

RIIO-GD1

Customer and Social issues working group

Working Group established to develop customer and social issue related outputs and incentives for RIIO-GD1	From:	James Veaney
	To:	Customer and Social issues working group members
	Date and time of Meeting	10am – 1230 pm on 19 January 2011
	Location	Ofgem 9 Millbank London SW1P3GE

1. Introduction

- 1.1. James Veaney welcomed attendees of the working group meeting which included the following representatives: Robert Instrall (SGN), Margaret Hunter (SGN), Mark Oliver (WWU), Tracy Hine (NGG), John Downing (NGG), Stephen Parker (NGN), Gary Farnhill (NGN), Clare Cantle-Jones (ENA), Clare Lucas (Consumer Focus), Rebecca Langford (Ofgem), Lia Santis (Ofgem) and Karron Baker (Ofgem)

2. Broad Measures for Customer Satisfaction: Customer Satisfaction survey, complaint metric and stakeholder engagement

- 2.1. Ofgem lead the discussion with an overview of the Broad Measure proposals published in the RIIO-GD1 December Consultation document. The purpose of the session was to clarify any points of uncertainty in the December proposals and provide an early opportunity for stakeholders to feedback their views.
- 2.2. NGG, SGN and NGN felt that the consultation did not reflect all aspects of the views that had been expressed at previous working group sessions. NGN pointed out that there are five years of data available from the CSS and relevant experience which have not been taken into account into the proposals for the CSS within the document. They stated that Ofgem is missing an opportunity to utilise both the data and the expertise in developing output measures that could differ from DPCR5 model.
- 2.3. NGG and SGN expressed their concern on the policy of basing an incentive for complaint handling around the relative performance of networks with a dead band for those who perform in the upper quartile. Given the number of network companies this approach would always result in two being exempt from and two being exposed.
- 2.4. NGN, NGG and SGN are also concerned about the output measures for the CSS and the difficulty of forecasting relative performance over a period of 8 years. They believe a mixture of absolute and relative measures should be recommended.
- 2.5. WWU believes the relative measure for CSS is working well and we should keep on working with it.
- 2.6. On the point of stakeholder engagement, Ofgem is holding a trial run on stakeholder engagement initiatives as part of the Customer Service Reward scheme for electricity. We expect to get the panel's and the DNO's feedback on the process, guidelines, quality of submissions and establish relevant benchmarks. We will keep the GDNs informed of the process and share guidelines once they are released.

- 2.7. WWU stated that although they are happy with the incentive allocated to stakeholder engagement, they are not satisfied with the DRS process. They believe the DRS are very subjective and are not convinced this is the appropriate output for stakeholder engagement.
- 2.8. NGN believes the size of the incentive allocated for the broad measure is very low given the focus on customers which is the central premise of RIIO.
- 2.9. Regarding the penalty allocated to the Complaint Metrics both NGG and SGN believe the penalty is unfair given the small number of networks. They feel it is a double penalty associated with this metric since they also have payments associated with the guaranteed standards. SGN stated that they did not feel the penalty was driving the right behaviour.
- 2.10. Ofgem clarified that the feedback from stakeholders is that the network companies should be focused on resolving complaints and this is reflected in the penalty linked to the output measure.
- 2.11. NGN and SGN point out the fact that there are discrepancies between the discussions around the survey and what appeared in the document. They believe the existing survey works and it should be used in the output measure.
- 2.12. WWU touched upon the issue of the Guaranteed Standards and the possibility of standardising them in order to ensure reporting to one standard instead of two.

Actions

1. WWU will provide information regarding complementing guaranteed standards and complaint measurement.
2. Ofgem will issue some material from Electricity RIGS in order to clarify the definition of a repeat complaint/dispute.
3. GDNs will get together in order to agree on a set of definitions for the RIGS. They will start working from the existing document and use the Electricity RIGS as guidance.

