

To electricity distribution
companies, customer groups and
other interested parties

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Dear Colleague,

Minded to decision on changes to severe weather-related Guaranteed Standards of Performance (GSOP) following the December 2013 storms

At the end of March we consulted on potential changes to the severe weather standards in the Electricity (Standards of Performance) Regulations (known as the Guaranteed Standards of Performance – GSOP).¹ The key proposals were to double exceptional event payment levels, increase the cap per customer accordingly and make payments automatic.²

The rationale behind our proposals was:

- Customer impact, not loss: the Guaranteed Standards of Performance are in recognition of “inconvenience” to customers, rather than being a reflection of the full cost of a power cut to a customer. From a customer’s perspective, extended periods without supply are particularly inconvenient. It may therefore be appropriate to structure payment levels so that interruptions of a longer duration trigger higher payments, and to have a higher maximum amount for payments in relation to a single event.
- Proportionality: Any changes continue to strike a balance between the harm faced by customers from prolonged periods without power and the money each customer pays to their local electricity distribution company each year (currently around £90³ on average). If typical payments for loss of service were far in excess of the amount paid for the service, this would result in increased network charges and higher customer bills, which we wish to avoid.
- Incentives: Companies should be further incentivised to minimise the impact of power cuts on customers (both frequency and duration).
- Ease of operation: Payments to customers should be automatic as a default, with the onus being on companies to explain why they cannot make a payment to a customer, rather than the customer having to make a claim. This focus on simplicity also means that payment levels should continue to be generic and not reflect the circumstances of any individual case.

¹ [The Electricity \(Standards of Performance\) Regulations 2010.](#)

² Onus on DNOs to pay automatically, but retain some flexibility in wording on Statutory Instrument to reflect reality on the ground. Automatic payments will apply to all power loss standards.

³ [Updated Household Energy Bills Explained Factsheet Number 98 dated 16 January 2013](#)

- Good practice and innovation: Existing good practice by DNOs should be reflected in any changes, but leave scope for network businesses to go beyond this minimum approach when their stakeholder engagement and other strategic considerations suggest this is merited.

Responses to our consultation

We received nine responses to the consultation, primarily from DNOs, (summarised in Annex 1). There was broad acceptance of the proposals, albeit some divergent views, namely:

- A suggestion that the difference in payment levels from the RIIO-ED1 strategy decision should be recoverable by DNOs,
- Payment levels should be higher for customers on the Priority Services Register,
- Payment levels should not be increased so as to leave discretion for DNOs on what additional assistance they provide,
- Payment should be in the form of rebate on the daily standing charge.

Reasons for our decision

We considered that the alternative suggestions raised by a number of respondents did not address one or more of these points as well our original proposal. Therefore we have not made the suggested changes.

We have chosen the proposals because we consider that they are a beneficial and proportionate tightening of the arrangements, but are not excessive relative to the original RIIO-ED1 strategy decision. Our changes should be straightforward to implement and understandable for all customers.

Our decision

For RIIO-ED1 the intention is that the following arrangements will apply:

	Category 1 severe weather	Category 2 severe weather	Category 3 severe weather
Initial payment	£70	£70	£70
Subsequent payment	£70	£70	£70
Cap per customer	£700	£700	£700

The proposed changes will be included as part of the formal consultation on the new Statutory Instrument (SI) for RIIO-ED1. We intend to commence work on the revised SI shortly and will be consulting on it later this year.

Yours faithfully,



Paul Branston
Associate Partner, Costs and Outputs

Annex 1 - Summary of response to open letter consultation

Party	Response
ENWL	<p>The cap should be increased to £700 and subsequent payments should be increased as well (after 12h period).</p> <p>Amount paid to the customer should not change depending on severity of the weather (£35 after 12h and £70 after 24h for all conditions).</p> <p>Agrees with the proposal to make automatic payments.</p> <p>To recognise that this increases risk on DNOs, we propose that if IIS exemption levels are reached then companies should be able claw back the difference between what they have paid under the revised standards and the amount that would have expected to be paid based on approach set out in Ofgem's RII0-ED1 strategy document.</p>
SSEPD	<p>Supports automatic payment implementation.</p> <p>Preference is for a consistent approach in statutory minimum payments for interruptions in normal and severe weather events. Offer to make payments more on case-by-case basis for severe weather events.</p>
UKPN	<p>Supports automatic payments. However identifies issue identifying customers interrupted for LV certain phase connections.</p> <p>Supports doubling the payments and raising the cap to £700 for severe weather events.</p>
WPD	<p>Supports the view of automatic payments. Identifies the problem that not every time customer can be identified.</p> <p>Supports the view to increase payments for severe weather events to £70 and lift the cap to £700.</p>
SPEN	<p>Supports automatic payments. Some system changes will be needed to identify the interrupted customers.</p> <p>Does not support increase in the payments due to geographical area they cover and that they already offer hot meals/hotel accommodation to customers affected.</p>
NPg	<p>Agrees with the increases in severe weather payments and cap. States that it is already paying out more as goodwill.</p> <p>Agrees with automatic payments. Identifies data problems (customer identified as "occupier" in the energy supplier info) and accurately identifying affected customers in the network.</p>
Citizen's Advice Bureau	<p>Restoring power must not be done on the basis of avoiding possible payments (taking PSR customers in to account).</p> <p>Welcomes automatic payments. However wants to raise customers' level of awareness as well. Suggests that contact should be made (phone, email etc.) not just sending automatic payment.</p> <p>Welcomes double payments for longer interruptions. Greater payments should be made to customers on PSR. Payments should be seen as standard not a matter of goodwill as in the past. They argue that more robust basis of payments is possibly needed to reflect views of the customers. Robust monitoring is required with possible attention to PSR customers. The Ofgem annual performance report should be more comprehensive, with specific reference to guaranteed standards payments.</p>
Customer A	<p>Argues that most of the customers unaware that they were entitled for a claim due to power outage. DNOs only made a select few aware that they were entitled to claim compensation. Argues that compensation period should be increased to 12 months (instead of 3 months). States that such storms as the winter one do not happen as often as DNOs say.</p>
Customer B	<p>Argues that where a customer has lost supply for a significant part of a day then there should be no standing charge for that day. According to him this would be not an unbearable burden.</p>