

**The Company Secretary**

**National Grid Electricity Distribution (South West) plc**

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Date: 4 March 2024

**The Stakeholder Engagement and Consumer Vulnerability Incentive – Direction pursuant to Part A to Part G of Special Condition CRC 2C (Broad Measure of Customer Service Adjustment) for the Regulatory Year 2022/2023**

1. National Grid Electricity Distribution (South West) 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 2023, the Authority<sup>1</sup> received a submission from the Licensee under the Stakeholder Engagement and Consumer Vulnerability ("SECV")<sup>2</sup> Incentive in relation to the engagement activities carried out during the Regulatory Year 2022-23.
3. In accordance with Chapter 4 of the SECV guidance,<sup>3</sup> the Authority has considered submissions from the licensee, initial assessment from Ofgem's internal team,<sup>4</sup> and

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

<sup>2</sup> 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-rrio-ed1-0> <https://www.ofgem.gov.uk/publications-and-updates/direction-issuing-stakeholder-engagement-and-consumer-vulnerability-incentive-guidance-rrio-ed1-0>

<sup>3</sup> [secv\\_incentive\\_guidance.pdf \(ofgem.gov.uk\)](#)

<sup>4</sup> As set out in 4.2 to 4.6 of the SECV Guidance

recommendations from the expert panel and is satisfied that a reward for stakeholder engagement should be made to the Licensee under the SECV Incentive 2022/23, pursuant to Part A to G of Special Condition CRC 2C of the Licence

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<sub>t-2</sub> term for the Regulatory Year 2022/2023 (for payment in the Regulatory Year 2023/2024) shall be £696,500 (in 2012/13 prices).

This Direction constitutes notice stating the reasons for the decision for the purposes of section 49A of the Electricity Act.

**David McCrone**

**Head of Quality of Service**

**Networks**

**For and on behalf of the Authority**

## **SCHEDULE**

### **Reasons for direction pursuant to Part A to Part G of Special Condition CRC 2C – Reward under the Stakeholder Engagement and Consumer Vulnerability Incentive for 2022/23**

#### **Panel Decision**

1. In July 2023, an independent panel (the “Panel”) assessed the quality of the Licensee’s stakeholder engagement and scored the Licensee 6.48 out of 10.<sup>5</sup> <sup>6</sup>

#### **Authority’s decision and reasons**

2. We have considered the Panel’s assessment<sup>7</sup> of the Licensee’s stakeholder engagement in the Regulatory Year 2022/23. The Panel noted a marked improvement in NGED’s use of SROI to prioritise investment and evaluate outcomes compared with last year and it’s clear that SROI is playing a more strategic role in decision-making than has previously been the case.
3. 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

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<sup>5</sup> The 2022/23 Stakeholder Engagement and Consumer Vulnerability Incentive Panel Report provides further details on this year’s assessment process and results: [2022-23 SECV Panel Report \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/publications/2022-23-secv-panel-report)

<sup>6</sup> 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.

<sup>7</sup> [2022-23 SECV Panel Report \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/publications/2022-23-secv-panel-report)

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")).

4. 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 2022/23**

<b>Maximum positive adjustment (in 2012/13 prices)</b>	£1,400,000
<b>Panel Score (out of 10)</b>	6.48
<b>Percentage of maximum positive adjustment</b>	50%
<b>Total (in 2012/13 prices)<sup>8</sup></b>	£696,500.00
<b>Positive adjustment to be recovered by the Licensee (in 2022/23 prices)</b>	£999,786.00

<sup>8</sup> This is due to this being a RIIO-ED1 initiative. The RIIO-ED1 Price Control began in 2012/13 and therefore, the forecasted prices were set during that time period.