

March 2002

**Development of multiple
interruption and other standards
for electricity distribution**

**Consultation on Draft
Determination of Overall Standard
and Implementation Arrangements
for Guaranteed Standard**

Summary

This document summarises the responses that have been received following publication of Ofgem's plans for introduction of Multiple Interruption Guaranteed and Overall Standards. It also contains a summary of conclusions from a workshop held to consider publicity and administration for the Guaranteed Standard.

Responses were generally supportive of the proposed standards, though some companies raised outstanding concerns. In response to this feedback, the Standards have been adjusted from those contained in the earlier consultation document in the following two respects:

- Treatment of short restorations of supply under the Guaranteed Standard has been revised so that only short restorations of up to 3 minutes are excluded, rather than up to 1 hour as previously proposed. This is to simplify recording arrangements by providing consistency with the Information and Incentives Project, and to avoid introducing a perverse incentive.
- Pre-arranged outages will no longer be included in calculating performance under the Overall Standard. This change has been made because many companies have found it difficult to estimate what effect including pre-arranged outages would have on their performance. They were concerned that there might be a perverse incentive not to carry out work on problem circuits if there was a danger that they would exceed the performance threshold specified in the standard.

Other company concerns relate to the legal basis for the proposed Guaranteed Standard, adequacy of research on consumer's views, the treatment of interruptions arising from severe weather and force majeure, and costs that may fall on companies as a result of compensation being set at £50. These concerns were raised earlier in the consultation process but are further discussed in section 2 of this document.

This document is also the necessary statutory consultation in respect of the draft determinations on Overall Distribution Standards of Performance for each company. Responses on these draft determinations must reach Ofgem by Thursday, 11 April 2002. They will then be finalised so as to be effective for the year commencing 1 April 2002. The Electricity (Standards of Performance) Regulations have now been amended to include a Multiple Interruption Guaranteed Standard that will be effective from 1 April 2002.

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1. Introduction

Background

- 1.1 A document setting out Ofgem's plans for the introduction of Multiple Interruption performance standards in electricity distribution was published on 22 January 2002¹. It included a draft Statutory Instrument to amend the Electricity (Standards of Performance) Regulations 2001 and thereby introduce a Multiple Interruption Guaranteed Standard. This document followed publication of two earlier consultation documents².
- 1.2 The consultation document invited responses as part of the formal consultation on the draft Regulations. Other comment and enquiries regarding introduction of the Multiple Interruption standards were also invited. It was indicated that:
- The Overall Distribution Standards for each company would be modified in order to include a Multiple Interruption Standard.
 - A workshop was being arranged to consider publicity and administration arrangements for the new Guaranteed Standard.

Purpose of this document

- 1.3 This document provides a summary of responses received in response to the January consultation together with an explanation of some detailed changes that have been made to arrangements for implementation of the new Multiple Interruption standards. Changes to the draft regulations take account of responses to the formal consultation and also administrative points that were raised at the workshop that was held on 27 February 2002.
- 1.4 Also included, as an appendix to this document, is a draft determination on new Overall Distribution Standards of Performance that are to replace the existing determinations. These are identical to the existing determinations except that Overall

¹ Development of multiple interruption and other standards for electricity distribution, Introduction of standards: Ofgem, 22 January 2002

² Development of multiple interruption and other standards for electricity distribution, Initial Thoughts: Ofgem, 7 August 2001

² Development of multiple interruption and other standards for electricity distribution, Initial Proposals: Ofgem, 6 November 2001

Standard 1a (% restored within 3 hours) has been removed (as indicated in the Initial Proposals and Introduction of Standards documents) and a new Multiple Interruptions Overall Standard (Service 5) has been introduced. Also included is a table setting out the required Service 5 performance which will be included for each licensed distribution company.

