HOUSE OF COMMONS

Energy and Climate Change Committee

Oral evidence: Power disruption due to severe weather, HC 1020

Tuesday 21 January 2014

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Watch the meeting

Members present: Mr Tim Yeo (Chair); Dan Byles; Ian Lavery; Dr Phillip Lee; Mr Peter Lilley; Albert Owen; Christopher Pincher; John Robertson; Sir Robert Smith; Graham Stringer; Dr Alan Whitehead

Questions 1–203

Witnesses: **Frank Mitchell**, Chief Executive, ScottishPower Energy Networks, **Basil Scarsella**, Chief Executive, UK Power Networks, **Mark Mathieson**, Managing Director, Networks, Scottish and Southern Energy, **Steve Johnson**, Chief Executive, Electricity North West, **Robert Symons**, Chief Executive, Western Power Distribution, and **David Smith**, Chief Executive, Energy Networks Association, **Andrew Wright,** Interim Chief Executive, and **Hannah Nixon,** Senior Partner for Distribution, Ofgem, gave evidence.

Examination of Witnesses

Witnesses: **Frank Mitchell**, Chief Executive, ScottishPower Energy Networks, **Basil Scarsella**, Chief Executive, UK Power Networks, **Mark Mathieson**, Managing Director, Networks, Scottish and Southern Energy, **Steve Johnson**, Chief Executive, Electricity North West, **Robert Symons**, Chief Executive, Western Power Distribution, and **David Smith**, Chief Executive, Energy Networks Association, gave evidence.

Q1 Chair: Good morning. Thank you very much for coming in. For several of you, I know it is the first time you have given evidence to us orally. The reason why you are here is very simply that too many of your customers lost power for too long at a very important time of the year, and the compensation that they have received is, in my judgment, too small. To begin, could you confirm—this is for each of the DNOs—how many of your customers lost power as a result of the bad weather over Christmas, and for how long? How many of those lost power for more than 24 hours? Perhaps if I just run along the list, Mr Mathieson first.

Mark Mathieson: I will start on the south England patch. It was an incredible event, and when you look at the damage on infrastructure elsewhere you can see some of the things that were going on. We had 620,000 customers who were impacted. There were two waves that came in to start with. One was on the Monday night, the next on Tuesday morning, and a third on Boxing Day. I think it is important to say that 80% of customers were not impacted by this, so the 620,000 is 20% of our customer base. Two thirds of those customers were back on within two minutes through automation; the grid self-heals, which is something that we have developed over the years as an industry. If you look at the remaining customers, the 200,000 that we had off, we got that down, through Christmas Eve, to fewer than 20,000 by Christmas Day morning, and that was an absolutely superb effort by our staff. I think it was exceptional, to get it down to that.

We went into Christmas Day with under 20,000 off. We worked through Christmas Day. We got another two-thirds of those restored, so by Boxing Day morning we had 6,000 off. Every day, we were getting probably about another two thirds back on, albeit that on Boxing Day eve there was another storm that took a further 10,000 back off, so we quickly got those connected back on. We restored our last 500 customers on the Saturday and, as I say, that was quite exceptional.

If I move to the north, we got hit by the same event in the north of Scotland, which again is very unusual. In the nine years I have been managing the network's business, I have never had the same weather event hit 650 miles away and do damage. In the north we had under 60,000 affected. Again, 70% of them were back on within minutes as the grid self-healed. We had 15,000 customers off on Christmas Day. We restored them all, apart from one or two mass sites that were difficult to get to. We had a lot of snow in high areas in Scotland, so it took us one or two days just to get ourselves up to radio masts and that. In terms of domestic customers, they were back on within the day.

Basil Scarsella: From UK Power Networks' perspective, we had 460,000 customers off over that period, 130,000 in our eastern network and 330,000 down south. The 130,000 customers in the eastern network were all back by Christmas morning. Therefore, on Christmas Day there were very few, if any, customers off, and if they were off, they were off only because the power had gone off on Christmas Day. Basically, it was all done in the east.

In the south, as I said, we had 330,000 off. 145,000 were back on—this is similar to what Mark said—within three minutes because of the automation on our network. On Christmas morning, we had 20,000 customers off. During Christmas Day—there was a brilliant effort by our staff, and clearly we feel sorry for our customers that the power was off over Christmas—there were 20,000 customers off on Christmas morning, and 10,000 were restored during Christmas. Unfortunately, the weather was still bad during Christmas, and we lost another 5,000 during Christmas Day. It took us six days to eventually restore everybody's power, but importantly we had 95% of the 460,000 customers back within 24 hours.

Steve Johnson: Electricity North West. We were not affected by the strong winds on 24 December. Although we did have the winds, the network held up very well. We got hit by excessively strong winds late on Boxing Day evening, about 10.00 pm, and unusually those strong winds lasted right the way through until about 7 o'clock on the 27th, with gusts of up to 100 miles an hour. During that period, we lost 45,500 customers. As you

have heard, many of those customers can be restored automatically and through remote switching. Conditions were too dangerous to send our people out for the first six to eight hours, but by first light on the 27th, 67% of customers had been restored, and by the end of the day, within 24 hours, we had restored 98% of the customers. We did have, unfortunately, 16 customers who just went over the 48 hours, but all told we did very well, in particular on that first day, getting the vast majority of the customers back on supply.

Robert Symons: Robert Symons, Western Power Distribution. The winds hit the south-west of the country first and were severe, as my colleagues have described. In total, we lost 133,790 customers, and those were customers that were off supply for more than two minutes. 61% of the customers were restored within the first hour, 86% restored in three hours, and 99.16% within 12 hours. 13 customers were off supply more than 24 hours, and then by just 19 minutes. In terms of storm restoration, we had 16 times the number of faults we normally expect on a daily basis. I think we restored fairly quickly and fairly well.

Frank Mitchell: Frank Mitchell, SP Energy Networks. We cover the south of Scotland, Merseyside and north Wales. We had two weather events happen over the festive period, the first being overnight on 23 and 24 December, when we experienced wind speeds in north Wales of 80 miles per hour, and 85 in the south of Scotland and the Scotland area. So that Members are aware, I have also submitted some of this to the Committee, so you have this already. Across our 3.5 million customers, we had about 9,500 customers impacted by that weather event. 95% of them were restored by noon that day, and the remainder in the rest of that day, in the afternoon or early evening, so we had no customers off on Christmas Day as a result of the severe weather overnight and on Christmas Eve morning.

We then had a subsequent weather event that came in on the evening of 26 December. It started to develop at 9.00 pm, and we had severe weather in the Scottish area and particularly in the north Wales area. In the Scottish area, we had wind speeds of 80 miles per hour, but it was the duration of the storm that was significant for us. It lasted 18 hours, so it was 18 hours before we could have people working at height to do repairs, because above 60 miles per hour it is dangerous to do that. Regardless of that, we still had 95% of customers restored in the first 14 hours. We worked through to 3.00 am that night in Scotland, and had another 600 customers on, which left 150 customers off overnight, and they were restored the following day in the Scotland area.

In the north Wales area particularly, which experienced some of the most severe wind speeds we had seen, particularly the Llŷn peninsula, where there were wind speeds of almost 110 miles per hour, we had 45,000 customers impacted by the storm overnight on the 26th and 27th. Again, it lasted 18 hours, but still, within the first 18 hours, we had 95% of customers restored, so 43,000 of those were restored by 3.00 pm on the 27th. We worked through the night, up until the early hours of the morning, and then the following day to get 99% of those restored by 3.00 pm on the 27th. Unfortunately, where we had very significant damage, we did have 140 customers who were off overnight for more than 48 hours, but we had proactively contacted those customers and offered them accommodation and so on, because we predicted that was going to happen as a result of the extent of the damage we had. 140 customers overall were off for more than 48 hours, out of 3.5 million customers.

Q2 Chair: That is a helpful introduction to our session. Mr Smith, in the light of what you have just heard, do you stand by the Energy Networks Association report that only 75,000 customers were without power for more than 24 hours?

David Smith: Obviously, we were doing this in real time, and as you look at it, customers were coming on at any point, so that figure would have been right at the point at which we issued it.

Q3 Chair: What is the right figure today?

David Smith: I am sorry, I do not have that figure off the top of my head today.

Q4 Chair: As the trade body, three weeks after this problem, you can't tell us how many customers were without power for more than 24 hours?

David Smith: I will have it buried in my head. I will tell you that figure as soon as it comes into my head. Apologies; I just do not have it off the top of my head, Chairman.

Q5 Chair: I would have thought it was a question you might have predicted would be asked by this Committee. It does not suggest that you are exactly on top of the problem. There appears to have been a very varied response. Could I ask in particular UK Power Networks and SSC about the fact that your experience appears to have been more difficult? What do you think the reasons for that are?

Basil Scarsella: Chairman, there are a number of reasons. First is the extent of the weather event. It was unusual, in that the wind speeds in the storm came true on the 23rd, and it lasted until about lunchtime on the 24th, so the storm was nearly 12 hours long, and winds reached in excess of 80 miles an hour. If you combine the duration of the storm together with the wind speed, generally you will get significantly more damage. It hit, as I said earlier, our southern network, and then it slowly moved north and hit our eastern network. On the damage caused, as I said, 95% of our 330,000 customers down south were restored within 24 hours. One of the reasons why it took such a long time to restore the rest was that the damage was not just on one part of the network; it was right across, from high voltage to low voltage, down to the single premises. It took significantly longer to repair the damage than, for example, in St Jude back in October, when our eastern network was hit. St Jude lasted for an hour. Wind speeds were similar to those in the Christmas storms, but it came in, lasted for an hour and moved on, and the damage there was significantly less, or less severe. We were not able, for example, to move our resources from east to south, because east was also being hit. Like I said earlier, all credit to our work force, because during the Christmas period they were all in; they worked 18-hour days over Christmas to restore the customers, but importantly the damage that was caused on the network took significantly longer than it normally does.

Mark Mathieson: To back that up, as I said in the introduction, one of the things that we experienced was the same event hit us in central southern England and then hit us in the north-east of Scotland. Both areas are very similar. The Aberdeenshire area is very heavily

wooded, as is the south-east of our patch. The difference in terms of damage was quite incredible, and the thing that made the difference was the ground saturation. We did not have the same ground saturation in Scotland, so we saw a lot less damage. The damage in our English patch was about five or six times the amount that we saw in Scotland, and interestingly, it was split east-west. 83% of our customers were off in the east of our patch in central southern England, and that is where we took the brunt of the winds.

What we saw, which, again, is very unusual for an event like this, is big trees—60 foot to 80 foot trees—coming across whole, with the root ball. They were in poor foundations. The ground was that saturated that it was not trees snapping—it was the whole thing coming across. Trees that you would never consider would ever be a danger were being blown over, whole. The difficulty you have is that the worst affected areas of the network were also the worst affected areas in terms of access. Where you have ground saturation and flooding, it makes it hard for us to get through. In fact, we did a repair from a boat to access some of our poles in a field. Our tree-cutters reckon they did 350 hours of road cleans—trees on roads—just to get through to some areas. You are battling through some quite severe conditions just to be able to get on site and assess the damage. It was quite localised, the worst of the weather to the south-east of our patch.

Q6 Albert Owen: First off—I speak as a layperson—you mentioned that the whole network was out. Isn't much of the network simply substations that trip and need rebooting, or whatever the technical term is? A lot of those were done fairly quickly, but there was a slight breakdown in communications, and people could not inform you, or you were not informing them. Was that part of the problem?

Mark Mathieson: The way you have described that automation is exactly how it works. On an overhead network, you do get a lot of debris that may blow into the network when you have high winds, and that will cause a temporary fall. What happens back at the substation is that it will switch the network off. I am not trying to get into too much technicality, but you want to limit your current so that you do not damage equipment. It will then try the network back in automatically, so there is no need for communication. The actual kit itself does it, and it will give it two or three shots within three minutes to see if the fault was of a technical nature. If you take the 620,000 that I described who were off, we reckon that 408,000 came back on within that two or three minutes just through that alone, so over two thirds of the customers who were impacted by faults came back on within that very short duration.

Q7 Albert Owen: That is useful. I wanted to concur with what has been said by a number of you paying tribute to the front-line staff going out in very adverse weather to do their work, with the dangers that that entails. I have to say, most of the United Kingdom knew these storms were coming. On each and every weather forecast and in the news, we were told we were going to get some storms, and we had them very early on in December in many places as well. What contingency plans did you put in place in expectation of this? We knew it was coming. The severity was there; it was almost in line with the forecasts. What sort of plans did you have in place?

Basil Scarsella: We have a tried-and-tested system that comes into play when there is an emergency such as that. You are correct, we knew there were storms. We have a

methodology that estimates the damage expected on the network, based on the wind speeds, and we did that, but the wind speed and the weather forecast escalated significantly on the Sunday. It went from 40 to 50 mile-an-hour winds on the Friday to 50 or 60 for our area, and escalated to 70 to 80 on the Sunday. Notwithstanding that, we managed on Monday, when it hit, to have all our work force pretty much on deck, and our estimation of the damage was pretty accurate in terms of the extent. What we did not estimate accurately was the duration of strong winds, as I said earlier, which resulted in significant, more severe damage.

This was a national storm, as we heard from our colleagues, and it lasted over two or three days. There is a well-tested mutual aid system that enables any of us to call on our colleagues to send additional resources. For good reasons, because of the severity of the storm and the national nature of the storm, we were not able to provide additional resources to other networks, or indeed to receive additional resources. There is a combination of the severity of the storm, the national nature of the storm, and—

Q8 Albert Owen: You had a robust plan in place, and you feel that that plan worked?

Basil Scarsella: Absolutely, yes.

Steve Johnson: Could I add a little on preparation? This was a prolonged holiday period, and certainly in Electricity North West, and I think in the other companies as well, we make sure that the network is backed up to as close to 100% as it can be. We do not carry out any planned maintenance or planned construction work over that period, and we prepare. That means that of course some of our staff were on holiday as well—it is the holiday period—but we make sure that at least 50% of our operational staff are in. Our control centre staff and our contact centre are fully manned. Crucially, we make sure that if events do happen, we can call our staff back in.

You are quite right, we were forewarned about this weather event. We had very good information from the Met Office. We were able to ring around our operational staff a full 12 hours before this hit. We had the resources, from both our own staff and our contract staff, prepared and ready to go. The systems were robust. They worked throughout. We deployed in the right way, which is why I think we managed to get so many of our customers back so quickly, but it is about the preparation.

Frank Mitchell: From SP Energy Networks' perspective, with our geography, typically, we always expect the worst, because we usually get it four or five times every year. First of all, before we even get to preparation for a storm, we invest in our assets, particularly those most exposed to weather, to minimise impact to start with. That is why over 98% of our customers were unaffected by some of the more significant weather we have seen last year in the UK.

However, we know also that our customers rely on us all year, but never more than in a festive period, so we sat and looked at the risk profile of weather coming up towards the festive period, and I sat with my customer services director and my operations director and locked down a plan on 19 December that gave us up to 800 front-line staff available every day, all the way through the festive period, right through to 7 January. We would normally have additional staff over that period, but we went well beyond that because of the—

Q9 Albert Owen: Mr Mitchell, what do you regard as front-line staff?

