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Lia Santis  
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27 April 2012

Dear Lia,

**Consultation on Ofgem's approach to assessing stakeholder engagement and guidance notes**

Scottish and Southern Energy Power Distribution (SSEPD) welcome the opportunity to comment on Ofgem's consultation on the approach to assessing Distribution Network Operators' (DNOs) stakeholder engagement activities from 1 April 2012.

**Summary of our views**

SSEPD believes that Ofgem's stakeholder engagement framework should:

- Continue to ensure that appropriate incentive mechanisms remain an essential part of price control regulation;
- Ensure that stakeholder engagement drives the timely and efficient delivery of DNO related activities; and
- Ensure there is consistency with stakeholder outcomes desired under RIIO-ED1.

Our responses to the specific questions raised in Ofgem's consultation are discussed in more detail below.

**Approaches to providing assurance**

SSEPD considers that incentive mechanisms should be an essential part of both the current (DPCR5) and future (RIIO-ED1) price control reviews.

We agree that stakeholder engagement should drive the activities delivered by DNOs to ensure that the needs of customers are being met in a timely and cost efficient way. SSEPD also agrees that the minimum requirements stipulated by Ofgem provide an appropriate basis on which to assess the stakeholder engagement activities of each DNO.

We also note that the RIIO-ED1 process requires each DNO to prepare detailed business plans that set-out how stakeholders have been engaged, how feedback has been received and what measures DNOs will have in place to ensure that stakeholder expectations are met through the next price control period.

SSEPD endorses this approach, as it will ensure the future delivery of electricity distribution services that best reflect the needs of our customers while providing a high degree of transparency in how this is achieved. We therefore do not believe that further independent audits administered by Ofgem would add value to this process at this time.

### **Approach to allocating the financial reward**

We consider that the current mechanism for allocating financial rewards is fair and proportionate. Providing that an independent panel is responsible for assessing the stakeholder engagement activities of all DNOs, and as indicated in the guidance note, fair and proportionate outcomes should be achieved that are consistent for all businesses.

### **Assessing the outcomes of engagement**

SSEPD considers that the minimum requirements already proposed by Ofgem are suitable for assessing future stakeholder engagement activities. Broadly speaking, we consider that the future assessment of stakeholder engagement should align with the outputs that Ofgem seek to achieve through the RIIO-ED1 process.

Ofgem should continue to understand that different types of engagement are favoured by different stakeholders. We would also emphasise that there is a difference between customers, consumers and stakeholders. Our experience tells us that future engagement must be focused on issues that are of specific concern and importance to each of these groups.

### **Applicability of the proposed approach to other industries**

SSEPD recognises that a similar assessment approach could potentially be applied to stakeholder engagement incentive schemes in other industries. However, Ofgem should consult with interested parties in those industries before assessing their applicability.

### Concluding remarks

SSEPD is committed to working proactively with Ofgem to ensure that stakeholder engagement is conducted by DNOs appropriately, and is assessed and rewarded accordingly.

We are happy to discuss further any aspect of our above comments with you and look forward to working with Ofgem over the coming months on this issue and all aspects of the RIIO ED1 process.

Yours sincerely,

Aileen McLeod  
Head of Regulation, Networks