

Jonathan Blagrove
Consumer Policy and Insight
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

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Dear Jonathan

Consultation on the supplier guaranteed and overall standards of performance

Thank you for the opportunity to comment on Ofgem's proposals in this area. I am writing on behalf of each of Northern Powergrid Holdings Company and its two licensed electricity distribution businesses, Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc.

Our primary concern in responding to this consultation is to promote the importance of keeping in mind the full picture of how service standards set under sections 39, 39A, 40 and 40A of the Electricity Act 1989 are perceived and understood by the customers whose interests they exist to protect. To that end we would offer the following observations:

- Whilst we have no real interest in whether suppliers' overall standards are removed and replaced where necessary by guaranteed standards, we appreciate that such action would simplify the overall regime from the customer's point of view (overall standards set for electricity distributors under S39A were discontinued some years ago).
- We believe that it would simplify matters also to have separate statutory instruments setting out suppliers' and distributors' guaranteed standards respectively. This might also facilitate consideration of setting out all the guaranteed standards that have been set for electricity distributors under S40A in a single statutory instrument, rather than the two that currently exist.
- We are concerned that, if it should remain Ofgem's policy for 'notice of rights' information to be given to each individual customer on an annual basis, there should be no relaxation of existing supplier obligations relating to the part that they play in getting the 'notice of rights' information provided annually to them by electricity distributors to individual customers, along with their own corresponding information. We note the very clear statement in paragraph 4.14 of the consultation that "Suppliers will still be required to send a notice of rights to customers on behalf of the electricity distributor in accordance with regulation 24(5)". However, in the light of this we are puzzled by the statement immediately preceding this declaration that "it is not clear to us that there is a continuing need to prescribe in the regulations that the list of supplier GS be sent to consumers on an annual basis. We want to provide suppliers with the flexibility to give information about consumers' rights in ways

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designed to best engage them”. Thus the two sets of guaranteed standards - supplier and distributor - could end up being communicated to customers in very different ways, again leading to customer confusion and, potentially, to pressure on electricity distributors from suppliers to change the way in which ‘notice of rights’ information is provided by the former to the latter. ‘Notice of rights’ information tends to be sent out by suppliers with customers’ bills, at marginal cost. Any move to impose an obligation on electricity distributors to deliver ‘notice of rights’ information to individual customers would create significant costs, which would need to be funded.

- Ofgem claims in paragraph 4.8 of the consultation to be following the RIIO-ED1 approach in proposing to increase payment levels for failure of supplier guaranteed standards from £22 to £29. However, the RIIO-ED1 approach, after uprating in line with the forecast inflation rate to the midpoint of RIIO-ED1 (2018-19), involves rounding up to the nearest £5. On the face of it, it perhaps doesn’t matter if failure of a guaranteed standard by a supplier leads to a payment of £29 and failure of a guaranteed standard (not relating to unplanned interruptions or to connections) by a distributor leads to a payment of £30 (and it is no doubt more important to align gas and electricity on the supply side, which Ofgem is proposing to do). However, when we are talking about the same standard, as in the case of making and keeping appointments and in the case of making timely payments for failure of standards, it may seem inexplicable to customers that a supplier should pay £29 for failing, say, to keep an appointment, whilst an electricity distributor should pay £30 for the same offence.
- We agree with Ofgem’s proposal to retain a guaranteed standard for suppliers relating to the making and keeping of appointments, insofar as it would maintain consistency with the standards imposed on electricity distributors and hence avoid confusing customers. Conversely, if consideration were to be given to removing this standard in relation to suppliers, similar consideration should be given to removing it in relation to electricity distributors.

I hope that you will find these comments helpful.

Yours sincerely

Tony Sharp

T H SHARP
Regulation Manager