Frank Mitchell: We have technicians, engineers, and local management in the local depots. We also have control centre staff, customer service staff who man the phones and so on, so up to that type of level. Just over two thirds of the staff are deployed in the field, with the remainder supporting that, including our logistics staff, who make sure that parts and so on can be delivered to site. That was put together and locked down by 19 December to make sure we could react to anything that did come along, as well as make sure that the network was in the best shape it could be to make sure that any disruption to our customers was minimised. We had a combination of contractors and staff, both on standby but also generally available. We also cancelled leave for management over that period to make sure we could respond at a management level.

Robert Symons: One thing that possibly was left out of that was the call centre staff. From our point of view, we were fully manned in our two call centres, one in Pegasus and one in Wales. Both those call centres can act together in tandem and take calls from wherever they occur in our service area. We also have about 200 staff who volunteered to take calls in emergencies, and we have ramp-up centres at other locations, so we were able to put more people in place, because it is very important that customers understand what is happening. Our average call answering time was 1.6 seconds over the period. Over 99% of customers were answered within 20 seconds, and we made about 4,500 proactive calls to make sure that customers realised it if the restoration time had altered; we put them back in the picture.

The last piece is to contact those customers who have special needs on our priority service register and make sure that they are okay. As well as doing the work, you have to think about how you communicate to the customers who are ringing in.

Chair: We will come on to that point in a moment.

Q10 Albert Owen: We will come on to communications shortly, as the Chair suggests. On the staffing level, I think this is important, because the reports that we have in the newspapers do not reflect that. Mr Johnson, you said 50% of your staff would have been on duty over the Christmas period anyway and that you have contingency plans to call more people in. In percentage terms, could the other companies tell us how many people are off over the Christmas period? It is that type of industry where many people do have time off then. I have to question the 1.6 seconds to a call, because that is not the experience I get in any utility. It is pretty good if that is the case, particularly when people have electric phones and they have no power, so I am surprised that they can even get to you in the first place, but that is communication. Mr Johnson, 50%; what about the other companies?

Robert Symons: 50%, and what we also do over holiday periods is double up on our standby arrangements—people who are contractually bound to come in. In terms of people who are on leave, 70% of those who were asked to come in came in. From a staffing and a resource point of view, I feel that we were well covered.

Mark Mathieson: Similar points: we set a 50% limit on operational staff, but also what you have for out-of-hours. We have a 24/7, 365-day business. You would have your

standby arrangements. If you look at what you would typically have to deal with ops in any day, we would have 200 staff between the south of England and the north of Scotland. For that Christmas week, we increased that to 1,000, so that was fivefold. That ties in with other storms that we have had. It was a very good response from the staff. I do recognise those reports that you saw in the press, but I feel that we got a very good response from our staff.

Q11 Albert Owen: I heard people on the TV as well. It was not just the journalists in this instance. You heard individuals saying, first, they were having difficulty in contacting the companies and, secondly, that there were not sufficient staff.

Basil Scarsella: We had increased the standby to 75% during the period, but important—

Q12 Albert Owen: Sorry; you were reactive, then?

Basil Scarsella: No, in advance. The standby came in because we were expecting bad weather, but importantly, 80% of our front-line people came in on Christmas Eve, Christmas, and that Christmas-new year week, so we had 80% of our own staff all available and came to work.

Q13 Albert Owen: You are all telling us that you had a contingency plan in place because of the length of the Christmas holiday, and that your staff were all either contractually on standby or actually working?

Basil Scarsella: 80%, yes.

Q14 Albert Owen: None of your staff get real time off, in which they can't be contacted? You said 30% did not come back. Could they not be contacted, or did they not want to come back?

Robert Symons: Of the staff we asked, 70% came in. You also have to remember that from my perspective, of 133,000 customers, only 13 went off for more than 24 hours.

Q15 Albert Owen: Mr Mitchell, again, I know the area that you serve pretty well. It includes my own area in north Wales, and we were particularly hammered in early December by storms. Did you learn anything from that? Again, there was the forecast, so you were better prepared than you probably would have been in other years. We had lots of disruption to transport, and to the domestic and business sectors, in early December.

Frank Mitchell: That is right. The part of the geography that we cover does get much of the more severe weather in the UK—north Wales, and particularly around the Llŷn peninsula/Anglesey type area, as well as Scotland. We do review our performance in every storm as it happens, and it was a very severe storm. It took some time for transportation infrastructure to recover from it. We do review that and look at what we do.

To go back to the question around staff availability, maybe I can answer that from our point of view. It is not necessarily about a percentage of staff; it is a percentage of appropriate staff for us, because there are particular skills to solve the problems. There is no point just having bodies for the sake of it. It was a very clear target for us to make sure we had linesman and engineers in, from a technical point of view, as well as our customer service staff to do all the call handling we talked about. In our north Wales area, of the staff on general availability, we had an 85% turnout, and in the south of Scotland area we had a 70% turnout. Of course, on Christmas Eve it was all done within the day. There was no issue. It was really overnight and Boxing Day into the 27th we had more damage. We did learn lessons from early December to make sure we had more engineers to allow us to issue permits, and we focused the resources in north Wales very quickly because of the geography of the area and the ability to get around that geography. The work we did with the local authorities in that area around road clearances and emergency services was built on some of the experiences from early December. We could get quicker notification of blockages to those authorities as well.

Q16 Albert Owen: Mr Mathieson, you said you recognised the press reports. Why do you think they were different from what we have heard today?

Mark Mathieson: I do not know. There were a few war stories going about and we did not know where they were coming from. We tried to find the source of them. Some of the things that were quoted to us were that staff were going home at 1 o'clock on Christmas Day so they could spend time with their family. It was just nonsense. I do not know if it was Chinese whispers or not. We were certainly out throughout that period, and I am really proud of what my staff did and how they turned out. They were getting impacted by these stories as well. You can imagine: they are out there, the weather is foul, it is heavy work, and what they are reading is that people are saying they are going home. Some of the feedback we got from our staff on the back of that was that they felt that the industry was getting a bad press.

Q17 Chair: Notwithstanding, I am sure, a lot of excellent work by your staff, from a customer's point of view, if you are one of the thousands of customers who are off for several days, and you are saying all the staff responded to the best of their ability, it suggests that something is still inadequate. Maybe you should have been scaled up for dealing with more severe conditions than you were on this occasion.

Mark Mathieson: I would not say it was inadequate. I would say it was different this time. To give you an example, our mode of operation, because we run two zones, is when we see severe weather warnings like this, we transfer 300 to 400 staff between north or south or south to north. Quite clearly, we were not able to do that this time, because we were getting hit in both areas. Even after we were hit in the north on Christmas Day and cleared it up, we had another event coming in on the Boxing Day evening. Until that event had passed, we were not able to do what we would normally do, which is bring staff down from the north of Scotland to the south.

We move our own staff about, and as an industry after that we then look for mutual aid. Again, this was the first time that I can remember that we could not provide that to each other because everybody was getting hit. I know it was Christmas week and I know that

had a big impact on customers, and I really do empathise with that, but equally I think outside Christmas week this would have been unique and we would have still had those same issues; the whole of the UK was absolutely getting battered at the same time.

Q18 Albert Owen: In the future, we are likely, aren't we, to get repeats of what has happened? They are happening more frequently. Can you honestly give assurances today that you have learned lessons from this period, and that for other extended periods of holidays, there is going to be sufficient cover and everything will be done to get people back on as quickly as possible? That is what people want to know—that you have learned from this. As the Chairman said, if you are sitting at home and you are not getting a response or whatever, you are not going to be reassured by what you said happened. What they want to do is to prevent it happening again in the future.

Basil Scarsella: From our perspective, we need to assess. As Mark has already said, this was a national event. The national nature of the event has not occurred for a long time. Mutual aid has worked very well in the past and I am sure it will work very well in the future, if the storm is localised. From a UK Power Network perspective, one of the things that we are now looking at is possibly employing more front-line resources to be able to respond. Part of the DECC review that has already been initiated will look at the impact of the change in weather events that seems to be occurring.

Q19 Dr Lee: Mr Scarsella, you mentioned that there is a methodology that you use in anticipation of a storm coming in. I am presuming that that methodology has mapped the weak points of your network, and therefore if the wind hits a certain speed you think, "That bit is going to get damaged, and so is that bit." In view of that, is there some sort of strategy within your company—indeed, within all the companies—for trying to deal with those weak points for a more medium to longer-term view on this, instead of it being an exercise, and every Christmas we put a bit of Elastoplast on something?

Basil Scarsella: It is an interesting point you make about the weak points in the network, because we are still analysing the data, but we are a long way advanced in that area. The damage was not caused by weak points in the network as such, because our maintenance is up to date and we invest significant—

Q20 Dr Lee: How does your methodology work, then?

Basil Scarsella: It is basically that you assume that the network is in good shape, because maintenance and capital expenditure is up to date. Based on the wind speeds and the rain that comes through, we can estimate the number of faults and, with that, the number of customers that are expected to go out.

Q21 Dr Lee: You estimate the wind speed and the rain, but there are no weak points, so how do you estimate where the damage is going to take place?

Basil Scarsella: Based on the wind speeds, we know—

Q22 Dr Lee: No, by definition that means if there is a certain wind speed, something becomes weaker.

Basil Scarsella: We expect trees to have a big impact, so—

Q23 Dr Lee: By definition, if there is a particular cable that is more exposed to trees, it makes it a weak point, does it not?

Basil Scarsella: Not necessarily, in that there are—

Q24 Dr Lee: What I do not understand is that you must have a methodology that is based upon where you are more vulnerable to a break in your transmission.

Basil Scarsella: Yes.

Q25 Dr Lee: That has to be. I can't think of another methodology that you could use that does not involve predicting where trees are going to come down or where cables may be slightly more exposed to the wind—or am I missing something?

Basil Scarsella: No. Based on past experience, and if we are aware of weak points, clearly we take that into account.

Q26 Dr Lee: So, there are weak points?

Basil Scarsella: Not that we are aware of.

Q27 Dr Lee: None of you have weak points in your network?

Steve Johnson: One thing that we all do is survey all our assets. In particular, in the north-west we have 13,000 kilometres of overhead line and we survey that. We understand the condition of that network very well. We capture condition-based data on all our above-ground assets. The point you are getting to is the right one, I think, because of course our overhead line networks are affected by trees, and all of us have tree-cutting programmes. I have 100 people in the north-west; all they do, every day of every year, is cut trees to make sure they are kept away from our lines as much as possible, but of course we do not own them. We have to negotiate that with the landowners. Some of them are protected trees, so we can't simply just cut every tree within falling distance of our lines.

Q28 Dr Lee: Do you have any programme to put your cables underground? If not, why not?

Steve Johnson: I think all of us will have a programme to put some cables underground, but that—

Dr Lee: Is that the case? Are you all at this point—

Steve Johnson: Can I just finish? It will be limited.

Q29 Dr Lee: Why?

Steve Johnson: It is simply cost. In the north-west, as I said, we have 13,000 kilometres of overhead line. At a minimum, it would be 10 times more expensive to put a cable underground than overhead.

Q30 Dr Lee: 10 times more expensive to install. You have just had to pay significant amounts of money to staff to come in on Christmas Day and the like. You have to pay to have the overhead cables repaired. Over what period of time is it significantly more expensive? How do you compare the cost? Clearly, if you put them under the ground, they are not going to blow down, are they, so you are not going to be repairing them for the next 10 or 20 years?

Steve Johnson: They are not, but the cost of doing that across the UK would be tens of billions of pounds, and we have to look at the impact on—

Q31 Dr Lee: Yes. I am not suggesting you do all of them. What I am trying to get at is that you clearly know that there are certain parts of your network where, if winds reach a certain speed, cables are going to be affected. It is not all of them, but can we not afford, as a nation, by some mechanism, to put those cables under the ground? That is my point.

Robert Symons: I think it is more widespread than that. Once you get above—

Q32 Dr Lee: Can't we start?

Robert Symons: Yes. Principally, where lines have been undergrounded, we have done so from an amenity point of view, rather than from the point of view of resilience, which is the point you are making.

Q33 Dr Lee: So you are not putting them underground because of resilience?

Robert Symons: We are not putting them underground principally from a resilience point of view, because when you do the cost-benefit analysis, which you are alluding to, it does not—

Q34 Dr Lee: Over what period of time, cost-benefit analysis?

Robert Symons: I would say over any period of time.

Q35 Dr Lee: That does not make any sense. Come on. You could take a 20 or 30-year view on this. From a national perspective, is it about national resilience, so that people do not lose their power, or is it because within your companies you cannot take such a long period of view, because you have other incentives not to?

Robert Symons: At the end of the day, it is customers who pay the bills, and when we submit a business plan, we have to do a cost-benefit analysis on everything we do to make sure that—

Q36 Dr Lee: Over what period of time? If you look at it over a year and say you are putting it under the ground, yes, it is hugely expensive and prohibitive, but if you are looking at it over a 30-year period, it becomes less expensive to do.

Robert Symons: We do look at it over that period. We are just submitting our business plans for the 2015 to 2023 period. We have to give a high-level overview of the following eight years. In fact, we look at the strategic investment in our network 50 years out, so we do look at it in that kind of time frame.

Q37 Dr Lee: Do any of the plans you have all just submitted include an approach to putting some of the most vulnerable cables under the ground?

Basil Scarsella: Not a significant amount. 75% of our lines are already underground, but when we look forward, there are different technologies partially to protect the network from falling trees; there is what is known as aerial bundled cable, for example, which is one cable rather than four cables. It is more costly than the traditional method, but not as costly as underground. We have 25% of our lines above ground, but there is no significant plan to underground that 25%.

Q38 John Robertson: I would like some figures from you, but you will have to write to me. I would like to know how many members of staff you had on call for Christmas 2013, and I want the same figures for 2011 and 2009. I want to know how many people worked as well, so who you had working those days, and the numbers that were not available, and that should allow me to work out how many engineers you had available. That would be very helpful.

You have all talked about winds and everything, yet one of the biggest problems—I saw it from where I was—was flooding. What was worse, flooding or the high winds?

Steve Johnson: We were not affected by flooding.

Basil Scarsella: From our perspective, there is no question. As far as our business is concerned, it was winds. Flooding contributed and made it more difficult to access the damage to the network, but there is no question: in our case, it was the weather.

John Robertson: That is very interesting.

Robert Symons: Also, we have undertaken various flood prevention schemes around some of our major substations, which avoided some of the things we saw with the massive flooding a few years back. There has been significant investment in flood prevention around major substations.

Frank Mitchell: Just to add to that, we had very little impact directly from flooding because of that investment. Also, we have operational tools that we deploy if we see the risk of flooding, such as barriers and pumps, and these worked fairly successfully with a

very limited impact from flooding. What we did have, however, was requests from some of the emergency services to disconnect areas. They wanted them disconnected because their staff and people were in areas that were flooded and they wanted to make sure there was not any risk through electricity and water coming into contact. There were some events like that. We worked with emergency services at their request to disconnect some small villages from time to time as they were coping with some of the flooding issues locally.

Q39 John Robertson: In relation to planning for this, I had a look at the Met website and they give me pretty excellent detail on where the winds are going and everything else. What I can't understand and what ordinary people don't understand, I think, in all honesty, is why you have not used the word "sorry" yet to all your customers who were out for a lot longer than they should have been, and to those who maybe should not have been out at all. To say you do not have any weak points and things like that gives an impression that everything is fine, yet we know from the figures you have already given us that there were tens of thousands of people who were out for a long time. I am not going to ask you to say sorry now—it is too late—but I want you to bear in mind that when you come to a body like this, it might be quite good if, when you are given the opportunity to talk, you mention that there are people involved in this and it is not just about what you have done.

