

*Lia Santis*  
*Ofgem*  
*9 Millbank*  
*London*  
*SW1P 3GE*

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By e-mail: [lia.santis@ofgem.gov.uk](mailto:lia.santis@ofgem.gov.uk)

By e-mail: [zoltan.zavody@renewableuk.com](mailto:zoltan.zavody@renewableuk.com)

Dear Ms Santis,

### **RenewableUK consultation response REF 24/12**

## **OFGEM'S APPROACH TO ASSESSING STAKEHODLER ENGAGEMENT**

### **Summary**

RenewableUK welcomes Ofgem's consultation on its approach to assessing DNO stakeholder engagement. This is a vital area for ensuring that network companies "play a full role in the delivery of the sustainable energy sector." We would like Ofgem to consider the following:

- **a minimum requirement for the DNO to have in place a clearly articulated framework with policy context, DNO vision, role of DNO, and questions for stakeholder input**
- **reflection of the "full role" that DNOs can play in the delivery of the sustainable energy sector, not just limited to their current activities and stakeholders**
- **pro-active outreach to and generation of new customers as part of the scope of the scheme**
- **representation of DNO stakeholder perspectives on the assessment panel**

### **Introduction**

RenewableUK is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with over 660 corporate members, RenewableUK is the leading renewable energy trade association in the UK,

representing the UK's wind, wave, and tidal energy companies. Our members include supply chain companies both manufacturing and services; renewables developers & generators; and energy companies with renewables portfolios.

RenewableUK welcomes Ofgem's consultation on its approach to assessing DNO stakeholder engagement. This is a brief response highlighting some practical concerns as set out below.

## **Scene Setting and Framework for Stakeholder Engagement**

RenewableUK welcomes the incentivisation of DNOs to undertake engagement activities with their stakeholders. However, there is a need to ensure that form and substance are balanced. The most detailed engagement process will be of little value if the overall framework, vision, and accountabilities are not clear.<sup>1</sup> Accordingly, as an additional minimum requirement under DCPR5 guidance, we ask for the following:

*"The DNO must have in place a clearly articulated framework that sets out the policy context; the DNO's vision within this context; the role the DNO will play; and the questions on which the DNO is requesting input from stakeholders."*

In the experience of our members, without such a framework, stakeholder input can veer off into areas for which the DNO does not have responsibility; and can miss the expression of views on areas for which the DNO could take responsibility. Both of these lead to a sub-optimal outcome. – We do not want to see a tick-box exercise for evidencing activities that will then actually distract DNOs from effective engagement.

## **Role of DNO**

As set out above and in our attached RIIO-ED1 submission, we believe it is vital for the role of DNOs to be clear. In particular, do they have a leadership role? A role in changing attitudes and behaviour? Or just a role in efficiently responding to customer requests? Does it even vary from region to region?

RenewableUK believes that DNOs should have some explicit responsibility for leading the way towards the achievement of long-term low-carbon goals; and also that they need to develop a distribution network operator capability (not just ownership), moving from a passive to an active role. This is not directly a matter for this Ofgem consultation. However, it has implications; *if* RIIO-ED1 determines that a wider role for DNOs is appropriate and that they need to be incentivised to take this direction, then the range of relevant stakeholders, and the scope for strategic engagement need to be expanded accordingly.

As an example, if DNOs have a wider leadership role, it is necessary for them to consult the energy suppliers, and understand their priorities and programmes with their customers in the DNO area. Ultimately it is the suppliers that have the relationship with their customers, not only in terms of data, but also in terms of being the route for mobilising their customers to play an active role and maximise the benefits of “smartness.” There will be other stakeholders who may need to be consulted in a similar vein.

### **Who are Stakeholders?**

RenewableUK is concerned that DNO stakeholder engagement activities are geared towards, and assessed, on the basis of stakeholders who are already in the DNO area and have immediate issues to address. We believe this misses a key objective of RIIO, namely: “to encourage energy network companies to play a full role in the delivery of the sustainable energy sector.”

In particular, this approach misses *potential* stakeholders. As an example, a small wind developer may wish to apply for a connection with the DNO and pursue this as part of the stakeholder engagement process. The DNO may respond with the cost of building additional network capacity to accommodate the new development. This cost, borne by one small developer, may be prohibitive. However, the DNO has the option at this point to use the opportunity to put out a call to other generators who may wish to connect in the area. This could result in a cluster of generators who could share the grid reinforcement cost between them.

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<sup>1</sup> See attached RenewableUK’s submission into the RIIO-ED1 review, which discusses in more detail the strategic framework that we believe is required.

The DNO will only act in this way if it is incentivised to do so under the RIIO-ED1 price controls, for instance, with an incentive connected to progress on the low-carbon agenda. The stakeholder engagement assessment process and incentive also has an important role to play, and RenewableUK would ask for the following in the scope of the scheme under the DCPR5 guidance:

*“reach out to and embrace new customers where opportunities present themselves to anticipate their needs and facilitate early and value for money connections.”*

For this to be effective, DNO stakeholder engagement should not merely comprise a pre-determined series of planned events and communications. Rather, it should also include opportunistic, pro-active, and responsive engagement, together with a visible open-door policy whereby stakeholders can address pressing issues. This is an investment that will “deliver value for money network services for existing and future customers,” set out in RIIO objectives.

Finally on this point, whilst we accept that stakeholder engagement experts will be reviewing the DNO’s applications, it is our experience that even professional stakeholder events can fail to cater for the diversity of stakeholders of relevance. For instance, small-scale renewables, larger renewables generators, other generators, suppliers, industrial and domestic consumers of electricity are all stakeholders. The engagement process should allow for and reward bespoke sessions for each of these groups.

### **Assessment Panel and Review Fora**

RenewableUK commends Ofgem’s Distributed Generation Fora that were run in the autumn of 2011. However, we were disappointed at the lack of direct follow-up, which has arguably allowed DNOs to carry on as before. We strongly support the re-running of the DG fora, to gauge what progress has been made over the course of the intervening year. This could include an overall review of DNO stakeholder engagement in relation to DG. RenewableUK would be happy to participate pro-actively at these events.

RenewableUK notes that the assessment panel will be chaired by Consumer and Demand Insight, with other panel members drawn from organisations with expertise

in stakeholder and customer engagement. We acknowledge the need to maintain an objective and independent assessment process. However, we would ask that the generation, and in particular the renewable generation sector, be appropriately represented on this panel, as one of the key stakeholders in DNO activity. RenewableUK would be happy to discuss options with Ofgem at the appropriate point in the panel constitution process.

Finally, please find attached RenewableUK's submission into the RIIO-ED1 review, which discusses in more detail the strategic framework that we believe is required and sets the wider context for this response.

We would be pleased to discuss the above issues further with you, and we thank you for the opportunity to input.

Yours sincerely,

Zoltan Zavody

Enc: RenewableUK submission into Ofgem's consultation on RIIO-ED1.