Further steps

- 1.5 Responses to this consultation on the draft determinations on the new Overall Distribution Standards of Performance should be sent to Ofgem, so that they arrive by Thursday, 11 April 2002. Unless marked as confidential all responses will be published, by placing them in the Ofgem library. Responses should be addressed to:

John Benson
Ofgem
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London SW1P 3GE
E-mail:john.benson@ofgem.gov.uk
Fax: 0207 901 7075

- 1.6 Consent of the Minister of State for Industry, Energy and the Environment, and of the Gas and Electricity Markets Authority has been obtained so that The Electricity(Standards of Performance)(Amendment No2) Regulations 2002 have been made and will come into force on 1 April 2002. They incorporate the earlier amendments made to the Electricity (Standards of Performance) Regulations 2001, which were also to come into force on 1 April 2002.
- 1.7 On receipt of responses to the consultation on the draft Determination on Overall Distribution Standards of Performance the determination will be finalised and published so that it is effective in specifying the cumulative percentage performance for each service to be achieved by each licensed distribution company during the year ending 31 March 2003, and in each subsequent year.

2. Consultation responses and adjustments to Standards

Level of response

2.1 Responses to the January 2002 consultation have been received from:

- All 9 companies with distribution licences in Great Britain
- One electricity supply company (BGT)
- The Major Energy User's Council
- An individual consumer (Dr M R Lee)

General Views

2.2 Distribution companies continue to be broadly supportive of the proposals but they have raised a number of detailed points, which are considered in subsequent paragraphs of this document. The other responses were also supportive of the proposals but made suggestions as to how the standard of service to consumers might be further enhanced.

2.3 BGT are disappointed that the standard is to be based on a fixed, rather than a rolling year. They also believe that the standards should be reviewed after 12 months. Ofgem has indicated that the standards will be reviewed prior to the next price control review.

2.4 The Major Energy Users Council restated their view that, while the new standards have great relevance to the domestic and smaller business users, they are of little significance for industrial users. Dr Lee believes that distribution companies should increase their use of mobile generators and develop ways of using them to supply sections of HV network, so that a single emergency generator can be used to supply several isolated premises.

Implementation of Overall Standard

2.5 Companies have consistently supported Ofgem's proposals that the definitions and administrative arrangements for the Multiple Interruption Overall Standard should be closely aligned with those introduced under the Ofgem Information and Incentives

Project (IIP). This will avoid unnecessary duplication of work and confusion from having different arrangements. However several companies are concerned about the effect of including pre-arranged interruptions as interruptions under the Multiple Interruption Overall standard, as will be the case for IIP.

- 2.6 The performance requirements for the Multiple Interruption Overall Standard have been set after taking account of estimates of expected performance against the standard that have been provided by companies. However, few companies included the effect of pre-arranged interruptions in their estimates. Because of the way that information has been collected in the past, they have found it very difficult to identify situations where there would have been failures against the proposed Multiple Interruption Standard because of a combination of interruptions arising from pre-arranged outages and from equipment failures. They also consider that it will be counter-productive in some situations if pre-arranged interruptions for maintenance or improvements to the network are included as interruptions against the Overall Standard.
- 2.7 Ofgem has indicated that performance thresholds for the Overall Standard will initially be set at relatively undemanding levels³. Despite this most companies are concerned that, because of uncertainties about the impact of pre-arranged outages, they still face an unacceptable risk of failing the standard. It has also been recognised that, although the IIP incentives are based on targets that include pre-arranged outages, the administrative arrangements provide for pre-arranged outages to be identified and counted separately.
- 2.8 It therefore seems prudent, at least initially, to exclude pre-arranged interruptions from the interruptions that count toward failure against the Multiple Interruption Overall Standard. This change in approach has been incorporated in the attached draft determination on the Overall Distribution Standards of Performance (Appendix 1). The treatment of pre-arranged interruptions will be included in the review of the Multiple Interruption standards to be carried out prior to the next Distribution Price Control Review.

³ Development of multiple interruption and other standards for electricity distribution, Initial Proposals: Ofgem, 6 November 2001, para 4.15

2.9 Other arrangements for the Multiple Interruption Overall Standard are as outlined in the Initial Proposals. Ofgem invites comment from interested parties on the attached draft determination on the Overall Distribution Standards of Performance. As indicated in Para 1.5 comments should be addressed to John Benson at Ofgem to arrive by Thursday, 11 April 2002.

