

28th May 2014

By email only

James Hope
Ofgem
9 Millbank
London
SW1P 3GE

Dear James

Re: Open letter consultation on potential changes to severe weather related Guaranteed Standards of Performance (GSOP) following December 2013 storms

Brookfield Utilities UK ("BUUK") welcomes the opportunity to respond to the consultation on potential changes to severe weather related Guaranteed Standards of Performance (GSOP) following December 2013 storms. BUUK is the parent company of the electricity distribution licensees the Electricity Network Company Limited ("ENC") and Independent Power Networks Limited ("IPNL").

IDNOs provide, own and operate "last mile" distribution networks that typically connect to the upstream distribution systems of DNOs. IDNO networks predominantly comprise of connections to new housing developments. Currently our licensed businesses do not operate any LV or HV overhead networks; as network cables being laid below ground. Most, if not all, severe weather event GSOP payments to IDNO customers experiencing a loss of supply are caused by faults on the upstream DNO network. Any GSOP payments we make to IDNO customers are then recovered from the relevant DNO. However, we still incur the burden, costs and fallout that result in poor communication or in delays to restore supplies. We recognise that we have an important role to play in working with DNOs during such outages as well as resolving issues where the fault does occur on our network. In either case, we will always aim to keep customers informed on the progress of rectification works and the estimated supply restoral time.

In summary BUUK:

- Supports the continued application of the principle that GSOP payments are made in recognition of inconvenience to customers and should not offer compensation for consequential loss.
- That payments need to strike a balance between inconvenience experienced and the charges consumers pay for electricity distribution.
- That payments should be made automatically as a default but that these should be managed by the relevant supplier in line with the arrangements in the gas industry.

Our full response can be found in appendix 1.

Should you wish to discuss any of the comments raised in this response, we would be happy to discuss these further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'GHO', written in a cursive style.

Gethyn Howard
Regulatory Affairs Manager

Appendix 1

Proposal to amend the 2010 Guaranteed Standards of Performance by placing the onus on companies to make automatic payments to customers for all standards covering power loss.

GTC is supportive of the proposal for payments relating to power loss to be made automatically. However, except in the case of vulnerable customers, under current industry arrangements distributors do not hold customer details as this information is held and maintained by suppliers. Therefore any process for automatic payment should be through the supplier which could be achieved by the DNO or IDNO forwarding on the relevant details along with payment to the supplier (depending on where the outage occurred) for onward payment to the end user. We believe that this will increase responsiveness to customers and provide a speedy resolution where outages qualify for payment under the GSOP.

Experience to date has shown that where GTC writes to premises to confirm customer details in order to make GSOP payments, we receive varying levels of response. This may be due to customers not fully understanding the electricity industry and see themselves as only having a relationship with their supplier. We believe that the success of Ofgem's proposal to make automatic payments to customers for all standards covering power loss will be entirely dependent on the accuracy of the contact information provided by suppliers. Though this could be provided on a reasonable endeavors basis (and backed up by Code obligations) it would be difficult if not impossible to monitor the accuracy of such information with the only way of knowing if the information is incorrect being via a follow up contact from the end user. The result of inaccurate information will be frustration and delay for consumers due compensation and the potential for vastly increased overhead for network operators in managing GSOP payments where payments are sent to out of date or incorrect customer details. Coupled to this, IDNOs incur additional costs in raising and managing GSOP payments where the fault occurs on the upstream network. We would prefer the process to operate in the gas industry where the Independent Gas Transporter (IGT) would advise the upstream network operator of the impacted MPRNs and registered shipper information and the upstream network operator undertakes the administration direct. Experience to date with vulnerable customer information has not been particularly accurate as we have not always been made aware of vulnerable customers connected to our network. Consideration must also be given to the magnitude of any potential exercise for network operators to be provided with 23 million sets of contact details and extensive systems changes to accommodate. We therefore believe that the most appropriate way to manage GSOP payments would be for network operators to forward payment through to suppliers (or the upstream network operator where the fault occurs on their network) who can send onto the end users registered on their billing system. This will ensure that inaccuracies are kept to a minimum and from a customer perspective will be sent by the company which the end users are most familiar with thus improving the customer experience.

Proposal to increase payments to customers for power loss following severe weather events.

GTC supports the continued application of the principle that GSOP payments are made in recognition of inconvenience to customers rather than reflecting the full cost of a power cut to a customer. We believe that it is important that payments need to strike a balance between inconvenience experienced and the cost consumers pay for electricity distribution. We agree with the decision made for RIIO-ED1 to increase payment levels for all guaranteed standards to reflect inflation up to the mid-point of the RIIO-ED1 period. However, with

regards to the severe weather standards we are of the view that it would be more appropriate to bring the GSOP payments in line with those for non-severe weather related outages with the relevant caps also increasing rather than multiplying the failure payment in excess of two and a half-fold. However, increasing GSOP payments places pressure to increase network charges. Therefore there needs to be a balance between the level of GSOP and the prices that consumers are willing to pay. This is acknowledged in the consultation paper and is something where Ofgem have indicated that consequential increases in network charges arising from increased GSOP payments is something they wish to avoid. We agree a balance can be achieved by bringing the severe weather payments in line with the normal condition payments which would increase payment levels from their "2010" levels. Each network operator would still have the ability to make additional or ex gratia payments depending on the circumstances (such as the storms taking place over the Christmas period in 2013) which would be reportable to Ofgem in the annual Standards of Performance returns.

General comments

We believe that further consideration should be given to the circumstances where a landlord rather than the end user is responsible for paying the electricity bill and therefore the contact on supplier systems. Under the current proposals, payments would be made to the customer which would likely be the landlord and not the end user. We agree with Ofgem's view that GSOP payments are to be made in recognition of "inconvenience" but believe this should be qualified through being applicable to the registered customer of the MPAN. This would ensure that where a landlord is the registered user of the MPAN, then the landlord has the responsibility for managing his customers or tenants rather than the network operator who would have no way of verifying the end user.