

# Report on the Electricity Distribution Customer Service Reward Scheme 2007/08



## Introduction

The electricity distribution customer service reward scheme ("the scheme") is designed to encourage better service for consumers in areas that cannot be easily measured or incentivised. We seek to achieve this by recognising leading performance 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 exceed their licence requirements and demonstrate a holistic approach to promoting best practice embedded in broader business processes.

Each year DNOs are invited to submit entries to Ofgem detailing the initiatives and strategies they consider have best served the interests of customers across the chosen categories throughout the reward period. For the 2007/08 scheme (the third reward period since the scheme began) the chosen categories were '**corporate social responsibility initiatives**' and '**wider communication strategies**'.

All seven DNOs submitted entries for the scheme this year. Those companies were Central Networks, Electricity North West, CE Electric, Western Power Distribution, EDF Energy, SP Energy Networks<sup>1</sup> and Scottish and Southern Energy. The entries were assessed by an independent panel of experts<sup>2</sup> appointed by Ofgem in a panel meeting which took place on 25 June 2008. The DNOs also attended a question and answer session with the panel.

DNOs' entries were expected to meet the minimum requirements specified for each category. For the corporate social responsibility category the minimum requirements specified, amongst other things, that DNOs should have a range of corporate social responsibility programmes which are linked to their distribution businesses and result in benefits to their customers. For wider communication strategies the minimum requirements specified, amongst other things, that DNOs must have a range of communication strategies which effectively reach their target audiences and are regularly monitored to meet customers' needs. Many companies also demonstrated that they had implemented best practice initiatives identified from previous years' schemes. These initiatives included addressing the potential skills shortage, mitigating environmental impacts and the proactive use of customer complaints and research.

## Decision

The panel commended all DNOs that entered the scheme for the quality of their submissions and for the progress that had evidently been made since last year's scheme. The panel was particularly impressed with the way best practice identified in previous years had been both built upon by the DNOs and widely adopted across the companies. This lies at the heart of the scheme whose aim is to raise overall levels of service. The panel also noted a number of initiatives that stood out as being particularly creative and worthy of recognition.

### Corporate social responsibility

A reward of £700,000 was available under this category. Central Networks and EDF Energy are each to receive £350,000 reward for exceeding their obligations within their local communities to mitigate the environmental and social impacts of electricity networks.

These companies were chosen in recognition of the breadth of initiatives that they demonstrated. Both companies showed a wider business commitment to corporate social responsibility and senior level engagement and received praise for the innovation of their initiatives. Central Networks was congratulated for schemes such as its bogus callers campaign to prevent doorstep crime and its efforts during the 2007 floods to have a visible

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<sup>1</sup> SP Energy Networks submitted an application in the corporate social responsibility category only.

<sup>2</sup> The panel included representatives from energywatch, Age Concern, the Royal National Institute for the Deaf, Sustainable Development Commission, Communities and Local Government and the Public Utilities Access Forum.

and active presence amongst its affected customers and provide aftercare. EDF Energy was also congratulated for schemes such as its substation safety campaigns and partnership work with the East Anglian Air Ambulance service to mitigate the safety risks of overhead lines. The panel considered that both submissions provided excellent examples of best practice in this category of the kind that should be widely adopted by DNOs.

Schemes from CE Electric, Western Power Distribution, Electricity North West and SP Energy Networks (who submitted an entry in this category for the first time) were also recognised by the panel. Scottish and Southern Energy received a special commendation for its Youth Build scheme which, while as a single initiative it did not meet the requirements of the category, was acknowledged for the scale and ambition of the work and support for disadvantaged young persons.

#### Wider communication strategies

A reward of £300,000 was available under this category. Central Networks and Western Power Distribution are each to receive £150,000 for responding to the specific communication needs of their particular communities and in particular harder to reach customers. Central Networks received praise for schemes such as its communication efforts to raise safety awareness among workers in their region for whom English is not the first language and work to obtain the RNID 'Louder than Words' charter mark. Western Power Distribution was congratulated for the degree of progress made in this category and for the proactive roll-out of their partnership work with oxygen providers to promote access to the priority service register. Western Power Distribution also received praise for its bogus callers campaign in partnership with the charity Safer Merthyr Tydfil which provided safety information and devices for elderly residents. Both companies demonstrated a wider business commitment to communicating with hard to reach customers and senior management engagement with the cause.

The panel also recognised wider communications strategies and initiatives put forward by CE Electric, Electricity North West, Scottish and Southern Energy and EDF Energy, some examples of which can be found in the case studies section at the end of this report.

This year's submissions can be viewed on the Ofgem website. Other companies were also highly commended in both categories as is detailed in the case studies at the end of this report.