Implementation of Guaranteed Standard

2.10 Consultation responses from electricity supply and distribution companies are broadly supportive of the proposals contained in the draft regulations. However some distribution companies have raised substantive issues in relation to:

- The legal basis for the proposed standard
- Adequacy of research to discover the views of consumers
- Treatment of exceptional and unforeseen events such as severe weather and force majeure
- Effect of short temporary restoration of supply on consumers' entitlement under the standard
- Costs that may fall on distribution companies as a result of compensation being set at £50, together with judgements to be formed by Ofgem as to their efficient level of operating costs.

Legal Basis

2.11 One company has pursued the question they raised earlier on the legal basis for the proposed standard. They consider that the requirement in the Electricity Act 1989, Section 39A (as amended) that standards should be set at levels that "ought to be achieved", means that they should be set so that it is possible for companies to achieve a zero failure rate.

2.12 Technical and economic considerations will preclude a zero failure rate, unless the standard is set at such an undemanding level that it ceases to be effective. This arises because equipment failures will occur and the industry's design standards, for sound economic reasons, allow network configurations that result in supply restoration taking more than three hours for some small groups of consumers affected by

failures. For statistical reasons, even if these failures are randomly distributed, it is almost certain that some consumers will experience multiple interruptions.

- 2.13 Ofgem's view is that, in the light of the principal objective and its general duties, the standard can properly be based on a broader interpretation of "ought to be achieved", that reflects the reasonable expectation of individual consumers, including those who would be worst affected by such interruptions. However, in order to take account of the fact that it is almost certain that there will be some failures against the standard, Ofgem has indicated that compensation and associated administration costs, up to "efficient company levels", will be allowed costs for price control purposes.
- 2.14 It should also be recognised that the introduction of a Multiple Interruption Guaranteed Standard was a feature of Ofgem's December 1999 price control proposals that were accepted by all distribution licence holders. Ofgem's view is that, in accepting this feature of the price control, distribution companies accepted that they would be set at an effective, rather than an ineffective level. It is therefore appropriate to set the standard at the levels specified in the draft regulations. Energywatch consider the proposed figure to be the minimum level acceptable to consumers.

Adequacy of research to discover the views of consumers

- 2.15 The same company has also drawn attention to the requirement for Ofgem to arrange for such research as it considers appropriate to discover the views of a representative sample of persons likely to be affected (Section 40B(1)(a)). They have suggested that research into consumer views may have been inadequate, especially in relation to the views of consumers likely to be affected by multiple interruptions and other consumers who will provide a "cross subsidy".
- 2.16 Ofgem's understanding of the views of consumers have been informed by surveys carried out for Ofgem by Mori. The most recent was published in January 2001. The proposals and discussion in the consultation papers made use of extensive research carried out by UMIST in the period 1992-1995 and published in 1996, which was commissioned by three of the former PES companies and is generally accepted as providing a sound basis of information. Ofgem's view is that, taking account of the

development of business activities and use of the internet in the home, and of the findings of the Mori survey, there has been no reduction in the negative value to consumers of interruptions in supply.

- 2.17 It should be recognised that only around 1 in 1,000 consumers are likely to have an entitlement under the proposed standard and different consumers may be affected in different years. It would therefore, as a result of these statistical considerations, be extremely difficult and costly to research the view of consumers “likely to be affected” by multiple interruptions. It should also be recognised that the “cross subsidy” is likely to cost approximately 5 pence per customer per year. (Consumers’ views would also be influenced by whether they considered that they might also receive compensation payments.) Again, research to measure consumer views on such a small cost would be difficult and not a cost-effective exercise.
- 2.18 Ofgem’s understanding of the customer views of multiple interruptions is based partly on an integration of this information, partly on information provided by consumer groups, and also from the research and views of other distribution companies made available to Ofgem in the course of the consultation process. Ofgem is therefore satisfied that it has carried out the research that it considers appropriate to inform its views in proposing these standards. In particular, it considers that it is entitled to make use of research carried out at the instigation of others in reaching its decisions where it is satisfied as to the quality of that research.

Treatment of exceptional and unforeseen events

- 2.19 Several distribution companies have expressed concern about the very limited exclusion from the requirements of the Standard that are allowed for exceptional and unforeseen events, such as severe weather and force majeure. However it should be recognised that:
- Compared with other performance standards, the impact of a single exceptional event will be diluted under a multiple interruption standard as other interruptions will have to occur before compensation becomes payable.
 - Because companies do not have information systems that are sufficiently accurate to enable them to identify consumers who are entitled to

compensation payments it will be necessary for consumers to initiate claims. Consequently the rules need to be simple with clear exclusions to avoid dissatisfaction and administrative costs that would arise from excessive numbers of non-qualifying claims.

