
Appendix 7 – Customers

Telephony

1.3 We support the streamlining of the customer service attributes from five to three.

1.4 We support the recognition by Ofgem that unsuccessful calls are an important measure of customer satisfaction and should be incorporated into the telephony incentive scheme. The ability to get through to a Distribution Network Operator (DNO) contact centre is important one to customers and there is currently a wide range of performance ranging from 1% to 25% of customers being unable to contact their DNO during the year. This is a measure that a DNO can control.

The proposed mechanism to scale the survey score by the % of unsuccessful calls does not achieve this aim and simply reduces the scores of all DNOs below the 4.5 threshold. Under the current incentive regime this would mean that WPD South Wales with an actual three year average score of 4.51 and an unsuccessful call rate of below 1% would move below the incentive threshold and be treated the same as a DNO with the same average score and an unsuccessful call rate that is over ten times poorer. It weakens the telephony incentive by discouraging the top performers and provides minimal incentive for the really poor performers, who already operate within the penalty zone of the current scheme to improve. There is also little benefit in introducing unsuccessful calls into the survey if Ofgem intend to discontinue it during DPCR6.

Ofgem should incentivise unsuccessful calls separately to telephony survey performance by introducing an objective measure.

Other Issues

1.8 We support the incorporation of messaged customers into the survey. We can confirm that we will be able to provide telephone numbers of customers who have received a message. We would be happy to work with Ofgem to revise the questions.

1.9 We would support an Ofgem specified format for the telephony survey and a contract with an outside provider for this service providing the costs are recognised in the overall price control review settlement. We are not aware of any data protection issues with either proposed approach.

Connections

1.10 We do not support Ofgem's proposal to allow a margin on contestable charges. We do not understand how this can be in the best interest of all customers in either the short or long term.

Competition tests

1.14 We have no problem in principle with those competition tests set out in Table 4 over which we have the ability to control and ability to respond. Basic commercial drivers mean that competition in connections is unlikely to flourish in all segments and across all geographic areas and WPD cannot influence the number or value of competitive connections (which have to include counting IDNO connections currently excluded from Ofgem's analysis in Table 8) or the number of active Independent Connection

Providers/Independent Distribution Network Operators(ICPs/IDNOs); these are subject to wider market conditions e.g. the status of the housing market and geographic variances.

Connections provided by the DNO on a non-competitive basis

1.16 Our views on the four options to enhance protection for connections customers are as follows:

Option1 – Extend regulation to all connections

SLC15 (Standard Licence Condition 15) has only recently been introduced and it is too soon to determine if it is delivering the required outcomes. However the extension of SLC15 across all metered connections would appear to be a logical and reasonable step. We would support this option.

Option 2 – Price regulated segments where competition is unlikely to ever be effective

We agree that standard pricing may not be feasible on a national level for the reasons given. While there may be merit in adopting a standard pricing mechanism for certain classification of connections such as single premise service connections, this approach will inevitably create winners and losers from a customer perspective.

Option 3 – Price accuracy scheme

The price accuracy scheme in gas provides compensation to customers if certain standards are not met but does not address the underlying problem of poor service. Additionally, the provisions of the scheme have largely been overtaken by the introduction of the complaint handling standards and the establishing of an industry ombudsman with a specific remit to investigate connections disputes. The introduction of a price accuracy scheme is negated if Option 2 is adopted.

Option 4 – A cost-efficiency incentive on connections

We do not understand how this option could be made to work in practice as it would rely on DNOs being able to accurately forecast the level of new connections and the extent of competition in its area and predict events outside of its control such as the recent economic downturn.

Guaranteed standards of performance

GS2 Supply restoration – normal conditions

1.24 We support the proposal to maintain the current 18 hour standard.

1.25 We support the proposed changes to the compensation payments and comment in more detail in the section on the interruption incentive scheme.

Guaranteed standard on complaint handling

1.26 We agree with the proposed approach. Table 3.2 in chapter 3 of the policy paper shows that since April 2006 there have been:

- 11 connection determinations
- 179 informal determinations

- 868 energywatch cases

There are still wide differences between individual DNO performances. WPD has had no energywatch complaints or Ofgem determinations for five years.