3. Connections

- 3.1. Ofgem presented summary of the connections issues raised in the December paper.
- 3.2. NGN pointed out that GDPCR1 Final Proposals were vague as to what is considered competitive in the connections market. They would encourage better specification of where the GDNs could possibly charge margins.
- 3.3. WWU believes there needs to be more clarity regarding the standards in distributed gas. The main issue is developing a policy as to who pays for what and agreeing on a set of standards for the long term. It is important to get a view on the work of IGTs and their obligation to comply with these standards and how this affects competition in these markets.
- 3.4. Most GDNs agreed that no margins are been charged in connections. NGG is the only GDN to have changed their charging methodology and be charging a margin for non-domestic customers. NGG was unable to give information regarding what margin is charged.

- 3.5. WWU believes there needs to be more clarity regarding the standards in distributed gas. The main issue is developing a policy as to who pays for what and agreeing on a set of standards for the long term.
- 3.6. The issue that it is hard to compete with IGTs due to the way they price was raised. WWU believes that it is important to get a view on the work of IGTs and their obligation to comply with the standards and how this affects competition in these markets. Ofgem pointed out that there will be a consultation on the scope of a potential review of independents.
- 3.7. NGN raised the point of GDNs having the freedom of saying no to providing free quotes to commercial parties. Ofgem replied that this was more a legal point rather than a price control issue.
- 3.8. Some attendees thought that the complaints GS should be aligned with the consumer complaints handling standards, this related to both timeframes and definitions. One attendee pointed out that the difference in timeframe was not an issue as they worked to the minimum timeframe for all jobs and their system could report for both standards. Ofgem agreed to circulate the GS RIGs for electricity. It was agreed the GDNs would look at the definitions and report back what changes are required before the February meeting.
- 3.9. Attendees pointed out that a gas entry licence condition already exists. Providing a quote within 180 days? All attendees agreed that if the current timeframes were extended to cover distributed gas almost all of these connections would be excluded from the standards as they would be considered 'complex connections'. They also agreed that if distributed gas connections were to be covered by the standards and 'complex connections' were not excluded, they would not be able to meet the standards as the connections were too complex.

4. Network extensions

- 4.1. Karron Barker led the presentation based on December strategy paper and solicited feedback on the two funding options proposed in the document.
- 4.2. Ofgem stated that the scheme has been a success and a small change will be made in the reporting requirements. When new customers are connected into the network we will require information regarding where customers are switching from.
- 4.3. Ofgem asked DNOs if they were currently recording this information. WWU and SGN were not sure if this information was being recorded while NGN and NGG said they do keep this information.
- 4.4. Regarding the funding options proposed in the December paper, NGN would prefer option 1 but they would like to have an understanding of the level of subsidy at stake. Are we keeping it, reducing it or increasing it?
- 4.5. Ofgem replied that GDNs will need to justify the level of expenditure that they are requesting within their proposed business plans but no fundamental changes are planned.
- 4.6. NGN pointed out that if the allowances are based on cost of the schemes rather than other forecast measures then the funding/expenditure would differ.
- 4.7. WWU raised the point regarding network extensions for non fuel poor customers since some initial discussion has taken place in other forums.

- 4.8. Ofgem reiterated that we will be looking at the relative cost of alternative technologies, how they will change the energy landscape and any economic implications.

Actions

1. GDNs requested a future work programme to be developed for this group. The working programme should include RIGS, calibration of incentive mechanisms and work on the consumer satisfaction survey (CSS).

Summary of Actions

1. WWU will provide information regarding complementing guaranteed standards and complaint measurement.
2. Ofgem will issue some material from Electricity RIGS in order to clarify the idea of repeat complaint/dispute.
3. GDNs will get together in order to agree on a set of definitions for the RIGS. They will start working from the existing document and use the Electricity RIGS as guidance.
4. GDNs requested a future work programme to be developed for this group. The working programme should include RIGS, calibration of incentive mechanisms and work on the consumer satisfaction survey (CSS).