



Report on the Electricity Distribution Customer Service Reward Scheme 2009/10

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 that is 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 2009/10 scheme (the fifth and last year of the DPCR4 scheme) the chosen categories were:

- wider communication strategies
- corporate social responsibility initiatives

All seven DNOs submitted entries for the scheme this year. These companies were CE Electric (CE), Central Networks (CN), EDF Energy (EDF), Electricity North West (ENW), SP Energy Networks (SP), Scottish and Southern Energy (SSE) and Western Power Distribution (WPD).

The panel for the 2009-10 scheme was chaired by Sarah Harrison, Senior Partner Sustainable Development, Ofgem. The other five members of the panel were:

- Audrey Gallacher, Head of Consumer Focus
- Dr Gill Owen, Chair of the Public Utilities Access Forum
- Derek Lickorish, Chair of the Fuel Poverty Advisory Group
- Solitaire Townsend, Co-founder Futerra Sustainability Communications
- Simon Roberts, Chief Executive, Centre for Sustainable Energy

Decision

The Panel commended all of the DNOs that entered this year's scheme for the effort that had gone into preparing their submissions and the continuous improvement that had been demonstrated in various ongoing projects. There were a number of initiatives that stood out as being particularly creative and worthy of recognition. Nevertheless, the view was that the general quality of submission this year was not up to the standard that they would expect from an organisation operating in a competitive industry in which the customer's willingness to pay would be taken into account. The Panel also considered that the quality of submissions had deteriorated since last year. As a consequence, the Panel decided to reduce the rewards available for both categories.

Wider communication strategies

A reward of £600,000 was available for this category. This overall amount to be made available to winning submissions however was reduced to £500,000 following agreement between the Panel members that the general quality of submissions in this area were below the standard expected. Of the £500,000 available, only £400,000 was actually awarded with WPD and CN each receiving £175,000 and SSE receiving £100,000. WPD also received a flagship award of £50,000.

WPD was awarded £175,000 in recognition of the wide breadth of their communication strategy and the extent to which these are embedded into their ongoing business practices. The Panel considered the approach WPD had demonstrated in building up their register for priority service customers (PSR) was innovative and industry-leading. The Panel commended WPD for their proactive strategy of ensuring all customers receive a call back following a supply interruption. The Panel considered that WPD's approach to communication showed an understanding of the differing requirements of various customer groups that resulted in a targeted and effective communications strategy. Their broad range of initiatives demonstrated innovative thinking and effective use of the feedback opportunities provided by an established process of stakeholder engagement.

CN also received an award of £175,000 for its innovative deployment of technology to reach their customers, using a wide variety of tools such as the internet, live chats and text messaging to convey key messages. CN's approach allowed customers to choose the method of communication that best met their requirements. CN ensured the language they used in their communications was straightforward and easy to understand, making good use of feedback loops with their customer panel in this regard. The Panel commented that CN had demonstrated a consistent long-term drive in the area of communications enabled by an established senior management team providing consistency and commitment to long term initiatives.

SSE was recognised for the proactive management of their PSR initiative. SSE matched their database with records held by local authorities helping to ensure that the information they held was up to date. SSE also showed a respect for their customers' privacy by taking into account data protection issues. The Panel was impressed by SSE's commitment to customer service exemplified by senior management involvement in a benchmark exercise to share best practice with companies both within the UK and abroad. The Panel commended SSE for being proactive about call backs to all their customers following a supply interruption.

WPD are also to receive a flagship award of £50,000 to recognise its partnership work with Energy Action Grants Agency (Eaga) Cymru. The Eaga initiative was considered exemplary because it simultaneously secured benefits for fuel poor population in Wales and promoted energy efficiency. It was heralded as a best practice initiative that should be replicated throughout the industry.

Corporate social responsibility

A reward of £400,000 was originally available for this category. The Panel was disappointed with this year's submissions in this category and reduced the reward to £200,000, of which only £100,000 was finally allocated. The Panel felt that the submissions in this area were weaker than those in the category of wider communications since they lacked a coherent strategic narrative. They also commented that the 2009/10 submissions showed a decline in quality from submissions made in 2008/09.

CE received a reward of £100,000 for their air-source heat pumps initiative developed in partnership with Community Energy Solutions (CES) and their electric vehicle initiative. The heat pumps initiative aimed to cut fuel bills for fuel poor customers and reduce carbon emissions whilst assessing ways of reducing the impact of connecting heat pumps to the network. The electric vehicle initiative displayed a holistic approach to corporate social

responsibility since it aimed to understand the behaviour of future users of electric vehicles and how they would impact their business, while considering how they can contribute to wider environmental goals.

A special mention (but no financial award) was given to SSE's Heart Project. This was perceived as a very powerful internal communications initiative but lacked meaningful indicators to quantify its impact.

A special mention (but no financial award) was also given to ENW's Demand Side Management (DSM) initiative. The Panel commented that this initiative would have won a flagship award if it had been part of a wider cohesive package.

Areas for improvement

The Panel reduced the awards for both categories to illustrate the point that this year's submissions were not up to the standards that would be expected of companies operating in a competitive market in which the reward would reflect customers' willingness to pay for a service.

The Panel considered there is significant scope for the DNOs to make improvements in particular areas, such as measuring customer outputs. The Panel also considered that future submissions should:

- Be presented in the context of a strategic narrative;
- Establish measures to assess impact of initiatives;
- Track performance against these measures and establish the extent of their success.

The Panel emphasised the need for a significant improvement in performance in the area of Corporate Social Responsibility (CSR). The Panel felt the overall standard of DNO initiatives in this area was poor. Panel members pointed out that:

- CSR projects should include key points of materiality and comparability in order to be effective;
- DNOs should look at the material impact their business has on the environment and society and set key performance indicators (KPIs) to quantify them;
- DNOs should be able to provide the Panel with an update of how they are performing against the KPIs; and
- Initiatives should be integrated within the business and should inform the DNOs' view on the role the company plays within society and the environment.

Scope of the 2010/11 scheme

The 2010/11 scheme has a total annual reward of £1 million available across all DNO groups and will cover:

Wider communications strategies with emphasis on vulnerable customers	£500,000
Corporate social responsibility	£500,000

For 2010/11 the weighting is balanced between the two categories. On the wider communications strategies the emphasis remains with the priority customer care initiative, while the corporate social responsibility category was given greater weighting to provide the DNOs with an opportunity to improve the quality of their submissions and build upon feedback received on the 2009/10 scheme. Within these categories there will be particular emphasis on:

- Communication with worst-served customers and innovative schemes;

- Approach to understanding and responding to customers' needs; and
- Assistance for other categories of customers such as vulnerable customers who only have an electricity supply and are not connected to the gas network.

Communications

We will be making the decision public on the Ofgem website towards the end of September. We will also issue a short Information Note to the trade press.