

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP053: Incident Management		
Decision:	The Authority ¹ directs that this variation be made		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	24 February 2010	Implementation Date:	25 February 2010

Background to the proposed variation

Nothing in the DCUSA currently requires Distributors to proactively inform electricity suppliers of a loss of supply incident. However, while the Distributor is responsible for attending and resolving the incident, it is often the supplier who is initially contacted by consumers. In the case of a major incident this can result in a large number of calls, with subsequent impacts upon supplier response times and potentially the consumers' perception of their supplier.

The proposed variation

DCP053, which was raised by an electricity supplier, seeks to insert an additional clause into DCUSA that obliges Distributors to provide email notifications to suppliers in instances where a loss of supply incident affects more than 5,000 consumers. The information to be provided by the Distributor would set out the nature of the fault, the number of customers affected, the postcode area(s) affected and the likely restoration time.

Recommendation

The DCUSA Parties did not recommend to the Authority that DCP053 be implemented. Although the proposal received unanimous support from suppliers, less than the required 50% of DNO and iDNO parties supported the proposal.

The Authority's decision

The Authority has considered the issues raised by DCP053 and the final Change Declaration dated 20 January 2010 and the comments made by respondents to the initial assessment. The Authority has concluded that:

1. implementation of the proposed variation will better facilitate the achievement of the Applicable DCUSA Objectives²; and
2. directing that the proposed variation be made is consistent with the Authority's principal objective and statutory duties³.

Reasons for the Authority's decision

We note that this proposal received unanimous support from suppliers and that while it did not achieve the required 50% or more support from the DNO and iDNO constituencies to form a recommendation, it was nonetheless supported by several Distributors.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² As set out in the Distribution Licence Standard Condition 22, see:

http://epr.ofgem.gov.uk/document_fetch.php?documentid=14573

³The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

Consultation responses suggested that the proposal could further facilitate DCUSA objectives b) and c), though few substantive comments were provided. The majority of those in support of the proposal considered that it would better facilitate DCUSA objective b) – *the facilitation of effective competition in the generation and supply of electricity*. This was on the basis that the information provided to suppliers would allow them to better manage the calls that are received in the event of a loss of supply incident and generally improve the consumers’ experience.

The proposer also contended that the notification of major incidents to suppliers will further facilitate DCUSA objective c) - *the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences*. In particular, they considered that the modification would assist DNO and IDNO Parties to meet Standard Licence Conditions (SLC) 8⁴ and 19⁵ of their licence, though they did not elaborate on how these conditions would be better served.

We agree that this proposal is most pertinent to DCUSA objectives b) and c) and consider these further below.

Objective b) – *the facilitation of effective competition in the generation and supply of electricity*.

To the extent that all suppliers are currently in the same position and would, in the event this proposal is accepted, all receive the same information we consider that there may be little impact upon competition between them. However, we recognise that some suppliers may make better use of the information than others and to the extent quality of service is a differentiating factor may therefore gain a marginal competitive advantage.

We consider that this proposal would remove a perceived asymmetry of information which may disadvantage those suppliers who are not affiliated to a Distribution business. We believe this is what prompted the proposer to refer to SLC 19. We also consider that improved customer relationships will increase consumers’ confidence in the market as a whole.

Given the above we would agree with those respondents who suggested that this proposal will have a benefit, albeit marginal, on the facilitation of effective competition.

Objective c) - *the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences*.

In order to further facilitate objective c) the proposal must relate to an existing obligation in the Distributors licence. While there is little in the Change Report to make this argument, the proposer referred to SLC8 which relates to the Safety and Security of Supplies Enquiry Service. We therefore consider whether this modification would allow the Distributors to fulfil the intent of this obligation more efficiently.

Of those opposed to the proposal, only two provided substantive comments. One of these, a DNO party, considered that the threshold of 5,000 impacted consumers was set too low and suggested instead that 20,000 should be used, which would equate to the

⁴ Standard Condition 8 – Safety and Security of Supplies Enquiry Service

⁵ Standard Condition 19 – Prohibition of discrimination under Chapters 4 and 5

numbers associated with a Primary or Grid Substation problem. However, they did not raise an alternative proposal incorporating this suggestion. We also note that the proposer had originally intended the threshold to be set at 20,000 and subsequently altered it in response to comments received from other Distributors.

At this stage we have no firm view of what the appropriate threshold for notification of incidents should be. However, we note that similar arrangements around the notification of loss of supply incidents already apply in the gas industry⁶, where the upper threshold for notification of incidents is set at only 250. We also consider that effective communication amongst relevant parties during such incidents is good practice, regardless of how many consumers are initially thought to be impacted. Although the gas arrangements stem in part from Regulations which are specific to that industry, we consider that the benefits of informing suppliers and therefore manage consumer relationships would apply equally to electricity as in gas.

The other respondent who provided comments in opposition to the proposal, an independent DNO (iDNO), focused on the practicality and frequency of notifications. They considered that the requirement to notify suppliers both at loss and subsequent restoration of supply would be uneconomic and inefficient. Given that this proposal requires only that an email be sent, we do not consider that it will be a great burden on the relevant Distributor to confirm when supply has been restored, which may also be valuable in effectively managing consumer calls.

The iDNO respondent also noted that they had in the past experienced a high number of loss of supply calls from consumers who were not actually connected to their network, suggesting that the consumer had worked through a list of numbers provided on their bill. We consider that this actually supports the implementation of this proposal, as the consumer should not be required to work through a list to get a satisfactory answer, and in many cases their first point of contact will be their supplier.

We note that one respondent considered that the implementation date should be extended to allow for the development of a web based solution. While this proposal does not preclude a web based solution being developed, it currently prescribes that the information will be transmitted by email. We therefore consider that this proposal should be capable of implementation and given effect by Distributors immediately upon receipt of the appropriate email contact details.

Given the above, we consider that the implementation of this proposal would be at least consistent with the Distributors obligations in respect of the Safety and Supplies Enquiry Service and DCUSA objective c).

⁶ On 20 November 2003 the Authority directed the implementation of Network Code modification 649 'referencing incident notification governance within Network Code'. While that modification referred to an existing document, the effect of the modification was to codify the requirement for Gas Transporters to notify gas shipper/suppliers of relevant incidents, including local gas supply emergencies. In that decision we recognised that while the Gas Transporter may be responsible for managing the incident, consumer's primary relationship is with their supplier and enquiries are often directed to those suppliers. We therefore considered that the implementation of modification 649 would allow shippers and suppliers to provide an appropriate and informed response, thereby managing the customer relationship more effectively.

Decision notice

In accordance with Standard Condition 22 of the Distribution Licence, the Authority hereby directs that the proposed variation set out in DCP053: '*Incident management*' is made.

Mark Cox,
Associate Partner, Industry Codes and Licensing
Signed on behalf of the Authority and authorised for that purpose.