

Stephen Perry
Ofgem
9 Millbank
London
SW1P 3GE

31st January 2011

Dear Stephen

Consultation on the customer satisfaction survey incentive rate term. Part D of the Electricity Distribution Licence CRC 8.

Thank you for giving SSE the opportunity to respond to Ofgem's letter of 20th December 2011 on the above. We are broadly in agreement with Ofgem's proposal and have set out below our answers to the questions posed in the letter.

We have considered the amendment from the point of view of both of our networks, Southern Electric Power Distribution and Scottish Hydro Electric Power Distribution, and feel that the proposal will continue to drive the correct behaviour in both of these areas.

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

At a high-level, we see no issues with the principles used and the conclusions drawn.

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

We agree with Ofgem's minded-to position and believe that it strikes the right balance between a rate that provides an achievable incentive for all DNOs and one which does not.

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

As we support the minded to position, we have not considered whether there are any arguments which would support the other options proposed.

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

We are satisfied that setting the incentive rate term at 1.75 standard deviations will achieve the policy outcome which Ofgem is looking for.

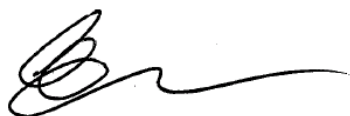
- *Do you agree that the incentive rate term should be fixed for the remainder of DPCR5?*

We believe that fixing the term for the remainder of DPCR5 will give DNOs more confidence and remove any uncertainty over subsequent changes to the term in the following years. This will allow DNOs to focus on implementing those measures and improvements that will assist them in achieving the incentive.

As well as fixing the incentive rate term for the remainder of DPCR5, we believe that Ofgem should confirm that there will be no further changes to the components and calculation of the incentive rate for the remainder of the current price control.

Hopefully this will assist Ofgem in coming to a decision, though should there be any further information that may be of use then please feel free to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Gareth Shields', with a long horizontal flourish extending to the right.

Gareth Shields
Networks Regulation