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Your ref

Our Ref

Date 31 January 2012

Contact / Extension

Jeremy Blackford  
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Dear Stephen

**Consultation letter on the customer satisfaction survey rate term in Part D of electricity distribution Special Licence Condition CRC8 – response by SP Energy Networks, January 2012**

SP Energy Networks (SPEN) welcomes the opportunity to respond to the open letter issued on 20 December 2011.

We support the approach of applying a range of deviation to apply for each year for each component of the incentive, rather than the use of preset fixed values. Nevertheless, we think that a more conservative approach should be taken in the selection of an appropriate range. The period of the pilot survey excluded the winter months, when one might expect the range of scores to increase. Also, as the letter indicates there were some statistical issues in certain categories of survey data that suggest caution in interpreting the detailed results. We think that taking these factors into account, a range of 2 standard deviations (option 2d) would be appropriate. This has 2 main advantages in our view over the figure of 1.75 proposed in the letter.

- (i) It gives leading companies more of an incentive to improve survey results further to the benefit of customers (we note that no company scored more than 86% on the overall mean survey measure);
- (ii) It reduces the impact of spurious differences between companies in measured survey performance.

Based on the results of the pilot survey, using 2 standard deviations would still mean that the leading company received approximately 85% of the maximum reward (in the case of the overall mean measure, while the lowest performing company would incur approximately 70% of the maximum penalty on the same measure. We think that this would still meet Ofgem's high level principles, particularly in relation to the overall mean measure (which accounts for 80% of the survey incentive), while also offering the additional advantages set out above.

Our detailed comments on each of the questions set out in the letter are set out below.

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*Do you agree with the high-level principles used to inform the Authority's "minded to" position? If not, why?*

We agree with the high level principles set out in the letter, with the caveat that the survey component of most importance is the overall mean measure, which combines together the weighted performance of each component, and accounts for 80% of the overall survey performance. The high level principles should not necessarily need to apply, or apply as much, in respect of each individual component of the survey.

*Do you agree with the Authority's "minded to" position? If not, why?*

We think that one weakness of the Authority's "minded to" position is that it could result in a limited incentive on leading companies to further improve their performance. Based on the results of the 6 month pilot survey, in each survey category at least one company achieved more than 1.75 standard deviations above the mean, and so would have received the maximum reward in respect of that survey component. Partly for this reason, we favour option 2(d) – i.e. the use of 2 standard deviations.

*Are there any arguments in favour of one of the options that you think we have overlooked?*

We stated above, we think that the main attraction of option 2(d) is that it is more likely to provide all companies, including those with the highest scores, with an incentive to improve performance.

*Are there any other options that you think we should consider?*

We continue to believe that consideration should be given to a deadband around the mean to reduce the risk of statistically insignificant variances leading to penalties or rewards that may not necessarily reflect performance. We also think that consideration should be given to the inclusion of unsuccessful calls in the measure so as to avoid losing that aspect of customer experience from the current telephony incentive. However, we acknowledge that this may require a licence modification.

*Do you agree that the incentive rate term should be fixed for the remainder of DPCR5?*

We agree with the proposal to fix the range of deviation for the reminder of DPCR5.

I hope that this is helpful but please contact me if you have any queries.

Yours sincerely



**Jeremy Blackford**  
**Regulation and Commercial**  
**SP Energy Networks**