

Electricity distribution customer service reward scheme 2010/11: Guidance notes and format



The aim of the customer service 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 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. We are particularly keen to recognise those who have exceeded their licence requirements and demonstrated a strategic and joined-up approach in the planning and delivery of their activities. The Panel may reward individually outstanding one-off initiatives as explained in the section below entitled Flagship/One-off Award.

Scope of the scheme

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

Corporate social responsibility	£500,000 reward
Wider communication strategies	£500,000 reward

For 2010/11 equal weighting has been placed on the two categories. To date we have identified a range of best practice examples in each category that entrants may have subsequently adopted and are able to demonstrate in their submissions. These are detailed in the entry forms (minimum requirements). The following aspects of each category will form the focus of the 2010/11 scheme:

Corporate Social Responsibility

Corporate Social Responsibility (CSR) cover a number of activities and voluntary actions undertaken by companies which have a measurable sustainable value to society. It is about how businesses take account of their economic, social and environmental impacts in the way they operate, addressing both its own competitive interests and the interests of the wider society¹. The process should provide opportunities to assess an organisation's policies and programs and the economic, social and environmental impacts of its activities.

This category looks at DNOs' CSR initiatives and aims to recognise and promote best practice. Ofgem expects corporate social responsibility initiatives to show that:

- DNOs have a range of initiatives which link ongoing business plans with wider societal needs. The initiatives should deliver sustainable value to society as well as to stakeholders;
- DNOs have processes in place to identify the material impact on society and the environment of projects in their chosen areas of operation;

¹ <http://www.csr.gov.uk/whatiscsr.shtml>

- DNOs have developed performance indicators that elicit comparable information on the economic, environmental and social impact of their initiatives and make them accountable to their stakeholders;
- DNOs demonstrate that the initiatives put forward stem from company's core business drivers and are driven by senior management engagement. These initiatives should go beyond philanthropic pursuits and aim to serve disadvantaged populations;
- Initiatives put forward should have elements that can be replicated across the industry;
- DNOs have developed baselines of continuous improvement to ensure the initiatives put forward are adapting to changing stakeholder needs and in line with best practices in the industry;
- CSR initiatives should display an element of innovation in tackling social and environmental issues linked to the distribution business and its customers.

Wider communication strategies

This category examines how DNOs communicate with their customers, stakeholders and staff. It aims to recognise and promote best practice regarding how to communicate with hard to reach customers, including people with little or no written or spoken English, as well as a wide number of people who may have issues with accessing some of the more common forms of communication. It will look at not only ensuring that alternative formats are available but also about making communications clear, easy to understand and accessible to all. It will also look at how DNOs communicate with other stakeholders including, coordinating work with other utilities, and communication methods used with other agencies such as the media, NHS and the Police etc.

Ofgem expects wider communication strategies to show that:

- DNOs have a range of communication strategies which effectively reach their target audiences and are regularly monitored to ensure that they are meeting customers needs;
- DNOs seek feedback from customers, stakeholders, partners and staff regarding their wider communication initiatives and their effectiveness and are able to incorporate these into the wider business processes/decisions;
- DNOs have developed stakeholder engagement strategies to understand and respond to the needs of those customers looking to adopt low carbon and energy saving initiatives (e.g. DG developers, large customers, ESCOs etc);
- Making use of feedback loops to constantly review the quality of communication with customers and demonstrating how feedback is incorporated into processes;
- DNOs use this feedback to improve their communication strategies;
- DNOs have developed performance indicators that elicit comparable information on the impact of their initiatives and demonstrate their effectiveness;
- DNOs are able to demonstrate continuous improvement of their ongoing initiatives and taken into account best practices.

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 corporate

social responsibility and wider communication strategy. The focus areas above are not minimum requirements.

Activities which are already subject to other Ofgem incentives (telephony, undergrounding in AONBs) or legislative requirements (e.g. obligations in the Electricity Act or the electricity distribution licence such as having effective procedures to enable data flows to and suppliers) will not be eligible unless the submission demonstrates activity outside and well beyond the requirements of those arrangements.

Flagship/One-off Award

The Panel has been given the discretion to make a small reward of up to £50,000² in each category for each initiative that demonstrates to be individually outstanding³ and encourage innovation in the scheme. For initiatives to be considered for this reward they must meet the following criteria:

- Initiative is DNO-driven and demonstrates innovation at industry level;
- Initiative must meet the minimum requirements specified except for those related to having a broad range of initiatives;
- The focus must be consistent with that specified for the categories in the given year.

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 exceed four A4 pages in total⁴ (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 A4 page limit);
- Submission (two A4 page limit per category); and
- Optional supplementary support from stakeholders and/or other evidence, e.g. surveys (one A4 page limit per category).

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

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 have remained consistent for the DPCR4 period 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, best practice examples have been expanded year on year as new initiatives are recognised by the scheme. The entry forms specify best practice from DPCR4 rewards and require DNOs to indicate which initiatives they have implemented or already do. This enables Ofgem and

² This amount will be part of the overall £1million reward, not additional to it.

³ Given the need to maintain focus on the broad criteria we expect one-off rewards to be no more than two per category

⁴ 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).

the Panel to monitor the sharing and adoption of best practice but it is not a pre-requisite of the scheme. 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 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 are required to complete the covering entry forms and submit them with their submissions 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); and
- Key Performance Indicators (KPI's). 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 CRC8).

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;
- 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 2011 to decide the rewards. DNOs will be notified of the exact date and timetable for the day nearer the time.

Question and Answer session

DNOs that submit an application for the 2010/11 reward will be invited by Ofgem to attend a 10-15 minute question and answer session with the Panel on the day of the meeting.

Feedback

Ofgem will perform a secretariat role at the Panel meeting. As was the case with previous years, 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 it is not compulsory for DNOs to stay for this session. Attendance at the feedback session does not preclude further feedback discussions between Ofgem and the DNOs at a later date.