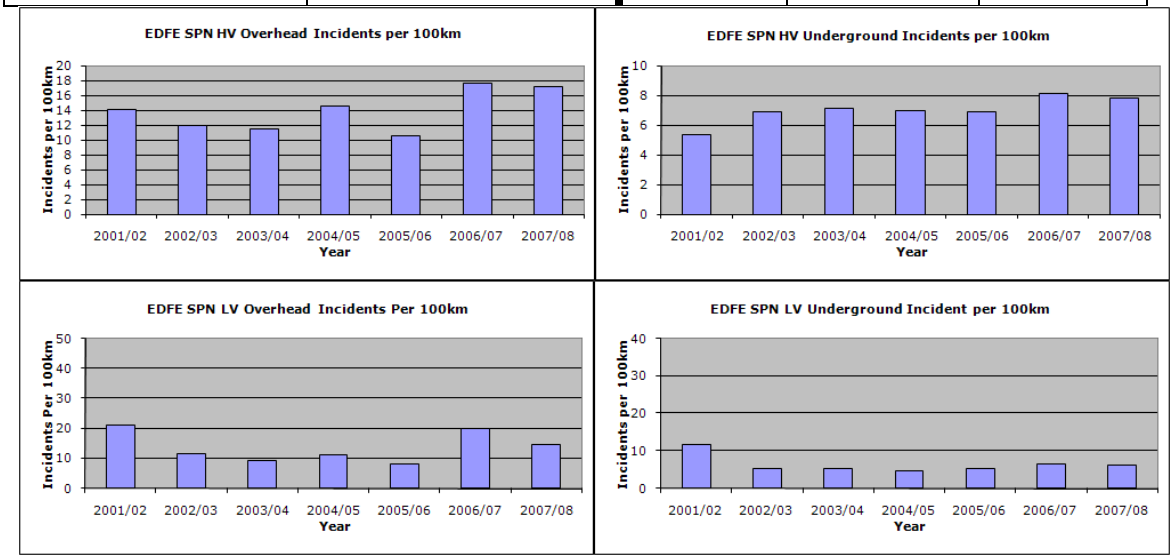
Deliver improved performance to HV remote control and automation.

Improve the performance of our LV network through the removal of poorly performing LV circuit breakers.

EDFE SPN – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	90.1	102.6	66	65
Target/benchmark	86.5	72.6	50	31

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.03	4.33	-0.07	-0.37	-3.45



Commentary provided by EDFE SPN

We are pleased to report that customers in EDF Energy (SPN) plc's distribution area continue to enjoy a good quality of supply, despite a year that has seen an adverse outturn in performance over the previous two years through an increase in weather related network incidents. With performance for 2007/08 being 90.1 interruptions per 100 connected customers (CI) and 102.6 customer minutes lost (CML) – missing both Ofgem's CI and CML targets.

In order to build on the improvements in network performance already achieved we continued to invest in a range of initiatives. These included the refurbishment of poorly performing High and Low voltage overhead line networks and the application of HV automation, along with improved operational response procedures.

In 2007/08 EDF Energy continued its work to improve the service it provides to vulnerable customers and for a third year in a row, this was recognised by Ofgem when EDF Energy was rewarded under Ofgem's 2007/08 discretionary reward scheme.

In order for SPN to continue to meet its challenging quality of supply targets set for 2005/10, particularly with respect to CML's. We are implementing a number of performance improvement initiatives, including;

Delivery of enhanced HV remote control and automation, through the introduction of a new control system.

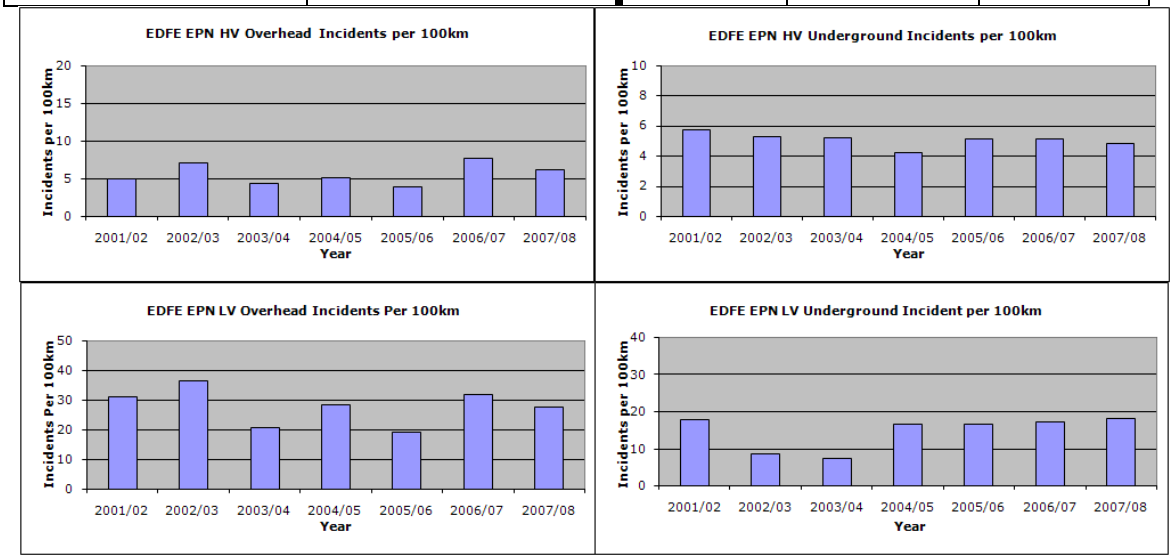
Introduction of remotely monitored fault passage indicators; and

Improved earth fault protection.

EDFE EPN – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	73.1	73.8	50	43
Target/benchmark	87.2	70.6	53	36

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.16	4.33	0	2.60	-0.92



Commentary provided by EDFE EPN

We are pleased to report that customers in EDF Energy (EPN) plc's distribution area continue to enjoy a good quality of supply despite a year that has seen an increase in weather related network incidents. With performance for 2007/08 being 73.1 interruptions per 100 connected customers (CI) and 73.8 customer minutes lost (CML) – achieving Ofgem's CI target and just missing the CML targets.