Let me ask you another question. You say you could not give mutual aid to each other because you were all too busy. Who else do you turn to if you have a problem, if you can't help each other? Who do you turn to?

Basil Scarsella: We turned to our contractors, and they responded when we asked them to give us resources.

Q40 John Robertson: Did you look at any other companies that maybe work in overhead areas, such as BT or something like that?

Steve Johnson: This is very specialised skill that we require from our engineers and linesmen, taking many years of training, so we can't simply switch resource. Like everyone else, we make sure when we plan for these things that we contact all our contract partners as well as our own staff, and they were available in many numbers, and we did make use of them.

Q41 John Robertson: The reason I ask is because Mr Scarsella mentioned trees being a big problem. I worked for BT for 31 years, and we had tree-cutting people as well. It was a company that could have been contacted to give you a hand, and I am sure, under the circumstances—Christmas and everything else—they would have gone to help you. Do you ever try to think outside the box? In other words, don't just think of yourselves and your own little company; think of the bigger picture and how you can get those people in service quicker.

Mark Mathieson: I think the BT point is a good point. One of the resources we do use is street-lighting contractors.

John Robertson: Exactly, yes.

Mark Mathieson: What I would say about BT, and you will know this, is that they were affected and were busy during that period as well. They had a lot of cables that had come down. Yes, we can look at it. I would suspect they would be as busy as we were dealing with this sort of thing.

John Robertson: This brings me to my main point that I wanted to ask you about—planning ahead. I have just given you these things, speaking off the top of my head. I think there was a distinct lack of planning here. I think you had a rough idea that you would need x number of men, but did you have them in the right place? Where were they? It is all very well to say you had plenty of people and you got them in, but were they in the right place? Could you have organised yourselves better? I am in the central bit of Scotland. We did not have many problems. We had high winds and everything else, but we did not have the problems that other colleagues had, so it could have been a case of moving people from where I was and from other companies to get things done better and quicker, and to make the public feel valued by your companies. Unfortunately, gentlemen, I do not think you did that.

Having said that, I accept the problems you have, and I do understand them, and I understand the difference between underground and overhead and the problems you have there, but there are times where you seriously have to think outside the box and use other people to help you.

Chair: I have to say, after 45 minutes, the tone of this discussion and its content has been utter complacency from all of you. The trade body can't provide the most basic information on a totally predictable question. As Mr Robertson has just said, you have lacked any expression of real concern for your customers. I have to say this attitude is absolutely typical of a monopoly, particularly monopolies whose charges are not very visible to the customers who have to pay them. If you think this is going to impress the members of the Committee, you are going to need to step your act up quite a lot in the next half-hour.

Q42 Christopher Pincher: My question follows on from John Robertson's. Mr Mathieson, much earlier on, you said that one of your challenges is not just resolving the issue at the point of failure but getting to the point of failure, because of fallen trees at access points and the like. Although you have been clear about the way you have organised and deployed your resources, how do you liaise with other agencies like the police, the fire brigade, the Forestry Commission and landowners? What are the demarcation points in responsibility between you and them, and how is that responsibility discharged?

Mark Mathieson: When you have events like this, everybody is in it together, so the traditional demarcations that you would talk about in "business as usual" disappear. We were in touch with all the local planning authorities and the regional forums. We were part of that. To take you back to some good examples from the past showing how we have built on that, Scotland is a very good example of where we have had issues before. As a utility group, we sit on SGoRR, which is the Scottish Government's equivalent of Cobra. It is the utilities and roads regional forum. We know there is a very specific issue in Scotland: if roads are blocked, and the way that the west of Scotland is—there is usually a single road to someplace or a 10-hour deviation around it—it is very important that we work together. We help each other out. Our tree-cutters, if they can't get through to the

fault in the first place, can be cutting the trees to clear the roads as well, so we do co-ordinate. We do co-ordinate with them when there is snow as well to make sure that when they are ploughing roads, they are getting us into areas, where they can, that give us the biggest hit. It works well. It is something that we have developed over the years and something that I believe we should develop with those agencies. More and more of these events are multi-agency events. Everyone is involved in them.

Q43 Christopher Pincher: If that process worked well, and people are going out to cut trees and clear access points, so that you can get to the point where the power cables were down or damaged, why wasn't power restored much more quickly in those places?

Mark Mathieson: I think it was just the impact of the event. It was a massive event. I have heard it quoted elsewhere that it was the stormiest since 1969. Certainly, we have not seen damage like this in the south since the early 1990s, or even the great storm of 1987. I have been in this industry 25 years. We, as an industry, clear these events up much quicker than we used to, but we also recognise the impact that has on customers, and we are sorry. I did go out and communicate with customers that we were sorry that they were off. We recognise that customer expectations in terms of how long they should be off for are reducing all the time, and we need to keep up with that. To get to the area and fix faults, in circumstances when you have damage and devastation like that, unfortunately takes time, but that is where we go the extra mile and do things with customers. I know it is not the same as being at home with power on, but we were offering accommodation and hot meals.

Q44 Christopher Pincher: Is there anything that any of you think you can do with those other agencies to improve the response times or to improve the response level, so that you can get to the points of failure more quickly and then resolve them, or are you happy that your multi-agency response is as good as it can be and cannot be improved?

Mark Mathieson: One of the things is going out to every local and regional forum and sharing our lessons learned with them, because you always learn lessons. This industry has learned lessons. I know that it seems a long time that customers were off, but go back 20 years. That would have quite easily been two weeks. The only way we are going to improve is to learn the lessons. We will learn the lessons and we will share those learning points with those partners, and then build those working relations if this happens again for the next time.

Q45 Sir Robert Smith: On the maintenance issue, who sets the industry standards for the quality of the poles, the corrosion of the stays and those basic things? There is a concern from the public that if there was more maintenance then the system would be more resilient.

Mark Mathieson: One of the things we have developed over the years is much better techniques for judging how good the assets are. I remember, when I first started in this industry, the way you tested if a pole was rotten or not was you sounded it with a hammer, and if you got a dull thud you had to replace it. In 20 years we have developed a lot of techniques. We now use ultrasonic tests on poles so we can see where the rot is. We have interventions on poles, so that we can strengthen poles rather than necessarily changing

them, which is obviously much more sustainable. We have developed a suite of techniques. When you look at the performance over the last 10 years, our system performs much better than it did. Take the south system: the figures are 17% less in the number of faults and 33% less in the duration. The system is improving. I know that we probably do not get that story out there, but the system is improving, and it is all down to developing those new techniques and having better interventions.

Q46 Sir Robert Smith: Can I just clarify, though, whether there is an industry standards body?

Mark Mathieson: There are industry specs that we all work to, yes.

Q47 Sir Robert Smith: Who sets them?

Mark Mathieson: We set the specs, and the owner of the specs is the trade body.

Q48 Sir Robert Smith: How is their compliance or their application monitored?

Basil Scarsella: Through Ofgem, we are required to measure the health and the integrity of the assets on a regular basis. Just supporting Mark's comments, in the south, London and the east, in our networks, what is the test of whether the quality of the network is improving? It is really how many customers are off power for over a year, and in our case we have seen a 40% reduction in the number of customers who are off, without power, during the year. The number of interruptions is also significantly reduced by something like 30%. All of that is because the maintenance has been kept up to date. In fact, it has been increased. When you get an event like the one that we have been talking about, the question rightly should be asked, but if you look at the performance over a 10-year period, you will see that the integrity, quality and performance of the network has improved significantly.

Q49 Sir Robert Smith: Will there be a storm report on the nature of the faults, with the statistics?

Basil Scarsella: Yes.

Q50 Sir Robert Smith: When will we see that?

Basil Scarsella: We expect, in our case, within two months. By the end of February we should have a report.

Q51 Sir Robert Smith: That will break down whether it was tree-cutting that was the problem or the actual integrity of the line?

Basil Scarsella: Yes. The cause of every fault.

Frank Mitchell: From our perspective, I think it ties down to the issue that Mr Lee raised earlier. We have a particular focus on resilience, maintenance and inspection to make sure we minimise the damage. On the point made earlier, I thought I said earlier that we know what customers expect of us, particularly in the festive season. For those who were impacted, it is unacceptable and we apologise for that, but we do keep on top of our maintenance specs. In particular, we also look at our resilience, where we have higher specs. From 1998, when we had a significant storm in the north of the UK, we have had a programme of work looking at resilience-specific investments—not necessarily undergrounding, but a higher spec for lines and a higher spec for poles, and also a higher spec for tree-cutting. We have a resilience cut. We have a falling distance as well as a safety cut. We spend £20 million a year on tree-cutting and inspection.

One of the critical factors, we know, in how successful we are through any winter, is how up to date we are with the tree-cutting programme, as well as our general maintenance and inspection. It is a key focus for us to make sure, ahead of any winter, that we are well on top of that, so that we minimise damage.

Even with that, there are always lessons to learn. We review after every winter, did the plan work and where we can improve upon it, regardless of what is in the public eye. That is a programme of work we already undertake every year. For this specific festive period, although we had probably fewer impacted than many others, we will also be producing, and have produced some reports already, a complete post-event analysis by the end of January. We are already supplying information to Ofgem and DECC on some of the outcomes of that, about the areas we think we will be focused on going forward. We will have that, and that will come from us after the end of January.

The issue I want to come back to is that it is a continual battle on weak points and resilience. You always look at your next weakest point. It is a continual programme we have had running since 1998 to try to improve that, and it is an area that we continually focus on.

Q52 Sir Robert Smith: Will the statistics show, where trees were involved in an incident, where the landowner had refused you permission to do what you wanted to do to the tree?

Frank Mitchell: There are areas where that is a problem. We have had trees travel quite a distance over fields because of perhaps some action that has been taken by the Forestry Commission, where they have been harvesting some trees and left some weaker trees in there that we are unaware of. We get debris travelling hundreds of yards. Indeed, one of our customers phoned from north Wales, apologising for the fact that his barn had flown across a field in 110 mile-an-hour winds and hit a line. We will analyse all these aspects coming through, but about 85% of the impact we had was debris out there that impacted our assets, and we will be trying to clarify the exact position in the report we do at the end of January.

Q53 Sir Robert Smith: Finally, in 2010-11, you only spent 73% of your allowed expenditure on the network. Do you think that is a sign of not investing enough?

Mark Mathieson: Not at all. It was a five-year review. That was the first year. We had been cut back in allowances, so we were looking at how we discharged that maintenance and that investment programme. We made it quite clear that we will spend between 90% and 95% of those allowances over the five-year period, the 5% to 10% being the cost-efficiencies that we are driving out of the business. Those are shared with customers, and the customers keep them going forward. We always said that we were taking a different approach in year one, but we would ramp up for the price control review period, which is what we have done. I have to say that most of the things that we were looking at again were round about ground-mounted substations—the big kit. It was not in tree-cutting or overhead lines.

Q54 Mr Lilley: Answers are beginning to emerge to the very fundamental question that I want to ask, which are: what caused the interruptions? Was it flooding of substations? It seems that was much less important, but from the media coverage I thought that was half the problem. Was it trees falling on lines? Was it lines themselves and pylons being blown over? You have mentioned debris. Were there other factors that account for the interruptions? Also, give us a picture of whether it is on the transmission lines or on local distribution lines, or if that is a valid distinction.

Basil Scarsella: In our case, it is clearly the local distribution lines. There was some damage to our assets, but by any margin, the most significant was from trees and debris—trees falling on our power lines.

Steve Johnson: It is similar for us. It was not an issue on the transmission voltages. It was the 11,000 volts and below. There were very few issues with the assets. It was trees falling into the lines and windborne debris.

Mark Mathieson: Same again. We talked about the national statistics and we will have the final view, but when I looked at this storm, the number of broken poles was very low. We only had 14 broken poles in the south of England, despite that event going through, so that is low. The rest of it would have been a mix; there were trees coming through the lines and, equally, as I think Robert said earlier, in high winds, you get conductors clashing and causing damages there, but that will all be brought out in the stats. We have to pull all that information back from the field, collect it, and put that together.

You are right: there was a big story about flooding. While flooding was causing us issues with getting about, we were not having issues with flooded substations during that period.

Q55 Mr Lilley: That half-answers my next question: to what extent was it flooding and to what extent was it wind? We had far worse floods, certainly in my area, in 2000, I think it was, where we had lakes formed, and rivers reappeared that we never had, for weeks and months on end. That did not happen this time. Again, we have had worse winds than this in the past. You mentioned 1987. I think there were some more in the spring of 1989 and 1990, which to my recollection were worse than the winds this time. Why was the damage apparently worse this time than when we have had more severe winds in the past, or is it just that our memories of the electricity interruptions fade?

Mark Mathieson: I think there is the memory thing there. Certainly, 1987 was probably the biggest event that I could find any reference to, and this event was not as big as 1987. There were a few, I think, though again, I was not about at the time, in the south that the guys quote—1990—like you do. This event was slightly bigger. In time, memory does fade. One of the things I do recall from my time in the north of Scotland is a couple of weeks to clear up big storms was not unusual 20 or 25 years ago. If you went further back to 1984 in the north of Scotland and read the fault reports, it was even longer sometimes. We are getting much better. Memories do fade. It does feel that we are seeing much more stormy weather.

Back to your point about flooding, one of the things after this event, around about Berkshire and Oxfordshire, we did have some real serious flooding around Oxford, Reading, the Thames and the Kennet, which created those big lakes, but we were able to manage the electricity network through that.

Q56 Mr Lilley: Have there been storms of roughly this intensity in any of your areas at times other than Christmas? In other words, to what extent was the problem exacerbated by people's very legitimate desire to have Christmas with their family at home, where that was suddenly interrupted because they couldn't cook their turkey or whatever? Worse than that, for several days they were without heating and lighting.

Basil Scarsella: There is no question that Christmas has had an impact, thinking of the impact of the storm, but you referred to previous storms. In October we had St Jude, which hit our eastern network, but as I said earlier, it was short and sharp. It lasted for about an hour. It was concentrated in a relatively small part of the network. We were able, for example, to move our resources from the south to the east, because the south was not impacted. That was nearly a million customers off and there was very little publicity about that. There was lots of publicity on the storm, but I am happy to say that electricity did not get anywhere near the mention nationally or locally that it had over Christmas. You tend to think that this was a significant event—it was national and it was Christmas. I did say earlier that we feel sorry for the customers, and especially the ones that were off over Christmas, because it is hard to believe how difficult it would be for families who might have had guests and so on when the power was off. We do feel for our customers, but it was a national event that had an impact that we have not seen for a long time.

Q57 Mr Lilley: You had a million customers without electricity at the St Jude storm, and 460,000 this time?

Basil Scarsella: That is right, yes.

Mark Mathieson: Looking back through our records, I can't find a big storm occurring at Christmas in the south. We might have had busy days, but not a big event like this. When I looked through the north of Scotland, our previous big event was 1995. There are times during Christmas when we are busy, like we were this year, but for big events that have taken a number of days to get customers back on,1995 was the one I remember in the north of Scotland.

Q58 Sir Robert Smith: Can I go back to the tree-cutting? If you think a tree needs cutting because it is going to pose a risk to your line, what rights do you have to cut that tree, or is it negotiation?

Mark Mathieson: It is negotiation.

Q59 Sir Robert Smith: Is there any arbitration system for it?

Mark Mathieson: There is, but it only allows you to cut it once, and then you have to go back through the whip again when you need to trim it back the next time. Trees need to be cut every three or four years just to keep them pruned back away from the lines.