#### **Areas for improvement**

The panel identified some key areas for improvement for future years' schemes:

- Entrants should demonstrate the proactive use of customer/stakeholder feedback loops to inform their communication and corporate social responsibility strategies;
- Entrants should demonstrate a range of initiatives in the assessed areas;
- Entrants should aim to quantify the impact of their initiatives and strategies on customers and give more focus to the outcomes and customer benefits;
- Entrants should aim to build on their efforts from previous years and demonstrate a process of continuous improvement;
- Entrants should aim to actively participate in the sharing of best practice identified in previous years' schemes; and
- Entrants are encouraged to demonstrate a holistic approach in the assessed areas and show that their initiatives and strategies are embedded in wider company processes and decisions.

Comments specific to individual entries can be fed back to the relevant business directly.

The panel is supportive of maintaining the focus of the scheme on broad criteria. However, a panel suggestion is that Ofgem should consider whether the scheme could recognise one-off initiatives that are individually outstanding and demonstrate depth to provide entrants

with an incentive to innovate. Ofgem will consider how this suggestion could be accommodated and will aim to address this in the 2008/09 format and guidance notes.

### **The 2008/09 scheme**

The 2008/09 scheme has a total annual reward of £1 million available across all DNO groups and will cover:

Corporate social responsibility	£500,000 reward
Priority customer care	£500,000 reward

For 2008/09 equal weighting has been given to the categories as we consider that it is important to focus on continuous improvement in these areas. To date we have identified a range of best practice examples in each category that we would like entrants to adopt and demonstrate in their submissions.

The following aspects of each category will be given particular consideration for the 2008/09 scheme:

#### *Corporate social responsibility*

- social impact of electricity networks in the community;
- working with community partners, public health and safety/education organisations to respond to the particular social needs of the community;
- evidence of a sustainable approach to social policies embedded in wider company processes and decision making.

#### *Priority Customer Care*

- the quality of information on, and reliability of, the priority service register ("PSR") and how companies make effective use of their PSRs;
- feedback loops to ensure that services provided are responsive to the needs of priority customers;
- community partnership work to understand and respond to the needs of customers, particularly priority customers.

### **Next steps**

As part of the ongoing DPCR5 price control discussions and discussions with the panel, we are currently considering how to treat best practice that has emerged from the scheme going forward. One option is to raise the bar across all DNOs by incorporating best practice measures from DPCR4 into the DNOs' licence obligations.

Ofgem will issue detailed guidance notes and entry forms for the 2008/09 scheme to the DNOs by September 2008.

## **Best practice case studies identified by the panel**

### **Central Networks (“CN”) – Wider communication strategies**

CN was commended for having a broad range of communications initiatives. CN made a strong effort to reach a wide range of minority customers. Its partnership work with RNID to obtain the ‘Louder than Words’ chartermark and with MENCAP on bespoke customer service training were singled out for praise as was its communications efforts with migrant farm workers to raise awareness of the dangers of overhead lines.

### **Electricity North West (“ENW”) – Wider communication strategies**

ENW has built on the foundations laid in previous years to improve its communication strategies. ENW’s use of employee feedback to target its communications strategies was seen as a positive initiative by the panel. ENW has also implemented improvements to its call handling system.

### **CE Electric (“CE”) – Wider communication strategies**

CE was complimented by the panel for having a good range of communications initiatives. CE has increased its priority customer base and worked in partnership with RNID and Guide Dogs for the Blind to improve its understanding of vulnerable customers’ needs. CE also used its customer support vehicles during flood incidents and routine events to provide information and support to customers.

### **Western Power Distribution (“WPD”) – Wider communication strategies**

WPD was commended for proactively sharing best practice with other DNOs in relation to its partnership work with Air Products, a provider of home oxygen equipment. WPD has used this partnership to raise awareness of the priority services register amongst oxygen dependent customers and co-ordinate emergency care. WPD also implemented initiatives to raise awareness amongst old people of doorstep crime.

### **EDF Energy (“EDF”) – Corporate social responsibility**

EDF was recognised for its broad range of corporate social responsibility initiatives. EDF worked with county Neighbourhood Watch and county police forces on its ‘Substation Watch’ programme aimed at improving the security and safety of its equipment. EDF has developed other safety initiatives including partnership work with the East Anglian Air Ambulance service to mitigate the safety risks of overhead lines.

### **SP Energy Networks (“SP”) - Corporate social responsibility**

SP was commended for its safety education work to raise awareness amongst school children of the dangers of electricity. Safety Education Centres have been set up to educate and raise awareness of accidents, injury prevention and personal safety in a safe and controlled environment.

### **Scottish and Southern Energy (“SSE”) – Wider communication strategies and Corporate social responsibility**

SSE has laid strong foundations for future communication strategies with its Power2Serve initiative to entrench customer focus within the business. Innovative approaches to signing up PSR customers were also developed. SSE’s Youthbuild scheme entailed partnership work with Dundee City Council and Barnados to provide training and development to disadvantaged young people potentially leading to permanent employment.