- In recent years some “exceptional” events, such as localised severe weather have become, to some extent, routine. Ofgem notes that consumers do not accept that such events should be excluded. However, it follows from assurances provided by Ofgem that companies will be entitled to recover costs arising from operation of the standard in such circumstances provided that they are operating in an “efficient way”.

2.20 In view of these considerations the Regulations retain the proposed general exclusion for events causing the interruption, for more than 3 hours, of supply to more than 500,000 consumers in Great Britain. This is intended to exclude only truly exceptional events with wide national effects. This general exclusion is in addition to other allowed exclusions covering, among others, civil emergencies and acts of terrorism.

Treatment of short term restorations of supply

2.21 Almost all companies commented on the proposal to ignore short temporary restoration of supply of up to one hour in calculating consumers entitlement under this standard. They considered that it would create confusion, could be perverse in discouraging short restorations, and would be difficult to administer as the one hour period did not match any period in other reporting arrangements. This issue was also considered at the Workshop on 27 February 2002.

2.22 This proposal was introduced at a late stage in the consultations in order to address concerns that consumers would consider it unreasonable if a very short restoration, which had no value to them, resulted in them being ineligible for compensation. One company has suggested that the time period in regulation 5A(2) should be set at 3 minutes instead of 1 hour. This shorter time period is used in the reporting arrangements that have been introduced under Ofgem’s IIP project. Taking all views into account, it is considered that this revised time period will strike an appropriate balance and it has therefore been incorporated in the Regulations.

Compensation costs will be too high

- 2.23 Distribution companies have welcomed Ofgem's assurances that "efficient" company costs arising from operation of the standards will be treated as allowed expenditure at the next price control review. However, two companies continue to argue that compensation should be set at a lower level. One of them considers that compensation should be set at a fixed percentage of the annual use of system charges. The other believes that compensation should be set to reflect the minimum inconvenience that consumers might have experienced rather than a more typical level of inconvenience.
- 2.24 There does not appear to be any strong logical reason why compensation should be linked to use of system charges. Also distribution companies have different use of system charges, so it would not be possible to adopt this proposal while also having a single national level of compensation for all consumers. (A single national level would be desirable for simplicity and also because the UMIST studies showed that the level of inconvenience experienced by consumers had a similar value in more than one region.) The Ofgem view is that compensation should be set at a level that reflects the level of inconvenience that will typically have been experienced by consumers, as valued by the research. This view is strongly supported by energywatch and other consumer groups, who consider that £50 is the "absolute minimum level" at which compensation should be set.

Issues from Workshop

- 2.25 The purpose of the workshop held on 27 February 2002 was to identify the most appropriate ways of publicising the new standard and processing claims, so that eligible consumers are encouraged to make claims but administration costs are minimised. A summary of conclusions from the workshop is attached as Appendix 2.
- 2.26 The workshop supported the proposed change in the treatment of short term restorations of supply (See para 2.21 – 2.22 above). It was also suggested that the period of each interruption should start from the time when a distribution company first becomes aware of the interruption. Representatives considered that this was necessary in order to have a workable standard. This aspect has received little attention during the course of consultations on the proposed Standard. However, it

was recognised that clarity in this area was essential for satisfactory operation of the standard. In view of the unanimity of view of representatives at the workshop such criteria have been incorporated in the Regulations.

