

**National Grid Electricity Transmission  
R110-T1: Initial Proposals consultation response  
Supplementary information – Customer satisfaction**

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## Introduction

- 1 We agree with Ofgem's initial proposals in this area, and with their description of the work to date [Outputs, incentives and innovation Supporting Document; Appendix 1; Page 46].
- 2 We have taken this opportunity to outline our latest thinking on the appropriate way forward with the customer and stakeholder satisfaction survey and the discretionary reward for stakeholder engagement.

## Customer and stakeholder satisfaction survey

- 3 As Ofgem note in its Initial Proposals, National Grid has recent direct experience of surveying its customers. This survey activity is summarised below.

### National Grid customer survey

- 4 National Grid Transmission has engaged 'SPA Future Thinking' to carry out customer research since 2009. The survey activity is summarised below:

- (a) 2009: Qualitative research to explore the customer relationship, expectations and performance.
- (b) October 2010 to May 2011: Qualitative senior customer depth interviews to gain a high-level overview of the customer relationship.
- (c) October 2010 to present: Quantitative operational manager surveys to understand the specifics of the customer relationship.

- 5 The questionnaires used for both the quantitative and qualitative surveys have evolved over this period, with the use of pilots to check sense and flow. The quantitative surveys cover the following service areas:

- (a) Gas connections;
- (b) Gas outages;
- (c) Gas regulatory frameworks;
- (d) Gas charging;
- (e) Electricity connections;
- (f) Electricity charging;
- (g) Electricity outages;
- (h) Electricity contracts and settlements;
- (i) Electricity regulatory frameworks;
- (j) Electricity control room.

- 6 The quantitative survey utilises a 1 to 10 satisfaction rating scale, and the overall satisfaction score is a true mean of all responses to the following question:

*On a scale of 1 to 10, with 1 being completely dissatisfied and 10 being completely satisfied....*

*Over the last 12 months, taking into account all your experiences, please rate your overall satisfaction with Transmission*

- 7 This question is used as the overall indicator of satisfaction, rather than a composite measure of the survey questions, because it would not be possible to create a composite score that fully represented the customer's experience. This also provides the facility for the service area questions to change without affecting the reliability of year-on-year comparisons of performance.

- 8 This score is additionally split according to the classification of the respondent. For example:

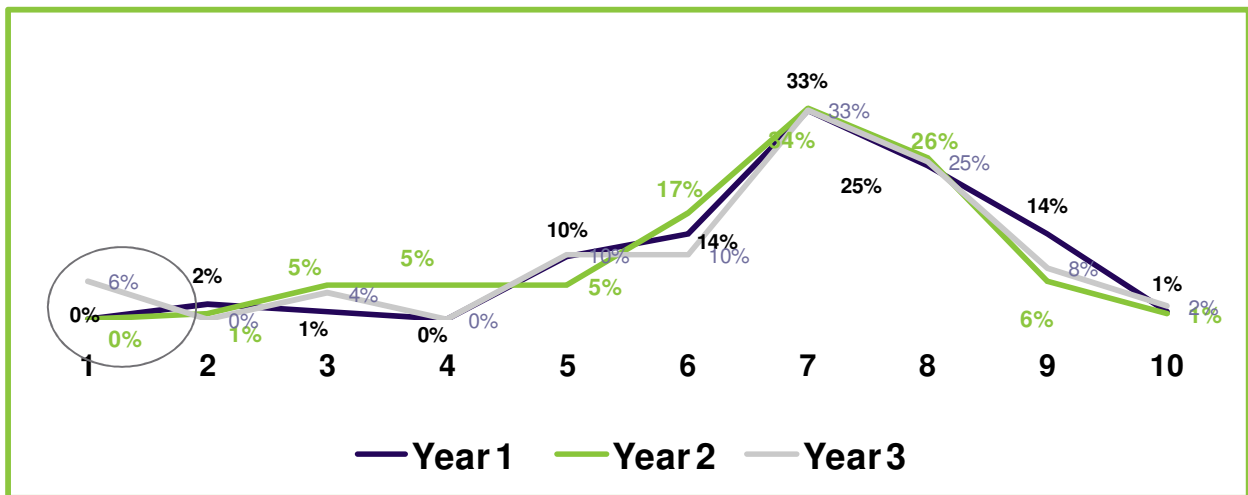
- (a) If the respondent is an electricity connections customer then this overall score will be used in the calculation of the electricity and the electricity connections overall satisfaction scores;

(b) If the respondent is an electricity connections and electricity regulatory frameworks customer then this overall score will be used in the calculation of the electricity, electricity connections and electricity regulatory frameworks overall scores.

