

Electricity Distribution Customer Service Reward Scheme 2006/07: Format and guidance notes

The aim of the discretionary reward scheme is to encourage better service for consumers in areas that cannot be easily measured or incentivised through more mechanistic regimes.

The scheme will achieve this by recognising leading performance and beacons of excellence within the industry and driving innovation and creativity through the promotion of best practice.

The scheme is designed to reward the performance of those DNOs which best serve the interests of customers across the chosen categories throughout the reward period, particularly those which exceed their licence requirements and have a holistic approach to these areas embedded in broader business processes, not necessarily 'flagship' projects or one-off initiatives.

Scope of the scheme

The 2006/07 scheme has a total annual reward of £1 million available across all DNO groups and will cover:

Priority customer care initiatives	£600,000 reward
Wider communication strategies	£400,000 reward

For 2006/07, greater focus has been given to the 'priority customer care initiatives' category as this has been identified as an area with many challenges and where much improvement can be made. As no outstanding initiatives for the wider communication category were identified and rewarded as part of the 2005/06 scheme, Ofgem considers that it is important to focus on improving performance in this area.

Narrowing the categories to two will enable the panel to consider each category in greater depth, with more specific focus in each area. Based on the views of 2005/06 panel members and DNOs, the following aspects of each category will be given particular consideration for the 2006/07 scheme.

- Inclusion of other vulnerable customer groups on the priority register in addition to the requirements of standard licence condition 17 of the electricity distribution licence;
- Services provided to customers above and beyond the core minimum;
- Raising awareness of the register; and
- Communication strategies for reaching hard to reach customers.¹

The intention is to make award(s) in each category taking particular note of these focus areas, but with scope to also recognise and potentially reward other aspects of serving vulnerable customers and communicating with a broader set of customers. The focus areas above are not minimum requirements.

Format of entries

DNOs are required to complete a covering entry form for each reward category they enter and submit it with their application. DNO applications should not

¹ Hard to reach customers are considered to be those customers that cannot be reached through traditional communication methods. For example, customers who do not speak English as a first language or have a visual or hearing impairment.

exceed four pages in total² (excluding the entry form) and should contain the following:

- An introductory page explaining the company's corporate structure. DNOs should submit one per DNO group, not one per reward category. (one page limit);
- Submission (two page limit per category); and
- Optional supplementary support from stakeholders and/or other evidence, e.g. surveys (one page limit per category).

The introductory page and submissions must be completed in text type Verdana, font size 10. The format of the application and the use of graphics is flexible.

Minimum requirements and best practice

For each category assessed under the scheme, Ofgem has specified a number of minimum requirements which should be included in any submission. These requirements are outlined in the relevant entry form with a tick box so that DNOs can indicate where they have met the minimum criteria.

Provided the minimum requirements are met, the aim of the scheme is to identify which DNOs are achieving the best outcomes for their customers. DNOs should also demonstrate the impacts of their initiatives both directly and as part of broader business processes.

The minimum requirements will remain consistent in future years to allow a level playing field for entrants each year. Nonetheless, the intention of the scheme is to drive innovation and creativity through the promotion of best practice. As such, the best practice register will expand year on year as new initiatives are recognised by the scheme. The entry forms specify best practice from the previous year's reward and require DNOs to indicate which initiatives they have implemented or already do. Space for supporting commentary is provided in the entry form so that DNOs can demonstrate how best practice has been shared and implemented.

Notable initiatives identified by panel members under the scheme will be publicised and shared with the DNOs to help promote and spread best practice.

Supplementary support

Given that some of the DNOs' initiatives may not readily lend themselves to stakeholder support and that stakeholders may not be best placed to validate the information provided by the DNOs in their application, this section of the application allows DNOs to include other ways of providing supporting evidence such as illustrations, letters and graphs. Supplementary support is an optional requirement. The support information provided should not exceed one page in length per category to minimise the burden placed on stakeholder organisations.