3. Next Steps

Introduction of Multiple Interruption Standards

- 3.1 Amending Regulations have been made that will bring the Multiple Interruption Guaranteed Standard into effect from 1 April 2002. For legal and administrative reasons these amending Regulations will revoke and incorporate the previous amendments to the principal regulations which came into force on 1 October 2001. Those amendments (which relate to electricity supplier metering standards) were also due to come into effect on 1 April 2002. They have been revoked from 31 March 2002, but incorporated, without change, in the new regulations.
- 3.2 Under section 40B of the Electricity Act, the statutory period for consultation on draft determinations for overall standards of performance is not less than 28 days. This document constitutes the relevant notice for that consultation, the reasons for the proposed new standard and removal of Overall Standard 1a being set out in paragraphs 2.5 – 2.9 and in the documents referred to in paragraph 1.1 of this document. Representations should be received by Thursday 11 April 2002. Following consideration of the representations, the Authority will make the final determinations. It is proposed that the new Service 5 will apply for the full year from 1 April 2002, being the period proposed in the earlier documents which corresponds with the period in respect of which data is collected. Ofgem consider that this will be more appropriate than having a period of less than one year, running from when the determination is made, or having the year running from a later date.
- 3.3 This document contains draft determinations on Overall Distribution Standards of Performance that are to replace the existing standards. On receipt of responses to the determination will be finalised and published so that it is effective in specifying the cumulative percentage performance for each service to be achieved by each licensed distribution company by 31 March 2003, and by the end of each subsequent year.
- 3.4 Arrangements for publicity and administration of the Guaranteed Standard are to be implemented as agreed at the 27 February workshop (see Appendix 2).

Action prior to introduction of next Distribution Price Control

- 3.5 Prior to introduction of the next price control Ofgem will review the operation of these standards and give further consideration to the following issues:
- a) Identifying, for each Distribution company, the efficient levels of performance against the Multiple Interruption Standards.
 - b) Consider, in the light of data from operation of the Multiple Interruption Overall Standard, what would be appropriate future levels of performance to be required in the Overall Standard for each company.
 - c) With regard to Multiple Interruptions of which some are caused by transmission outages, whether incentives on companies and compensation for consumers might be introduced. This will be considered in conjunction with developments in System Operator incentives and Transmission Access arrangements.
 - d) Similarly, consider what incentives and compensation arrangements would be appropriate regarding interruptions resulting from the failure of generation connected to transmission systems and to distribution systems.
 - e) Consider the introduction of a rolling year instead of a fixed, April to March, year for the Guaranteed Standard, as discussed in the Initial Proposals consultation document.⁴
 - f) Review developments in new metering technology, network records, and information systems to see whether it might be possible to introduce automatic payment of Multiple Interruption compensation payments.
 - g) Review performance against the existing Multiple Interruption standards and consider whether the Multiple Interruption Overall Standard should be modified to include interruptions arising from pre-arranged outages.

⁴ Initial Proposals, paras 2.46 – 2.48 & 4.10

Appendix 1 – Draft determination

OVERALL DISTRIBUTION STANDARDS OF PERFORMANCE

The Gas and Electricity Markets Authority, in accordance with the powers contained in section 40A of the Electricity Act 1989 (“the Act”) and after the consultation and research required by section 40B of the Act, hereby determines the standards of overall performance in connection with the provision of electricity distribution services to be achieved by [] (“the electricity distributor”) as follows-

1. (1) Unless the context otherwise requires, words and expressions used in this determination shall bear the same meaning as in Part I of the Act.

- (2) The following words and expressions shall have the meaning attributed to them in the standard conditions of electricity distribution licences incorporated in the electricity distributor’s licence treated as granted to the electricity distributor under section 6(1)(c) of the Act:

customer

domestic customer

domestic premises

non-domestic customer

- (3) In this determination-

“the Authority” means the Gas and Electricity Markets Authority;

“distribution services area” has the meaning given in the electricity distributor’s electricity distribution licence;

“ex-PES distributor” means the electricity distributor but only to the extent that the distributor is undertaking activities within its distribution services area;

“low voltage” means a nominal voltage not exceeding 1000 volts; and

“relevant year” means 1 April 2002 – 31 March 2003 and thereafter each succeeding period of 12 months starting on 1 April.

2. The overall standard of performance to be achieved by the ex-PES distributor in respect of each service described in column 1 is that,
 - (a) in respect of services 1-4 inclusive, of the occasions during each relevant year upon which he is requested or required to perform the service, he shall provide the service within the time specified in column 1 in no less than the percentage of such occasions specified in column 2 opposite that service; and
 - (b) in respect of service 5, he shall provide the service during each relevant year to no less than the percentage of his customers specified in column 2 opposite that service.
3. The overall standards hereby determined shall apply on and after 1 April 2002 to the exclusion of those previously determined.