- 9 We have predominantly relied on the use of telephone surveys, but we also tested email surveys in year 2 for gas and electricity regulatory frameworks, gas charging and electricity control room surveys.
- 10 For the telephone surveys, all customers are contacted in an attempt to achieve the quota number as in all research there is a proportion of the customer base that will 'drop out' of the research. The drop-out rate we have experienced is between 1:2 (one successful interview for every two refusals/non effective interviews) and 1:2.5. The quotas are established using standard market research formulae.

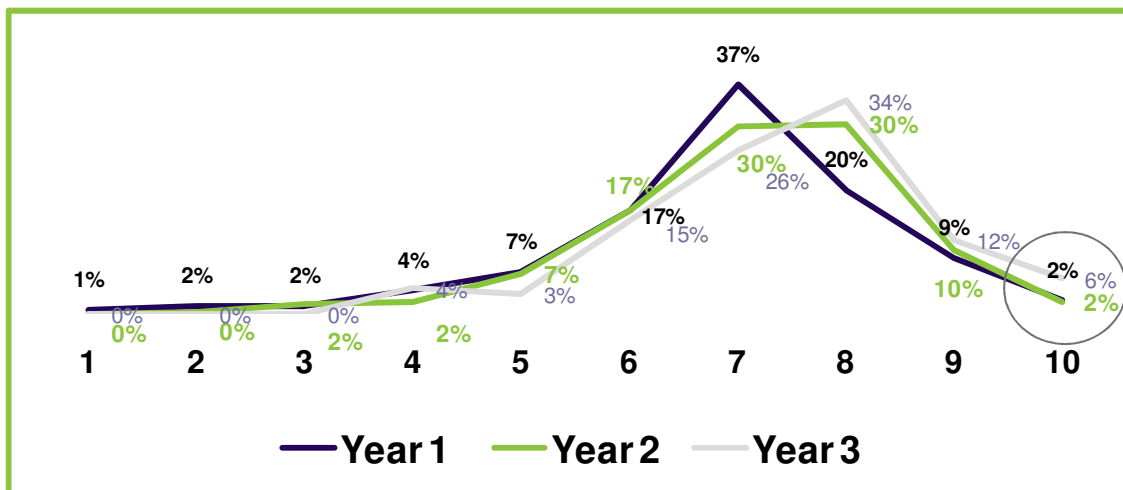
Summary of customer survey results

11 The overall satisfaction results for NGGT are summarised in the graph below.

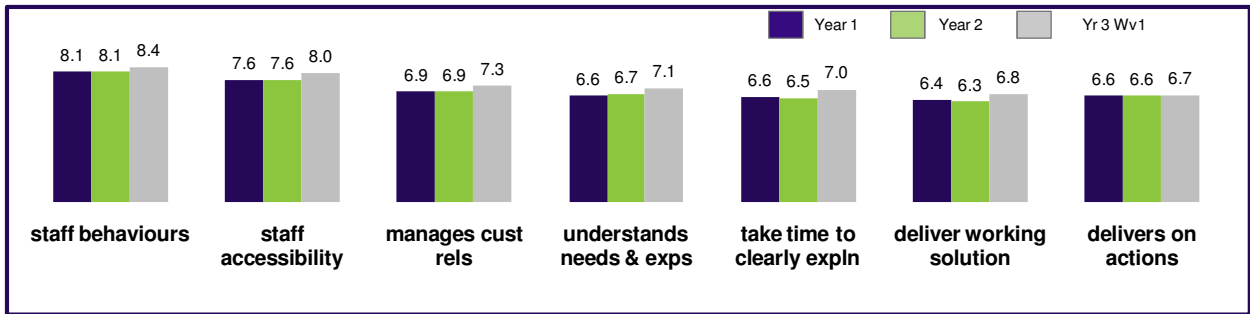


12 The results above do show year 3, but this only represents the first wave of research and is therefore not directly comparable. Although the overall pattern is similar across each of the survey years, Year 3 wave 1 shows that 6% of respondents returned scores of 1. This was a sample of only 2 respondents.

