

Handout for DPCR5 Workshop 28th January 2009

1.) **A broad measure of customer satisfaction**

Table 1.1 - Initial ideas for the scope of the broad customer satisfaction measure

Attributes of customer satisfaction	Customer interactions
<ul style="list-style-type: none"> ▪ Handling of enquiries, problems and complaints ▪ Staff – helpfulness, friendliness, competence ▪ Quality and availability of information (website and by phone) ▪ Being kept informed ▪ Ease of making contact ▪ Speed of service ▪ Satisfactory completion of work 	<ul style="list-style-type: none"> ▪ Planned and unplanned power cuts ▪ New connections ▪ Service alterations ▪ Supply upgrades ▪ Plant enquiries ▪ Complaints ▪ Obtaining compensation

2.) **Regulation of Connections**

Table 2.1 - Proposed basis of competition tests

Market share	<ul style="list-style-type: none"> ▪ Number/value of competitive connections ▪ HHI scores¹
Market penetration	<ul style="list-style-type: none"> ▪ Number of active ICPs/IDNOs (affiliates and non-affiliates)
Price	<ul style="list-style-type: none"> ▪ Average price metric
Investigation findings	<ul style="list-style-type: none"> ▪ Breaches of non-discrimination conditions of licence (SLC19) ▪ Competition Act breaches
Customer awareness of competitive alternatives	<ul style="list-style-type: none"> ▪ Customer survey ▪ Number of competitive quotations issued
Facilitation of competition	<ul style="list-style-type: none"> ▪ Enabling of LV live jointing ▪ Quality of website information
Complaints	<ul style="list-style-type: none"> ▪ ICP complaints to Ofgem/Ombudsman referrals ▪ Other evidence of non-compliance with spirit of competition
Compliance with SLC15 (Standards for the provision of Non-Contestable Connections Services)	<ul style="list-style-type: none"> ▪ 90 per cent compliance specified ▪ Services specified include proving quotations, responding to requests for design approval and completion of works

¹ Herfindahl-Hirschmann index; see 'Market Investigation references: Competition Commission Guidelines' June 2003, http://www.competition-commission.org.uk/rep_pub/rules_and_guide/pdf/cc3.pdf

3.) Treatment of business customers under the regulatory framework

HV Customer Performance

Sample Size

- 160 HV Customers (10% of all HV customers at this DNO)
- Performance over 3 years for the period ending October 2008
- Exceptional Weather periods not excluded

Results

Total Number of Interruptions over 3 year period	Percentage of HV Customers experiencing HV respective interruptions	Percentage of all UK customers experiencing respective HV interruptions
1	18%	37%
2	6%	14%
3+	0%	6%

(Note: Percentages for all UK customers based on 3 year average)

- No outages exceeded 3 hours, with majority restored within 1 hour

4.) Amendments to the interruption incentive scheme (IIS)