Column 1

Column 2

Service 1

Where the supply to the premises of a customer is discontinued for more than 3 minutes as a result of a failure of, fault in or damage to the ex-PES distributor’s distribution system (other than where the discontinuance is caused solely by the operation of the ex-PES distributor’s fuse), the supply to the premises shall be restored within 18 hours from the time at which the ex-PES distributor is made aware that a discontinuance has or could reasonably be expected to have occurred.

percent

For the purpose of Service 1 –

“premises of a customer” means any premises which receive a supply directly through the ex-PES distributor’s distribution system; and

“ex-PES distributor’s fuse” means the fusible cut-out or automatic switching device of the ex-PES distributor for disconnecting the supply to the customer’s premises situated nearest to the ex-PES distributor’s side of the meter at the premises.

Service 2

Where it is established that the supply given by the ex-PES distributor to any one or more premises has been given at a voltage outside the permitted variations, the ex-PES distributor shall, within six months of it being so established, take any necessary steps (including carrying out works) to secure that the supply to those premises is given at a voltage which, save in exceptional circumstances, is within the permitted variations,

Provided that the ex-PES distributor shall not be in breach of this standard where the necessary steps require the exercise of the powers contained in Schedule 3 or paragraph 6 of Schedule 4 to the Act or the obtaining of consent under section 37 of the Act or planning permission and the ex-PES distributor uses all reasonable endeavours to complete the necessary steps without delay.

per cent

For the purpose of Service 2 “permitted variations” has the same meaning as in regulations made under section 29 of the Act.

Service 3

Where -

- (i) the ex-PES distributor has received a notice under section 16A(1) of the Act , or is otherwise notified of circumstances which will require the provision by the ex-PES distributor of an electric line or electrical plant;
- (ii) the person requiring the supply has made such payments as have been requested by the ex-PES distributor or determined as payable by the Authority;
- (iii) the person requiring the supply has accepted the terms for the provision of an electric line or electrical plant proposed by the ex-PES distributor or (if appropriate) determined by the Authority or is deemed to have accepted the terms by requesting the ex-PES distributor in writing to proceed with the necessary works to provide the supply; and

- (iv) the consent of any third party to the installation of any necessary electric line or electrical plant has been obtained.

the ex-PES distributor shall –

- (a) where the supply is to be provided to domestic premises and only requires the installation of a service line and any appropriate meter, provide the connection within 30 working days of the date of the last to be satisfied of sub-paragraphs (i) to (iv); and
- (b) in the case of supply to a non-domestic customer to which the supply is to be given at a low voltage and which only requires the installation of a service line and any appropriate meter, provide the connection within 40 working days of the date of the last to be satisfied of subparagraphs (i) to (iv),

per cent

per cent

Provided that the ex-PES distributor shall not be in breach of this service where-

- (a) the person requiring the supply fails, having regard to any timetable proposed by the ex-PES distributor, either to complete any works which he had agreed or is deemed to have agreed to carry out or to allow any access to that person's premises necessary to carry out the works; or
- (b) the ex-PES distributor reasonably believes that the maximum period for which the supply is required to be provided to the premises does not exceed three months.

For the purpose of Service 3-

“service line” means any low voltage electric line or electrical plant which provides a supply only to one premises.

Column 2 – Required % performance

For services 1 –4 the required performance for each company will be as for the current determination.

For service 5 the required performance will be as set out in the following table:

Company	Required Performance (%)
NEDL Scottish Hydro-Electric WPD (S West) WPD (S Wales)	96%
LPN	99%
All other companies	98%

Appendix 2 -Summary of conclusions from workshop on 27 February 2002 to consider publicity and administration for the new Guaranteed Standard

Purpose of workshop

To identify the most appropriate ways of publicising the new standard and processing claims, so that eligible consumers are encouraged to make claims but administration costs are minimised.