In 2007/08 we continue to improve the performance of our highly successful High Voltage (HV) automation programme and currently we have circa 1800 HV feeders automated resulting in a saving of 10 CI. This year customers have also benefited from the improved restoration performance remote control and automation brings during severe weather events. With customers experiencing supply restoration performance during severe weather of over 90% of customers restored within three hours.

In 2007/08 EDF Energy continued its work to improve the service it provides to vulnerable customers. For a third year, this area of work was recognised by Ofgem when EDF Energy was rewarded under Ofgem's 2007/08 discretionary reward scheme.

In order to meet our quality of supply targets set for 2005/10 we will continue be implementing a number of performance improvement initiatives, including;

Replacement of drop out expulsion fuses with auto-sectionalisers on HV overhead line networks;

Introduction of remotely monitored fault passage indicators; and

Further improve the performance of remote control and automation on HV networks.

SP Distribution – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and Benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	58.6	60.6	39	35
Target/benchmark	60.8	57.6	42	28

Quality of telephone response Performance		Rewards/Penalties (£ million)		
DNO Score	Industry Mean	Telephony	CI	CML
4.14	4.33	0	0.58	-1.04

Commentary provided by SP Distribution

SP Distribution, part of the ScottishPower Group, owns the distribution network, which supplies electricity to over 1,980,000 customers in Southern and Central Scotland. The area comprises contrasting environments from the heavily populated areas of the Clyde and Forth valleys to the exposed, sparsely populated areas of the Borders and Dumfries and Galloway.

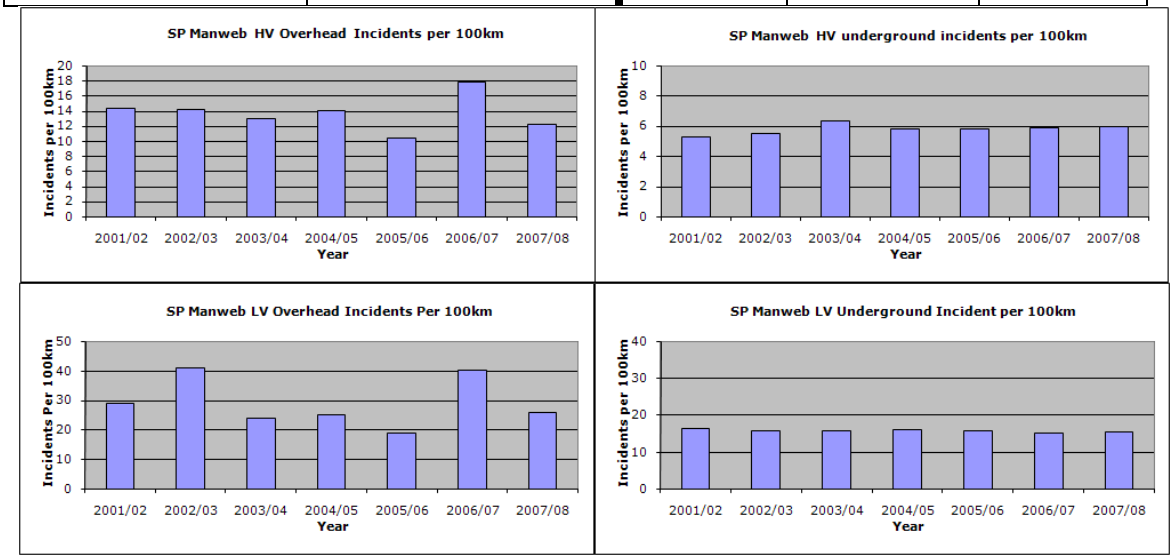
2007/08 demonstrated a underlying improvement in performance from the previous year, with both the number of interruptions and, particularly, the duration improving. This improvement has been achieved by a combination of continuing operational focus with the introduction of zonal working, and system investments with the expansion of remote controllable technology across the network. Severe weather continues to affect our overall performance with two such wind/gale events, 8th and 31 January 2008, affecting around 65,000 customers over both.

SP Distribution also recognise the importance of communication with our customers and continue to improve our Telephony response performance, while at the same time looking for opportunities to provide further improvements in this area.

SP Manweb – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	43.1	54.7	27	30
Target/benchmark	46.7	48.0	41	27

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.30	4.33	0	0.75	-1.70



Commentary provided by SP Manweb

SP Manweb, part of the ScottishPower Group, owns the distribution network which supplies electricity to over 1,470,000 customers in Merseyside, north and mid Wales and parts of Cheshire, Shropshire and Staffordshire. The area comprises contrasting environments from the heavily populated area of Merseyside to the exposed, sparsely populated areas of Wales.

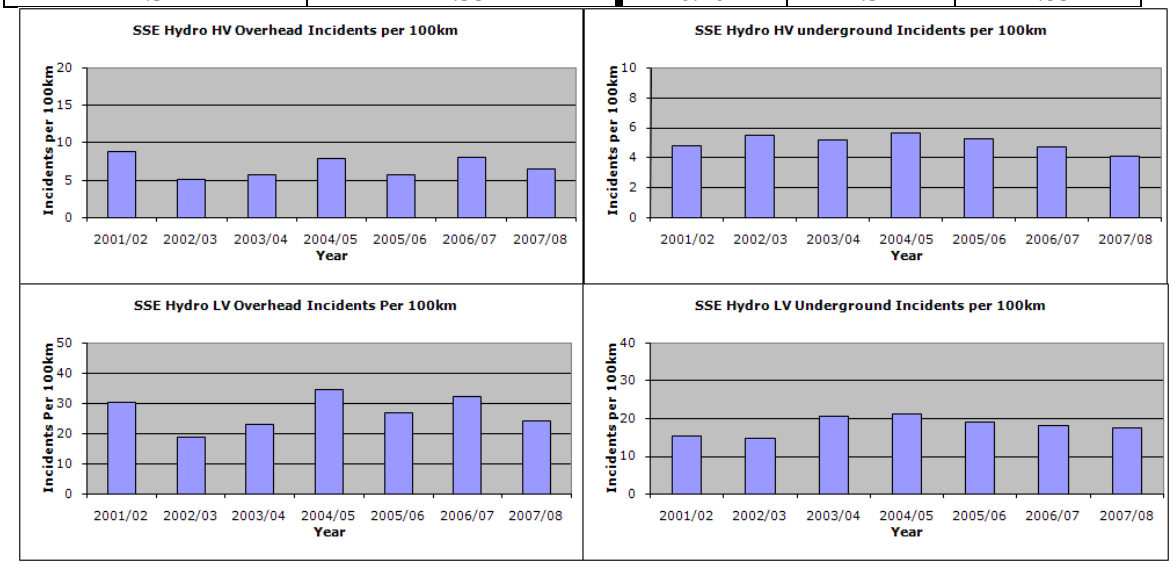
2007/08 demonstrated an underlying improvement in performance from previous years, with both the number of interruptions and the duration improving. This improvement has been achieved by a combination of continuing operational focus with the introduction of zonal working, and system investments with the ongoing introduction of remote controllable technology. Severe weather continues to affect our overall performance with two such events, 25 June 2007 and 13 March 2008.

