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Registered in England and Wales No: 3870728

Andy Burgess Associate Partner, Transmission and Distribution Policy Ofgem 9 Millbank London SW1P 3GE

31 January 2012

Dear Andy

## Consultation letter on the customer satisfaction survey incentive rate term in Part D of electricity distribution Standard Licence Condition CRC8

Thank you for the opportunity to provide feedback on the above consultation. This response should be regarded as a consolidated response on behalf of UK Power Networks' four electricity distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, South Eastern Power Networks plc, and UK Power Networks (IDNO) Ltd. I can confirm that this response is non-confidential and can be published via the Ofgem website.

UK Power Networks agrees with the process and the principles the authority has used to determine its minded to position for the incentive term used within the customer satisfaction survey. UK Power Networks also agrees that it is appropriate to use a multiple of the standard deviation as the basis for setting this incentive term. Given that the data samples for the Broad Measure of Customer Satisfaction are new and have been trialled for less than a year, UK Power Networks believes that the confidence in the quality of the data is not yet mature and therefore questions whether the merit of setting a confidence interval at 68%, 87% or 92% (a standard deviation of 1, 1.5 or 1.75) is appropriate. We also note that historically new incentive schemes (for example the Interruptions Incentive Scheme) have used a higher confidence interval of 95%. Although such a movement appears small UK Power Networks believes that this is statistically significant.

We would therefore suggest that it is appropriate to use a standard deviation of 2 to ensure that the variability in the initial data is recognised and that Ofgem remain historically consistent. I hope that you will find our comments helpful. If you have any questions please do not hesitate to contact me.

Yours sincerely

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