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Dear Ms Bourke

Ofgem's Electricity Distribution Customer Service Reward Scheme

I am writing to you in response to Martin Crouch's letter of 26 October 2005, which invited views from stakeholders on the proposed structure and format of Ofgem's Electricity Distribution Customer Service Reward Scheme.

We welcome the launch of this innovative scheme, which is designed to encourage distribution network operators (DNOs) to adopt best practice in areas such as priority customer care services that cannot be easily measured or incentivised through other means. We consider that such measures will help to stimulate innovation among DNOs and promote competition and good practice in areas which are critically important to disadvantaged consumers, for example in ensuring that priority customer care initiatives take into account the needs of the customers at which they are aimed, and that eligible people are informed about, and given access to, such initiatives.

In terms of the specific areas on which views are invited:

We support the proposed spilt of the total award across the three categories, with the majority of the funds available being targeted initially at priority customer care initiatives, as this is the main area where we are keen to see immediate improvements made. Ofgem has previously found that knowledge of the Priorities Services Register (PSR) is too low among eligible consumers, that there is little consistency between DNOs in the way information is held on priority customers and that the quality of data

received is often poor.¹ We therefore see merit in seeking to improve matters through offering incentives for good practice in this area. We consider that this should pay dividends in terms of encouraging DNOs to actively promote their priority registers and keep their data up-to-date.

We agree that the multi-disciplinary Panel should be able to decide the scope of the categories and how they are weighted in future years, provided that the Panel represents a suitable cross section of interests, including adequate representation of relevant consumer groups. Enabling the Panel to determine future priorities would allow it to measure progress and to target future resources on areas where they are most needed.

One area that we would be keen for DNOs to actively participate in is raising levels of financial capability so that people are better informed, educated and more confident in taking greater responsibility for their financial affairs. While this is obviously an area where energy suppliers also have a role to play, DNOs also have a vested interest in raising levels of financial awareness given that electricity distribution charges account for around £3 billion annually and make up around 20 per cent of customers' electricity bills.²

The proposed minimum requirements for each category covered by the scheme highlight some of the key issues which we would wish to be covered. The minimum requirements outlined for Priority Customer Care Initiatives should help to tackle the problems highlighted above about lack of awareness of the priority registers among those who are eligible, and a failure to keep them up to date. Such requirements are welcome.

However, we recommend that additional emphasis be given to encouraging DNOs to seek feedback from priority customers and other stakeholders to make sure that the services offered actually meet their needs.

DNOs' submissions should be supported by relevant external organizations. This provision should help to ensure that the measures undertaken by DNOs are appropriate and properly targeted at priority customers. For example, it might be that a mental health charity would wish to help develop and/or endorse new policies and practices put in place by a DNO for dealing with customers with mental health problems. Without such input it is unlikely that the most appropriate methods of dealing with certain groups of consumers will be identified.

To encourage relevant stakeholders to participate in this procedure the amount of paperwork required should be kept to a minimum, as charitable organizations may struggle to find the time and capacity to complete lengthy, convoluted or complicate forms. We would therefore support the creation of a simple standard against which the stakeholder could rate the performance of the DNO.

The **Best Practice Register** will contain details of the initiatives which have been recognized as representing good practice. It should be widely publicized to industry in order to foster the dissemination of good practice and to encourage other DNOs to respond and improve their own practices. There may also be a role for this publication to highlight good practice to a wider community, as there will be elements of good practice which would be equally relevant and applicable to other industries (e.g. telecoms, water and even Government Departments).

¹ See Priority Service Research Project, December 2003, 165/03 and Awareness of services quantitative research – study conducted for Ofgem, MORI, November 2004

² 2004/05 Electricity Distribution Quality of Service Report, November 2005, p.4

We suggest that the Register should be provided in a range of formats, as this would allow it to be accessible to a wide range of stakeholders. Given that the Register is likely to contain information about good practice relating to policies for the elderly, blind, deaf, mentally disabled then Ofgem should make sure that it is accessible to such groups.

The **Panel** will obviously play a crucial role in developing the Discretionary Reward Scheme, particularly if they are given the ability to decide the scope of the categories and how they are weighted in future years, as we advocate above. Given this responsibility, we recommend that the Panel should be comprised of a range of different organizations, including a strong consumer representation.

I hope that you find these comments useful. Please do not hesitate to contact me if you wish to discuss any part of our submission.

Yours sincerely,

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