SP Manweb also recognise the importance of communication with our customers and continue to improve our Telephony response performance, while at the same time looking for opportunities to provide further improvements in this area.

SSE Hydro – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	69.2	71.6	42	39
Target/benchmark	95.5	93.9	61	49

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.57	4.33	0.10	2.34	2.83



Commentary provided by SSE Hydro

Scottish Hydro Electric Power Distribution [SHEPD] delivers electricity to customers in the north of Scotland, including the Western and Northern Isles, and some of the remotest areas in the country. Our territory covers 25% of the UK land mass and includes the major conurbations of Aberdeen, Inverness, Dundee and Perth.

The 'Hydro' system continues to perform extremely well returning another excellent performance in 2007/08 and demonstrating our effective operating procedures and contingency plans, supported by the money we invested in the system. We achieved this outstanding performance despite several damaging winter weather events bringing heavy snow falls and hurricane force winds, leading on two occasions to exceptional events, both in January. Wind speeds over 100 mph were recorded during one of these events and tracked vehicles were needed to access and repair some of our more remote circuits.

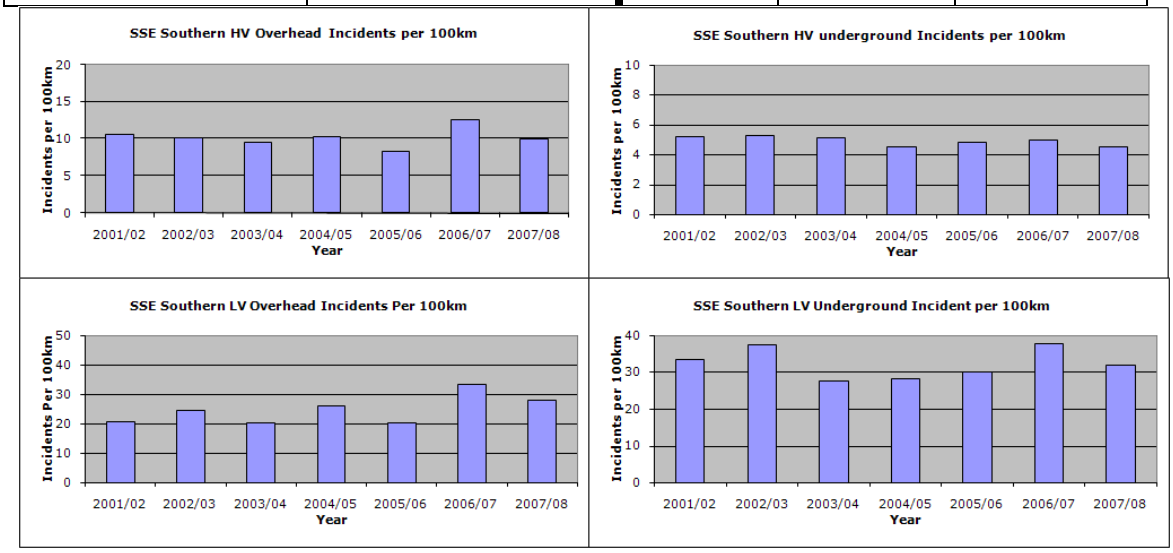
In the year we continued to refurbish our overhead line network and installed more system automation. These actions improve general network resilience, reduce the number of customers affected by faults, and also reduced the duration of supply loss. A high proportion of our network now has the benefit of remotely controlled circuit breakers and switches, which enable blocks of customers to be restored more quickly. Our equipment fault rates continue to remain stable over time as we ensure proper long term stewardship of our network.

'Hydro' continues to lead in the quality of telephone response surveys and we were pleased to receive a reward for the quality of our telephony service. Our Customer facing Emergency Service Centre team are proud that their commitment and effort to be the best has been recognised as they continue to deliver the highest level of Customer Service.

SSE Southern – Quality of service and network performance for 2007/08

	Incentive Scheme		Disaggregation and benchmarking	
	CI	CML	HV unplanned CI	HV unplanned CML
Performance	65.7	66.2	49	40
Target/benchmark	89.2	78.9	49	32

Quality of telephone response performance		Rewards/Penalties (£ million)		
DNO score	Industry mean	Telephony	CI	CML
4.39	4.33	0	4.62	3.80



Commentary provided by SSE Southern

Southern Electric Power Distribution [SEPD] delivers electricity to customers in central southern England, from remote rural communities in Dorset, Wiltshire, Gloucestershire and Oxfordshire to dense conurbations including West London, Slough, Reading, Portsmouth, Southampton, Swindon, and Bournemouth.

The 'Southern' system performance in 2007/08 was the best ever, with reductions in both the number of interruptions experienced by customers and the duration of those interruptions. This excellent performance was largely due to our effective operating procedures and the money we have invested in the system over the past number of years.

There were two severe weather events during the year. Both events were relatively small in magnitude and were dealt with efficiently by our contingency plans and staff's swift response.

