



Campaigning for Warm Homes

Electricity Distribution Customer Service Reward Scheme

National Energy Action (NEA) is a charity working to ensure that low-income households have access to sufficient warmth for health and comfort at an affordable cost. NEA develops and promotes energy efficiency policy and practical initiatives to tackle the heating and insulation problems of low-income families and individuals. Working in partnership with central and local government; with fuel utilities, housing providers and health agencies; and with regulatory bodies, consumer groups and voluntary organisations, NEA aims to eradicate fuel poverty through greater investment in energy efficiency to help those who are disadvantaged and vulnerable. We welcome the opportunity to comment on Ofgem's proposed scheme to improve customer service by electricity distribution companies, acknowledging the valuable contribution they make to maintaining essential services to those at risk from cold conditions.

We endorse the scheme's aim to encourage better service to consumers and also the intention to give priority to features of company performance which are standard practice rather than one off initiatives. However our assumption is that the overall intention is to see wider replication of these 'beacons of excellence' throughout the industry. It is not clear how Ofgem proposes that this reward scheme should contribute to such a development. It is of little value to consumers in Cornwall to learn that their counterparts in Scotland have access to an innovative service, without reassurance that they can expect something similar in future- and vice versa of course. Accordingly, whilst recognising the desire to stimulate best practice in areas that cannot be easily incentivised, it seems to us that Ofgem will need to consider the use of other regulatory instruments at its disposal if best practice is to be extended to all consumers.

We assume that Ofgem's discussions with DNO's have confirmed that the level of the proposed reward will be sufficient to prompt all of them to take an interest in the scheme. NEA welcomes the priority given to rewarding initiatives which enhance services to priority customers. We agree that these consumers are often the most vulnerable and at greater risk of adverse consequences when electricity supply is interrupted. However we remain to be convinced that it is appropriate to identify 'wider communications strategies' as a separate category in the scheme. Our expectation would be that communication with consumers would be an integral part of any activity undertaken by a distribution business, whether this is required by licence or a voluntary initiative. We would welcome clarification of the kind of supplementary activity that might qualify for a financial reward under this element of the scheme.

We note that each DNO would be able to submit one application per year. We take it that this refers to one application per category (i.e. up to three in total). We would also

suggest that any application should indicate how any reward payment would be spent. Our assumption is that rewards will be reinvested in service improvements but seems advisable to seek an explicit commitment to this effect.

NEA has some reservations about the suggestion that 'two or three relevant stakeholder organisations' should support each submission. Firstly, it is reasonable to suppose that in some instances DNO's will engage in a partnership with a single community or voluntary sector organisation, particularly perhaps in the case of large national bodies with an extensive local or regional presence (Age Concern or Citizens Advice for example). We see no reason why the endorsement of a single agency should preclude an initiative from being considered for a reward. That said, we think there are other potential problems affecting this proposal. It will be important to clarify whether any supporting stakeholder receives a material benefit, whether in cash or in kind, from its endorsement of, or involvement in, a partnership arrangement. It may also be questionable whether any stakeholder will be in a position to validate information provided by a distribution company. This is particularly true as regards the kinds of outcomes which Ofgem will wish to assess such as numbers of consumers to benefit etc., where the monitoring and measurement of success can only be undertaken by the DNO. Similarly, it is questionable whether an organisation supporting an application is well placed to provide the suggested rating of any initiative in a truly independent and impartial way. We also note that any arrangements for supporting applications could also have implications for the composition or working practices of the proposed panel. Depending on which consumer organisations are represented it may be necessary to cater for conflicts of interest.

NEA agrees with the concept of a 'Best Practice Register' as a means of promoting service innovation and public recognition for distribution companies which are at the forefront in delivering it. However, as indicated earlier we do not believe that this should simply become some kind of recipe book which other companies can consult if they wish. Rather it should be used by Ofgem itself to identify elements of good practice which should be embraced by all companies.

We agree that the panel established to assess applications should also play a part in shaping the scope of the categories and their relative weighting in future, although we think that this role should stop short of making decisions. In line with established good practice we think there should also be a wider consultation on any proposed changes and that final decisions should rest with Ofgem. We would expect the regulatory authority to take a continuing interest in the scheme, as indeed it will when it comes to setting the level of resources allocated to it via the review of the price control, rather than delegate decision making to a subsidiary panel. We would also welcome a little more clarification of the role of the panel in making awards. It is not currently clear whether there is any maximum sum anticipated as a reward for a nominated scheme, nor indeed whether the panel will be expected to allocate the full £1 million available. Presumably not, since it is not possible to anticipate the number or quality of applications.

We consider the outline of the minimum requirements for priority customer initiatives, our primary are of interest, to be somewhat limited. Most of them relate to the efficient administration of the codes of practice which DNOs are required to draw

up by their licence conditions. We believe these could be strengthened by additional features such as establishing minimum thresholds for the registration of priority customers and taking account of company performance as regards regulated service standards. We also believe there should be more emphasis on enduring improvements in service standards which benefit consumers. For example, we think that distribution companies could do more to promote the benefits of energy efficiency programmes, available via both government and fuel supplier programmes, in reducing costs to consumers and the environmental damage associated with electricity consumption. We think the minimum requirements for individual submissions to this reward scheme could usefully incorporate elements such as this.