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CUSTOMERS TO GET £1.8 MILLION OCTOBER STORMS COMPENSATION

- **£260,000 compensation for over 2,700 customers following Ofgem determinations**
- **Electricity companies agree to pay about £1.6 million to a further 18,000 customers**
- **Worst affected customers to receive maximum of £325**
- **Compensation arrangements to be reviewed and improved**

Companies running the local electricity networks should pay around £260,000 compensation to more than 2,700 customers among the worst affected by last October's storms which left about two million people without power.

This move follows determinations announced today (Tuesday) by energy regulator Ofgem on compensation claimed by these customers.

In investigating these claims, Ofgem accepted that the weather was severe and power cuts were inevitable. But many of the customers making claims received levels of service which fell below reasonable standards. Under Ofgem's ruling, these customers will now receive payouts of between £25 and £325, depending on how long they were without supply.

In a welcome move, the companies also agreed to make compensation payouts totalling £1.6 million to about 18,000 customers who complained to companies within one month of their power being restored but did not seek a determination from Ofgem.

Ofgem Managing Director, David Gray, said: "This has been the highest number of determinations Ofgem has ever had to make. The determination process is a legal procedure that, by its very nature, is lengthy and painstaking. We are grateful for customers' patience throughout this process.

"We have been working hard to settle these claims since we started receiving them from the consumer body, energywatch between January and March. Most customers who made claims will now receive compensation for the failure to restore their supplies in the required timescales.

"We are also very pleased that all the companies have agreed to pay additional compensation to those customers who had made a valid claim but did not seek a determination from us. This goes beyond their legal obligations and is a welcome step."

During the determination process, Ofgem found the current arrangements for the claiming and paying of compensation unwieldy and unsatisfactory. Ofgem is now carrying out a review with the industry and hopes to agree improved arrangements as soon as possible.

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Notes to editors:

1. Under the existing legislation, companies may claim exemption from the normal requirements for compensation if exceptional circumstances prevent them from restoring supplies according to the relevant timescales. Following the October storms, some companies claimed exemptions. Customers are entitled to dispute the application of exemptions, initially with energywatch, and then to seek a determination from Ofgem. In such cases it is Ofgem's job to decide whether the exemptions apply and therefore whether the customers should be paid compensation. Customers' claims must be received by their distribution company within one of power being restored.
2. Customers of six distribution companies will receive the following payouts following Ofgem's determinations:

Distribution area	Number of claimants	Total compensation	Average payment
Aquila	1,002	£92,650	£92.47
East Midlands Electricity	56	£2,820	£50.36
EDF Energy Networks (EPN)*	1,560	£155,800	£99.87
EDF Energy Networks (SPN)*	14	£725	£51.79
SP Manweb	129	£7,575	£58.72
Southern Electric Power Distribution	3	£75	£25

* * EDF Energy Networks (EPN) and EDF Energy Networks (SPN) were formerly known as 24seven and Seaboard Power Networks respectively.

3. In addition, all companies seriously affected by the storms, including Western Power Distribution (WPD) who had no determination cases referred to Ofgem, have agreed to pay additional compensation to other customers who made a claim to the company within a month but who did not ask for an Ofgem determination. It is estimated that a further **£1.6 million** will be paid out across **18,000** affected customers.
4. Some companies clearly performed better than others in reconnecting customers following the October storms. As set out in the British Power International report in December 2002 commissioned by the DTI, 'there are a number of areas that have differentiated companies on this occasion, in which all companies should be able to match the performance of best performing companies with minimum cost and minimum time delay'.
5. As part of the review of distribution companies' price control, which is now underway, Ofgem is aiming to improve incentives for quality of service and arrangements for payment of compensation under the standards of performance. The new price control will take effect in 2005.
6. Ofgem is the Office of the Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. Ofgem is governed by the Gas and Electricity Markets Authority. Its powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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