During the year we continued to target investment on our network to deliver improvements on our overhead lines, underground cables and plant. These actions have contributed to the reduction in customers interrupted and customer minutes lost. A high proportion of our network now also has the benefit of remotely controlled circuit breakers and switches, which enable blocks of customers to be restored more quickly. Our equipment fault rates continue to remain stable over time as we ensure proper long term stewardship of our network.

Appendix 2 – Data Tables

- **Table A2.1: Reported & Revised 2007/08 Customer Interruptions and Customer Minutes Lost**
- **Table A2.2: Short Interruptions 2007/08**
- **Table A2.3: Revised 2007/08 Customer Interruptions and Customer Minutes Lost: Split by Source**
- **Table A2.4: Revised 2007/08 Customer Interruptions and Customer Minutes Lost: Split by Voltage Level**
- **Table A2.5: Incentive Scheme: 2007/08 Customer Interruptions and Customer Minutes Lost as a Percentage of Respective 2007/08 Targets**
- **Table A2.6: Distribution Network Operator Information 2007/08**

Table A2.1: Reported & Revised 2007/08 Customer Interruptions and Customer Minutes Lost

DNO	Reported 2007/08 CIs	Overall accuracy adjustment	Revised 2007/08 CIs		Reported 2007/08 CMLs	Overall accuracy adjustment	Revised 2007/08 CMLs
CN West	123.24	0.00%	123.24		121.69	0.00%	121.69
CN East	83.58	0.00%	83.58		79.74	0.00%	79.74
ENW	52.46	0.00%	52.46		52.14	0.00%	52.14
CE NEDL	76.10	0.00%	76.10		85.36	0.00%	85.36
CE YEDL	92.50	0.00%	92.50		131.56	0.00%	131.56
WPD S Wales	80.66	0.00%	80.66		46.32	0.00%	46.32
WPD S West	85.21	0.00%	85.21		60.69	0.00%	60.69
EDFE LPN	31.95	0.00%	31.95		43.46	0.00%	43.46
EDFE SPN	94.25	0.00%	94.25		108.57	0.00%	108.57
EDFE EPN	77.58	0.00%	77.58		84.00	0.00%	84.00
SP Distribution	69.50	0.00%	69.50		71.72	0.00%	71.72
SP Manweb	46.86	0.00%	46.86		63.62	0.00%	63.62
SSE Hydro	94.04	0.00%	94.04		105.89	0.00%	105.89
SSE Southern	69.74	0.00%	69.74		92.47	0.00%	92.47
Great Britain			**76.81**				**81.94**

Note: The figures in this table do not exclude exceptional events, the adjusted incentive scheme figures are shown in Table A2.5

Table A2.2 Short Interruptions 2007/08

Short interruptions by "causes" (including LV)	GB Average	CN West	CN East	ENW	CE NEDL	CE YEDL	WPD S Wales	WPD S West	EDFE LPN	EDFE SPN	EDFE EPN	SP Distribution	SP Manweb	SSE Hydro	SSE Southern
Automatic operation and restored by automatic switching	21,225,570	1,321,413	1,784,834	773,838	926,136	1,675,609	1,498,342	2,448,632	127,906	1,449,666	2,882,910	716,753	1,145,375	1,659,188	2,814,968
Automatic operation and restored by manual or remote switching	1,624,240	421,989	209,679	21,181	102,567	57,117	88,188	94,700	121,407	82,226	183,921	24,247	22,301	12,849	181,868
Manual or remote operation	1,567,428	255,728	415,887	246	177,516	40,562	124,388	182,838	115	8,877	63,313	140,062	85,343	18,986	53,567
Operation of switchgear on other connected systems	218,241	-	42	-	-	-	374	-	-	-	-	68,708	1	149,116	-
Total	24,635,479	1,999,130	2,410,442	795,265	1,206,219	1,773,288	1,711,292	2,726,170	249,428	1,540,769	3,130,144	949,770	1,253,020	1,840,139	3,050,403
Short interruptions per 100 connected customers															
Automatic operation and restored by automatic switching	74	54	69	33	59	75	139	163	6	65	83	36	78	230	98
Automatic operation and restored by manual or remote switching	6	17	8	1	7	3	8	6	6	4	5	1	2	2	6
Manual or remote operation	5	11	16	0	11	2	12	12	0	0	2	7	6	3	2
Operation of switchgear on other connected systems	1	0	0	0	0	0	0	0	0	0	0	3	0	21	0
Total	86	82	94	34	77	79	159	181	11	70	90	48	85	255	106

Table A2.3: Revised 2007/08 Customer Interruptions and Customer Minutes Lost: Split by Source

	CN West	CN East	ENW	CE NEDL	CE YEDL	WPD S Wales	WPD S West	EDFE LPN	EDFE SPN	EDFE EPN	SP Distribution	SP Manweb	SSE Hydro	SSE Southern		GB Total
Customer numbers 2006/07	2433482	2576436	2342770	1558187	2234349	1079585	1504598	2206090	2214187	3469255	1982108	1473411	721019	2876427		28671904
Number																
Unplanned interruptions (000's)	2,797	2,010	1,180	983	1,866	807	1,204	686	1,975	2,563	1,202	633	525	1,892		20,324
Pre-arranged interruptions (000's)	202	143	49	154	90	63	78	18	84	128	47	57	75	114		1,303
Incidents on National Grid Company or Transmission Companies (000's)	0	0	0	27	111	0	0	0	0	0	129	0	75	0		341
Incidents on distributed generators (000's)	0	0	0	0	0	0	0	0	0	0	0	0	3	0		3
Incidents on any other connected systems (000's)	0	0	0	23	0	1	0	0	27	0	0	0	1	0		51
Total (000's)	**2,999**	**2,153**	**1,229**	**1,186**	**2,067**	**871**	**1,282**	**705**	**2,087**	**2,692**	**1,378**	**690**	**678**	**2,006**		**22,022**
CIs	**123.24**	**83.58**	**52.46**	**76.10**	**92.50**	**80.66**	**85.21**	**31.95**	**94.25**	**77.58**	**69.50**	**46.86**	**94.04**	**69.74**		**76.81**
Duration																
Unplanned interruptions (000's)	244,356	170,043	107,508	91,279	227,977	40,516	74,716	92,036	219,962	254,513	128,473	77,764	55,325	188,792		1,973,259
Pre-arranged interruptions (000's)	51,787	35,405	14,645	41,330	24,072	9,398	16,556	3,838	19,963	36,899	10,194	15,978	18,153	28,719		326,939
Incidents on National Grid Company or Transmission Companies (000's)	0	0	0	190	41,896	0	43	0	0	0	3,499	0	2,577	0		48,206
Incidents on distributed generators (000's)	0	0	0	0	0	0	0	0	0	0	0	0	23	0		23
Incidents on any other connected systems (000's)	0	0	0	204	0	87	0	0	463	0	0	0	269	0		1,024
Total (000's)	**296,143**	**205,448**	**122,153**	**133,003**	**293,946**	**50,002**	**91,315**	**95,874**	**240,388**	**291,413**	**142,165**	**93,742**	**76,348**	**217,511**		**2,349,451**
CMLs	**121.69**	**79.74**	**52.14**	**85.36**	**131.56**	**46.32**	**60.69**	**43.46**	**108.57**	**84.00**	**71.72**	**63.62**	**105.89**	**75.62**		**81.94**