Q60 Sir Robert Smith: How is the balance now? How often is it, if you go in and say you need to do it, that people say, "That is obvious; get on with it"?

Mark Mathieson: I would say it is mixed. We do have issues, but other landowners do allow us to do our maintenance. It is a mixed picture.

Q61 John Robertson: I am somebody who had this problem in his previous job. When you have a landowner who will not allow you to cut a tree—and I am sure it happens—and it damages your lines, do you charge them for the repair?

Basil Scarsella: We don't, no.

Q62 John Robertson: Can you charge them, or you just don't charge?

Mark Mathieson: Your line is probably on his land, and therefore the first thing you are going to get is a termination of the wayleave. The way you have to do it, John, as you will remember, is try to go out and persuade and cajole. You use all the tools in the bag. In some cases that is difficult.

Q63 John Robertson: If it is a safety hazard—dangerous hanging or whatever—you do not have to get agreement to cut it down.

Mark Mathieson: You are going back to the electricity supply and quality regs. The safety hazard one is more for kids climbing up there, so if kids could climb up and get out on a branch, yes.

Q64 John Robertson: If it is a tree that is hanging at an angle and it is dangerous, and you are worrying about it falling on top of your line, which could come down on the road or whatever, you do not need to get permission to cut that.

Mark Mathieson: From a landowner, we do, yes.

John Robertson: Do you?

Mark Mathieson: Yes.

John Robertson: Sounds like one for the Government.

Q65 Dr Whitehead: We received quite a lot of correspondence from customers affected by the outages. One of the things they felt was very difficult was their widespread inability to find out what was going on, the likely duration of the power cut they were suffering, and what was being done to deal with that. What measures did you all take to ensure that customers were provided with the most up-to-date information that they could have during the disruptions?

Basil Scarsella: We certainly had the problem you describe, Alan. One of the early lessons is that we must improve communication with customers—not necessarily the 460,000 customers, but those last 3% or 4% who needed to be restored. In lots of cases, because the damage was across various levels of the network, while we believed that by fixing one level—the high voltage, for example—it will fix the problem, it was not fixing the problem, because there was damage further down in the network. One of the lessons for us, in terms of assessing the damage, is it must be more thorough and must go all the way down to the house, basically, rather than focus at the high-voltage end.

Q66 Dr Whitehead: Are there any other experiences of this?

Mark Mathieson: Yes. One of the things we have done over the years is look to increase the number of channels where we will share information on power outages. Quite interestingly, when you went back five years ago, nobody was using any digital technology because obviously the power was off. Now, with smart phones and iPads, you find a lot more people are connected. We are starting to develop a suite of tools that can get the information out to the customer quicker. We gave good information in some cases and we have had some good feedback on that—things like sending text messages. We sent 103,000 text messages during that. Equally, I do recognise that in some cases we were not giving the information quick enough, and we have to find a way to get out to site. You need to get out on site and assess the damage to be able to give a time by which it will be repaired, and we feel that that is one of the big lessons to be learned from this big storm.

We launched a consultation the week after the storm, asking stakeholders, including customers and staff, what they thought went well and where they think we could improve for the future. One of the key aspects of that is the communication piece, and we will take that feedback from customers. We will look at what the feedback is and then we will build a plan to deal with that.

Q67 Dr Whitehead: One thing that has been communicated to me as far as Southern networks are concerned is that you have a system that enables people to find out whether their outage is recognised as being accommodated and dealt with, but that system enables something like 50 outages to be recorded. In a number of instances, people felt that their outage did not exist because it could not be accommodated within the system that you had, as you had overtopped the 50 outages. Therefore, when people went to see whether their particular outage was on the system or not, it was not, and they felt completely neglected and

overlooked, even though technically their outage had been logged and was being dealt with. Is that right, or are there different ways?

Mark Mathieson: Yes, I know the one you are talking about. We developed an app for smart phones and iPads called the Power app. We rolled that out last year. We have our fault management system sitting in the background that we are using to manage faults and give the customers information, and what that app is trying to do is take that and put it in a very user-friendly way to customers. Basically it is a map of our two territories in the UK and there is a pin on it, and if you tap on that pin it will give you a number of status messages—when the power went off, when we expect the engineer to be on site, when the next update is going to be, and when the power is going to be back on. It goes through that.

That works very well for business as usual. What happens, though, with that app when we have events such as this is that the map just gets obliterated. You cannot see. It is not giving information. We are looking at the development of that app to give better information during business as usual, but equally making it work for us during these big storm events. That is a bit of development work that we have on. That Power app was something new we introduced last year.

Q68 Dr Whitehead: Is that something that other networks dealt with? Do you all have apps that don't work?

Basil Scarsella: We have a very similar system to SSE, but during the storm we had 2,400 faults, and when you looked at the map it looked as though the whole region of 20 million people was off. It needs to be refined to cater for emergency storm events.

Q69 Dr Whitehead: How far into the extended outages that you had in your particular region—UK Power Networks, Mr Scarsella—did people get the information across to them that it really would take several days to restore their power?

Basil Scarsella: We made 20,000 outbound calls, but there is no question but that for a number of customers, the information we were giving them just was not correct because of the problem that I described with the network. Like I say, we had 200 people coming in and making outbound calls to try to reassure the customers, especially the last few thousand, that we were working on repairing the damage, and that power would be restored as soon as possible.

Frank Mitchell: We have a social media strategy as well. Also, in making sure that we can tell customers the best information that comes from our front-line staff, information is reviewed to make sure that it is as accurate as it can be, and we put that out. Customers initially get an automated message that is down to that granular level where we can identify them, and a slightly higher one if we do not have their telephone number on our system. We also, for all those customers, give them the ability to stay on and talk to an agent. If they want more information or they have a question, they can stay on the line; they do not get disconnected. They can stay on and talk to an agent specifically about their issues.

On top of that, as regards our vulnerable customers who are on our priority services register, from the very beginning of a storm, where we identified we have vulnerable customers, they are proactively contacted and given a dedicated line with dedicated staff, outwith the standard number, because we know those are the customers we want to focus on early to make sure their welfare is being taken of. Over an extended period, we typically would see in any of our restorations an 85% accuracy rate on our initial estimation, because things can be dynamic in faults. An area of ongoing improvement we have in our business is to improve that 85% initial estimate, but for those that then change, we try to outbound call them, and usually agree the form of that, whether it is a text message or an outbound call. Where we see the situation changing from what we have initially told customers, we do our best to contact them to tell them the situation has changed. We do not get 100% of that correct, but about an 85% level is typically what we find, on accuracy of our initial estimate of restoration time. That is an area where we try to have ongoing improvement in the business.

We manage our vulnerable customers individually and we outbound call them. Typically, if there is an extended period over which a customer is cut off, we are starting to do them outbound as well, because we realise that customers become more vulnerable the longer they are off supply. We try to make sure we focus on their specific needs and their welfare and keep them up to date as proactively as we can.

Q70 Dr Whitehead: How did you deal with, and how should you deal with, the question of what you might say are sequential reconnections? That is, you were putting people back on the system quite often in blocks, and people who did not have very much information were under some circumstances saying, "I can look out my window and I can see over the valley that everyone has their power back there, and I have nothing here", and yet they were getting no information about why that was the case or what the circumstances were that caused the power to be back on in one place and not on in another. Is that something you regret not dealing with as well as you might, in retrospect?

Basil Scarsella: The restoration strategy is first, through automation, to restore as quickly as possible. Then we look at high voltage, which is where the bulk of the customers will be impacted, because we want to restore as many customers as quickly as possible. In the US, for example, once they have restored the high voltage, any phone calls, any messages received, are wiped and they ask their customers to ring back if their power is still off. They get told in the first place, "Your power should be back today because they are fixing the high voltage lines. If it is not back by the end of today, please give us a call back". That is something that we need to look at. My preference would be to assess the damage all the way down to the individual premises and provide them with the accurate information, rather than ask them to ring back.

Q71 Dr Whitehead: Do you think you could reasonably guarantee under future circumstances that if a person is actively seeking to find out whether they do have a cut, an outage, that their outage really will be on your systems and they will get accurate information, and that that information will be updated reasonably well as an outage progresses? Are you able to say that either you are going to do that or your systems enable you to do that now?

Basil Scarsella: I think, from our perspective, what we need to do is strive to improve. I do not think we are in a position today to guarantee that the next time there is a major storm every customer will be able to get accurate information about the time of restoration.

Mark Mathieson: For us, it is something—just exactly as you said—that we have identified. As I have said, what we have developed works well on a business as usual, day-to-day thing. We are just scaling that up to make that work in storms and deal with that multiple complexity, so once you have that information back from the field, make sure it gets targeted to the right people. There is nothing worse than getting information that is slightly wrong, that you are off and you will be back on in three hours and you are already back on. It is about making sure that it is targeted, and that is what we are working on.

Q72 Dr Whitehead: Do you think that, as the Secretary of State suggested, some form of 999 emergency number for power cuts might be helpful? Perhaps, Mr Smith, you might want to reflect on that. Would that be something that the district networks themselves might collaborate on? Do you think that would be a better system than we have at the moment for establishing the reliability of the information and the ability of people accurately to fix what they objectively were in for, as far as the outages are concerned?

David Smith: We carried out a feasibility study in 2013, looking at the so-called three-digit number routed to DNOs via call line identification for fixed phones and geographicals for mobiles. There are a number of pros to doing that. Clearly, the single number enables the location of mobiles to be sent, allowing routing, and it may be possible to share some calls across companies. There are also some issues we need to look at, such as capacity and 24/7 availability. In particular, the work we are doing at the moment is looking, with Ofcom, at agreements that would need to be put in place for that, and also with BT and mobile operators. It is a piece of work that has started. We are now moving that forward. We are having a look at it. We have been very rigorous within our emergency planning managers group, and again also there are costs in there. It is a piece of work we have started and it is something that we are carrying forward. When the Secretary of State mentioned it, we did caveat it. It is in its early stages and we are looking at it and we are seeing how best, if it is possible technically and money-wise, to take that forward.

Q73 Chair: Sorry to interrupt, but if it is in its early stages, what did you say to the Secretary of State? He made this statement on 8 January, two weeks ago: "Householders will in future be able to get help in power cuts by dialling an emergency 999-style number". You have just told us that they are not going to be able to do that.

David Smith: What we are looking at is how we can get over some of the technicalities of this, and we said at the meeting that there are some technicalities around it. We need to work those through. We are doing that now. We have a piece of work ongoing and we are delivering that within the next month.

Q74 Chair: Mr Scarsella says that his company is not in a position, if there is another major storm, to provide that information. He told us that about five minutes ago.

David Smith: In terms of the three-digit system, we are looking at that, as I said, and we are looking at—

Q75 Chair: You are looking at it. The Secretary of State has announced that it is going to happen. You are saying you are looking at it.

David Smith: Yes.

Q76 Chair: Did you ring up and point out to his office that he was making a claim that was clearly complete nonsense? Did you do that?

David Smith: We had the conversation with the Secretary of State, and one of the things that we were very clear on was we need to do some more work on this. We need to get the final bits and pieces in place, and that was the key point on that.

Q77 Chair: He said, "Householders will in future be able to get help by dialling an emergency 999-style number". You, as the trade body, are saying, "We are doing some work on it".

David Smith: That is correct, and we will have that work delivered—

Q78 Chair: So, he was not telling the truth on 9 January?

David Smith: We will have that piece of work delivered back to DECC by the end of the month.

Q79 Dr Whitehead: Did the conversation go, "Secretary of State, we can't deliver this over the period of time, but we are working on it", and the Secretary of State said, "Well, that is great. I will go off and announce that it is ready to go"? Is that how it worked?

David Smith: Certainly, the conversation we had was we are looking at it, we are doing some feasibility study on it, and we are looking at how best, if we can implement it, to implement it.

Q80 John Robertson: Mr Smith, what do you need to do? What kind of work are you doing? It is not a difficult thing to do. Tell me exactly what kind of work you are looking at.

David Smith: At the moment we are looking at the detailed work with Ofcom and with BT and mobile operators.

Q81 John Robertson: As far as the technology goes, it is a computer that does all this work for you, and you just dial a number and it accesses. Your only problem is who answers the

phone. That is your problem. Surely it is not beyond the wit of man and these gentlemen beside you to set up a call centre that will handle this problem. It is not difficult. It does not even cost a lot of money.

David Smith: We would have to get an agreement that the emergency system on mobile phones could be routed to that local area, so there are still some issues to work through with Ofcom about routing.

John Robertson: If the Secretary of State says it is going to happen, then that is his problem, not yours. Get him to sort that out with Ofcom. I would suggest that is his problem, if it is the mobile operators. In relation to the set-up of a call centre where people can get access to the information quickly through an emergency number, that is not difficult to do. Television and radio phone-in programmes can be done at the drop of a hat. This is the exact same thing and it is not difficult, as somebody who used to work in that area. It is not difficult. The problem is having the will to do it.

Chair: It is dependent on the companies knowing what the information is, though. We have heard from one of the biggest ones that they are not yet able to guarantee they can provide that information.

Q82 John Robertson: Can I ask a question about call centres? I can't remember which gentleman—maybe you, Mr Symons—mentioned call centres. Do you have call centres in this country?

Several: Yes.

Q83 John Robertson: So, you have access to a call centre and it is local to your business?

Several: Yes, that is correct.

Q84 John Robertson: I do not understand why people cannot get the information quickly through your call centre.

Robert Symons: I think, talking about my own business, they did get information quickly. They got through quickly and we proactively contacted them when estimated restoration times were changing, through some of the things that we have discussed.

John Robertson: Once you do it, you can alter it.

Q85 Sir Robert Smith: How do people know who to call?

Robert Symons: The number is on the bill.

Q86 Sir Robert Smith: It is on the bill, separate from the supplier?

Robert Symons: Yes.

Frank Mitchell: However, what I would say to that is our own research that we have been doing says that there is a problem with awareness with customers about who to call, despite it being on the bill, even despite us, as a company, having written to every customer in the past to give them the number. When the situation arises, our own market research tells us that 36% of customers do not know who to contact, so we have an awareness campaign that we are actively doing just now to make them aware.

Q87 Sir Robert Smith: If you could solve this problem and get the three-digit number, that would—

Frank Mitchell: I am not familiar with all the technical issues, but I think the essence of it is what the Chairman said. At the end of the day, we have to make sure we improve the service for customers, and that is all about making sure everybody can give accurate information. I think that is the heart of it, and also what we are doing to make sure people are aware of the number in the programme that is ongoing. Right now, we have billboards and buses in north Wales, Merseyside and around the south of Scotland to make sure people know the number and who to contact, as well as writing to customers.

Q88 Dr Whitehead: To conclude on communications, I have two questions. First, if you have internal arrangements that enable particular outages to be lost in the system, having a 999 number that does not tell you about the outages that have been lost in any event, because you have not been able to get those lost outages back on to the system, appears not to be a great deal of use. Are you actively fixing that? Secondly, a good proportion of customers, despite the numbers being on the bills, make the reasonable assumption that they are with SSE or npower or whoever, and the fact that their power is gone is a function of that company's supply to them. What sort of liaison do you have as network operators with the retail energy companies, so that there can be a reasonably clear line of routing of inquiries to the proper location? Would a 999-type number include those companies to which the customer, quite reasonably, will make the first inquiry?

Basil Scarsella: In answering your first question, I agree with you. It is the quality of the information coming back from the field that is going to determine the quality of the information that is given to the customer. That is the area that I mentioned earlier—one of the lessons we have learned out of the latest one, an area where we need to do better.

