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Dear Andrew,

Consultation on Ofgem's approach to assessing Stakeholder Engagement and Guidance Notes

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc.

WPD broadly agrees with the two-part assessment method proposed for the Stakeholder Engagement element of the Broad Measure of Customer Satisfaction, from 2012/13 onwards. WPD acknowledges the lessons learnt from the first year's trial and welcomes the opportunity to take part in the second year trial, which we believe will further help to refine the entry and judging criteria prior to the incentive element going live in summer 2013.

Our response follows the format of the consultation letter and responds to the specific topics raised. Our response is not confidential and can be published on the Ofgem website.

1a Whether evidence submitted by DNOs should be subject to a common evaluation or independent audit administered by Ofgem.

and

1b Whether there is a case for proposing a common assurance approach across all companies - for example a common accreditation standard or survey.

WPD agrees with the decision to introduce an agreed evaluation framework to assess minimum requirements before DNOs can proceed to part two of the assessment process. We would welcome the introduction of a more robust and independent assessment method than the "self-assessment" declarations previously submitted in the entry forms for the Customer Service Reward Scheme. A common evaluation would remove any ambiguity or subjective interpretation of these minimum requirements, and would objectively identify not just that the requirements are being met, but to what extent. This therefore allows comparison between DNOs.

WPD would favour a single accreditation standard for all companies. Whilst DNO's currently hold a variety of charter marks and accreditations, without independent assessment there is no guarantee that these accreditations all offer a sufficiently comprehensive, robust and comparable assessment of each DNO's overall stakeholder engagement activities. A single standard would ensure direct and fair comparisons between all companies.

Alternatively, Ofgem could determine a shortlist of "approved" accreditation schemes that are deemed to be comparable in scope, breadth and validity. Only DNOs holding one of

these accreditations and passing the associated evaluation criteria should be eligible for part two of the stakeholder engagement assessment process.

WPD currently holds the Government's national Customer Service Excellence (CSE) Standard. This standard sets out best practice for both public and private sector companies across a number of key areas including:

- Customer insight and stakeholder engagement
(Including identifying different customer groups and understanding their needs, and making service improvements driven by consultation.)
- Customer-focussed culture of the organisation
(Including changes to policies and procedures driven by customer insight, and leadership commitment to this.)
- Provision of accessible information
(Including working with the wider community, and evidence that information is appropriate, received and understood by stakeholders.)
- Service delivery
(Including consultation with stakeholders when setting, reviewing and raising performance standards.)
- Timeliness and quality of service

The 5 areas are assessed under 57 separate criteria, with over 200 individual elements evidenced and audited within these. WPD recommends that should a single, common accreditation be introduced for all companies, its scope and validity should match that of the CSE Standard.

2. Your views on our approach to allocating the financial reward.

a. Do you think this is a fair and proportionate approach?

WPD agree with the proposed approach that financial reward decisions will be made by an independent panel, which will only assess written submissions from companies that pass part one of the assessment process. The maximum financial rewards are considerable and therefore to ensure that the approach to allocating them is fair and proportionate, it is important that the panel members chosen continue to have a broad representation. Insofar as is practicable, we would welcome a permanent panel membership to ensure that the judging criteria and best practice requirements are consistent from year-to-year.

Given that the rewards available are much larger than in similar past incentive schemes (e.g. the Customer Service Reward Scheme) the breadth of activities and outputs assessed must be correspondingly larger. We therefore welcome the opportunity for the written submission to be up to ten A4 pages (compared to two A4 sides per category in the Customer Service Reward Scheme).

WPD suggest that the 20 minute question and answer (Q&A) session per DNO may need to be expanded slightly, to account for the larger size of the written submissions. Given that there are now six companies, a 30 minute slot per DNO, would still allow for these Q&A sessions, the panel's decision meeting and results to be delivered in a single day.

Given that the maximum financial reward can vary considerably between DNO's (based on the size of the DNO's respective customer-base and therefore total allowed revenue) the actual monetary value of the total achievable reward should not influence the panel's decision. Whilst DNO's are not competing for a single reward fund (as per the Customer Service Reward Scheme), awarding decisions must be based on assessment of each DNO's performance and achieved outputs, relative to the performance of other DNO's. Therefore a frontier performer should achieve a correspondingly greater percentage of their maximum achievable reward than average performing companies.

2b. Can you suggest any other approaches and why do you think they are appropriate?

With regards to DNOs that have suggested that partial financial rewards should be achieved for successfully achieving part one accreditation, WPD's view is that if the chosen evaluation method is simply a pass/fail assessment to ensure minimum requirements are met, then this would not be appropriate. It would not demonstrate good value to customers, who have a right to expect these minimum standards as a matter of course.

3. Factors the panel should take into account for the assessment of outcomes of engagement.

The factors currently outlined for the panel to use to assess the outcomes of engagement are sufficient in scope. Benefits cannot always be statistically quantified, and therefore in part DNO's may need to narratively demonstrate the benefits to customers achieved as a result of their stakeholder activities. Frontier performers should be expected to demonstrate that key decisions, business plans, new initiatives and policy/procedure changes are "well justified" and based on substantial and representative stakeholder consultation.

Whilst DNOs will be expected to demonstrate that they engage with a wide range of stakeholders, including groups that may be regionally specific, there are major categories of stakeholder (for example vulnerable customers, major energy users, worst served customers, new connections etc) that are common to all DNOs. The panel may wish to take into account DNO approaches to these specific, shared customer groups.

4. Any additional information or ideas on how the DNOs should be assessed for the purposes of this incentive.

No. Please see comments above, in particular WPD's advocacy of the assessment methods and criteria used in comprehensive accreditation schemes such as the CSE Standard.

5. Whether this approach to assessment should be applied to stakeholder engagement incentive schemes in other industries, i.e. Gas Distribution, Gas or Electricity Transmission.

WPD cannot see any reason why there should be different approaches to assessment per industry, and therefore believe the agreed approach for Electricity Distribution should be applied to all corresponding stakeholder engagement incentive schemes. Certainly, by taking into account the lessons learnt from six years of the Customer Service Reward Scheme and soon to be two years piloting the Stakeholder Engagement element of the Broad Measure, the final assessment method agreed upon will be well tested and thought out. Certainly, the core method of using submissions assessed by an independent awarding panel has been shown to work well to date, and will be strengthened further by the introduction of an auditable, evaluation process to determine minimum requirements are being met.

6. Any concerns or further suggestions about our proposals.

No.

If there are any aspects of this letter that you would like to discuss further then please contact Alex Wilkes at awilkes@westernpower.co.uk or on 01332 827647.

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager