

Rachel Clark
Consumers & Markets
Ofgem
10 South Colonnade
Canary Wharf
London
E14 EPU

By email only to: SwitchingCompensation@ofgem.gov.uk

24 July 2018

Dear Sir/Madam

Supplier Guaranteed Standards of Performance: Consultation on Switching Compensation

Thank you for the opportunity to respond to the above consultation. Our response should be treated as consolidated 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.

As licence holders covered by distributor guaranteed standards we are interested in the developments to the equivalent regulations for the supply side of the industry to help ensure consistency. Our feedback is limited to the following observations:

1. We note with interest that Ofgem are proposing a standard (E) whose time limit is set at the level in the supply licence. We believe it is inappropriate to set a guaranteed standard at the same level as in the licence, as guaranteed standards by their nature allow for a failure (and compensation) whereas the licence condition is a more rigorous backstop. The analogy for DNOs is that they have a 90% pass rate for guaranteed standards in relations to connections which is set out in the distribution licence.
2. For some of the standards, Ofgem's proposals are for an affected customer to receive two payments, one from the losing supplier and one from the gaining supplier. The analogy in the distribution standards is where an issue caused by the DNO or occurring on the DNO network causes an inset network operator to fail a standard. The solution employed in the distribution arena is for the inset network operator to pay their customer and for the DNO and inset network operator to "settle the bill" between them off line. This ensures the affected customer gets a prompt payment from one party – the party they have a contractual relationship with – and do not get confused by a second payment from a party they are not aware of. We would support Ofgem considering if such a scheme could work in the supply industry with one payment from the party the customer has a contractual relationship with. This could be from the losing supplier as they already have a contractual relationship with the customer and are likely to know who to make a payment to. Prompt payments from this party will also help ensure fuel poor customers are compensated as quickly as possible.

3. We believe it would be helpful to all stakeholders to make clear the rationale for requiring quarterly reporting from suppliers. DNOs have previously experienced quarterly reporting of Connections Guaranteed Standards which, at the start of RIIO-ED1, were changed to an annual submission broken down by quarter – this may be a suitable option to consider, maintaining granularity but reducing the governance burden.

If you have any questions on our response, please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish at the end.

James Hope
Head of Regulation and Regulatory Finance
UK Power Networks

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