Panel members

The panel will be comprised of five voting members and a non-voting Chair. Sarah Harrison, Managing Director Corporate Affairs, from Ofgem will chair the Panel and the remaining five members from the 2005/06 panel have agreed to sit on the 2006/07 panel to allow for consistency.

² The length of an overall application from a 'DNO Group' may include one additional page should it include a category entry which is specific to one licensee area (i.e. 5 pages).

Tenure on the Panel will be time limited. As such, a proportion of the panel will be changed for the 2007/08 scheme to allow for a diversity of views, regions and organisations to be represented.

Application process

DNOs are required to complete the covering entry form and submit it with their application attached to apply for a reward. A DNO may only submit one entry per category and must complete a separate entry form and submission for each category. Should a DNO Group, which has a number of licensees who have all implemented the same initiatives, wish to apply for a reward, it may submit one entry per category, as above, clearly noting which licensees it applies to in the relevant section of the entry form. Should it be successful in receiving a reward, the reward amount would be shared proportionately (based on customer numbers) between all licensees named on the application.

DNOs should aim to keep submissions brief and simple and observe the page limits specified. The weight of initiative(s) rather than the length of the application(s) will impress the Panel. DNOs should be specific, give examples and provide evidence where possible.

Ofgem has identified that a DNO's submission should include:

- A brief description of the initiative(s);
- Background information (how it was identified, why it was implemented, objectives, etc);
- The scope and influence of the initiative(s) including: the target audience(s), whether partnerships were used, timeframe, impacts, etc;
- Communications (how the initiative(s) were communicated to the target audience, how feedback was sought and used);
- How the initiative(s) were monitored and how success was measured, what were the benefits to customers and the business;

Entry forms must be received at Ofgem by no later than the specified deadline. Entries will be judged by the panel who will recommend award winners to the Authority. A determination regarding the winners of any rewards under this scheme would then be issued as per the relevant licence condition (Special Condition C2).

Ofgem will provide some guidance to the Panel to assist them in making their recommendations regarding the rewards. This will take the format of some basic high-level principles which the Panel should consider when assessing submissions from the DNOs. The principles the panel should consider include:

- Which initiative(s) should be recognised as best practice and an example of excellence within the industry;
- Which initiative(s) are part of a holistic approach embedded in broader business processes, rather than 'flagship' or one-off projects;
- Which initiative(s) meet and exceed the minimum requirements specified by Ofgem;
- Which initiative(s) have been supported by external stakeholder organisations; and
- Which initiative(s) have best served the interests of customers throughout the year and resulted in measurable benefits.

Panel meeting

Ofgem will collate the submissions and send them to the panel prior to their meeting in June 2007 to decide the rewards. DNOs will be notified of the exact date in the coming months. The timetable for the panel meeting will be broadly as follows.

9:30 - 10:45	Discussion of entries
10:45 - 12:30	DNO presentations and interviews (7 x 15 minutes)
12:30 – 13:30	Decision (30 minutes per category)
14:00 – 15:00	Discussion of future scheme and feedback session with the DNOs

Presentations

DNOs that submit applications will be invited by Ofgem to make a brief presentation to the panel on their initiatives, lasting no more than five minutes in total. DNOs may use a maximum of five PowerPoint slides for the presentation slot or may prefer to simply make some introductory comments. Copies of slides should be provided to Ofgem during the week before the panel meeting. Ofgem will provide a laptop and projector on the day. The use of multimedia will not be permitted. The presentation will be followed by a ten minute question and answer session with the panel to clarify any aspects of the application(s).

Feedback

Ofgem will perform a secretariat role at the panel meeting. It is intended that after the panel has made its decision there will be an opportunity for open discussion between the panel, DNOs and Ofgem on the future of the scheme. There will also be an opportunity for the panel to provide some general feedback on submissions to DNOs on the day, although this does not preclude further feedback discussions between Ofgem and the DNOs at a later date. Taking account of panel members' views of the 2007 meeting, Ofgem will issue draft guidelines (i.e. this document) for 2007/08 in the summer of 2007.