Note: Figures may differ slightly due to rounding
Note: The figures in this table do not exclude exceptional events, the adjusted incentive scheme figures are shown in Table A2.5

Table A2.4: Revised 2007/08 Customer Interruptions and Customer Minutes Lost: Split by Voltage Level

	CN West	CN East	ENW	CE NEDL	CE YEDL	WPD S Wales	WPD S West	EDFE LPN	EDFE SPN	EDFE EPN	SP Distribution	SP Manweb	SSE Hydro	SSE Southern		GB Total
Customer Numbers	2,433,482	2,576,436	2,342,770	1,558,187	2,234,349	1,079,585	1,504,598	2,206,090	2,214,187	3,469,255	1,982,108	1,473,411	721,019	2,876,427		28,671,904
Sum of number of Customers Interrupted																
132 kV	296,497	32,639	113,772	0	66,383	0	11,136	0	246,362	48,373	0	13	0	0		815,175
EHV	322,622	117,492	56,264	37,449	182,034	60,777	198,499	70,350	78,826	326,129	170,591	105,665	138,803	124,647		1,990,148
HV	2,026,474	1,756,319	814,707	824,957	1,288,511	721,311	857,900	382,787	1,576,128	1,979,773	908,210	479,767	392,997	1,491,937		15,501,778
LV	286,577	222,093	233,211	241,646	332,044	71,088	184,905	175,252	125,794	282,068	140,743	86,942	51,696	343,453		2,777,512
LV Services	66,938	24,868	10,994	32,136	87,179	16,880	29,509	76,442	32,562	55,231	29,397	17,987	15,843	46,059		542,025
Incidents on National Grid Company or Transmission Companies	0	0	0	26,954	110,531	0	47	0	0	0	128,563	0	75,161	0		341,256
Incidents on embedded generators	0	0	0	0	0	0	0	0	0	0	0	1	2,807	0		2,808
Incidents on any other connected systems	0	0	0	22,661	0	708	0	0	27,230	0	0	0	744	0		51,343
Total	**2,999,108**	**2,153,411**	**1,228,948**	**1,185,803**	**2,066,682**	**870,764**	**1,281,996**	**704,831**	**2,086,902**	**2,691,574**	**1,377,504**	**690,375**	**678,051**	**2,006,096**		**22,022,045**
	123.24	**83.58**	**52.46**	**76.10**	**92.50**	**80.66**	**85.21**	**31.95**	**94.25**	**77.58**	**69.50**	**46.86**	**94.04**	**69.74**		**76.81**
																2%
Sum of customer minutes lost																
132 kV	10,889,551	305,136	2,081,472	0	27,909,340	0	150,594	0	12,954,494	611,004	0	1,751	0	0		54,903,342
EHV	27,760,724	2,973,853	1,941,360	558,284	12,146,548	2,328,577	3,517,776	8,053,459	4,634,418	15,788,931	9,931,914	7,116,281	13,564,718	3,396,146		113,712,989
HV	182,262,114	147,976,189	67,525,183	70,950,427	125,571,096	36,243,245	53,524,185	22,641,914	171,707,135	203,331,269	94,497,439	62,115,559	49,747,940	131,113,145		1,419,206,840
LV	65,370,762	49,601,615	48,381,285	57,440,570	75,453,361	9,852,103	30,268,342	48,041,515	41,488,980	63,785,208	28,559,389	20,047,277	8,800,720	75,467,189		622,558,317
LV Services	9,859,438	4,591,640	2,223,542	3,659,550	10,969,079	1,490,686	3,810,635	17,137,365	9,139,618	7,896,270	5,677,595	4,460,992	1,365,103	7,534,970		89,816,483
Incidents on National Grid Company or Transmission Companies	0	0	0	190,199	41,896,376	0	43,062	0	0	0	3,499,121	0	2,576,916	0		48,205,674
Incidents on embedded generators	0	0	0	0	0	0	0	0	0	0	0	68	22,986	0		23,054
Incidents on any other connected systems	0	0	0	203,949	0	87,353	0	0	463,422	0	0	0	269,328	0		1,024,052
Total	**296,142,589**	**205,448,433**	**122,152,842**	**133,002,979**	**293,945,800**	**50,001,964**	**91,314,594**	**95,874,253**	**240,388,068**	**291,412,682**	**142,165,458**	**93,741,928**	**76,347,711**	**217,511,451**		**2,349,450,751**
																2.1%
	121.69	**79.74**	**52.14**	**85.36**	**131.56**	**46.32**	**60.69**	**43.46**	**108.57**	**84.00**	**71.72**	**63.62**	**105.89**	**75.62**		**81.94**

Note: Figures may differ slightly due to rounding

Note: The 132kV network in Scotland forms part of the Transmission system

Table A2.5 Incentive Scheme: 2007/08 Customer Interruptions & Customer Minutes Lost as a Percentage of Respective 2007/08 Targets

