



The aim of this scheme is to encourage network companies to increase their understanding of their stakeholders' expectations by identifying who their stakeholders are, developing effective means of engaging with them and incorporating their views into the companies' decision making processes.

During the last price control we indicated our intention to introduce a stakeholder engagement reward scheme as an element of the broad measure for customer satisfaction. Our aim for the first two years is to trial the companies' approach to stakeholder engagement. This would provide the network companies with an opportunity to develop engagement strategies based on a genuine understanding of their customers and identify best practices prior to the introduction of financial rewards in 2013.

Scope of the scheme

This year we are inviting network companies to put forward a submission in relation to stakeholder engagement alongside their Wider Communications and Corporate Social Responsibility submissions for the Customer Service Reward Scheme.

There are no financial rewards for initiatives under this category this year. However, the Customer Service Reward Panel will assess all submissions and deliver targeted feedback to the DNOs through Ofgem regarding this component. This year's submission will help us establish benchmarks among the industry and best practices that will help to develop a baseline which can be used to assess future performance.

Stakeholder Engagement

Stakeholders are individuals or organisations affected by the activities of the DNO. They may have a direct or indirect interest in the DNO's business, and their contact with the DNO may be anything from a daily interaction to those who have just extremely occasional contact. Stakeholders can include customers, investors, shareholders, regulatory authorities, NGOs and other interested organisations, workers and civil society with particular attention to vulnerable constituents.

Through this component of the Broad Measure of Customer Satisfaction we aim to incentivise DNOs to carry out a range of activities including to:

- Encourage DNOs to identify who their stakeholders are and the best ways to elicit and collect stakeholder views;
- Identify instances in which lack of understanding or lack of information prevent feedback on key debates and ways to address it;
- Identify top concerns from stakeholders about DNO performance and implement plans to address them;
- Understand that different types of customers will have different needs and their needs will change with time and tailor information accordingly;
- Assess how consumers might change their use of the networks and should shape the service provided by DNOs; and
- Produce robust business plans for DPCR6 which are informed by stakeholder engagement feedback

Minimum Requirements

Our aim for the stakeholder engagement component is to encourage DNOs to focus on the outcomes achieved rather than the engagement process itself. Submissions under this category are expected to meet the following minimum requirements:

- The DNO has in place an up-to-date engagement strategy addressing how they inform and obtain feedback on the impacts of their business activities from a range of stakeholders,
- A range of stakeholders have been engaged and have commented on the DNO's approach to stakeholder engagement and on the changes the DNO is making in response to the views of stakeholders,
- The DNO has made use of a variety of mechanisms to inform and engage their stakeholders (and possibly demonstrated a year on year improvement), and
- The DNO is adapting its internal processes and policies in response to feedback from shareholders.

Best Practice Guidance

Based on the 2009/10 electricity panel feedback, DNOs are encouraged to carry out the following activities as part of their stakeholder engagement process:

- DNOs should have mechanisms in place to establish who their key stakeholders are, what would constitute a representative sampling approach to eliciting their views and the best use for this information.
- Demonstrate genuine evidence of improvement in their understanding of customers and stakeholders. They need to demonstrate how their knowledge of their stakeholder's needs has evolved throughout their engagement process.
- Demonstrate an understanding of where they are starting from. DNOs should look to benchmark themselves against companies operating in competitive markets and not other DNOs.
- Demonstrate an effective, cross-organisation mechanism for capturing and managing this information so that it can systematically influence future policy and practice.

Format of entries

DNOs are required to complete a covering entry form for stakeholder engagement submission. DNO applications should not exceed four A4 pages in total¹ (excluding the entry form).

The format of the application and the use of graphics are flexible and there is no restriction on the font sizes used in submissions.

¹ 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 plus 2 pages of supporting information).

Supplementary support

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 element of the submission. The supporting information provided should not exceed one A4 page in length per category to minimise the burden placed on stakeholder organisations.

Panel members

In accordance with previous years, the Panel will be comprised of five or six voting members and a non-voting Chair. Sarah Harrison, Senior Partner, Sustainable Development, from Ofgem will continue to chair the Panel.

Application process

DNOs should aim to keep submissions brief and simple and observe the page limits specified. Entry forms must be received at Ofgem by no later than **29th April 2011**.

Ofgem will provide some guidance to the Panel to assist them in making their assessment. This will take the format of some basic high-level principles which the Panel should consider when assessing submissions from the DNOs.

Feedback

DNO stakeholder engagement submissions will be a paper-based assessment. Ofgem will not be inviting DNOs in to present or to answer questions on their submissions. Ofgem will collate submissions from all the companies and forward to the panel. The panel will individually assess DNOs' submissions and attend a meeting with Ofgem to provide feedback on each DNO submission. DNOs will attend a feedback session with Ofgem. DNOs will be notified of the exact date and timetable for the feedback sessions nearer the time.