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Dear James

RIIO-ED1 customer service and connection incentives

Scottish and Southern Energy Power Distribution welcomes the opportunity to respond to Ofgem's recent consultation regarding the details of the customer service and connection incentives that will be introduced in RIIO-ED1.

We are fully dedicated to continuing to improve the service we provide to all of our customers and are therefore very supportive of Ofgem's increasing focus in this area. We have laid out our detailed plans for our customer service standards during RIIO-ED1 in the 'Listening to our customers and providing the service that they want' paper of our Business Plan. Further details on our plans for connections are provided in our 'Getting Connected' paper. Both can be found on our website: www.yourfutureenergynetwork.co.uk.

Our answers to the questions in the consultation are provided in Appendix I. While we support the approach proposed by Ofgem, this is subject to achieving clear definitions of the metrics used. It is essential that appropriate definitions are developed that can be consistently applied by all stakeholders (including DNOs) and hence ensure that the incentive mechanisms drive the correct behaviour. We will continue to work with Ofgem on the drafting of the definitions at the Licence Drafting Working Group and through the development of the Regulatory Instructions and Guidance. Further comment on the definitions is also provided in our answers as set out in Appendix I.

Please do not hesitate to get in touch if you would like to discuss this further.

Yours sincerely,

Aileen McLeod
Head of Regulation, Networks

Appendix I

Customer Satisfaction Survey

Question 1: Do you agree with setting a common target for all DNOs? If not, why do you consider that we should introduce separate targets for different DNOs?

We agree with setting a common target for all DNOs. This will ensure that all DNOs are working towards providing the same high level of customer service, while maintaining a strong incentive to improve frontier performance.

Question 2: Do you agree with setting a common target for all customer categories? If not, please give reasons for taking an alternative approach.

A common target for all customer categories appears to be a reasonable approach. All customers should expect to be able to receive the same high level of customer service.

Question 3: Do you agree with our 'minded to' approach to calculate the target and maximum reward / penalty score? If not, please give reasons for taking an alternative approach.

The proposed approach to calculate the target and maximum / penalty scores is reasonable.

Question 4: Do you agree with our proposed approach to calculate the incentive rate?

The proposed approach to calculate the incentive rate is reasonable.

Question 5: Do you agree with the approach used to incorporate unsuccessful calls into the CSS? Do you agree with our 'minded to' position of not introducing a deadband or a cap on penalty exposure?

We agree that it is important to incorporate unsuccessful calls into the CSS. An appropriate definition of an unsuccessful call is essential to ensure that DNOs are appropriately rewarded / penalised. In particular, the definition must clearly specify that a customer reaching a recorded message constitutes a successful call.

Whilst we understand Ofgem's 'minded to' position not to introduce a deadband or cap on penalty exposure, there are some scenarios, such as severe weather events, where we can expect to receive an unusually high volume of calls. Whilst we will continue to make every effort to communicate with our customers in these scenarios, including proactively contacting affected customers, there will inevitably be an impact on the level of service. Accordingly, we propose that the definition of 'unsuccessful call' reflects this and allows, during severe weather events, for all calls reaching a recorded message (whether or not the customer subsequently terminates the call) to be treated as successful.

Complaints metric

Question 6: Do you agree with our proposed approach to calculate the target and the maximum penalty score? If not, please specify your preferred alternative and the reasons why.

The proposed approach to calculate the target and the maximum penalty score is reasonable.

Question 7: Do you agree with our proposed approach to calculate the incentive rate?

The proposed approach to calculate the incentive rate is reasonable.

Time to connect incentive

Question 8: Do you agree with our 'minded to' position to set common targets for all DNOs? Please explain why you agree or disagree.

We agree with setting a common target for all DNOs. This will ensure that all DNOs are working towards providing the same high level of service to customers who want to get connected to our networks.

For the time to quote incentive, it is essential that 'initial application' is appropriately defined. In order to ensure that our customers receive the service that they need and to ensure that they are given the correct information, it is important that we get an understanding from them when they contact us as to whether they are looking for information about the connection process or whether they are at the stage of wishing to apply for a quotation. It would be poor customer service to provide a quotation in circumstances where a customer does not want it just because they have made an 'initial application'. The definition of initial application should therefore include a requirement for customer confirmation that they wish to receive a quotation.

Question 9: Do you agree with our 'minded to' position to set different targets for different types of connections? If not, please explain why and outline your preferred alternative.

We agree with setting different targets for different types of connections. This ensures that the different nature of the work for different types of connections is accurately reflected.

Question 10: Do you agree with our 'minded to' position to place an equal weighting on all four elements of the time to connect incentive? If not, please explain why and outline your preferred alternative.

We agree with the 'minded to' position to place an equal weighting on each element of the time to connect incentive. There is no clear rationale for placing more weighting on one particular element and, given the different factors involved, this is a reasonable approach.

Question 11: Do you agree with our 'minded to' position to calculate the target and the maximum reward score? If not, please explain why and outline your preferred alternative.

We agree with the 'minded to' position to calculate the target and maximum reward score based on upper quartile performance.

Question 12: Do you agree with our proposed approach to set the target / maximum reward score now for the first four years of RIIO-ED1 and then calculate the target / maximum reward score for the final four years based on RIIO-ED1 data.

Yes.

Question 13: Do you agree with our proposed approach to calculate the incentive rate?

The proposed approach to calculate the incentive rate is reasonable.

Incentive on connections engagement (ICE)

Question 14: Do you agree with splitting the penalty equally across the market segments? If not, please explain why and give details of your preferred alternative.

We agree with splitting the penalty equally across the market segments. This is a clear and simple way to split the penalty and ensures that DNOs are incentivised to improve the level of service provided to customers in all market segments.

There remains a lot of work to be done on the ICE. In particular, on the content of DNOs' annual submissions and ensuring that Ofgem's assessment criteria drive the behavioural change that is in the interests of all customers. We look forward to contributing to further discussions and consultations over the coming months.