



# Information Note on Review of Electricity Guaranteed Standards of Service and Overall Standards of Performance

September 2022



## About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

### Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.

### Our vision

To ensure value and sustainability in energy and water.

### Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



## Abstract

The purpose of this information note is to provide an update to stakeholders on the progress on the review of the Electricity Guaranteed Standards of Service project and identify the next steps in the review process.

The Guaranteed Standards of Service (GSS) set out prescribed service levels which *individual consumers* can expect from electricity companies, including compensatory payment requirements when the company has failed to adhere to the standards (subject to certain exemptions). Overall Standards of Performance (OSP) set out general required standards that are not customer specific and do not carry a compensatory payment if breached.

## Audience

This document is most likely to be of interest to electricity distribution and supply companies, regulated energy companies, consumer organisations, community and voluntary organisations, natural gas, electricity and water consumers, government and other statutory bodies.

## Consumer impact

GSS/OSP set out the prescribed levels of service which consumers can expect from their electricity distribution company;

The ultimate introduction of a reviewed and effective GSS/OSP regime, for both electricity distribution and supply, will enhance the levels of consumer protection offered to consumers in Northern Ireland. Failure to comply with the levels of service required under the GSS/OSP regime may result in compensatory payments to individual consumers and/or potential enforcement action for persistent failures.

## 1. Introduction and background

- 1.1 The Guaranteed Standards of Service (GSS) set out prescribed service levels which consumers can expect in individual cases<sup>1</sup>. They include compensatory payments in recognition of poor performance, specifically where there has been a failure by a company to adhere to the standards (subject to certain exemptions).
- 1.2 Overall Standards of Performance (OSP) set out general required performance targets applicable to the entire customer base that are not customer specific and do not carry a compensatory payment if breached<sup>2</sup>. However, where there are persistent breaches by a company, the GSS/OSP provide the legal basis with which the Authority may consider action under its enforcement policy.
- 1.3 The current electricity GSS/OSP in NI refer only to NIE Networks and have been in place since 1<sup>st</sup> October 1999. There are no GSS/OSP provisions for electricity suppliers. This review currently being undertaken by UR aims to update the electricity GSS/OSP requirements for NIE Networks, reflecting the current industry structure, and for the first time put in place a new GSS/OSP regime for electricity Suppliers (Gas sector GSS and OSP for both gas Network and Supply companies were introduced in NI in 2014)
- 1.4 Current standards require update and revision to reflect the current regulatory and legislative environment. It is proposed that new standards are introduced which are informed by the latest GB standards and reflect the Gas (Individual Standards of Performance) Regulations (Northern Ireland) introduced in 2014.
- 1.5 Stakeholders should note, that whilst we plan to use the GB approach to inform our development of a GSS/OSP regime, we will ensure that the new NI regime is appropriate for the NI regulatory environment and provides adequate protection for consumers whilst not overburdening NIE Networks and suppliers.
- 1.6 The ultimate introduction of a reviewed and effective GSS/OSP regime, for both electricity distribution and supply, will enhance the levels of consumer protection offered to consumers in Northern Ireland.

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<sup>1</sup> The Guaranteed Standards of Service were specified in Regulations made under Article 42 of the Electricity (NI) Order 1992 by the Director General of Electricity. The Electricity (Standards of Performance) Regulations Northern Ireland 1993 came into force on 1<sup>st</sup> January 1994. The Regulations were later amended by the Electricity (Standards of Performance) (Amendment No 3) Regulations (NI) 1999 and the current standards have been in place since 1<sup>st</sup> October 1999

<sup>2</sup> OSP are specified in a Determination by the Utility Regulator made under Article 43 of The Electricity (Northern Ireland) Order 1992.

## **2. Process to date**

- 2.1 The UR commenced the review of electricity GSS in 2017, following the launch of the Consumer Protection Strategy<sup>3</sup> (CPS), which listed a review of electricity GSS as a project for delivery. A review of electricity GSS progressed through a number of stages including a Call for Evidence and public consultation during 2017. However, due to a number of issues the UR had to pause the delivery of the review of electricity GSS project. The review of the electricity GSS project re-commenced in 2019.
- 2.2 The re-started 2019 review of electricity GSS/OSP project maintained the overarching project objective of ensuring the GSS/OSP regime is fit for purpose and that the electricity GSS regime is extended to include electricity suppliers for the first time in Northern Ireland. We also commenced engagement with the Department for the Economy which has the role of laying the regulations before the Assembly. This will ensure the appropriate legislative processes are adhered to.

## **3. Consumer Research**

- 3.1 The Energy Order requires UR to conduct research with a representative sample of consumers in NI (including domestic and non-domestic) prior to reviewing both the electricity GSS and OSP requirements.
- 3.2 In order to comply with the legislative requirements we conducted research to identify current local consumer expectations of utility companies with a representative sample of domestic and non-domestic customers likely to be affected. We engaged the services of an independent research company to conduct this research and provide us with a final report.
- 3.3 This quantitative, statistically representative research programme was conducted via a telephone interviewing methodology. The survey of domestic customers was undertaken between November 2020 and February 2021 and during February and March 2021 for the non-domestic customers. In total, 1,211 domestic and 500 non-domestic interviews were completed
- 3.4 The research covered key questions around awareness of and support for GSS for electricity companies, response times for specific guaranteed services, payment levels and compensatory claim process. The research also covered awareness of and support for OSPs.

