

The Company Secretary
SP Distribution Plc
Company Number: SC189125
320 St. Vincent Street,
Glasgow, Scotland,
G2 5AD

Direct Dial: 0203 263 2728

Email: mohammad.miah@ofgem.gov.uk

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. SP Distribution 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 Authority¹ received a submission from the Licensee’s group under the Stakeholder Engagement and Consumer Vulnerability (“SECV”)² Incentive in relation to the engagement activities carried out during the Regulatory Year 2022/23.

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-riio-ed1-0>

3. In accordance with Chapter 4 of the SECV guidance,³ the Authority has considered submissions from the licensee, initial assessment from Ofgem's internal team,⁴ and 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_{t-2} term for the Regulatory Year 2022/2023 (for payment in the Regulatory Year 2023/2024) shall be £160,000 (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

³ [secv_incentive_guidance.pdf \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/secv-incentive-guidance.pdf)

⁴ As set out in 4.2 to 4.6 of the SECV Guidance

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 4.50 out of 10⁵ ⁶.

Authority’s decision and reasons

2. We have considered the Panel’s assessment⁷ of the Licensee’s stakeholder engagement in the Regulatory Year 2022/23. The Panel reported that SPEN’s overall score has fallen for the second consecutive year. Despite feedback from the Panel on the previous three submissions about the need to demonstrate the influence of stakeholder engagement, the submission again lacked practical examples of how stakeholder engagement has, in practice, influenced business strategy and decision-making.
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 Network Revenue in respect of its stakeholder engagement pursuant to Part A and

⁵ 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)

⁶ 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.

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

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

| | |
|--|-------------|
| Maximum positive adjustment (in 2012/13 prices) | £1,600,000 |
| Panel Score (out of 10) | 4.50 |
| Percentage of maximum positive adjustment | 10% |
| Total (in 2012/13 prices)⁸ | £160,000 |
| Positive adjustment to be recovered by the Licensee (in 2022/23 prices) | £229,670.87 |

⁸ 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.