Chart 4.1 - Performance against output measures- Interruptions

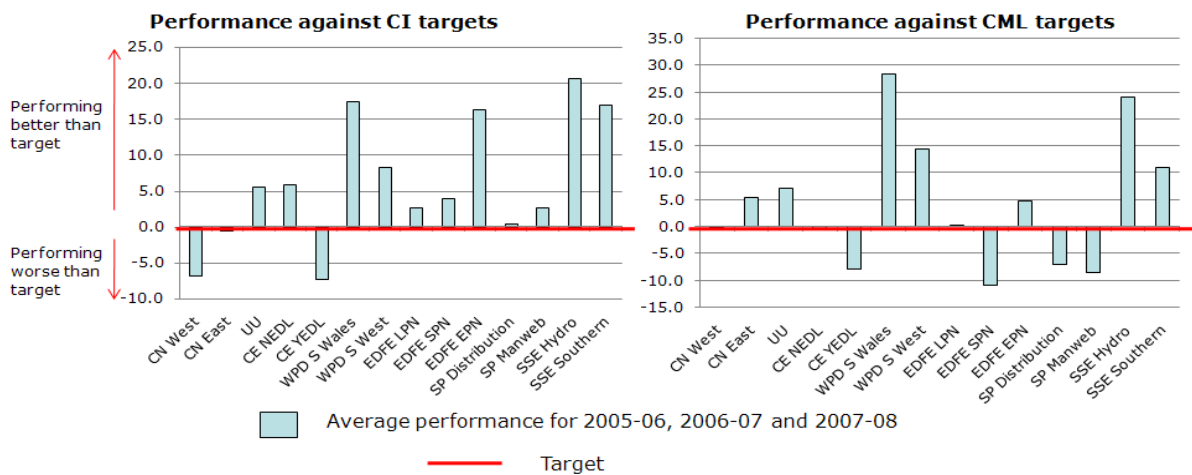


Table 4.2 - Revenue exposed to Quality of Service

Incentive Arrangement	DPCR3	Current (DPCR4)	Ideas for DPCR5
Interruption incentive scheme	+2% to -1.75%	+/- 3%	?
Storm compensation arrangements	-1%	-2%	?
Other Standards of performance	Uncapped	Uncapped	?
Quality of telephone response	+/- 0.125%	+0.05% to -0.25%	?
Quality of telephone response in storm conditions	Not applicable	0 initially +/-0.25% for 3 yrs	?
Discretionary reward scheme	Not applicable	Up to +£1m	?
Broader customer measure	Not applicable	Not applicable	?
Overall cap/total	+2% to -2.875%	4% on downside No overall cap on upside	?

5.) Improving service for worst served customers

Initial thought on mechanism

- DNOs should only submit schemes that achieve a minimum performance improvement of 25 per cent for the targeted customers. Failure to deliver on this improvement could result in adjustments to their future allowance or some recovery of past allowances.

Table 5.1 - Option 4c costs over life of asset (20 years)

£ 07-08	Cost description	Customer interruptions				
		7	6	5	4	3
£m	Total	23.3	28.9	42.3	68.9	131.9
£m	Per DNO	1.8	2.2	3.3	4.9	9.4
Thousand	Total worst served customers	74.1	152.3	337.9	746.9	1,695.6
%	(Total worst served customers) / (Total Customer Base)	0.26%	0.53%	1.18%	2.62%	5.94%
£	Per Customer	0.1	0.2	0.4	2.4	4.6
£	Per WSC	71.9	71.9	71.9	66.4	66.4

Table 5.2 - Total allowance - £42 million distributed according to options A-D

Options for allowance Distribution

- Common allowance for all DNOs (option A)
- Varied allowance based on total customers (option B)
- Varied allowance based on number of worst served customers (option C)
- Varied allowance based on worst served customers as a percentage of the total customer base (option D)

	Customers with >=5 interruptions per year (3 year average)	Total customers	£m option A	£m option B	£m option C	£m option D
CN West	67,051	2,415,484	3.2	3.9	8.3	6.2
CN East	36,890	2,549,112	3.2	4.1	4.6	3.2
ENW	19,383	2,325,155	3.2	3.7	2.4	1.9
CE NEDL	11,326	1,549,259	3.2	2.5	1.4	1.6
CE YEDL	15,010	2,225,253	3.2	3.5	1.9	1.5
WPD S Wales	27,518	1,080,697	3.2	1.7	3.4	5.7
WPD S West	22,528	1,498,199	3.2	2.4	2.8	3.4
EDFE LPN	0	2,213,479	0.0	0.0	0.0	0.0
EDFE SPN	33,477	2,218,054	3.2	3.5	4.2	3.4
EDFE EPN	17,147	3,457,682	3.2	5.5	2.1	1.1
SP Distribution	22,638	1,987,679	3.2	3.2	2.8	2.5
SP Manweb	12,761	1,479,569	3.2	2.4	1.6	1.4
SSE Hydro	25,368	710,383	3.2	1.1	3.2	8.0
SSE Southern	26,803	2,848,956	3.2	4.5	3.3	2.1
Total	337,900	28,558,962	42.0	42.0	42.0	42.0