13 The overall satisfaction results for NGET are summarised in the graph below.



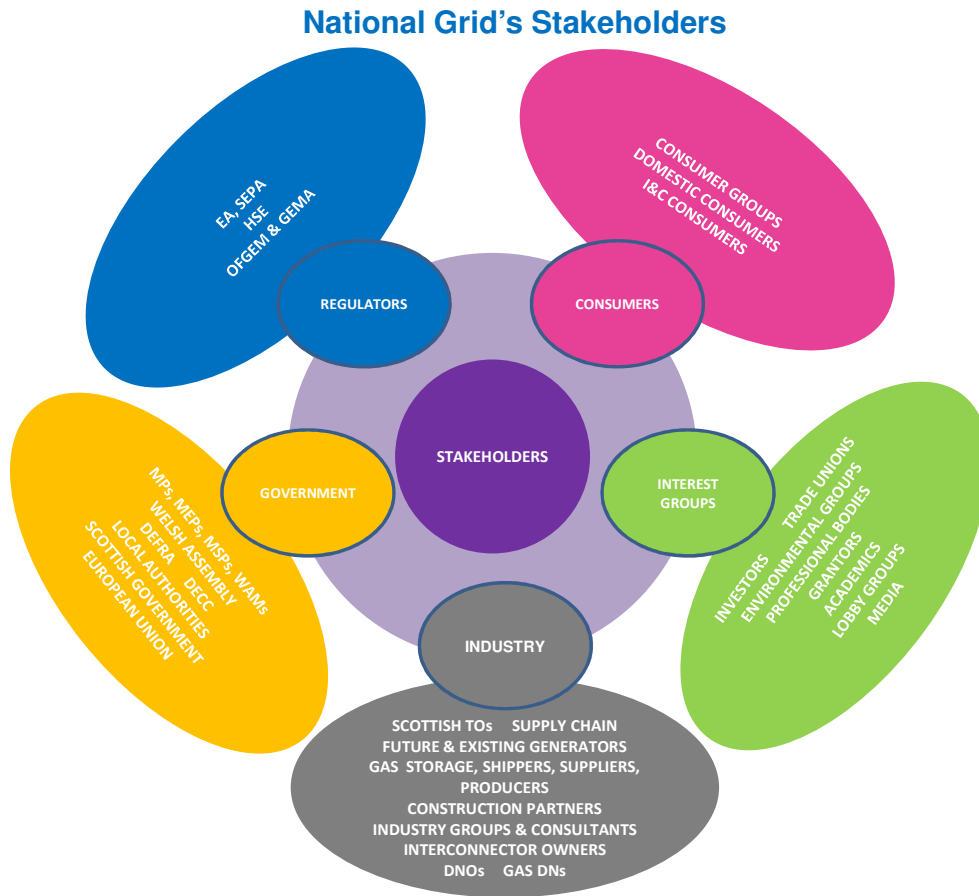
- 14 As with the NGGT results above, year 3 is shown but this only represents the first wave of research and is therefore not directly comparable. The results show a similar pattern of scores for Year 2 and Year 3 wave1. Electricity continues to push forward in a positive direction, with increases in the number of customers giving scores of 8 to 10.
- 15 In addition to these summaries, we also have the results broken down by service area, and we have analysed particular issues, such as customer awareness of our customer commitment. The results of this analysis for each of our customer commitments is shown in the figure below for transmission.



- 16 Based on these results, we are confident that customer survey provides a realistic appraisal of our performance.

## Stakeholder satisfaction

17 Our classification of National Grid's stakeholders is shown in the figure below.



18 We do not have any experience of stakeholder satisfaction surveys for our Transmission business, although we have recently initiated pilot qualitative research with a limited number of stakeholders to explore the stakeholder relationship, expectations and performance. Those surveyed included groups impacted by our major infrastructure projects, local and national Government, NGOs and industry bodies.

19 The surveys covered:

- (a) Expectations and perceptions around service delivery;
- (b) Areas of good performance;
- (c) Improvements;
- (d) Communications;
- (e) Areas where value is added;
- (f) Respondents' views of National Grid; and
- (g) Staff behaviours and engagement.

20 This initial research has identified a number of areas of further work prior to the start of stakeholder satisfaction survey. These areas include the need:

- (a) For a means of defining Stakeholder populations;
- (b) To minimise the number of rating questions;
- (c) To increase the number of classification questions to build overall understanding;
- (d) To consider the appropriate meeting and communication type for various stakeholders (i.e. formal vs informal communication; frequency of communication.).

- 21 To ensure we have a robust and tested stakeholder satisfaction methodology and survey, we will continue to develop our stakeholder satisfaction survey throughout 2013/14.

### Financial incentive proposals

- 22 We do not currently have sufficient confidence that a stakeholder survey would provide a realistic appraisal of our performance. The work that we are engaged with to address this is described above. We would hope to be in a position to phase-in an element of stakeholder satisfaction to the overall customer and stakeholder satisfaction survey financial incentive from 1 April, 2014.
- 23 Since we now have a high degree of confidence around the customer satisfaction survey, we see no reason to dampen this incentive in 2013/14 and propose that the full incentive range be applied to our customer satisfaction survey.
- 24 In terms of scheme parameters, our proposals are summarised in the following table.