DNO	2007/08 CI Target	2007/08 Incentive Scheme CIs	2007/08 Incentive Scheme CIs as % of 2007/08 Target		2007/08 CML Target	2007/08 Incentive Scheme CMLs	2007/08 Incentive Scheme CMLs as a % of 2007/08 Target
CN West*	106.2	116.9	110		94.7	101.5	107
CN East*	77.1	79.4	103		73.4	70.4	96
ENW*	57.1	50.7	89		56.4	48.1	85
CE NEDL*	74.5	66.3	89		69.4	70.5	102
CE YEDL*	68.5	75.7	111		65.1	75.0	115
WPD S Wales	96.8	77.7	80		72.2	41.9	58
WPD S West*	84.5	76.4	90		62.2	50.0	80
EDFE LPN	36.2	31.5	87		40.1	42.6	106
EDFE SPN*	86.5	90.1	104		72.6	102.6	141
EDFE EPN*	87.2	73.1	84		70.6	73.8	105
SP Distribution*	60.8	58.6	96		57.6	60.6	105
SP Manweb*	46.7	43.1	92		48.0	54.7	114
SSE Hydro*	95.5	69.2	72		93.9	71.6	76
SSE Southern*	89.2	65.7	74		78.9	66.2	84
GB average		**70.5**				**68.3**	

*Note: CN West's 2007/08 CI and CML figures were reduced as a result of 1 exceptional event
CN East's 2007/08 CI and CML figures were reduced as a result of 1 exceptional event
ENW's 2007/08 CI and CML figures were reduced as a result of 1 exceptional event
CE NEDL's 2007/08 CI and CML figures were reduced as a result of 3 exceptional events
CE YEDL's 2007/08 CI and CML figures were reduced as a result of 1 exceptional event
WPD S West's 2007/08 CI and CML figures were reduced as a result of 3 exceptional events
EDF Energy SPN's 2007/08 CI and CML figures were reduced as a result of 1 exceptional event
EDF Energy EPN's 2007/08 CI and CML figures were reduced as a result of 2 exceptional events
SP Distribution's 2007/08 CI and CML figures were reduced as a result of 2 exceptional events
SP Manweb's 2007/08 CI and CML figures were reduced as a result of 2 exceptional events
SSE Hydro's 2007/08 CI and CML figures were reduced as a result of 2 exceptional events
SSE Southern's 2007/08 CI and CML figures were reduced as a result of 2 exceptional events

Table A2.6: Distribution Network Operator Information 2007/08

DNO	Total No of Customers	Length of circuit km															
		132kV			66kV		33kV			22kV		HV			LV		
		Overhead	Underground	Submarine cables	Overhead	Underground	Overhead	Underground	Submarine cables	Overhead	Underground	Overhead	Underground	Submarine cables	Overhead	Underground	Consac Cables
CN West	2,433,482	1,368	303	0	793	16	1,037	364	0	0	0	14,538	12,085	0	6,120	21,346	3,994
CN East	2,576,436	2,384	199	0	0	0	2,702	1,721	0	0	0	12,593	13,288	0	5,071	32,979	11
ENW	2,342,770	1,532	351	0	0	0	1,380	2,199	0	0	0	7,832	12,681	22	2,309	23,544	4,670
CE NEDL	1,558,187	606	89	0	1,007	444	353	479	0	0	0	10,356	7,952	0	2,591	13,432	2,222
CE YEDL	2,234,349	1,064	203	0	846	88	1,255	1,331	0	0	0	8,673	10,630	0	1,748	26,304	0
WPD S Wales	1,079,585	1,180	93	0	357	9	1,227	387	1	0	0	12,207	5,362	5	3,193	10,736	0
WPD S West	1,504,598	1,442	75	0	0	0	2,900	844	66	0	0	16,591	6,465	20	7,460	10,961	2,788
EDFE LPN	2,206,090	30	469	0	15	428	0	841	0	0	0	0	11,802	0	0	22,334	1
EDFE SPN	2,214,187	1,161	340	0	0	0	1,313	1,320	0	0	0	5,698	11,629	0	4,591	25,751	12
EDFE EPN	3,469,255	2,545	242	0	0	0	3,479	2,298	0	0	0	19,203	18,720	0	9,356	38,593	3
SP Distribution	1,982,108	0	0	0	0	0	2,687	2,916	0	0	0	14,031	12,316	3	4,400	25,954	56
SP Manweb	1,473,411	1,223	225	0	0	0	1,976	1,672	4	0	0	12,613	6,952	5	5,628	18,259	5
SSE Hydro	721,019	0	0	0	0	0	5,397	871	303	0	0	21,726	4,652	147	4,125	9,240	0
SSE Southern	2,876,427	1,914	437	12	6	189	3,514	2,167	14	0	0	13,154	16,217	1	8,868	23,748	5,209
Great Britain	28,671,904	16,449	3,027	12	3,024	1,174	29,219	19,411	388	0	0	169,214	150,750	203	65,460	303,180	18,971

Note: The 132kV network in Scotland forms part of the Transmission system

Appendix 3 – 2007/08 Customer Interruptions (CIs) and Customer Minutes Lost (CMLs) by Source and by Voltage

1.1. The number and duration of interruptions to supply can be broken down into the following five categories:

- unplanned interruptions arising on the DNO's own network;
- pre-arranged interruptions on the DNO's network;
- interruptions arising on the National Grid Company's system or the Transmission Companies' systems (in Scotland);
- interruptions arising from generators connected to the distribution network; and
- interruptions on any other connected systems.

1.2. Unplanned interruptions are caused by many factors, such as;

- failure of equipment;
- lightning hitting lines and damaging equipment;
- high winds blowing over poles and bringing power lines down;
- strikes by large wildfowl; and
- third party activity such as workers accidentally severing power cables.

1.3. Planned interruptions relate to the temporary suspension of supply for reasons such as carrying out repairs, maintenance and construction. Customers are required to be given two days notice prior to the start of such work. Industry working practices and techniques, such as "hot-glove" working and the use of mobile generators are reducing the need to interrupt supplies to carry out repairs. Incidents on the National Grid Company or Transmission Companies are generally rare, but due to the voltages involved, when they do occur they affect large numbers of customers.