In relation to the second question, which I think is the relationship with the supplier, in our case the relationship is very good with all of the suppliers, and if a customer rings the supplier, which often they do, it is rerouted very quickly. If it is a power outage, we route it to our call centre in Ipswich.

Mark Mathieson: The way the system works is every meter point is tied into one of our networks. It does not matter if that customer is switching or who the supplier is, because you also need to accept that the customer might have switched the day before. The supplier knows which network operator that customer is on, and is therefore either able to route the call straight to us or give the customer the number. That is the way the national system works. Through the meter point, it is tied to one of our networks.

Q89 Chair: Do you all recognise that the suffering of customers is greatly aggravated by giving poor information about when they are going to be reconnected, and the situation of someone who has been off for a day is made worse, not better, by assurances that it will be back tomorrow and it turns out not to be?

Mark Mathieson: We do recognise that. As I said, that is what I think is the real lesson learned for us through this experience. Operationally, we are proud of the staff. We recognise the suffering that customers went through, and again I am saying we apologise for that. We did give out good information. We need to give out better information to all our customers, and that is one of the things we are working on with our consultation.

Q90 Sir Robert Smith: When smart meters come, will they tell the distribution network that they are not getting any electricity, and will it obfuscate the need for small faults to be reported by the customer?

Several: Yes.

Q91 Sir Robert Smith: That is all built in, even though the meters are not part of the distribution system?

Several: Yes.

Q92 Ian Lavery: I share the views of the Chairman about the complacency this morning. I am amazed by it. What is being said is that there was a clear understanding that the storm was coming. You had the right staff, expertise, skills and adequate programming. So you did everything right, yet there was this basic catastrophe. I would suggest that you did not have everything right. I think you should share the experiences of the people who suffered greatly as a result of the plans you had in place failing, because that is what happened. They must have failed, or it could not have happened to the magnitude that it did.

I want to turn briefly to the compensation. These people suffered greatly—families. Unfortunately, it was Christmas. It could be any time of the year. Yet industry standard payments for compensation are £27 for customers who are without power for 48 hours. It is an absolute pittance, and in my view it is a miserly amount. It is an insult to those people who are suffering greatly, and yet that is what we have on the table. There are one or two companies—which I will come on—that have said that they are considering or they will pay additional compensation.

A question to Mr Scarsella. SSE Power Distribution have agreed they will make payments to any customer who was without electricity for any time on Christmas Day. That is regardless of the duration of the power cut. Will your company do the same?

Basil Scarsella: Absolutely. We announced that on Christmas Eve. We were the first ones to announce the fact that if any customer is off, even for a minute, during Christmas, they will be paid £75. I agree with you. Is £75 recognition of the suffering? No, it is not. But notwithstanding the fact that regulation does not require us to pay anything if a customer,

as you correctly point out, is off for less than 48 hours, any customer off during Christmas will be paid £75 by us. We announced that on Christmas Eve.

Q93 Ian Lavery: What about the rest of the organisations and companies?

Steve Johnson: With regard to Electricity North West, while we did not have anybody off on Christmas Day, clearly we did have many people off on the 26th and the 27th. You are quite right, we could have gone for the exemption that said that just those 16 customers who were off for over 48 hours would get £27. We are not going to put that exemption in place, so any customer off supply for over 18 hours will be entitled to £54.

Robert Symons: As far as WPD is concerned, we had all bar 13 customers on within 24 hours, so most of our customers, the vast majority of our customers, were not off for a very long period, so we have not done anything on compensation.

Frank Mitchell: For SP Energy Networks, on the storm that came in overnight on Christmas Eve, we had all customers on on Christmas Eve. We had no customers off on Christmas as a result of that one on Christmas Eve, but we did have a storm overnight on the 26th and 27th. We have had a debate with a number of stakeholders about where we focus our financial resources. When we look at this issue, we recognise that people feel that £27 doesn't recognise some issues they have had. But for all customers, particularly our vulnerable customers, from the very early stages, we do not have a limit of what we have to do to cope with their personal circumstances. We focus early on all our vulnerable customers to make sure they have transportation, accommodation, and look at any other welfare needs; they need to be focused on. That is where we focus our financial resources and we do not have a limit on that. We do what is right and proper for those people to be taken care of, from the very beginning of a storm. That is where we focus our financial resources.

Secondly, we recognise that, as the storm goes on, other customers become vulnerable. Therefore, ahead of the 48 hour limit, we will start to contact customers if we believe they are going to be off for that period, and do the exact same with them. We focus on that. We think most customers hold that in much higher regard than the £27 compensation. That is what we have done in the last few years as a result of major storms. People believe that is where we should be focusing our efforts and financial resources during a storm.

Q94 Ian Lavery: There are a number of thresholds. Customers do not receive any compensation unless they experience a power cut for at least 24 or 48 hours in severe weather, or 18 hours in normal weather. Do you think that the hourly threshold should be reduced to, say, 12 or even six or below that?

Frank Mitchell: We recognise that 48 hours is a long time. One of the proposals we made for future price reviews is to move that to 36 hours, which is still a substantial time. The reason we say that is that it is the nature of storms in the north-west UK that they can last 18 to 24 hours, so we can often be unable to actually carry out repair work. That is why we focus on minimising those who are off to start with. With winds of 110 miles an hour, it is very difficult to build a network that will resist any impact. We want to move that 48 hours to a 36-hour limit for starting any compensation going forward.

Ian Lavery: You believe it should be reduced from 48 to 36?

Frank Mitchell: That is what we have suggested for the price review.

Q95 Ian Lavery: Do you think that £27 is adequate compensation for 36 hours without electricity?

Frank Mitchell: The compensation level is being addressed by the regulator, looking to move that up—I recognise that—but equally, as I have already said, we focus on our most vulnerable customers from the very earliest. We do not wait for 36 hours. We start from the very early hours of a storm, and focus on those customers who are most vulnerable and we do everything we can—and there is no limit on any budget—to help those customers in those situations.

Q96 Ian Lavery: Do you have a record of vulnerable customers?

Frank Mitchell: We have 345,000 customers on our priority services register that we have registered as vulnerable. That is what we do for customers who opt in, or we work with local agencies to identify those customers.

Q97 Ian Lavery: Is it the general feeling, as Mr Mitchell has just said, that 36 hours might be something that should be considered? May I suggest it is six hours?

Steve Johnson: From 2015 for the industry, in the normal course of events, the time will be coming down to 12 hours. That is appropriate, given the importance of electricity for everybody. As I say, certainly, from Electricity North West's point of view, we thought it was right this time, and in the last storm event, to not put the exemption in place, because of the disruption that it brings to people.

Q98 Ian Lavery: You can see it is a real gripe of mine, the fact that the minimum compensation is £27 in this day and age for such major disruption. It is not just because it was Christmas Day, but that makes it even worse. I am sure you all agree with that. Is there a case for increasing the minimum compensation levels for families who suffer this disruption?

Basil Scarsella: Again, we doubled the compensation payment. Aside from the £75, we doubled it for St Jude and we doubled it again for the Christmas storms.

Mark Mathieson: As Steve mentioned, one thing that Ofgem are doing for the next price control review that kicks off in 2015 is changing the hours and the compensation, and it is out to consultation on that. For this period, and given the impact it did have on our customers, the fact that it is so important to spend time with friends and family, we doubled the compensation and guaranteed £75 on Christmas Day.

We have just had a survey completed of 800 customers by a survey firm, which asked what the general feedback was on the appropriateness of that payment, and 64% of respondents thought that was a fair reflection. Only 14% thought it should be higher. What we have also done, in terms of our consultation on the storm with customers and

stakeholders, is asked the compensation question: what is the fair level of compensation? What we will be doing is pulling all that feedback together and then considering it for our business plan that we have to submit.

Robert Symons: From a stakeholder point of view, when we talked to them about our business plan, stakeholders felt that the compensation levels were too low. What we have done is volunteer to double those payments, whether it be in good weather or in bad weather. That is where we are.

Q99 Ian Lavery: So there is a clear feeling from everybody on the panel that the minimum compensation of £27 under the Electricity Standards of Performance Regulations 2010 is set too low?

Robert Symons: We have taken independent action that says that we have doubled it.

Ian Lavery: Is that right, what I am saying?

Mark Mathieson: We have doubled it in this case, and we have consulted as to what customers think that should be.

Q100 Ian Lavery: The final point I would like to raise is with regard to people who did not have the full 24-hour period disrupted. There are a number of people who have written to the Committee who have said that they had power for a mere five minutes during the 24-hour period. This individual suggested that "We lost power in the St Jude storm from about 8.00 am on Monday. Didn't have a sustained power return until about 9.00 pm on Tuesday evening. However, the power did come back on for about five minutes on the night of Monday", and because of that, they will not have any claim for compensation. It was mentioned before that it automatically resets, and households come on for four or five minutes and then it goes off again. Is there a way and means by which your companies could do that to avoid paying major compensation? The main question is: if people had a five-minute break in a two-day period, will you be paying them compensation?

Basil Scarsella: We certainly do not plan to put the power back on so that we avoid compensation—far from it. We generally use a pragmatic approach. In the example you have given, I would say that we would have paid the compensation. If it was St Jude, it is likely to be one of our customers and we will be happy to pay it.

Chair: It is indeed one of your customers, because it is a customer from Suffolk. A number of my constituents unfortunately experienced loss of power in the St Jude storm. Are you able to say that if they did only have power for a five-minute period in the middle of a 36-hour outage, you will now pay them the full compensation?

Basil Scarsella: Yes.

Chair: Thank you.

Q101 John Robertson: Going back to vulnerable customers, I do not believe your companies know who your vulnerable customers are, because you do not do enough to find

out who they are. I am going to talk to some of the companies at a later date on that very subject. I was intrigued by what Mr Mitchell said, not because he is my supplier but because the idea of looking after the vulnerable and poorest first, and then taking upward steps, strikes me as being quite sensible. Do you not think you should do something like that, as well?

Basil Scarsella: We do something very similar. We proactively contact the vulnerable customers. We offered hotel accommodation, and some 800 have taken it up. We paid for some 2,600 dinners. So we are doing everything we can, rightly so, for the vulnerable customers.

Mark Mathieson: I have a team every day that is working on keeping that vulnerable customer list up to date and encouraging customers to get on the list. We put leaflets around doctors' surgeries. We try to get awareness out there: "If you feel you're vulnerable, get in contact with us and we will contact you in a storm." We will do the things the other guys have talked about. Equally, we are working with the agencies. If somebody is on kidney dialysis or if somebody needs oxygen tanks filling, we are talking to other agencies as to what is the best solution for that customer. That is one of the things we did during the storm. We do a lot in terms of vulnerable customers. The suppliers share their list of vulnerable customers with us in their patch. We take that list and we build on it. I think we do do a lot, John.

Q102 John Robertson: I am meeting with SSE and Scottish Power on this, but could Electricity North West, Western Power and UK Power write to me and let me know what you are doing? Mr Smith, what do you think on this? Do you think when we have Ofgem in next we should suggest to them a refocusing on these payments?

David Smith: On the Priority Service Review, Ofgem have an ongoing review right at the moment on that.

Q103 John Robertson: They take so long with their reviews. Do you think we should suggest something to them?

David Smith: I believe it is nearly completed. It started in July last year, and it would be useful to find out. We certainly fed into it; all the companies have fed into it. As Mark says, there is a very good relationship between the suppliers and the networks on that, on a range of specific issues, particularly storms and things. I think that particular one is a lot further forward than it was at least a year ago.

Q104 Graham Stringer: Obviously, the conditions were dangerous during the storm period. Were any operatives injured?

Several: None at all. Not in our case, no.

Q105 Graham Stringer: None at all. That is interesting. You have also described part of the meeting you had on 8 January with Ed Davey, the Secretary of State. I must admit, I was confused after the discussion about the 999-style number to dial. What was the tenor of that meeting? Can you tell us a bit more about that meeting?

Mark Mathieson: Certainly. Mr Davey was very supportive of the efforts of the companies. He made that quite clear at the beginning of the meeting. He wanted to talk about lessons learned. He shared the terms of reference for the DECC review. There are two reviews ongoing as we speak. There is the Ofgem review and the DECC review and, as organisations, we are feeding into both those reviews.

Q106 Graham Stringer: We have heard a lot during the discussion so far about lessons learned and improvements that have been made and will be made. We have had three sets of storms at the end of last year and the beginning of this year. Can you tell the Committee what metrics there are that can show you improved over those three storm episodes?

Basil Scarsella: First, it is the customers who were taken out and then the restoration time. You have to take into account the difference in the storm events.

Q107 Graham Stringer: I realise it is not a simple question, but I would have thought you would have attempted to measure it, so you could convince this Committee and the public in general that you were improving in a measurable way.

Mark Mathieson: There are metrics that we can show: the number of calls we made to customers, the contact with customers—all those things are there. One thing that you did allude to yourself is that each incident is so different. An incident is really defined by peak wind speed and the amount of time that wind is there for. This one was different; it took eight hours to go through the patch. St Jude was something different. Have you got lightning? When the rains are coming, lightning can be quite damaging to our networks as well. They are all different. The one thing that we would point to is you take, over a period, how the networks are performing and that gives you a good indication. You look at the number of outages that we have and the duration of those outages. Certainly, from my two networks, they have improved substantially, and that is something we have put forward that we will continue with our business plan into ED1.

Q108 Graham Stringer: If I can ask a similar question in a different way, how would this Committee know, or anybody else know, which of the companies before us is performing better than the others?

Basil Scarsella: The statistics, in terms of performance of the network, get published regularly.

Q109 Graham Stringer: In the particular situations that I am concerned about, which of the companies dealt better with the storm than the others? Does one of you want to claim to be the best-performing company, and can you show it?

Mark Mathieson: One of the things that we would discuss is the way the weather impacts. Even over the UK, it had quite significantly different impacts from that sort of wind speed. I saw within my patch a big split between north and south, a big difference there. There was a big difference between the west and east of the patch. Our internal view is that we performed very well. I am very proud of what the staff did. How do you judge that, compared with what has gone through somebody else's patch? What was the ground saturation like? What were the wind speeds like? Where was that wind? I think it is very hard to do that comparison.

Robert Symons: One thing that may be useful is that both DECC and Ofgem are doing a report. Presumably that will highlight which companies did better and which companies did less well.

Frank Mitchell: If this is helpful, Mr Stringer, in the past, because of the geography we service, we have been in front of the Scottish Select Committee giving evidence of the long-term improvement through the work we have been doing on investment in response to storms. I am happy to have that updated, and provide that to the Committee. It is a helpful document to see how we have measured that performance from 1998, and all the investment and the impact it has had in response to storms, right through to the current date. If that is a helpful document, I am happy to provide that.

Q110 Graham Stringer: That would be useful. How do you share best practice? How do you learn from each other, and are you making increasing efforts to do that?

Steve Johnson: We do share examples quite regularly, and it is quite often through the ENA. You are probably aware that all companies are doing an awful lot of work and putting a lot of investment into innovation, to improve reliability of supply and drive through efficiencies. We spend a great deal of time sharing experiences and information and learning from projects, to make sure that all the companies share in the benefits, not just the one carrying out the project. It is something that we focus on and we make sure happens very regularly.

Q111 Graham Stringer: You have said in answer to a previous question that you will be consulting customers about their experiences, and how they can improve, when you report back to Ed Davey. Can you explain how you are going to do that?

