

The Company Secretary

National Grid Electricity Distribution (West Midlands) plc

Company Number: 3600574

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Date: 30 November 2022

The Stakeholder Engagement and Consumer Vulnerability Incentive – Direction pursuant to Part A and to Part G of Special Condition CRC 2C (Broad Measure of Customer Service Adjustment) for the Regulatory Year 2021/2022

1. National Grid Electricity Distribution (West Midlands) plc (the "Licensee") is the holder of an Electricity Distribution licence (the "Licence") granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 (the "Act").
2. In May 2022, the Authority¹ received a submission from the Licensee under the Stakeholder Engagement and Consumer Vulnerability ("SECV")² Incentive in relation to the engagement activities carried out during the Regulatory Year 2021/22.
3. Pursuant to Part A and to Part G of Special Condition CRC 2C of the Licence, the Authority is satisfied that a reward for stakeholder engagement should be made to the Licensee under the SECV Incentive 2021/22.

For the reasons specified in the Schedule to this Direction, the Authority directs, pursuant to Part A and to Part G of Special Condition CRC 2C, that the SE_{t-2} term for the Regulatory

¹ The terms "Ofgem", "the Authority", "we" and "us" are used interchangeably in this document.

² The SECV Incentive drives electricity distribution network companies to engage effectively with stakeholders to inform how they plan and run their businesses. The SECV Incentive Guidance provides further details on the incentive and on the assessment process: <https://www.ofgem.gov.uk/publications-and-updates/direction-issuing-stakeholder-engagement-and-consumer-vulnerability-incentive-guidance-r10-ed1-0>

Year 2021/2022 (for payment in the Regulatory Year 2022/2023) shall be £540,000 (in 2012/13 prices).

This Direction constitutes notice for the purposes of section 49A of the Act.

Graeme Barton

Head of Price Control Operations – Small & Medium Sized Projects, Onshore Networks

For and on behalf of the Authority

SCHEDULE

Reasons for direction pursuant to Part A and Part G of Special Condition CRC 2C – Reward under the Stakeholder Engagement and Consumer Vulnerability Incentive for 2021/22

Panel Decision

1. On 12 July 2022, an independent panel (the “Panel”) ³ assessed the quality of the Licensee’s stakeholder engagement and scored the Licensee 5.35 out of 10⁴ ⁵.

Authority’s decision and reasons

2. We have considered the Panel’s assessment of the Licensee’s stakeholder engagement in the Regulatory Year 2021/22. In light of this, and of our principal objective and general duties, we consider it appropriate to make a positive adjustment to the Licensee’s Allowed Distribution Network Revenue in respect of its stakeholder engagement pursuant to Part A and to Part G of Special Condition CRC 2C of the Licence (the stakeholder engagement reward term (“SER term”). The maximum value of the SER term in each Relevant Year can be no greater than the value specified in Table 16 of Appendix 1 to CRC 2C (in £m, 2012/13 prices). The score provided by the Panel determines the value of the positive adjustment to be recovered by the Licensee, as outlined in Table 1 below.

Table 1: Reward under the Stakeholder Engagement and Consumer Vulnerability Incentive 2021/22

Maximum positive adjustment (in 2012/13 prices)	£2,000,000
Panel Score (out of 10)	5.35
Percentage of maximum positive adjustment	27%
Total (in 2012/13 prices)	£540,000
Positive adjustment to be recovered by the Licensee (in 2021/22 prices)	£686,728.60

³ Details of the 2021/22 Panel can be found here: <https://www.ofgem.gov.uk/publications/stakeholder-engagement-panel-2021-22>

⁴ The 2021/22 Stakeholder Engagement and Consumer Vulnerability Incentive Panel Report provides further details on this year’s assessment process and results: <https://www.ofgem.gov.uk/publications/2021-22-stakeholder-engagement-and-consumer-vulnerability-incentive-panel-report>

⁵ The Panel scores and financial rewards quoted in the Panel report, decision letter and this direction are rounded to two decimal places. However, unrounded figures are used within the model for calculating the financial reward awarded to DNOs.