Parameter	National Grid Proposal	Justification
Target Value	Based on the average of the first two complete years across both NGET and NGG  Target =6.9	In order to set a robust target, we suggest taking an average of all the full-year, overall satisfaction results that we have.  Whilst the performance in NGET and NGG has been different over the first two years, we do not have enough years of data to separate the metrics
Target Duration	Fixed for the RIIO-T1 period	Whilst we expect to improve satisfaction performance over the RIIO-T1 period, we also expect customer and stakeholder expectations to change, such that we will have to deliver an improved performance to achieve the same score.  A fixed rather than rolling target also allows the cost of investments to improve satisfaction to be considered against the potential incentive rewards across the RIIO-T1 period.

<p>Cap and collar</p>	<p>Maximum reward at an overall customer satisfaction survey score of 8.5. Symmetrical incentive.</p>	<p>We do not believe that obtaining a perfect score of 10 out of 10 from all our customers / stakeholders is realistic in practice, as many stakeholders will want to indicate room for further improvement however good the service we provide.</p> <p>If we take the average standard deviation for all the full-year, overall satisfaction results that we have, we get 1.54.</p> <p>If we were to set the maximum reward at the target plus one standard deviation, that would be 8.43.</p> <p>For simplicity, we propose the rounded number of 8.5 for the maximum reward</p>
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25 The proposed incentive arrangements for 2013/14 are also shown graphically below.



26 We will continue to work with Ofgem and the Scottish Transmission Owners to finalise the details of the customer and stakeholder satisfaction survey financial incentive.



## Stakeholder engagement

- 27 We have undertaken significant Stakeholder Engagement activity as part of the development of our RIIO-T1 business plan, and we are committed to a continual process of engagement throughout the RIIO-T1 process.
- 28 As part of this stakeholder engagement we have developed a stakeholder engagement policy entitled 'Our commitment to you'. The policy sets out how we intend to engage with our stakeholders and the principles under which we will engage. It reaffirms our commitment to place stakeholders at the centre of what we do and that their views will continue to help shape our business decisions and the services we provide. The policy statement is attached for your information.



Stakeholder  
engagement policy...

- 29 We published 'Our commitment to you' in both our July 2011 and March 2012 Stakeholder Engagement Process Annexes. We have since sent a copy of the policy statement to our stakeholders to seek their views on it because we want to ensure our approach is aligned to their expectations. We received feedback from five stakeholders.
- 30 Four stakeholders were wholly supportive of our policy and the principles we are intending to work to. One stakeholder said it 'looks like very positive and admirable goals', whilst another said they 'welcome the commitment that National Grid are giving to working constructively with stakeholders'. Another stakeholder added they 'liked the part about not taking up too much of our time, and giving us a report on what has happened to our input in your processes'. One stakeholder did say the policy was 'worthy but a tad anodyne'.
- 31 We have made an amendment to the policy following the feedback. The amendment makes it clearer that transmission covers both our gas and electricity businesses.
- 32 Following the feedback we have received from stakeholders on the policy we now intend to publish it and embed the principles across our businesses in preparation for the start of the RIIO-T1 period.

### Stakeholder engagement discretionary reward

- 33 Ofgem have proposed the use of entry level criteria which must be achieved for the performance of the Transmission Owner to be considered for a financial reward by an independent panel.

34 We propose the entry level criteria shown in the table below.

Ofgem assessment criteria	Evaluation of supporting evidence (appropriate/robust/verifiable)
The Transmission Owner has a comprehensive and up to date stakeholder engagement strategy, which sets out: <ul style="list-style-type: none"> <li>- how the Transmission Owner keeps stakeholders informed about relevant issues, business activities, decision-making and other developments</li> <li>- how the Transmission Owner enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision making</li> </ul>	Relevant evaluation / audit / relevant accreditation scheme
A broad and inclusive range of stakeholders have been engaged	Evaluation / audit / accreditation / survey
The Transmission Owner has used a variety of appropriate mechanisms to inform and engage their stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives	Evaluation / audit / accreditation / survey / publication of a Stakeholder Engagement report
The Transmission Owner can demonstrate it is acting on input / feedback from stakeholders	Evaluation / audit / evidence / culture change / senior management buy-in / publication of a Stakeholder Engagement report

35 We propose that:

- (a) Performance against each minimum requirement will be assessed on the merits of the supporting evidence, and an outcome of the assessment will be provided by Ofgem;
- (b) The Transmission Owner needs to meet all the minimum requirements to be allowed to attend a panel meeting; and
- (c) Where the Transmission Owner has failed against one or more criteria, a full explanation will be given as to why it did not meet the criteria.

36 In terms of the assessment by the independent panel, we favour a ‘balanced scorecard’ approach, similar to that proposed by Ofgem as part of the development of the Environmental Discretionary Reward and RIIO-T1. This approach provides transparency to Transmission Owners around what is required to achieve a discretionary reward.

37 This will be discussed further with Ofgem and Scottish TO’s over the next few weeks as part of the stakeholder incentive guidelines development work