Mark Mathieson: SSE launched a consultation and we have asked quite specific questions. We have given customers a bit of background, all stakeholders a bit of background, to the event and asked them questions, and we are encouraging as many people as possible to fill it in. I mentioned the survey of 800 specific customers; again, that will go into this. We are out asking our staff what they felt went well, what they feel we could improve, and we will pull all of that together. We will publish that in a report, together with what we are going to do differently going forward.

Basil Scarsella: We are doing something similar. We are extending it to local authorities, the British Red Cross—one of our partners that will be able to give us more information on the ground—and local councils.

Q112 Sir Robert Smith: What motivates you to do a job of making sure there are no interruptions to supply?

Basil Scarsella: Exactly that. The ideal would be to have absolutely no power outages at all.

Q113 Sir Robert Smith: But what is the business motivation for doing that?

Basil Scarsella: There are incentives. We are all competitive out there, so we all want to be the best. That is what motivates me.

Steve Johnson: There are incentives and penalties around the key reliability measures, and the point has been made a couple of times this morning. It is worth looking at the long term trend, because there has been a huge improvement in reliability over recent years. Electricity North West has plans in place to improve it yet further. Over the next five years we are looking at a 20% improvement. So looking at that long term will be very useful.

Chair: Are there any other points, in addition to those you have made in your answers, that you want to draw to the attention of the Committee? We are coming to the end of the session. I do not want you to repeat anything, but are there any additional points that we have not asked about?

If there are none, I have to say I heard nothing at all this morning that reassures me that you are taking this problem seriously enough to deal with the concerns of millions of your customers, including my constituents. There is no sense of urgency in what you said about any plan to step up your capacity to respond to severe weather, even though we have now quite clear warnings that extreme events are likely to take place more frequently in future. You have managed to make the Secretary of State look ridiculous in his claim that there is going to be a three-digit number that customers can use. You have failed to demonstrate, in my view, adequate concern for the plight of your customers. That is characteristic of monopolies whose activities are not very effectively scrutinised by anybody, until now. Frankly, if your customers had the capacity or the freedom to switch to an alternative distributor, I am sure that millions of them would be doing so as we speak.

I have to conclude that you are exploiting your privileged monopoly position, and you have displayed a neglect of your customers that I personally find absolutely astonishing, but thank you all for coming in.

Examination of Witnesses

Witnesses: **Andrew Wright,** Interim Chief Executive, and **Hannah Nixon,** Senior Partner for Distribution, Ofgem, gave evidence.

Q114 Chair: Thank you for your patience. I am sorry you had to wait, but there was a lot of interest in our previous panel. I am grateful to you for coming in. I am sorry, but we are going

to overrun a bit. I think we have let your colleagues know, in case you need to make arrangements to stay a little longer. You heard the latter part of that evidence, and I am sure you have thought about this quite carefully. What is your assessment of the adequacy of the response of the DNOs to the Christmas storms?

Andrew Wright: These were severe storms. There was a lot of damage done to the networks. Many thousands of customers lost supply. I was one of those customers. I was off supply for 20 hours on Christmas Eve and many of my immediate neighbours were off for much longer.

Chair: It is reassuring to know that Ofgem do not get privileged treatment.

Andrew Wright: Absolutely not. We understand the hardship caused to customers as a result of this, particularly because it happened over the Christmas period. We are undertaking a review of what happened. We have already asked for and received information from the DNOs, the distribution companies. We are looking through that at the moment, and we intend to get to the bottom of what happened, why some areas were impacted more than others, and why the restoration times were longer in some areas than others, and trying to understand whether this was a consequence of the different weather impacts, or whether it was a consequence of the different responses of the companies. That is what we are going to try to get to the bottom of.

Q115 Chair: When will you get the results of that?

Andrew Wright: Our initial report on this is going to be roughly on the same time scale as the Government review, so we are looking at early March. We will be feeding some of the information we are collecting into the Government review as well.

Q116 Chair: Were you surprised at how long it took the companies to reconnect some customers?

Andrew Wright: First of all, I was surprised at the level of damage. We are an evidence-based regulator and we can only fully understand the restoration times when we understand the level of damage and we understand the responses of the companies and whether or not those responses were adequate. When we have seen similar storms in the past—if you go back to 2002, for example—the restoration times have been longer, so these are not untypical for storms of this type, but I do not want to draw conclusions here. We are going to look at the scale of the problem, the level of response of the companies, and whether or not that was adequate, and we can draw our conclusions when we have all that full information.

Q117 Chair: Doesn't that answer rather highlight the essence of the problem here? In some of the answers earlier, they were saying, "We have had these problems before. We are doing slightly better than in 2002". In any competitive business, you have to do vastly better. If you produced a car that was of 2002 standards in 2014, it would not sell, but the customers here have no alternative. They are forced to go to these people. They do not know who they are.

They do not realise that 15% of their bill, in some cases, goes to these DNOs. So your role as regulator assumes a vastly greater importance, because there is no other public scrutiny.

Andrew Wright: We absolutely accept that, and we recognise that these are monopoly businesses. That is why we control their charges directly, and we provide the incentive framework that aims to encourage improvements in their performance. We have an incentive-based regulation, which means that it is in the companies' interests to do the best things for consumers.

I have said to you, in the context of the competitive parts of the industry, that one of the reasons why we favour competition is that this is not easy. Outputs that customers require have many aspects to them—different circumstances, different response times—and getting that absolutely right is difficult, but I think overall we have done an extremely good job. Since privatisation, we have seen reliability of the networks improve by a third. We have seen improvements in the response times during storms. We have seen significant reductions in costs delivered during that period, and driving down costs is as important as improving reliability in outputs. We think the regulatory framework that we have has delivered for consumers. That is not to say there are not improvements, and at every price control we make incremental improvements to it.

Q118 Chair: Given your uniquely advantageous viewpoint, which is the best-performing DNO and which is the worst-performing DNO?

Hannah Nixon: It is clear from the data we have from the DNOs that two of the distribution companies in the south, UKPN Southern Network and SSE Southern Network, were most affected by the storms. They had by far the largest number of outages. The question for us now is why that happened. Is it just a function of the severity of the weather in those areas or is it because those DNOs were doing something different in terms of preparedness or response from the other DNOs? That is exactly what we are looking into in a lot of detail at the moment. There is clearly no room for complacency here. We are always concerned when customers are off power, particularly for extended periods, over severe weather periods—over Christmas—and we want to make sure that the DNOs did absolutely all they could to get those customers back on to the system as soon as possible.

Q119 Chair: That is all very interesting, but it does not answer the question. You have been regulating these companies for many years now. Which is the best-performing DNO and which is the worst-performing DNO?

Hannah Nixon: The storms—

Chair: Not in the storms. Let us take the last five years.

Hannah Nixon: Generally, all of the DNOs have improved. We do have data.

Q120 Chair: Which is the best, if they have all improved? Tell us which is the best.

Hannah Nixon: At the moment, the best-performing DNO is Western Power Distribution.

Q121 Chair: The criteria by which that is judged are what?

Hannah Nixon: That is in terms of the number of minutes lost to consumers and the number of outages, and in terms of broader submissions on customer service as well.

Q122 Chair: Okay. Is that collected on an annual basis?

Hannah Nixon: On an annual basis.

Q123 Chair: Are those figures available to us?

Andrew Wright: Yes.

Hannah Nixon: Yes, they are.

Q124 Chair: What will you now do to try to ensure that there are better ways of keeping customers informed? One of the issues that came out of the previous session was the poor quality of information. As Ofgem, what can you do to try to ensure that problem is addressed?

Hannah Nixon: There are two strands to that. The first is that we have in place those strong customer satisfaction metrics, which are incentivised financially, which means that the network companies will automatically suffer penalties if they perform badly in that area. We do that through survey data, so customers that have been interrupted will be part of the survey and their responses will be taken into account.

The second part of that is that we want to do a thorough review—and we are doing a thorough review—as to how the network companies responded. It is obviously important that customers understand how long they are likely to be off supply and get good information throughout any severe weather event. We want to make sure that network companies are liaising with suppliers, for example, who hold a lot of this customer information, so that consumers do get up-to-date and correct information.

Q125 Chair: The companies were at pains to tell us that they had enough staff available to them during this crisis, but it was also, I think, conceded by them and not contested that the quality of information available to their customers depended on information they were getting from, as it were, the front line. I can appreciate that you may need engineers or other specialists to do some of the work to put right a cut, but if more staff are available, that might improve the flow of information. Have you yet formed a view or are you planning to examine the availability of staff and the extent to which that may have made things worse?

Andrew Wright: We are planning to do that. We have asked for that information, not just in the engineering staff, but also more generally the customer service staff as well. My own personal experience is the quality of information provided to customers left an awful lot to be desired: it was difficult to get through to the company, and when you did get

through, you did not get particularly useful information. My own individual experience should not form the basis of regulatory decisions. Clearly, we need to collect good information and see whether that is widespread, but we are collecting that information and we will form a view.

Q126 Chair: What input do you have into the Secretary of State's review now?

Hannah Nixon: We work alongside DECC, and in fact we did issue a joint information request to make sure there is not duplication of effort here. The reviews are working to a similar timetable and we will feed into DECC's review. There are two things that DECC specifically asked us to do. One is to look at the way that compensation payments are paid to customers. The other is whether there are any statutory requirements that need to be updated or changed, and then separately from a regulatory perspective, we will obviously look to make sure that all network companies did all they could, and if there are any failings, ultimately we can take enforcement action against those companies.

Chair: Graham, you want to come in on that point.

Q127 Graham Stringer: Just on the point that you made two or three questions ago, that you are going to look in some detail at the response of the different companies to these storm events over Christmas, these are not the first storm events. Have you carried out similar exercises into the huge storm at the end of October, beginning of November? I cannot remember when it was. Then there were storms in early December. Have you carried out those kinds of exercises in the past?

Hannah Nixon: We have. We did ask companies who were particularly affected by the storms early in the autumn last year to provide accounts of what happened and why. The review we are doing now is much more thorough and in depth, given the scale of the event.

Andrew Wright: There was also a thorough review of the 2002 storms, which provides a useful comparison as well.

Q128 Graham Stringer: You are saying that they are not as thorough as the analysis you are going to do of the Christmas storms. What is the general conclusion you have come to on the storms in the autumn of last year?

Hannah Nixon: We have asked companies to set out lessons learned, and obviously this will be part of the review, too. One of the things we are looking at this time round is whether companies took into account learning from autumn, or particularly from more severe storms earlier as well. We need to work through that as part of this review.

Q129 Graham Stringer: So you do not have a general conclusion at the moment from the analysis you did on the autumn storm?

Andrew Wright: We are saying from the starting point that the level of general public concern about the companies' responses was significantly lower. Whether that reflects the lesser severity of the storm, the lesser damage on the networks—

Graham Stringer: The fact that it was not Christmas.

Andrew Wright: Yes. We have looked into it, we have reviewed this, and we will look at this storm in comparison with that storm and we will draw conclusions from that.

Q130 John Robertson: You mentioned the 2002 report. Obviously this Committee was not in existence in those days. Can we get a copy of it so that we can do a comparison?

Andrew Wright: Yes, absolutely. It is publicly available.

Q131 John Robertson: One of the things that has been shown, I think, with yourselves in the past and what we have seen today and previous meetings with other companies is there seems to be a priority of company first, customer second. You can disagree with me as much as you like, but that is the interpretation I get from the questions we asked and the answers we get. The way you started your contribution again was talking about the companies and what they have given you in information, and it was only latterly that you started talking about the customer. Is it not time that we started talking about the customer first, because at the end of the day, they are the real victim of this whole thing? If there is a problem, they are the ones that suffer and they have nobody, as individuals, whom they seem to be able to go to for help. There have been some good things that have been said, but at the end of the day, it is very, very annoying, particularly as a constituency MP, but we always have to look after our constituents. Nobody appears to put them first, and it takes this Committee to do it. I would like your comments on that.

Andrew Wright: Just at the very high level—I will ask Hannah to talk about it in more detail in a minute—it is our principal duty to ensure that these companies operate their businesses in the interests of consumers and customers. We try to create—we do create—an incentive framework that means it is in their interests as well to treat their customers fairly. Overall, largely due to our efforts—I recognise what you say about these being monopoly businesses—I think we have seen a sea change in the quality of engagement with customers, the extent to which the companies are listening to the needs of their customers and responding to that. I will let Hannah talk about the detail of that.

Q132 John Robertson: What you are saying basically is that they are monopoly companies. Where is their incentive? The only incentive they have is the fact that you will keep an eye on them.

Andrew Wright: If they do not meet their customers' needs efficiently, at good value for money, and that is important as well—

John Robertson: It does not fill me with a lot of confidence, I am sorry.

Andrew Wright—then they will not earn the returns on the investment that they would expect, and we put in place an incentive framework that enables that to happen. It is

probably worth Hannah expanding on how we do that and the improvement that we have seen in recent years from the companies, where we put particular emphasis on engagement with consumers.

Q133 John Robertson: Just before Hannah comes in, on the survey—I take it that will be part of what you are going to tell me—and the data that you are going to get and review and look at, who is that data from? Is that from the companies?

Hannah Nixon: No, it is collected by an independent survey company.

Q134 John Robertson: They go to individual people and ask them what they think?

Hannah Nixon: They go to a sample of people, but that sample is based on people who have contact with the distribution companies, so with people who have been contacting the distribution company, either because of an outage or because they have had some other problem with the network, or they are wanting something else from the DNO. It is not taken from the whole population; it is only on those consumers who have had direct contact with the DNO.

Coming back to the regulation of the network companies, they are monopoly businesses. Where technology is at the moment, there is no sensible way around that and that is why we do directly regulate these. We have in place a tough regulatory framework, which means that the customer has seen reliability of the network improve by around 30% over the last 20 years. Customers have also seen what they pay for their network service reduced by around half over the same period. That is also why we are putting in place tougher regulatory requirements going forward, so all the network companies have to meet certain standards of reliability.

We are putting much more emphasis on customer engagement and communications and we are beginning to see the network companies respond better, but there is clearly more they can do there. The customer satisfaction survey is a part of that, and in fact we are increasing the penalties that the companies are exposed to going forward to make sure they have a keen focus on that. Going forward, in the next price control period, we expect to see reliability improve further; we expect to see cost efficiency improve further and we expect to see customer satisfaction and customer engagement improve over that period. All of those are tangible benefits for the consumer.

Q135 John Robertson: You do this survey every year?

Hannah Nixon: The survey is done on a monthly basis. We then penalise companies or remunerate them on an annual basis.

Q136 John Robertson: Where do we get the information? Is it on the net?

Andrew Wright: We publish this information on a monthly basis—or just annually?

Hannah Nixon: I think it is just annually.

Andrew Wright: Just annually we publish the information, as well as the impact on companies' revenues, and the level of impact is significant. I think the difference—the spread between the company that benefited the most and one that benefited the least—is approaching £10 million, so it is quite a significant incentive for companies. That is in one year.

Q137 John Robertson: We can go on to the internet and get that information, can we?

Andrew Wright: We can provide it to you. It probably is available, but we publish a lot of information on the DNOs.

Q138 John Robertson: It would be quite interesting to know how long you have been doing this—going back further than 2002?

Hannah Nixon: No. The customer satisfaction survey is relatively new. The reliability requirements do go back to privatisation.

Q139 John Robertson: You see my point, which I made right at the beginning: you have only just started doing it, yet we know we have had problems for a number of years. It is only now that we are thinking about the customers.