Attendees

Alison Pettifer	British Gas Trading
Rose Craner	East Midlands Electricity
Judith O’Leary	Energywatch
Robert Toal	EPN
Barry Yoxall	GPU Power Distribution
Stephen Parker	Innogy
Andrew Vinken	Scottish and Southern Energy plc
Grant Tierney	ScottishPower
Colin Nicol	Seeboard
Mark Williamson	United Utilities plc
Alison Sleightholm	Western Power Distribution (South West & South Wales)
Julie Thompson	Yorkshire Electricity / NEDL
Rob Jones	Ofgem – Public Affairs
Colin Atkins	Ofgem – Consumer Protection
Marcus Clements	Ofgem – Customer Contact
Chris Watts	Ofgem - Quality of Supply and Reporting
Bridget Morgan	Ofgem – Technical Adviser
John Benson	Ofgem – Technical Adviser/Project Manager

Conclusions

1. *Initial publicity:*

Energywatch and Ofgem to co-ordinate press release for 1 April (possibly joint Press Release and Question and Answer note). Distribution companies to be given advance copy so that they can ensure that their own publicity/press releases have a consistent message/terminology. Information likely to be of interest to regional and local media, especially in areas where there have been large numbers of interruptions. Introduction of new standard to be highlighted in the “Notice of Rights” that is produced by distributors

and sent to consumers by their suppliers, normally during the summer (Regulation 19). There is a need for energywatch to brief their "hotline" staff about the new standard and for companies to include it in their call centre scripts and training.

2. ***Engaging the media:***

Advantage should be taken of any opportunities to explain the new standard to the media. e.g. local radio following items on supply difficulties.

3. ***Explain rules, simply but accurately:***

Best to adopt a "tiered" approach in explaining the standard:

- Consumers entitled to £50 when they have suffered 4 interruptions of more than 3 hours since 1 April
- This is the case providing the interruptions are not covered by valid exclusions
- Valid exclusions are:
 - Pre-arranged interruptions e.g. for maintenance
 - Interruptions covered by other distribution standards
 - Failures by generation, transmission and supplier companies
 - Civil emergencies, terrorism or major exceptional events
- The 4 interruptions have to be experienced by the same consumer in the same premises
- Refer to detail of Regulations

4. ***Claims procedure:***

It was agreed that consumers should be able to claim by telephone, letter, e-mail, or in person and either direct to distribution company, or via supplier. Formally, payment should be via supplier as required by Standard Licence Conditions (Distribution - No 6 & Supply - No 23) but some suppliers may agree to distribution companies acting as their agents and making payments direct to consumers.

5. ***Information required:***

It was agreed that claims for compensation should include the identity of the premises (Address or MPAN number) and the 4 dates on which interruptions of more than 3 hours occurred.

6. ***Ongoing Publicity:***

Distribution and Supply companies will continue to publicise the standard through the annual Notice of Rights and through their annual reports and website information. Opportunities to publicise the standard will arise as a result of consumer and media interest following interruptions to supply.

7. *Dispute procedures:*

Consumers and distribution companies can communicate directly in order to progress claims, though where suppliers have been involved they may wish to be advised of the outcome. Consumers should refer any disputes to energywatch who would endeavour to resolve matters. Should that not be possible there are provisions for the Gas and Electricity Markets Authority to make a determination.

8. *Best Practice:*

Ofgem is currently updating the original Offer Guidance and Proposals on Best Practice document on Performance Standards and this will include notes on the new Multiple Interruption standards.

9. *Performance Reporting:*

Companies are obliged to report performance against the standard and information will also be needed in order to make judgements at the time of a price control review. It was agreed that the number of payments and also the total number of claims should be recorded and reported to Ofgem.

10. *Other concerns:*

Company representatives expressed concern about the proposed treatment of temporary supply restoration, as set out in the draft regulations published in January. They said it would be difficult to operate the rule whereby restoration of less than 1 hour was disregarded in calculating entitlement under the standard. Their information systems did not separately identify interruptions where this applied and there would be considerable scope for confusion. The Project Manager indicated that, following receipt of consultation responses, this was likely to be changed so that only restoration of less than 3 minutes would be disregarded. It was agreed that this would be a satisfactory arrangement.

It was suggested that the period of each interruption should start from when a distribution company first becomes aware of the interruption. Representatives considered that this was necessary in order to have a workable standard. This aspect had received little attention during the consultation period. The

Project Manger undertook to see if this could be incorporated in the Regulations.

It was pointed out that both business and domestic consumers will be entitled to £50 compensation payments.

T John Benson, Ofgem
7.03.02 (Amended 12.03.02)