Treatment of business customers

1.28 We comment on the proposed approach to addressing business customers' concerns in the section on the interruption incentive scheme.

Other Issues

1.29 We agree with the proposed increases in penalty payments set out in Table 10 of Appendix 7.

Customer service reward scheme

1.31 Our views on the two options to embed best practice identified during DPCR4 into the customer service reward scheme are as follows:

Option 1 – Incorporate best practice examples into the minimum requirements

We support an approach that stipulates that a certain proportion of best practice must be met is the most appropriate one for a reward scheme that provides a modest incentive on DNOs. This avoids deterring companies from entering if they have chosen not to implement initiatives that they have rejected as being either inappropriate for their customers or too expensive to justify. Striking a sensible balance between prescribing a “one size fits all” approach and allowing DNOs to best decide which initiatives are most appropriate for their customers will ensure that there is no deterrent to entry in DPCR5.

Option 2 – Incorporate best practice requirements into the licence

We do not support the incorporation of best practice requirements into the licence as this is unnecessarily prescriptive. Making best practice mandatory could have the counter effect from which the scheme was designed and may discourage innovation in customer service if best practice initiatives from one DNO are then imposed on all DNOs regardless of the cost or customer preference.

Worst-served customers

1.34 We support the proposal to incentivise DNOs to improve the service given to worst-served customers.

1.35 We support Ofgem's view that changes to the guaranteed standards are not an appropriate mechanism for improving performance to worst-served customers.

1.36 We agree that it would be sensible for Ofgem to initially provide a set allowance for worst-served customer improvements with a view to moving towards an incentive in future. We suggest DPCR5 is used as an information gathering period with the intention of implementing an incentive scheme for worst-served customers in DPCR6.

1.39 We support a proposed definition of a worst-served customer based on those customers who experience greater than or equal to five interruptions (on average over a three year period based on higher voltage interruptions only).

Defined allowance

1.43 Our high level business plan submitted to Ofgem in August 2008 included proposals to improve worst-served customers. Worst served customers were defined as those who experience more than 5 supply interruptions per year based on a three year average. As part of the stakeholder engagement process we consulted on a range of costed options benefiting between 1300 and 4000 customers (per licence) with customer cost for improvement schemes ranging from £150 to £35,000 per benefiting customer. Over 30% of respondents supported additional investment for worst- served customers indicating a willingness to pay an extra 25p per customer in WPD South Wales and 60p per customer in WPD South West. As a result, WPD's detailed business plan includes an additional £5.8m in WPD South Wales and £1.8m in WPD South West. We believe this level of expenditure is supported by our customers.

1.44 We understand that Ofgem may wish to set an upper limit on the cost per benefiting customer when setting the total allowance. This should be based on an understanding of the actual costs of delivering the required improvements as set out in the DNO business plans.

1.45 The proposed total allowance of £42m is less than the amount proposed for undergrounding schemes in Areas of Outstanding Natural Beauty (AONB) as set out in appendix 6. We think this balance is wrong and that expenditure that delivers real improvements in service to customers should have a higher priority than expenditure on visual amenity.

Worst-served customer mechanism

1.47 The allowance should be shared amongst DNOs based on consideration of the number of worst-served customers as a percentage of the total customer base (option 4).

1.48 The initial proposals on the rules for submission of a worst-served customer scheme appear sensible. There are some areas that will be refined over time and some that need further definition such as "a minimum performance improvement of 25 per cent for the targeted customers." A balance will need to be struck between a mechanism that results in an overly prescriptive scheme (e.g. requiring Ofgem to approve each scheme in advance) and one that encourages efficient investment in this area.

1.49 We will look at our current business plan proposals to establish what can be achieved within the proposed cap of £1000 average cost per benefiting customer.

Interruption Incentive Scheme (IIS)

Review of amendments to the benchmarking methodology

1.51 There is a need to determine a DNO's starting point for the IIS target-setting process. This will require a balance between using more years to even out year-on-year random changes and using fewer recent years to better reflect performance gains that have already been achieved. WPD consider that the balance should be more focused on a longer timescale than Ofgem propose and should be consistent with the length of the price control period.