1.4. Unplanned interruptions account for the bulk of customer minutes lost, with 12 DNOs having over 80 per cent of their minutes lost being due to this source. Within the remaining categories, planned work can be seen to be more significant in terms of customer minutes lost than it was in terms of customers interrupted.

1.5. The number and duration of interruptions can also be disaggregated by the voltage level at which they occurred. The voltage levels are classified as follows:

- 132kV;
- Extra High Voltage (EHV) – voltages greater than 20kV but less than 132kV;

- High Voltage (HV) – voltages from 1kV up to 20kV;
- Low voltage (LV) voltages less than 1kV; and
- LV Services – the service line connecting the electricity main to the distribution company's protection device situated upon the customer's premises.

Figure A3.1 Great Britain Average: 2007/08 Proportion of Customer Interruptions by Voltage

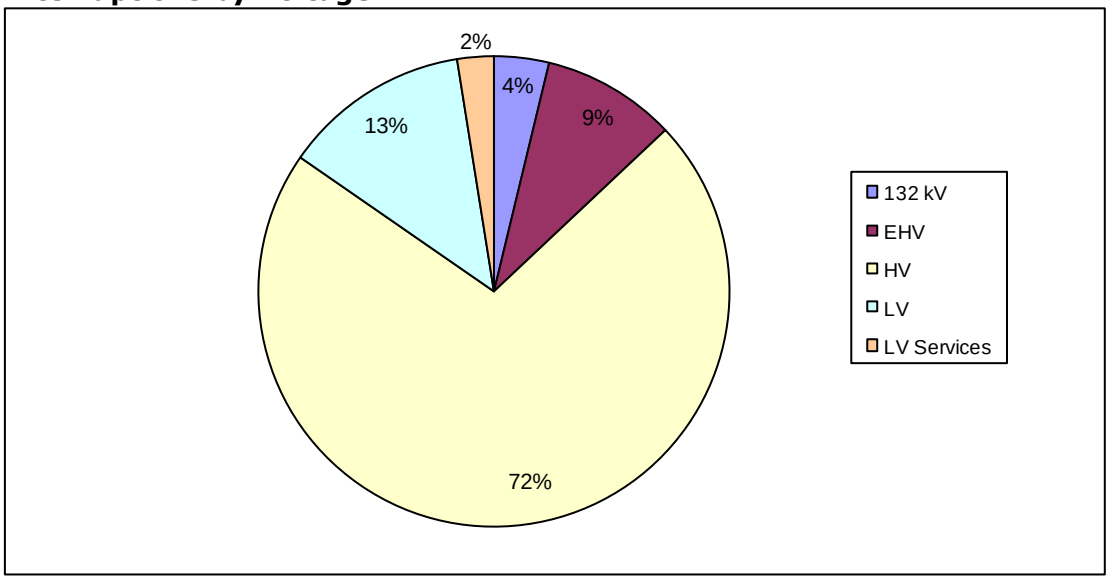
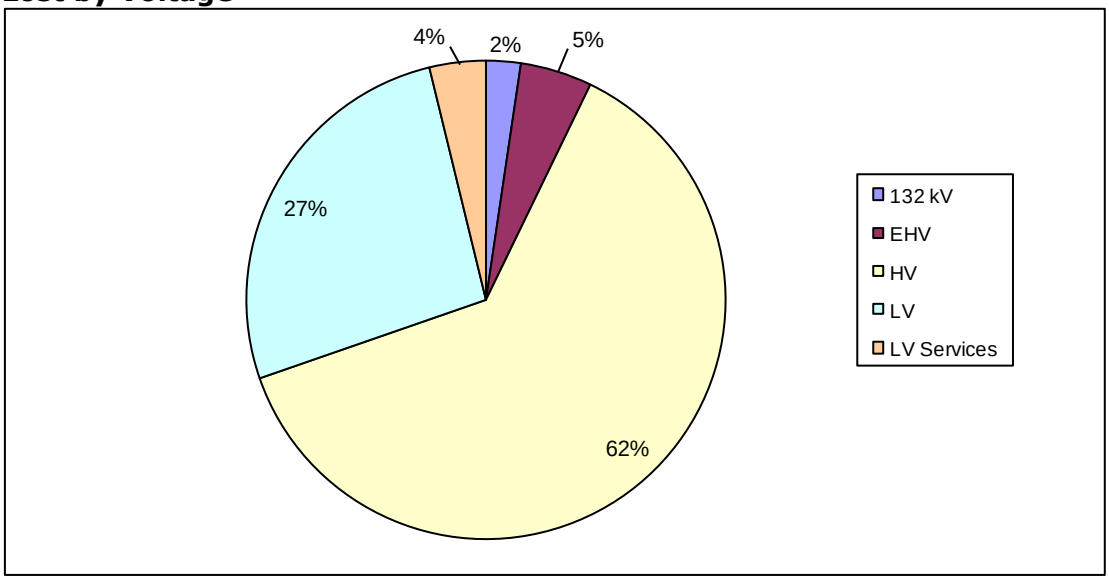


Figure A3.2 Great Britain Average: 2007/08 Proportion of Customer Minutes Lost by Voltage