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<sup>3</sup> <https://www.uregni.gov.uk/publications/201617-202021-consumer-protection-strategy-decision-paper>

- 3.5 The results of the consumer research commissioned by the UR illustrates the level of importance of GSS and OSP amongst domestic and non-domestic consumers.
- 3.6 We have considered the evidence provided via the research programme and have used it to inform the development of the proposals and approach with regard to implementation of electricity GSS and OSP.
- 3.7 The full research report will be included in the consultation document once published.

#### **4. Approach under consideration**

- 4.1 Currently, UR is considering the introduction of a GSS regime for electricity distribution and supply that mirrors the current NI gas industry GSS requirements. In addition, we are considering the introduction of a CPIH<sup>4</sup> rate increase to the compensatory payments due if the electricity industry fail to meet the GSS. Further under current consideration is the concept of some or all compensatory payments to be issued automatically rather than rely on consumers applying in the first instance to their supply or distribution company.
- 4.2 The current approach will be to retain the OSPs in relation to the distribution company.
- 4.3 We are also considering to set new OSPs for supply companies which will set targets of 97% for customer correspondence and customer complaints in line with the gas overall standards. This would be specified in a Determination from the UR under Article 43 of The Electricity (Northern Ireland) Order 1992

#### **5. Summary of review approach**

- 5.1 Following a review of the current GSS for electricity distribution, we are considering updates in the following areas to these individual standards:
- A reduction in the restoration time due to a fault from 24 hours to 18 hours;

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<sup>4</sup> [CPIH is the most comprehensive measure of inflation](#). It extends CPI to include a measure of the costs associated with owning, maintaining and living in one's own home, known as owner occupiers' housing costs (OOH), along with council tax.

- An increase in compensatory payment values to align with GB;
- An introduction of a categories of “severe weather”<sup>5</sup> for supply restoration;
- An introduction of GSS for multiple disconnections;
- An introduction of GSS for rota disconnection;
- A standard for distribution companies in relation to responding to complaints;
- A standard for distribution companies in relation to metering errors;
- Automatic compensatory payments;
- Automatic uprating of compensatory payments for inflation; and
- Annual reporting

5.2 We are considering introducing GSS standards in the following areas for electricity suppliers:

- Meter disputes and Prepayment meters;
- Appointments;
- Charges and payments;
- Complaints;
- Timing of notification; and
- Notice of rights.

5.3 Currently we are considering that the proposed GSS regime for both electricity distribution and supply companies will include automatic payments when these individual standards have not been met.

5.4 The compensatory payments attached to the GSS regime will be retained and extended to the proposed GSS regime for electricity suppliers. The monetary sums will be increased according to CPIH ratings.

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<sup>5</sup> The UR implemented a licence modification on 5<sup>th</sup> February 2015 to include a definition of “severe weather event” <https://www.uregni.gov.uk/news-centre/utility-regulator-publishes-its-decision-paper-nie-licence-mod-severe-weather>

- 5.5 We propose to consult on retention of the OSPs in relation to the distribution and the setting of new OSP for supply companies which will set targets of 97% for customer correspondence and customer complaints in line with the gas overall standards. This would be specified in a Determination from the UR under Article 43 of The Electricity (Northern Ireland) Order 1992.
- 5.6 We are currently developing a consultation that provides details on the outcome of this review and the UR's proposed changes to the current electricity GSS/OSP in Northern Ireland.

## **6. Implications and Implementation**

- 6.1 The UR recognises that there is a need, in the future, to review and revise the GSS regime, as and when required, to reflect changes in the regulatory environment.
- 6.2 Once this new GSS regime for electricity distribution and supply has been consulted upon, implemented and reported upon, the UR will consider a wider review of both the existing gas industry GSS regime and the new GSS requirements for electricity as part of future Consumer Protection Programme work plans 2024 – 2027.
- 6.3 The UR does not propose to provide a separate regulatory allowance for electricity companies to cover the cost of implementing a revised GSS regime, either the costs for any service improvement or the costs for compensatory payments. NIE Networks will be making a business plan submission for its costs for their next price control. This will be benchmarked against GB network companies and it is assumed that any costs for the proposed revisions to the GSS regime will be included within regulatory allowances.
- 6.4 When the new Guaranteed Standards of Service Regulations come into force, we consider that the Change of Law provisions within NIE Networks' distribution Licence would be the appropriate mechanism to address the any clearly identified new potential costs associated with the implementation of this legislation not provided for within the NIE Networks allowances.

### **Implementation**

- 6.5 We are currently developing the full consultation on the review of the Guaranteed Standards of Service and Overall Standards of Performance and will be publishing in due course. We are currently engaging with the



Department of the Economy and intend to follow the appropriate Regulatory Impact Assessment and Equality Screening processes to allow the project to proceed.

- 6.6 Following the public consultation of the consultation, the UR will analyse responses and produce a final decisions paper in 2023. This decisions paper shall allow a 28 day period for comment.
- 6.7 Once the final decisions paper has been published, and the 28 day period required for comment has ended, the Department of the Economy will proceed with the implementation of the GSS regulations. This will involve seeking Ministerial approval, potential Northern Ireland Assembly Statutory Committee scrutiny and consultation with the Departmental Solicitors Office. This process is dependent upon other legislative priorities and timelines.