

Sarah Harrison
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Ofgem
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Consultation on our financial penalties and consumer redress policy statement

Dear Sarah

Thank you for the opportunity to respond to the above consultation. This response should be regarded as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. The comments we have provided are not confidential and can be published via the Ofgem website.

We have set out our feedback in the appendix to this letter although as highlighted by attendees at the consultation event on 6 June we are concerned that there is no explicit offset of compensation paid directly or indirectly to customers against the level of penalty levied.

I hope that you will find our comments helpful. If you have any questions, please contact me in the first instance.

Yours sincerely



Keith Hutton
Head of Regulation
UK Power Networks

Copy: Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

Q.1 Are these objectives appropriate?

We believe that the objectives are appropriate however they should also include proportionality to ensure the outcomes of any enforcement are in line with the scale of the infringement.

Q.2 Is the proposed process for determining the amount of penalties and/or redress appropriate?

The steps set out in the consultation seem reasonable however we believe that an explicit reference to working with the licensees to assess the relevant items (such as detriment/gain) should also be included

Q.3 Do you agree with the proposed factors that may aggravate or mitigate the amount of a penalty or redress payment?

The list is a sensible one although we believe that other factors may come to light which means that the list should not be seen as exhaustive. However, we are concerned that there is no explicit offset of compensation paid directly or indirectly to customers against the size of penalty levied, for example by offsetting any compensation already paid in the calculation of consumer detriment.

Q.4 Do you agree with the proposed settlement percentage discounts in cases under the Gas Act or Electricity Act?

We believe that to truly encourage early settlement and therefore to avoid the Authority and industry bearing unnecessary costs that the discounts should be greater than those proposed, topping out at 50% in the early settlement cases.

Q.5 Do you agree with the proposed policy on determining who receives payments where consumer redress powers are used?

We are broadly comfortable with the proposed policy and encourage the use of pragmatism to ensure an unwarranted high level of costs are not incurred to pay individual customers a specific value of compensation directly related to their detriment when a more pragmatic solution would be to pay an agreed (with Ofgem) approximate/proxy value to each customer which therefore speeds up the compensation process for all involved.

Q.6 Are there any other potential consumer redress requirements that we should specifically refer to in section 7 of the policy statement?

We are not aware of any other potential consumer redress requirements that should specifically be referred to.

Q.7 Do you agree with the proposed approach to the treatment of detriment?

The proposed approach to the treatment of detriment seems sensible.

Q.8 Should administrative costs be borne by the company in addition to any compensation or other payments that may be required?

We believe that the company should bear any additional administrative costs in respect of calculating and making payments and any reasonable costs for evidencing that it has complied with the requirements of the order.