Andrew Wright: This particular approach, which is a broader measure of customer satisfaction, we think is absolutely right and appropriate. We did have other customer service metrics that were much more narrowly focused, including things like telephone response times, so it is not that we did not care about it, but we now have a much broader metric that we think better reflects what the customers want and expect.

Q140 John Robertson: Call centres are different and that is to do with the communications part of it. That in itself is a whole different lot of questions, but I have to ask the question: do you think the call centres worked well during the problem?

Andrew Wright: The personal experience of my immediate neighbours is no, they did not work well, but we need to understand whether that is representative and the scale of the pressure they were under as well, so I think we need to take all of that into account and come—

Q141 John Robertson: I am sure their pressure did not look that much to you when you were out for 20 hours.

Andrew Wright: We need to understand the reasons for it. If the reason is that they did not have enough staff in over Christmas, then that is a concern to us, because as has been pointed out, there was some advance warning of this and they ought to make sure they are resilient on all occasions.

Q142 John Robertson: That is what you are going to investigate?

Andrew Wright: That is the sort of thing we are going to look into.

Q143 Sir Robert Smith: What is your reading of the underspend in 2010-11 by the distribution companies on what you had allowed them to spend?

Hannah Nixon: We monitor the performance and the expenditure of the network companies on an ongoing basis. They are all on target to meet their investment programmes, broadly speaking, by the end of the five-year control period. If they do not, we will claw that money back. At the moment, of the first three years, a number of the companies are underspent and we want to understand the reasons for that, but the control is in terms of the five-year period, and that is the point at which we will say, "If you have not delivered, that money comes back for consumers, and if you have, then obviously we roll on to the next period".

Andrew Wright: It is worth saying we set up the system to incentivise companies, not only to deliver the outputs, but also to deliver those outputs at best value for money for consumers. If they are delivering the outputs effectively at a lower cost, that is a good thing. That means bills will be lower for consumers, and we know from previous discussions with this Committee how important that is.

Q144 Sir Robert Smith: Are you looking at total expenditure or do you separate capital and revenue?

Andrew Wright: Both.

Hannah Nixon: In the existing price control, we separate between the two. Going forward, we will focus primarily on total expenditure, but obviously recognising there is a difference between OPEX and CAPEX.

Q145 Sir Robert Smith: Yes. I was just thinking in terms of investment in the robustness of the network. Should you not still focus on splitting?

Hannah Nixon: What we hold the network companies to account for is delivering the things that matter to consumers, so things like reliability and safety. We give them an allowance that is designed to enable them to do that, as long as they operate efficiently. What they are held to is delivering the outputs. If they manage to beat that revenue allowance, that is to the consumers' benefit, because those savings are shared with consumers and bills going forward will be lower.

Q146 Sir Robert Smith: Is the last annual report assessing DNO performance the one for 2010-11? Is that the most up-to-date?

Hannah Nixon: The most up-to-date we published in November last year, which sets out the performance of the companies in the first three years of the current price control.

Andrew Wright: Up to 2011-12—is that right?

Hannah Nixon: Yes.

Andrew Wright: Yes, up to 2011-12.

Q147 Sir Robert Smith: In the report in 2010-11, you stated that you had not published the secondary network deliverable indicator on network investment, because it was not confident in the robustness of the data provided by the DNOs. What have you done to—

Hannah Nixon: That is right, and we were obviously extremely concerned that not all the companies were able to provide us with robust data at the time. That is an area we have been working on with them, and we did publish the data in November for the first three years.

Andrew Wright: Just to say the first three years takes us to 2012-13, not 2011-12, so that is the latest data we have.

Q148 Sir Robert Smith: You are looking at the outcomes. Do you look at the quality control mechanisms that the companies have in place, or is how they achieve the outcomes not what matters?

Andrew Wright: It is worth saying we do not just focus on the end result, which is how many power cuts and how long those power cuts last for. We also monitor the asset health, so we are looking at the leading indicators of the reliability of the network, and if we see any significant deterioration in that asset health, then that becomes a matter of concern for us and we will expect the companies to take action.

Q149 Sir Robert Smith: Will your review look at whether there are any challenges still in the tree-cutting problem, because—

Andrew Wright: Differing performance on tree-cutting is clearly going to be one of the factors that might cause the differing levels of damage over the network and that is one of the aspects that we will look at. I think the initial feedback from the companies will tell us that they are up-to-date with their tree-cutting programmes broadly, but obviously we will be looking more deeply at that.

Q150 Sir Robert Smith: But they do have landowners that are reluctant to allow tree-cutting.

Andrew Wright: Yes.

Hannah Nixon: Yes. There are two questions for us. One is whether the network companies are up-to-date with their tree-cutting programme and adhere to the standards that are put in place. The second question is whether those standards are right, given potentially changing weather patterns. One of the issues that we understand from the DNOs was a problem this time around was high wind speeds on the back of saturated ground, and we need to consider whether we need to look at the standards in light of that.

Andrew Wright: You are absolutely right in recognising that there is more than one interest in this. Obviously issues around visual amenity and environmental sustainability are important as well, so those interests need to be balanced.

Q151 Chair: Is it your view that there is any prospect of introducing competition into this function? I can see why National Grid, with their transmission responsibilities, is a natural monopoly, but do the distribution businesses have to be a natural monopoly as well?

Hannah Nixon: This is a question that we have probed hard when we looked at our new regulatory framework. Where we can introduce competitive pressures, then we have done so and increasingly do so. There are two areas primarily where you can introduce competition on networks. One is in terms of new connections, so when new housing estates or industrial premises, for example, want a new connection, that is now a competitive business and there is not just one provider of that service. The other area is in terms of the build-out of new large-scale transmission, where if that new transmission is not integrated into the rest of the system, then it may be possible to subject that to competitive pressure, and that is an area we are increasingly looking at.

Andrew Wright: I think it is worth saying that compared to privatisation, we have also opened up the metering provision to competition, which was formerly a part of the monopoly activity of the DNOs. I think the other thing to emphasis is that there are—you saw them here today—six of them. There is an element of comparator regulation in what we do. We try to foster a spirit of competition between them, as well as co-operation. As you might have detected, I think they are often keen to demonstrate that they are better than their comparator DNOs, so that is an important dynamic here as well.

Q152 Graham Stringer: That was not evident from your answers, if you do not mind me saying so.

Andrew Wright: It is a way of increasing the spirit of competitive pressure on these companies, and certainly it is reflected in our regulations and the way we conduct the price controls.

Hannah Nixon: We have certainly seen that through our regulation in terms of companies wanting to be recognised as having well-justified business plans that offer real value for consumers. That has driven big behaviour changes in network companies, and also driven over £1 billion out of their business plans for the next control period, just in the last 12 months alone. We assess that only one network company had met the required standard of providing a well-justified and customer-benefiting plan. The other five we sent back for them to do more work on, so we are seeing evidence of that competitive tension between them.

Q153 Chair: Just to get this clear, my constituency is served by UK Power Networks. If I am developing 100 houses on the edge of a village, I can go to someone else to quote for the

connection for those houses. What are the qualifications of the people who have to quote? Do they have to pass an industry standard that you set?

Hannah Nixon: Yes. Well, not that we set, but there are standards that need to be set and they have to be licensed.

Q154 Chair: They have to be licensed?

Andrew Wright: Yes, the IDNO licences, in the Independent Distribution Network Operators' licence, but there are engineering and technical standards that they have to adhere to.

Q155 Sir Robert Smith: Can I just ask how many companies? If you were in this hypothetical housing estate and you put it out to tender, what sort of number of companies are there around that would be licensed?

Hannah Nixon: It varies by area. In some, it would be a couple. In some, it might be four or five. There are not vast numbers of these companies, but we are increasingly seeing competition.

Q156 Sir Robert Smith: It is not the big companies going into each other's territory or—

Hannah Nixon: They can do that, but we are seeing new entrants as well.

Andrew Wright: Just having said that, like many areas, we are not necessarily satisfied with the level of competition in connection and we are putting effort into trying to improve the contestability and the competitiveness of that market, both in terms of enabling new entrants and ensuring that the DNOs themselves respond properly and ensure that there is a level playing field for these new entrants.

Q157 Dr Whitehead: Returning to communications, do you see a role for the regulator in, for example, ensuring that the customers have adequate lines of communication with DNOs and also that the customers understand who it is that they need to be contacting in the event of an outage? Clearly most of them do not.

Andrew Wright: I am probably going further than my colleagues would like here, but I would say there is room for improvement, both in terms of the ease with which customers can report outages and the ease with which they can claim compensation. The more that can be done to make that an easy process for customers the better. We have an incentive framework in place, which should give the companies good reason to try to seek out those improvements themselves, and hopefully they will do that, but certainly we will do whatever we can to help facilitate that process, and certainly if there is anything that we are doing in our regulation that is standing in the way, then we will address that with urgency.

Hannah Nixon: Communications is one of the things we will be looking at it in detail in terms of lessons that can be learned going forward. One of the issues that seems to

have been evident this time around is that it is the suppliers who hold a lot of the data and sometimes the customer is calling the supplier and not the DNO. That just needs to be sorted out. There needs to be a simple way that the customer can contact whoever it is that needs to know that they are off supply and they can understand when they are going to be back on. That is one of the things that we want to push on very strongly.

Andrew Wright: Once again, from my own experience, it is quite evident how few people know who their local distribution network operator is, and that has been made worse by the various changes of ownership, so SEEBOARD becomes EDF becomes UKPN, and that is mirrored across many parts of the country. Having a simple, straightforward means of access I think is an important thing to do.

Q158 Dr Whitehead: Do you think that there is any sort of guideline that might be undertaken, either by yourself or perhaps by the DNOs and supply companies working between themselves, about, for example, automatic routing of inquiry calls or joint endeavours to ensure that, no matter who rings who, there is an accurate outcome to that call?

Andrew Wright: Obviously, one of the objectives of the review that we are doing—and obviously we will try to learn from the Government review as well—is to understand whether there are any changes that need to be made to the regulations or the incentives that we are responsible for. Clearly if there is anything in those regulations that stand in the way or we feel that there are not sufficient incentives for companies to co-operate in that manner, then that is something we will consider.

Having said that, I think it is important to recognise that it would be not a good idea for us to get into the job of micro-managing these companies. I think it is important to focus on these higher-level outputs, focusing on the things that are important to customers, telling them what to deliver rather than how to deliver it. I think that provides the greatest scope for the companies to do the best job in doing it and the greatest opportunity for the incentives to work. If we are getting into the job of micro-managing and doing their work for them, first that will be very resource-intensive for us, and secondly, I do not think it will work particularly well in encouraging them to take their own initiative in these areas.

Q159 Dr Whitehead: But it is surely some kind of measure of the customer focus of a company and the extent to which they are succeeding in, to some extent, what their licences say they should succeed in, that they are working well with their customers.

Andrew Wright: Yes, I agree with that, but the focus should be on getting our output measures right and ensuring they align with what customers value and customers think is important. This process may well have highlighted the importance of an easy route to contact the companies in a way that has not been highlighted before, so I think that may be one of the lessons we learned. Obviously we do not want to pre-empt the outcome of the review.

Hannah Nixon: We will focus on a network company's actions very carefully in that area and we would expect them to be able to resolve that issue with the wider industry, in terms of providing a central and co-ordinated number for consumers and

response approach. If they are not able to do that, then clearly there is action that we can take to move them in that direction.

Q160 Dr Whitehead: For example, companies being able to record on their systems that an outage has taken place, so that a customer might not consider that the company has just forgotten about them completely—that is the sort of measure I guess you would want to look into.

Andrew Wright: Yes, absolutely, and one thing that is very clear is how important that information flow from customers is to the company's understanding of what is going on in t heir own networks. One day when we have smart meters, that will help, but before then I think facilitating that flow of information from customers and to customers is really important.

Q161 Dr Whitehead: Weren't you a little alarmed to hear earlier that the Secretary of State has indeed said that there will be an emergency 999-style number that householders in future will be able to dial to get help in power cuts? Were you a little alarmed by the fact that it apparently does not exist and will not exist for the foreseeable future?

Hannah Nixon: We think it is important that the industry is able to put something in place that provides that central focus. We will be looking at that in a lot of detail in the ENA working group. If there are issues, we need to understand those, and we need to make sure we do find a solution that can deliver on providing that single focused response for consumers.

Dr Whitehead: That was not quite the question.

Hannah Nixon: Yes, we are concerned that there might be some barriers, and if there are we need to understand them so we can get over them.

Q162 Dr Whitehead: Did the Secretary of State talk to you about what he was going to say?

Andrew Wright: I was in the meeting and I think the account that was given was broadly accurate. The central requirement is that it needs to be easier for customers to contact their DNOs in the event of a power cut. At the moment, they do not necessarily know who their DNO is. They do not know what the number is and, if you have a power cut, it is not easy to find out because you do not have access to the internet, and many people do not have access to the internet anyway. Any way that can be used to address all those barriers for people getting in touch with their DNO needs to be addressed and looked at. I think the idea of a single number is an extremely good one, and we will certainly do all we can to facilitate that.

Q163 Dr Whitehead: How would that be funded?

***Hannah Nixon**:* DNOs would fund it.

Andrew Wright: DNOs would fund it. They should have incentives to do this sort of thing, because it will lead to an enhancement of consumer experience and they have incentives to do that.

Q164 Chair: Just to pursue Dr Whitehead's point a tiny bit further, you think it is a good idea; the Secretary of State has announced it is going to happen; the trade body says, "We are going to mull about how to do this"; and the companies are saying, "We don't have the information anyway". When do you think it is likely to be operational?

Andrew Wright: I don't know. There is an ENA working group looking at this, and we are signalling that we think this is a good idea, and we are happy to work in any way with the companies or the Government to try to make this happen.

Q165 Chair: Good idea in 2017-2018?

Andrew Wright: Hopefully, a lot sooner than that.

Q166 Chair: Okay, when?

Andrew Wright: It is not for us to determine, or to say when the companies are going to deliver. We will work with them.

Q167 Chair: As the industry regulator, you have no concern about how many years it takes to get this desirable objective operational?

Andrew Wright: First and foremost, we are in the middle of a review. That review is going to deliver in the early days of March. We will look at whether or not there is any justification in strengthening the regulations or incentives around these companies. If this is an area where—

Q168 Chair: Isn't it blindingly obvious there is a great deal where you need to strengthen regulations?

Andrew Wright: If it was blindingly obvious, we would not need to collect the information.

Q169 Chair: You might not know how to do it, but you could at least say, "It is our objective to strengthen regulations", so the customer is not let down in such a disgraceful way in the future.

Andrew Wright: We want a regulatory framework that delivers the outputs that customers think are important. This is a good initiative. We want to encourage it and I think it would be wrong for us to commit the industry to a certain timetable when we do not have full understanding of the practical issues involved in delivering that.

Q170 Chair: So you did not think of ringing up the Secretary of State's office after he had made the statement and saying, "We have no idea how many years it is going to take us to do this"? It did not occur to you?

Andrew Wright: The companies have a programme and an initiative up and running.

Q171 Chair: When is that going to be completed? That is what I am trying to find out. I am trying to find out when will we have this wonderful phone number we can all ring up when our power goes off.

Andrew Wright: This is something that an ENA working group is looking at. It would be wrong for me to commit to a particular date without full knowledge of the practical implications of that.

Q172 Chair: The Secretary of State made this statement, but none of us has any idea how many years it is going to be before it actually happens. Yes or no, is that the case?

Andrew Wright: The meeting with the Secretary of State took place on 7 January, was it?

