



Report on the Electricity Distribution Customer Service Reward Scheme 2010/11

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 performance of those DNOs which exceed their licence requirements and promote best practice.

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 2010/11 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), UK Power Network, Electricity North West (ENWL), SP Energy Networks (SP), Scottish and Southern Energy (SSE) and Western Power Distribution (WPD). This year's submissions can be viewed on the Ofgem website¹.

The panel for the 2010/11 scheme was chaired by Sarah Harrison, Senior Partner Sustainable Development, Ofgem. The other six members of the panel were:

- Audrey Gallacher, Head of Consumer Focus
- Derek Lickorish, Chair of the Fuel Poverty Advisory Group
- Tony Grayling, Head of Climate Change and Communities, Environment Agency
- Janet Wood, Utility Week
- Gretel Jones, Consumer Markets Policy Advisor, Age UK
- Sue Cox, Head of Consumer Policy, Ofwat

Decision

The Panel had special mentions for nearly all of the DNOs that entered this year's scheme. The Panel recognised that the DNOs had taken account of feedback provided last year and that amongst the submissions there were several good initiatives. Although some initiatives were still in their infancy, others were felt to be particularly creative and worthy of recognition. The Panel acknowledged that some DNOs had displayed a real commitment to focussing on customer needs and seeking continuous improvements to service.

In reflection of the above, the Panel awarded the full £500,000 available under the wider communication strategies category and £250,000 out of the available £500,000 under the corporate social responsibility category. Awards made under the corporate social responsibility include two flagship awards of £50,000 each made to two DNOs. Several DNOs received special mentions for their initiatives.

¹ <http://www.ofgem.gov.uk/Networks/ElecDist/QualofServ/CustServRewSch/Pages/CustServRewSch.aspx>.

Nevertheless, the view was that there was still room for improvement in the quality of submissions, specifically in relation to DNOs being able to demonstrate the measurable benefits delivered through their initiatives.

Wider communication strategies

An overall reward of £500,000 was available for this category. This amount was shared between the winning submissions with WPD receiving £250,000 and CN and CE each receiving £125,000.

WPD was awarded £250,000 in recognition of the wide breadth and depth of their communication strategy and the extent to which their initiatives and activities are embedded into their ongoing business practices. Their broad range of initiatives demonstrated innovative thinking and effective use of the feedback opportunities provided by an established process of stakeholder engagement.

CN and CE also received an award of £125,000 each for the clear evolution of their strategies and the way they had taken account of learning from previous years. This included the use of new technologies and their commitment to seek out, understand and respond to customer needs. The Panel commented that CN has continued to demonstrate a drive to improve communications enabled by an established senior management team providing consistency and commitment to long term initiatives.

Corporate social responsibility

A reward of £500,000 was available for this category. The Panel was disappointed that whilst there was some progress in this area, this was not to the level expected. Therefore, it was decided to limit the award to £250,000. Furthermore, 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. However it was noted that in the individual presentations given by each DNO, some of them were able to better demonstrate how their initiatives were embedded within their business strategies. It was noted however, that this explanation should form part of the actual submissions.

WPD received a reward of £150,000 for their use of partnerships, the extent to which carbon reduction initiatives had been embedded within their business and their staff engagement. In addition, they were awarded a £50,000 flagship for their Community Chest initiative which was felt to be a good demonstration of to forge relationships with stakeholders.

An additional flagship of £50,000 was awarded to CN for their "Pathfinder" internet application which allowed developers of distributed generation to identify potential areas of development.

Special Mentions

SSE's Barnados initiative to tackle youth unemployment was awarded £200,000 during the 2008/09 panel meeting and this year, they were commended for their sustained commitment and improvement to work with Barnardos and their Heart Project. These were perceived as being very powerful internal communications and educational initiatives but lacked meaningful indicators to assess the impact of these activities.

Electricity North West Ltd (ENWL) received a special mention for their corporate and social responsibility work. In particular, their work with ENERNOC, an international leader in the electricity market, their strategic approach to embedding learning from initiatives into the business and through their support of the Plugged in Places electric vehicles initiative.

SP was commended for their detailed reappraisal of their strategy for customer service and engagement. SP was also commended for their approach in identifying and undertaking key customer groups, including vulnerable customers.

UKPN was commended for their turnaround in relation to customer issues and management of complaints. It was noted that there had been a substantial shift internally which had led to empowerment of their staff, a clearer understanding of their customers and clearer measureable reduction in the number of complaints they were receiving each month. It was also observed that there was a clear shift in strategy. The Panel were impressed by the significant amount of work they had shown in thinking about and responding to the needs of vulnerable customers.

Observations

The Panel observed that the presentations given by each of the DNOs brought their submissions to life and helped to indicate the impact of initiatives. However it was highlighted that overall, the applications were not felt to be of a sufficiently high standard and that further improvement was needed to articulate the underlying strategy and the outputs delivered.

The Panel was struck by the clear improvement in the emphasis placed upon understanding customer needs. A significant amount of research had been conducted by various DNOs in the form of surveys, focus groups and panels. Of note was the consideration of feedback loops and the development of ongoing relationships with customers. Some DNOs had also shown a great commitment to understanding the needs of vulnerable customers. DNOs involved in community-led projects were commended for supporting and facilitating these schemes and showing a readiness to engage and work with other stakeholders.

It was observed that a large number of the initiatives put forward by some of the DNOs were being funded either through Ofgem's Low Carbon Network Fund or other external sources. It was also commented that for some of the projects it was unclear whether the DNO actually led the initiative or whether it had been instigated by the customer rather than the DNO.

It was noted that 7 of the licence areas had undergone some change in the form of restructure or ownership change. DNOs were commended for continuing with their established initiatives in the midst of these internal upheavals. The Panel was further struck by how much of the feedback previously provided to each DNO had been taken on board.

Areas for improvement

The Panel increased the amount awarded under the wider communications category this year to illustrate the point that this year's submissions have shown clear progression and evolution in this area. However, in the area of corporate social responsibility, the award was reduced to reinforce the point that there was a feeling that a large number of the initiatives felt more like standard business practices, given corporate obligations for managing safety and environmental concerns and the suite of incentives placed upon the DNO through the price control process. However, in recognition of continued commitment and significant progress displayed by some DNOs, the Panel chose to give a special mention to certain DNOs alongside the monetary awards.

As with last year, overall, DNOs need to show an improvement in their ability to display clear, measurable indicators of the impact of initiatives and describe how these activities are driven by, and used to inform their core business strategies.

Scope of the 2011/12 scheme

As part of the fifth Distribution Price Control Review (DPCR5), Ofgem is introducing a new broad measure of customer satisfaction incentive from 1st April 2012, which will capture and measure customers' experiences of contact with their DNOs across a wide range of services and activities that the DNOs provide. The broad measure will capture DNOs' ongoing approach to stakeholder engagement as well as survey customer satisfaction and monitoring complaints handling.

We recognise that there will be an overlap between the customer service reward scheme and the broad measure and in view of this, we are carrying out a review of the scope, value and viability of the electricity customer service reward scheme going forward.