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Dear James

Open letter consultation on potential changes to severe weather related Guaranteed Standards of Performance following the December 2013 storms

Scottish and Southern Energy Power Distribution (SSEPD) welcomes the opportunity to respond to the recent open letter consultation on potential changes to the Guaranteed Standards of Performance (GSoPs) as a result of the severe weather that impacted the UK in December 2013. DNOs have been working hard to understand the lessons learned from these events and consideration of the appropriateness of the GSoP payments forms an important part of this review.

SSEPD fully recognise the inconvenience that supply interruptions cause our customers, and understand that the impact is further exacerbated for longer duration interruptions and those during holiday periods. We have long supported an approach that sets out an appropriate minimum level of payment in legislation, noting that this allows individual companies to apply discretion in the size of the payment (over-and-above the minimum) in recognition of the individual circumstances of the event and the inconvenience that it has caused to customers. An example of this was seen during the Christmas storms where we made payments of £75 to all customers that were off supply for any time during Christmas day, in recognition of the particular detrimental impact on our customers at that time.

Going forward, we continue to believe that the current approach of statutory minimum payment amounts is appropriate; not least because of the certainty that this provides to customers. In line with this, and the principles of RIIO price controls, we note that DNOs' RIIO-ED1 Business Plans have provided a clear position to their customers on their proposed approaches to interruption payments. In our view, the DNOs' proposals follow Ofgem's March 2013 policy position and the principles set out in this open letter consultation: customer impact, not loss; proportionality; incentives; ease of operation; and good practice and innovation. In particular, we note that all DNOs are proposing further significant reductions in the number and

duration of interruptions, and payment levels that are broadly proportionate to the amount customers pay for electricity distribution services.

We have previously expressed our support for the changes to the GSoP proposed for the RIIO-ED1 period. These include tightening of the normal weather standard to 12 hours, which is consistent with the overall improvements being delivered by DNOs. Further, we supported the removal of the Highlands and Islands exemption. This had been put in place to reflect the inherent lower security of supply built into the network for remote rural customers in the Highlands and Islands. However, in supporting its removal, we agree that providing consistency and certainty to customers is important. These changes, already agreed, will provide an incentive for DNOs to meet the stretching targets for improvements in performance.

This open letter consultation proposes further changes to the GSoP for RIIO-ED1, including to double the payment levels for severe weather events. While we understand the motivation for this proposal following the extreme weather events of the past winter, we believe that consideration is required of the impact continued increases in the statutory minimum levels have in reducing the discretion of DNOs to set payment levels to reflect the inconvenience experienced by customers. At the proposed higher levels, additional discretionary payments would quickly become disproportionate – particularly as the amount customers pay to DNOs is forecast to reduce (in real terms) during RIIO-ED1. Accordingly, we would urge a balanced approach to the setting of statutory minimum payment levels.

Our preference is for a consistent approach in statutory minimum payments for interruptions in normal and severe weather events. This would retain the scope for companies to apply discretion on a case-by-case basis. Our evidence suggests that approach is supported by our customers. Following the Christmas 2013 storms we published a consultation seeking views on our performance during the storms and how it could be improved. The responses to this highlighted that many customers support the making of payments on a case-by-case basis that is able to take into account the circumstances of the event.

Finally, we welcome the proposal to move towards automating payments to customers. We note that significant further work is required to progress this during RIIO-ED1 and to ensure that payments will be made to the correct customers in the appropriate way, whilst ensuring that we maintain adequate data protection. We are committed to continuing to work to achieve automatic payments.

If you have any questions on our response, or would like to discuss this further, then please do not hesitate to contact me.

Yours sincerely,

Gwen MacIntyre
Regulation, Networks