L0 band

1.54 We support the proposed change. This is a minor modification that has little effect on either the targets or benchmarks for any DNO.

Customer Density

1.56 We support the proposed change. This is a minor modification that has little effect on either the targets or benchmarks for any DNO.

Band dominance/DNO ability to improve fault rates

1.57 We support the proposed change. This is a minor modification that has little effect on either the targets or benchmarks for any DNO.

Reducing linear length correction factor

1.59 We support the proposed change. This is a minor modification that has little effect on either the targets or benchmarks for any DNO.

Calculating the upper quartile

1.60 The upper quartile calculations for DPCR5 should be calculated in the same way as for DPCR4. It is not appropriate to change the way that upper quartile performance is calculated because the target is seen as too difficult by some DNOs when it is being achieved by others. In 2006/07 both WPD South West and WPD South West were upper quartile performers for each of the 23 circuit bands.

LV

1.61 We support Ofgem's proposal to continue with a total LV approach.

EHV/132kV

1.62 Ideally EHV/132kV benchmarks should be set on 10 years of IIS compliant data. In the interim, only IIS compliant years should be used. The use of 10 years worth of data would allow some smoothing of performance and recognition that events on the 132kV and 33kV network are infrequent in nature.

1.63 The example in paragraph 1.63 highlights two distinct problems associated with the EHV/132kV network for which different solutions are required.

- The ability of a DNO to mitigate against a high impact, low probability event on the EHV/132kV network in all circumstances. This should be dealt with under the current exclusion mechanism within the IIS incentive scheme. This will allow an independent examiner to recommend full exclusion of Customer Interruptions (CI) and Customer Minutes Lost (CML) above a threshold only where the DNO can demonstrate that it had taken all appropriate mitigating action.
- The exposure of a DNO to unlimited Guaranteed Standard (GS) payments in the event of a high impact, low probability event. The uncapped nature of the normal weather guaranteed standard should be removed for a catastrophic event outside of the DNOs' control.

Starting points and glide paths for DPCR5 unplanned targets

1.68 The starting point for DPCR5 should be the lower of either a DNO's underlying performance or its unplanned 2009/10 target. The three year average currently proposed to identify underlying performance does not strike an appropriate balance between using more years to even out year-on-year random changes and using fewer recent years to better reflect performance gains that have already been achieved. Underlying performance can be better identified by considering both these factors and building a composite target that reflects both aspects. This is covered in greater detail in our business plan submission.

1.69 Our business plan for 2010-2015 has been prepared using the following assumptions for unplanned CI targets for DPCR5

	WPD Start Point	2009/10 Target	Start Point	2014/15
WPD S Wales	79.4	85.9	79.4	73.0
WPD S West	71.9	80.6	71.9	73.7

Where an improvement needs to be made, the glide path is based on a uniform annual improvement

1.70 Our business plan for 2010-2015 has been prepared using the following assumptions for unplanned CML targets for DPCR5

	WPD Start Point	2009/10 Target	Start Point	2014/15
WPD S Wales	40.6	61.0	40.6	39.9
WPD S West	42.6	55.4	42.6	43.2

Where an improvement needs to be made, the glide path is based on a uniform annual improvement

1.71 We support the continued division of the three per cent revenue between CIs and CMLs at 1.2 per cent and 1.8 per cent respectively.

1.72 We do not support the equalisation of incentive rates across all DNOs. In theory the equalisation of incentive rates with greater links to customers' willingness to pay makes good sense. In practice, as demonstrated in the policy document, it is very complicated to achieve and we are unclear if there is any overall benefit, given that

the current system is working well with a clear linkage between reward for good performance and penalty for poor performance.

1.77 Rewards and penalties under the IIS should continue to be symmetric.

Pre-arranged interruptions

1.79 We support the continuation of the existing target setting methodology for planned interruptions with the introduction of an additional driver so that targets flex if volumes of planned work are different to those predicted. There may be merit in adopting an approach to re-assessing planned targets similar to that adopted by Ofgem in the DPCR4 Electricity, Safety, Quality, and Continuity Regulations (ESQCR) re-opener.

