

# Customers switch on to a new kind of contract

As part of a drive to look at innovative ways to prepare for the low carbon future, Electricity North West is conducting a trial to test its customers' willingness to be flexible with their demand for electricity. The findings from the first part of the trial - a customer survey carried out by Impact Research - are encouraging.

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C<sub>2</sub>C

From April 2013 Electricity North West, the company who operates the electricity network in the North West of England, will be conducting a trial where customers can choose to receive financial incentives in return for allowing their electricity supply to be 'managed' following a power outage. This new form of arrangement will help network operators better utilise their existing asset base by deferring the need for future expansion investment and therefore reduce their carbon footprint. The recent customer survey carried out by Impact Research on behalf of Electricity North West indicated that more than 50% of industrial and commercial customers found the concept of a 'managed' connection appealing.

Electricity North West's Capacity to Customers project (C<sub>2</sub>C) is part of Ofgem's Low Carbon Networks Fund (LCNF) and aims to use new technology and innovative commercial contracts to increase the amount of energy that can be transmitted through the infrastructure that's already in place. The project will take advantage of the latent capacity that exists within the current network and could reduce the amount of new infrastructure that would normally be needed to meet the growing demand for electricity.

If successful the trial could lead to reduced costs for new connections.

C<sub>2</sub>C will involve major energy users and will test if new and existing customers are willing to adopt new forms of commercial arrangements which allow the Distribution Network Operator (DNO) to place short duration restrictions on their demand and / or generation as necessary in response to infrequent power outages. This trial will run for 18 months, covering 300 HV circuits and approximately 10% of Electricity North West's customers. If successful, it could lead to reduced costs for new connections and incentive payments for participating customers.

Electricity North West has just completed an in-depth customer survey involving 1,800 industrial and commercial (I&C) customers throughout its region.

The research was designed to identify the level of interest in C<sub>2</sub>C, the needs of different customer

segments and the value they place on the different elements of a C<sub>2</sub>C contract. It also indicated who might be willing to take part in the trial itself. To develop the best way to communicate the concept of C<sub>2</sub>C, a pilot survey was conducted in which respondents were provided with a short introductory video and supporting material. The C<sub>2</sub>C concept was explained as being 'like a motorway with a hard shoulder' - ie containing a high level of expensive capacity only used in exceptional circumstances. This capacity could be used as a normal lane at no additional expense, but would require careful management on the rare occasion of an emergency.

Contacting the right person often required a number of calls to be made. In many cases, the survey team did not have a specific name to contact and when they did get through to a likely contract, they were then required to ask a number of screening questions to ensure they were the right person.

A final sample of 200 respondents was achieved from the 1,800 originally contacted. This rate of over 10% is fairly typical of surveys of business respondents, though it required a considerable amount of effort from the survey team, including incentives such as donations to charity for each completed survey and a call back process to encourage participants to complete the questionnaire.

The survey established that there is an appetite in the I&C market for C<sub>2</sub>C with over half of customers finding the C<sub>2</sub>C concept appealing. A third indicated that they would go as far as to recommend that their organisation considered opting into a C<sub>2</sub>C contract. However, when they considered specific examples of rewards using present levels of Ofgem's Interruptions Incentives Scheme as a test value, only 26% would take up the contract. So despite the general interest in C<sub>2</sub>C, higher incentives may be needed if larger amounts of capacity are to become available.

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When questioned about potential barriers to C<sub>2</sub>C, 61% rated 'uncertainty over how it will affect my electricity supply' as either their first, second or third barrier, far outweighing any other concern. So customers are likely to need re-assurance and robust information about fault frequency and how their circuit performs during a fault to allay any apprehensions.

To establish what components should be included in the contract, customers were offered the ability to vary the number of interruptions per annum and the duration of interruptions. Feedback showed that the number of interruptions was more off-putting than the amount of time it could take to restore power and requires higher incentive payments to compensate. Length of contract was very important with an initial period of one year much preferred. It was also important to offer the right type of compensation mechanism, and the ability to safeguard certain days from a power outage. Both pay-per-usage and pre-payment were offered as payment options with pay-per-usage considered more attractive.

When looking at different types of customer, the manufacturing and processing sector showed greatest potential, but only if the contract is right. This emphasised the importance of tailored contracts combined with sufficiently high incentives.

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Throughout the trial Electricity North West will continue to engage with trial participants in order to continuously refine its understanding of the market for post fault demand response contracts. Findings will be incorporated into learning and dissemination material such as future documents or industry knowledge dissemination presentations.

For the full report on this engagement work please see [www.enwl.co.uk/c2c/keydocs](http://www.enwl.co.uk/c2c/keydocs)