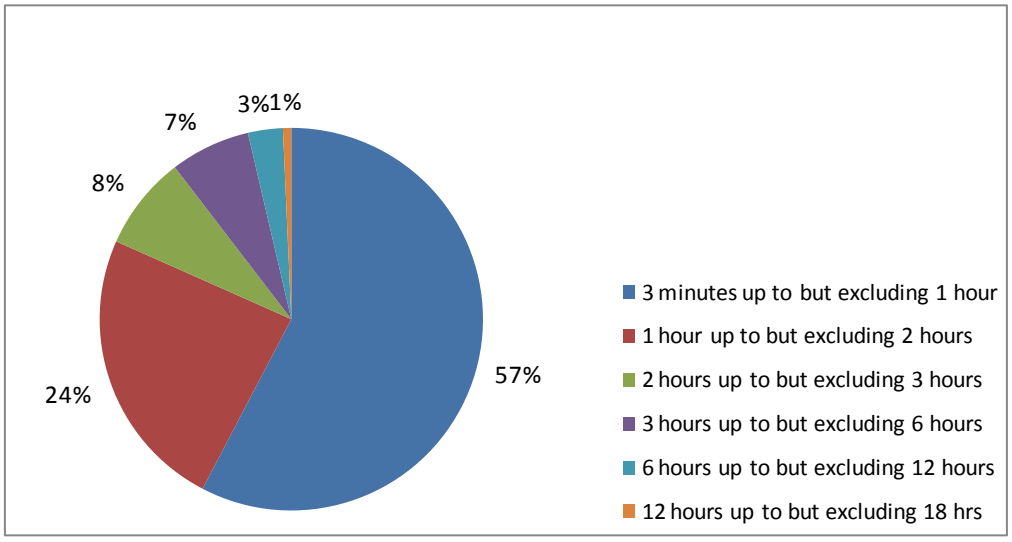


Appendix 4 – Disaggregation by Duration and Frequency Band

1.1. Under DPCR4, DNOs are required to separately disaggregate both the pre-arranged and unplanned number of customers interrupted (including all voltage levels) by duration band. This information is intended to provide a better understanding of how customer minutes lost are made up and of DNOs' effectiveness in restoring customers' supplies following an interruption.

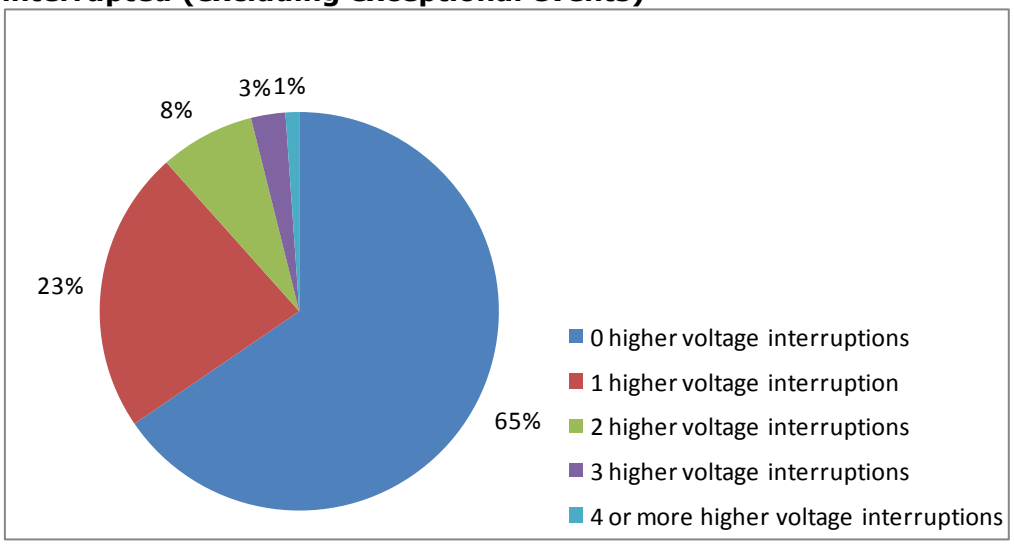
1.2. DNOs are also required to report the unplanned number of customers interrupted (excluding re-interruptions) by frequency band starting with customers experiencing zero higher voltage interruptions and rising in single increment up to customers experiencing 10 higher voltage interruptions. DNOs are also required to report the total number of customers experiencing more than 10 higher voltage interruptions and the largest number of higher voltage interruptions experienced by any customer.

Figure A4.1 Disaggregation by duration band - 2007/08 customers interrupted (excluding exceptional events)



1.3. The above graph shows the proportion of customers interrupted by duration band (excluding exceptional events). Over half of the customers interrupted under normal conditions during 2007/08 were restored within one hour of being interrupted. About a quarter of customers interrupted under normal conditions during the same period were restored within two hours of being interrupted. Eight percent of customers who were interrupted during normal condition in 2007/08 were restored within two hours up to and excluding three hours, seven percent were restored within three to six hours while three percent were restored within six to twelve hours. The remaining one percent was restored after twelve hours or longer.

Figure A4.2 Disaggregation by frequency band – 2007/08 customers interrupted (excluding exceptional events)



The above graph shows the proportion of customer interruptions by frequency band (excluding exceptional events). Around 65 percent of customers were reported as experiencing zero higher voltage interruptions. This number increased slightly from 2006/07 (62%). 23 percent experienced one higher voltage interruptions; eight percent experienced two higher voltage interruptions. Three percent of customers were reported as experiencing three higher voltage interruptions while just one percent experienced four or more, higher voltage interruptions in the period 1st April 2007 to 31 March 2008.

Appendix 5 – The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority ("the Authority"), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.[9]

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly[10].

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them[11]; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.[12]

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

[9] entitled "Gas Supply" and "Electricity Supply" respectively.
[10] However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.
[11] under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.
[12] The Authority may have regard to other descriptions of consumers.

- Promote efficiency and economy on the part of those licensed[13] under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation[14] and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

[13] or persons authorised by exemptions to carry on any activity.
[14] Council Regulation (EC) 1/2003

Appendix 6 - Glossary

CIs

The number of customer interrupted per year. The number of customers whose supplies have been interrupted per 100 customers per year over all incidents, where an interruption of supply lasts for three minutes or longer, excluding re-interruptions to the supply of customers.

CMLs

The duration of interruptions to supply per year measured by the average customer minutes lost per customer, per year, where an interruption of supply to customer(s) lasts three minutes or longer.

DNOs

Distribution Network Operators

DPCR

Distribution Price Control Review

Short interruptions

The number of customers whose supplies have been interrupted by a short interruption per 100 customers per year over all short interruptions, where the initial interruption to supply is restored in less than three minutes

Return on Regulatory Equity (RORE)

The rate of return to the portion of the RAV assumed to be financed by equity under DPCR4 final proposals. The detailed calculation of the rate is described in Appendix 11.

Appendix 7 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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