



I refer to Ofgem's open letter on Ofgem's Electricity Distribution Customer Service Reward Scheme.

This response is submitted by SP Transmission & Distribution, which is responsible for ScottishPower's three network businesses in GB - SP Transmission Ltd, SP Distribution Ltd and SP Manweb plc.

We welcome the opportunity to comment on Ofgem's proposed structure for, and processes to manage, the discretionary reward scheme introduced under DPCR4 to encourage best practice in areas that cannot be easily measured or incentivised through more mechanistic incentives. In general our main comments relate to the following points:

- The review panel should have the opportunity to consider all DNO submissions, with no pre-filtering being undertaken by Ofgem;
- DNOs should be given visibility of the guidelines the review panel will be using in assessing submissions;
- The review panel should endeavour to provide all DNOs, who have made a submission, with feedback on their submission in order to aid learning and assist with future submissions;
- The panel membership should include representatives from external stakeholders such as community organisations, emergency services and National Health Service.

### **Categories or reward**

In general we support splitting the total reward across three areas but suggest that, in the first year at least, more equal weighting is applied to each category so as to encourage DNO's to submit a wide range of initiatives. We believe that this initial stance will be helpful in embedding the scheme quickly and assisting with its development in future years.

As regards the assessment of DNO submissions by the panel, we are unclear whether the process allows for a submission to be considered against all of the three-presented categories, or whether it is limited for consideration against one. Clarification on this point would be welcomed.

### **Minimum criteria under each category correct**

We believe that the scheme should encourage DNOs to develop truly innovate initiatives. While we believe the provision of 'a number of minimum requirements' for each category provides guidance against which DNOs could gauge potential submissions, it is not appropriate for these to cover compliance with existing requirements. They should instead cover criteria which submissions would be expected to meet in order to be considered for an award. Accordingly, the provision of guidance on the type of things the Panel should consider in reviewing submissions would be more valuable to DNOs.

With regards to the proposed process for the assessment of reward recipients, while we see benefit in Ofgem seeking clarification on points within a DNO's submission or seeking additional information to support it, we believe that it is inappropriate for Ofgem staff to comment on or pre-filter DNO submissions. We believe that all submissions should be forwarded to the Panel for consideration. As each DNO is limited to one submission per year, there will be a maximum of fourteen submissions per year to consider, which we consider to be a manageable task. As the



Panel will make recommendation to the authority that ultimately makes the final decision regarding awards, this should give Ofgem sufficient control over awards.

We are strongly of the view that DNOs who submit initiatives for consideration under the scheme, but which do not receive a portion of the reward, should be given sufficient feedback on the reasons why their submission 'failed' so as to benefit future submissions.

### **External stakeholder organisations**

We support the inclusion of external stakeholder organisations within the proposed scheme and believe that their contribution validates the DNO's submission and provides an additional perspective on the initiative under review.

The use of standardised forms by both the DNO and external organisation would assist in focussing the efforts of all concerned. The application of a maximum word limit, say 10,000 words for the DNO submission and 1,000 words for the external stakeholder, would also ensure the process is not overly onerous for either submitting party or review Panel.

### **Best Practice Register**

DNOs should expect their submissions to be published in a 'best practice' register and should therefore keep any confidential/ sensitive information to a short appendix.

### **Panel membership**

We believe that, in addition to consumer and industry organisations, the panel membership should also include representatives from external stakeholders such as community organisations, the emergency services, possibly including the National Health Service, as we believe that their likely involvement in a number of the initiatives under review and places them in an unique position to review the submissions.

I attach a copy of the Discretionary Reward Scheme Process flow chart attached to the open letter, that I have amended to reflect the points made in this response.



Figure 1: Discretionary Reward Scheme Process (amended proposal)