Treatment of exceptional events

1.80 The exclusions mechanism has worked well and has made consistent comparisons of underlying performance between DNOs achievable. We do not support changing the mechanism, given the work required on resetting of targets and the difficulty that changing the criteria will introduce in making long run comparisons of data over price control periods. It would a complicated process, with no benefit to either company or customer.

The materiality test was removed at the start of DPCR4 to simplify the audit process and make it more mechanistic. The excluded event thresholds were adjusted to recognise this change at the time. We do not support its re-introduction.

1.81 For the same reasons as 1.80 we do not support changing the definition of the threshold for a severe weather exceptional event. The current mechanism removes all weather-related incidents whether on overhead or underground circuits, providing the DNO can demonstrate that appropriate mitigating action has been taken. It is the number of incidents that determine the demand on resources and hence the total magnitude of an event, regardless of type of network affected. Underground networks are not immune to weather-related faults and can be severely impacted by both flooding and to a lesser effect lightning.

The ability of a DNO to change its average daily fault rate significantly in any one year is minimal and it is a factor that drives the exclusion threshold. It is not appropriate to adjust this figure on an annual basis and the thresholds should therefore continue to be calculated based on a five year average consistent with the start of the price control review.

1.82 We do not support the proposed changes. These seem extremely complicated with no apparent benefits. We agree with Ofgem that there is no benefit in adopting a system that is not clear for customers.

1.83. We do not consider that there is any “boundary issue” or perverse effect on resilience investment.

1.85 There are three areas of ESQCR expenditure that may have a consequential impact on network performance:

- Additional expenditure to provide safety clearances to buildings which will have a minimal impact on unplanned network performance but will drive a percentage of additional planned interruptions. The largest portion of ESQCR related expenditure in WPD is within this category.
- Expenditure associated with resilience tree cutting on the 132kV and EHV network to comply with ETR 132. This will have an impact on potential second-circuit outages incidents during severe weather. We will be clearing approximately 1% of EHV overhead network per annum to comply with this aspect of the ESQCR.
- Expenditure associated with additional vegetation management on the LV network to comply with EA 43-08. In WPD's case our historic policy has been full compliance with 43-08 and as our price control allowances were on that basis, there would be no change in network performance. For those DNOs who have sought additional funding under the DPCR4 re-opener process, there should clearly be a related linkage to tightened network performance targets.

We believe it should be straightforward for each DNO to identify the CI and CML impact of additional ESQCR expenditure in each of the three categories described above to inform the target setting process.

1.86 We invite views on the overall risk DNOs should bear under IIS due to one-off and severe weather exceptional events and whether:

- Large one-off events should be eligible for exclusion, irrespective of cause.
Agreed. See response to 1.63
- Targets should be relaxed if the severe weather mechanism is made more onerous,
Any change in the severe weather mechanism must be reflected in the target-setting methodology. We do not support any changes to this mechanism.
- Targets should be tightened given the ESQCR related expenditure on tree-trimming and network resilience.
We agree that targets for DPCR5 should include the impact of additional ESQCR tree related expenditure. We outline the impact of ESQCR expenditure on CI and CML in our response to section 1.85.

Audits

1.87 We would support the introduction of a fully unannounced audit for DPCR5.

1.88 We support the revised reporting accuracy thresholds set out in Table 25 providing that the overall sample size is not reduced.

1.89 We support the proposal to conduct expanded audits at each DNO on one occasion during DPCR5 with a streamlined audit for each of the other four years.

Short interruptions

1.91 We support the proposal for a DPCR5 work stream to develop more robust short interruption data monitoring.

Voltage quality

1.92 We agree with Ofgem that changes in this area are not required.

Non-domestic customers

1.93 We would be happy to review the reporting arrangements for non-domestic customers.

1.94 We already provide a dedicated “gold line” for large business customers and offer a range of services including 24 hour access to a senior control room manager. We welcome feedback from large business customers and are happy to investigate initiatives that would allow us to improve our service further.