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		0117 933 2175	28 October 2013

Dear James

RIIO-ED1 customer service and connection incentives

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc.

Thank you for the opportunity to comment on the detailed arrangements for the RIIO-ED1 customer service and connections incentives. Our response is not confidential and can be published on the Ofgem website.

Our response to the specific questions raised, are as follows:

Appendix One – Customer satisfaction survey (CSS)

Question 1: Should we set common targets for all DNOs?

We agree that Ofgem should set common targets for all DNOs. There is no evidence that customer service performance in different DNOs is in any way linked to regional characteristics. The WPD licenced area incorporates some of the most diverse terrain in the UK, ranging from sparsely populated rural areas such as Exmoor and Dartmoor to large urban populations in Bristol, Cardiff and Birmingham (the UK's second city). We operate the largest network and serve 28% of the UK customer base and have not identified any special regional factors that make the delivery of a good level of customer satisfaction outside of our control.

Question 2: Should we set common targets for all customer categories?

We agree that Ofgem should set common targets for all customer categories. Customers have a right to expect a similar level of service from a DNO, regardless of the activity undertaken.

Question 3: How should we calculate the target and maximum reward/penalty score?

We agree with the principle that the target scores should be reflective of good customer service, regardless of the activity or industry involved. We therefore support an approach that sets a RIIO-ED1 target based on data from the UK Customer Service Index, with a reward being available for upper quartile performance.

However, existing levels of performance should also be taken into account when setting these targets, particularly in relation to the setting of the maximum penalty. The targets currently proposed in the incentive are not symmetrical – companies need to score 0.7 above the median target of 8.2 in order to achieve maximum reward, but score 1.4 below target in order to receive maximum penalty. We therefore disagree with the maximum penalty threshold proposed and view this as a soft target. Of the 56 measurable segments (14 DNOs, with 4 segments per DNO comprising of: 1) overall score; 2) interruptions; 3) connections; 4) general enquiries), in the 2012/13 scheme, the lowest score by any DNO service segment was 6.87. Indeed, 54 of the 56 segments scored higher than 7.2. We would therefore favour a more stretching maximum penalty target.

With regards to the target score of 8.2, and maximum reward score of 8.9, we support the approach and view these as stretch targets. Performance in 2012/13 shows that in the 56 service segments, only 21 segments achieved a score above the target threshold of 8.2. The highest score from any segment was 8.78, and therefore still below the stretching target of 8.9 for maximum reward.

Question 4: How should we calculate the incentive rate?

We agree with Ofgem's "minded to" position, but favour a revised maximum penalty target, as stated above.

Question 5: What level of influence should we place on calls that are unable to reach a DNO?

We agree with the proposed approach to incorporate the number of supply interruption calls that are unsuccessful into the CSS. It is right that ease of access to a DNO's service should also be a factor in their performance, in addition to the quality of service received. This approach should extend to calls related to general enquiries and connections, as customers have a right to expect a similar level of telephone service regardless of the activity undertaken. We believe that these statistics are readily available to all DNOs.

WPD have expressed concern on a number of occasions that there is inconsistent reporting of unsuccessful calls across DNOs. A number of DNOs are currently reporting zero unsuccessful calls placed by their service provider to their no-supply line. We maintain that it is impossible under the current definition to have zero unsuccessful calls, regardless of the service provider. It is therefore important that for RIIO-ED1 this inconsistency is addressed.

Appendix Two – Complaints metric

Question 6: How should we calculate the target and maximum penalty score?

We agree with Ofgem's "minded to" position.

Question 7: How should we calculate the penalty incentive rate?

We agree with Ofgem's "minded to" position.

Appendix Three – Time to connect incentive

Question 8: Should we set common targets for all the DNOs

We agree with Ofgem's "minded to" position. Customers should be able to expect the same level of service across the UK.

Question 9: Should we set separate targets for different types of connection?

We agreed with Ofgem's "minded to" position and believe that separate targets for different categories of work are appropriate.

Question 10: How should we split the reward across the four elements of the incentive?

The reward should be split evenly across the four elements of the incentive. There is no rationale to place a stronger financial incentive on one size of connection or one part of the connections process.

Question 11: How should we calculate the target and the maximum reward score?

We agree with Ofgem's "minded to" position to set the target based on current upper quartile performance.

Question 12: How should we increase the target/maximum reward score during the period?

We agree that a mid-period view is appropriate. This will ensure that targets remain stretching, in the light of the anticipated improvements that will be made in the first four years of the incentive.

Question 13: How should we calculate the incentive rate?

We agree with Ofgem's "minded to" position to divide the reward exposure by the difference between the maximum reward score and the industry target score.

Appendix Four – Incentive on connections engagement (ICE)

Question 14: Do you agree with splitting the penalty equally across the market segments?

We agree that splitting the total penalty equally across all the market segments is the most appropriate course of action. We share Ofgem's concerns regarding agreeing a common definition of market value. Whether calculated upfront or on an annual basis, we share the concern that the market value may fluctuate and therefore not reflect the current year. We also view it as extremely important to engage with stakeholders in all market segments and believe they should be reflected equally in the incentive.

If you have any queries or there are any aspects of this letter that you would like to discuss further, then please contact me on 0117 933 2175 or at asleightholm@westernpower.co.uk.



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