Chair: 8 January.

Andrew Wright: We are only a few days after that. This is something that I have said we think is a good idea and want to support, and we will work with the DNOs and the Government to ensure this happens as quickly as possible.

Q173 Chair: The Secretary of State said, "Householders will in future be able to get help in power cuts by dialling an emergency 999-style number". You are telling us that "in future" means some date of which you have no idea. It could be 2020.

Andrew Wright: I do not have the information about what the practical obstacles are. I am not going to start putting in place a project deadline for something I do not have

the full information on, here and now. It would be wrong for me to do that, and I think it is important that we only say things like that on the basis of full information.

Q174 Chair: When do you think customers might deserve this? Let us clarify that. Do you think it is—

Andrew Wright: We have said very clearly that we think it is a good idea and we will do everything in our power to ensure that it happens as quickly as possible. I think that is something we have already said.

Q175 Chair: That means in the next five years?

Andrew Wright: As quickly as possible.

Chair: I am asking: in the next five years? It could be longer than five years?

Andrew Wright: I do not know what the practical obstacles are in the way of doing this.

Q176 Chair: It could be so big that it could not be done in five years.

Andrew Wright: I do not know. I would be very surprised, given the nature of it, but I do not know what the practical obstacles are. I am not going to start committing the industry to certain timetables in the absence of good information. That would be foolhardy.

Q177 Chair: Why doesn't the regulator say there is going to be a requirement to have this in place by the end of this year?

Andrew Wright: I think we have all said that it would be reasonable for us to do in these circumstances, that we think it is a good idea, and that we are fully committed to having it happen and work as soon as possible, and to helping overcome any obstacles that may be there.

Chair: As soon as possible might be next decade.

Andrew Wright: No.

Q178 John Robertson: Mr Wright, you know that is not good enough. You should be able to turn around to these companies and tell them what is happening. Why don't you employ

me to do this? I will set it all up for you. It wouldn't take me an awfully long time, and we will have it all set up and working by the summer. I can do that for you. Why can't people like you see that? These are not obstacles. We have working groups—to do what? To talk about something that we already know about.

Andrew Wright: I do not know what more we can do other than simply—

John Robertson: Well, I am going to tell you.

Andrew Wright: Sorry, can I just finish please? Other than to say that we will do everything we can to make this happen as soon as possible. I do not think we can say a great deal more than that, given that I do not know what the practical obstacles are. I am not an expert in telecoms, IT or customer service systems, and there is an ENA working party looking at this now. I go further than that: I also think it is important that it is made easier for consumers to be able to claim the guaranteed standards payments. At the moment, having to do that through each individual DNO's system, and not necessarily knowing who your DNO is, is not that easy, so I think that is another area we can look at as well.

Q179 John Robertson: Yes, but I do not want anybody claiming any money back. I just want them to get their service back quickly, so they do not have to claim anything. It is not a difficult thing to do. In this day and age of social media and things like Facebook and Twitter and all these things, these companies can set up accounts for people to be able to go into to get information from. All we are saying is that Ofgem are the regulator. They are the ones that are making the rules. Make a rule. Make a decision. Tell them they must do something. Don't get a working party group involved, because that is just like coming to us. We are a working party group. I am making a suggestion to you: go and tell them what to do. If you do not know how to do it, I know plenty of people who can help you. That is how we get things done quickly. If we set a working group up for everything we want to do, it will take forever. As the Chairman says, will it be five years?

Andrew Wright: We are focused on getting these companies to deliver the outputs that consumers value. That is the way that incentive-based regulation works. We are not here to tell them precisely how to do that.

Q180 John Robertson: You will need to tell them to do it. Tell them to do it. Set up something that people can get into. That is all you have to do.

Andrew Wright: We think this is a good idea, and we will do everything we can to help them do this as quickly as possible.

Q181 John Robertson: You are putting the Secretary of State—not somebody I back up an awful lot, I have to tell you—in a position that he should not be in, because in this case I thoroughly agree with what he is saying. What you are saying to us now is, like the gentleman who came from the trade association, "We will talk about it and then we will come back to you once we have got all the details". Not good enough.

Andrew Wright: The Government is doing a review of the storms, looking at the lessons learned and trying to draw conclusions. We are doing the same. This is an area we will be focusing on. If we think it is necessary to make changes in the regulations, then we will consider doing that.

Q182 John Robertson: When the boss says "Do something", you do it. That is always how I worked. When my boss told me to do something, I went and did it, and when I told my staff to do something, I expected them to go and do it. He has said he is going to introduce a number. I expect you and these companies to sort it out. From what I have heard today, nobody really wants to know anything about it.

Andrew Wright: No, that is not the case. That is not what I have said.

John Robertson: Well, prove to me I am wrong.

Andrew Wright: We are undertaking a review. We will do all we can to facilitate this happening.

John Robertson: Okay.

Q183 Dan Byles: I want to explore the compensation issue a bit more. I think you probably heard the discussion we had beforehand about compensation. At the moment we have the system where customers do not receive any compensation unless they have had a power outage for at least 24 or 48 hours in severe weather, depending on the severity, and 18 hours in normal weather. Do you think that those numbers are the right ones? Do you think there is an argument to be made for reducing the time to 12 hours or some other figure?

Andrew Wright: Hannah can give you an update about the changes we are making in the latest price control.

Hannah Nixon: These requirements are minimum standards, so there is absolutely nothing to stop network companies going further. Indeed, you heard that some of them are.

Dan Byles: We heard that some of them are, yes.

Hannah Nixon: They are put in place on the back of careful consultation and customer research. In fact, for the next price control period that will start in April 2015 we are tightening the standards, so compensation will kick in after 12 hours and

we are increasing the amount of compensation available. We are also taking away a number of the exemptions, so we are strengthening that.

Q184 Dan Byles: Do you think there is an argument for being a bit smarter about it—for saying that there are some times of the day where it might be more inconvenient to have power outage than others, some times of the week, and some times of the year, like Christmas Day, for example? Can we be a bit more subtle about what we do?

Hannah Nixon: We absolutely recognise that people value connection differently at different times of the day and different times the year. What we have tried to do is take a balanced approach with a straightforward compensation regime that is understood by all, but that does not stop network companies going further to recognise the additional inconvenience caused at some particular points in the year, as indeed we have seen some of them do.

Q185 Dan Byles: I find this whole business about "depending on the severity of the weather" quite interesting. How is the severity of the weather judged for changing between one time frame and another, and who makes that call?

Hannah Nixon: The network companies have to claim within a certain number of days after the event that there has been a severe weather event. It is not automatic that they get that, just because they claim it. We need to look at that and assess it.

Q186 Dan Byles: So it is triggered by them saying, "We want to invoke the severe weather clause"?

Hannah Nixon: Exactly, and we look at the number of outages effectively on the network, so basically the impact of the weather on their network. We need to consider whether the threshold has been met. There is also the question of, as we are doing now, the process we are going through to understand exactly how they responded to that severe weather event, and whether they did all they could to be prepared and to respond to it when it happened.

Q187 Dan Byles: That is interesting. So the definition of severe weather is not the weather; it is how badly they perform on the day. If they do really badly—

Andrew Wright: It is how badly it impacts their networks, so it is the consequences in terms of the number of faults on the network.

Hannah Nixon: It is to do with how severely their network has been affected. As part of the review, we are looking at the state their network was in, in terms of their preparedness ahead of the event, so we will be looking at things like whether they were up to date with their tree cutting, whether they had taken into account that the ground was saturated ahead of the storms, and whether they had been maintaining their assets generally as they should have been. All these things are taken into account in assessing any regulatory action we subsequently take.

Q188 Dan Byles: Do you have any figures about how often they have tried to invoke severe weather in the last few years but you have said, "No, we don't agree that that was severe weather and we are not going to allow that clause"? I understand you might not have that on you now.

Hannah Nixon: Yes, we do have the data, but I do not have it with me.

Q189 Dan Byles: Is that something you could write to us about? I would be really interested to see how often you have pushed back when they have tried to claim under severe weather.

Andrew Wright: There is a process requiring Ofgem approval that they need to go through, so we will have that information. It would not be that surprising if there were very few occasions, partly because it is pretty much a cut-and-dried issue, in terms of the number of faults on the network.

Q190 Dan Byles: They have a pretty good idea of when they will be told yes?

Andrew Wright: They should have fairly good information on the number of faults on the network. That is probably one of the advantages of basing it on the number of faults on the network as opposed to something more subjective.

Q191 Dan Byles: They know when it is not worth asking for it, because they know what the trigger is.

Andrew Wright: Yes. Even if it fell below that threshold, I do not think they would try to ask because the evidence would not be there.

Q192 Dan Byles: What about the amount? Some of these sums seem pretty small for compensation. We have already heard that one of the companies is giving £75, which is significantly above the minimum requirement. Do you think we should review what the amounts actually are?

Andrew Wright: I will get Hannah to answer that. I will say one thing in this context: the average distribution charge per consumer for electricity distribution is somewhat less than £100 per annum. When you are looking at the impact on these businesses, you need to understand the size of this, in the context of the revenues that they get from each customer. The other point here is that these payments were never intended to be compensation for consequential losses. I think if DNOs were required to compensate businesses and consumers for all their consequential losses, the impact of that would be huge and there would be a very significant impact on bills to be able to cover that liability.

Q193 Dan Byles: How are the sums arrived at?

Hannah Nixon: We consult, and they are also based on consumer research. We are increasing the amounts of compensation going forward. As we have talked about, there is nothing to stop a network company paying out above those minimum standards to recognise particular circumstances we are seeing today.

Q194 Dan Byles: Do you review them every year or do they routinely go up in line with inflation? How does that work?

Hannah Nixon: We review them as part of the price control process. We are in the process of putting in place the next price control for the distribution companies. That comes into force in April 2015. As part of that, we went out to consult on the compensation arrangements and the amounts.

Andrew Wright: It is worth saying that the one company that we approved for the fast tracking process has committed, I believe, higher levels of guaranteed standards payments than the minimum that we talked about. Presumably that was a result of consultation with their customers.

Hannah Nixon: We set the minimum. The network companies are required to go and engage with their own customer base to understand the exact requirements in their area. A couple of companies did propose higher levels. We are consulting at the moment on agreeing Western Power Distribution's price control, because it is the one company that we consider has given a really well-justified plan in the interests of consumers. They have committed to higher payouts and also high performance standards.

Q195 Dan Byles: Notwithstanding your point that this is not an insurance scheme for all losses, do you think there is an argument for giving high payments to non-domestics?

Andrew Wright: In circumstances outside of a severe storm, then the non-domestics do get higher payments. I think that is not the case during the storm conditions. Is that correct?

Hannah Nixon: Yes, that is correct.

Q196 Dan Byles: What is the thinking behind that difference, and the fact they do in one case but not in the other?

Hannah Nixon: This is based on consumer research and consultation. The feedback we had is that the value that consumers place on reliability is higher for non-domestics, as you may expect, but in severe storm situations people did not find there was the need to provide that differential.

Q197 Dan Byles: Did you hear the discussion about the customer who was told that because they were back on for five minutes during a 24-hour period, technically that meant that they did not qualify? What is your view on that?

Hannah Nixon: We are obviously concerned if network companies are responding in that way. We expect them to adhere to the spirit of the incentive and to consider the full duration of the outage, not to try to play some technical game.

Q198 Dan Byles: Do you have any power? If you discovered a company was doing that, but they were not voluntarily saying, "We are going to resolve it", is there anything you could about that?

Andrew Wright: We would have powers to change the regulations going forward to make sure they could not exploit such a loophole in the future, but clearly if they are adhering to the letter of the regulations then there is nothing we could do to enforce that. Particularly given the wider incentives they have to keep their customers satisfied, I very much hope that a company would see that as a very short-sighted thing to do.

Q199 Dan Byles: Can I finish with a longer-term and more strategic question here? As a nation, we are talking about electrifying significantly larger parts of our economy. We are talking about electrifying domestic heating and transport; people are going to be coming and plugging their cars in. The further we go down that road, the more of an impact significant power outages like this are going to have. We are going to have people unable to drive to work in the morning because their car has not charged, and unable to heat their homes in the winter, if we end up with significant penetration of electric heating. How much long-term

thinking are you doing about that, about the need in the future to have even more robust systems in place to prevent long-term power outages because the impact will be significantly more?

Andrew Wright: This is very much on our radar, yes.

Hannah Nixon: Yes, this is a really important area for is. It is a huge challenge for network companies, and it is an area we put a lot of focus on. Our new regulatory regime is designed specifically to make sure that network companies play their full role there. We also co-chair, with DECC, the Smart Grids Forum, which is about bringing together senior people across the industry to push forward thinking on how network companies deal with that issue and make sure that they are able to meet the demand, that they can do so in a safe and reliable way, and that they do so in a smart way. Simply using standard techniques for putting copper in the ground we know will be expensive for the consumer, so we want them to look for smarter solutions that drive down the cost to the consumer while providing that reliability.

Q200 Sir Robert Smith: Where is the debate had on what Dr Lee raised earlier with the companies about the fact that if all overhead cables were underground, apart from when a tree root rips them out of the ground, they are far less susceptible to storm damage? Of course, it costs a lot more. Where is that debate held and that judgment made about which is in the best interests of the nation?

Hannah Nixon: The information we have is that undergrounding a distribution network is between five and eight times more expensive than an overhead solution, and that cost obviously impacts the consumer directly. The network company has the ability to set out how it wants to run its network within the required standards, and so if it does want to put forward an undergrounding solution, it has the ability to do so. We have seen some of those solutions and they are always well-justified, but they do need to make the case that the benefits you get from additional reliability offset the additional costs of doing that. The onus is on the network to justify their solution for their network as a whole as being the most efficient for the consumer, taking into account those trade-offs.

Q201 Sir Robert Smith: What is the time frame for that cost-benefit analysis? A huge up-front capital cost now could be, in 10 or 20 years' time—

Hannah Nixon: We look over the long term, yes, absolutely.

Andrew Wright: There is improved reliability, undoubtedly, but when faults do occur, they are more expensive to repair and future maintenance and refurbishment might be more expensive as well. There are other sides to it, but it is an option that the DNOs have available and they do use. Clearly, they use it in urban environments.

Q202 Graham Stringer: What is the justification for having a flat-rate compensation, as opposed to compensation based on damage?

> ***Hannah Nixon***: If network companies were to provide compensation based on consequential loss, that would obviously be a lot more expensive for the network companies. They would have to bear that risk. It is more efficient in total for consumers to manage that risk through insurance, and that is the reason we do not provide consequential damages through compensation payments.

Q203 Graham Stringer: I am not sure that is true, is it? If you have a freezer full of food and the company that is contracted to supply you with electricity does not supply it for a period of time, so the food is damaged, or other things in the house are damaged, why should that be the consumer's responsibility and not the person who has failed to provide the electricity?

> ***Hannah Nixon***: Some level of outage on the network is almost inevitable because of the costs of having 100% reliability. It would be almost impossible to have a 100% reliable network, and the costs of getting there would be prohibitively expensive for the consumer. We have one of the most reliable distribution networks in Europe. The reliability of the network is about 99.9%. There is inevitably going to be a level of outage and the companies are strongly incentivised to reduce that and to manage that effectively, but because of that, the companies are not guaranteeing a 100% performance standard. It is more efficient for people to insure against consequential damage than for that risk to be borne by the network company.

Chair: Thank you very much. I am sorry we kept you later than expected, but it has been very helpful to talk to you.