



Promoting choice and value
for all gas and electricity customers

Stakeholder Engagement

10 May 2012

Stakeholder Engagement – Consultation Responses

- We consulted on our initial approach to stakeholder engagement on 28 February 2012. The consultation closed on the 27 of April 2012
- We received a total of eleven responses: 6 DNOS, 2 Suppliers, 1 Developer, 1 Trade Association and 1 GDN.

Overview of Responses

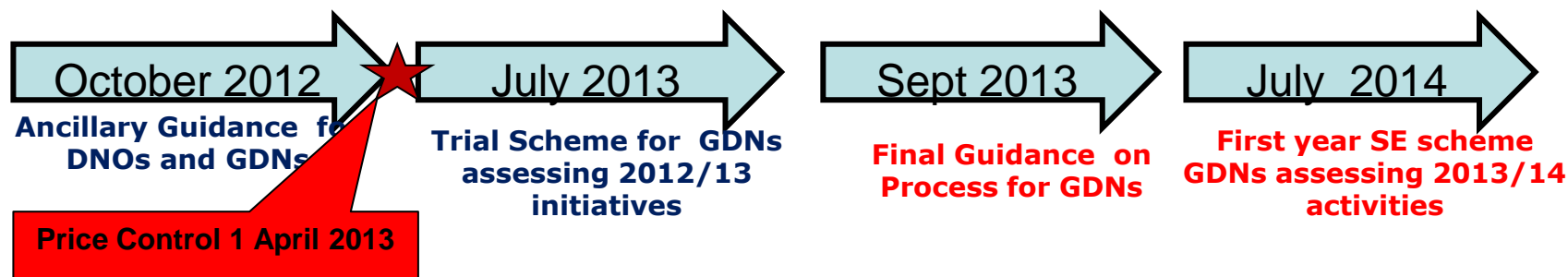
- All respondents were supportive of our two stage assessment process with the exception of GDN who believes our approach is subjective and provides no certainty regarding incentive allocation.
- A majority of the respondents see value in assessing the engagement process against a common evaluation mechanism.
 - DNOs suggested accreditation against AA1000SE or CSE.
 - Suppliers and developers suggest either independent or common auditing system or a common survey
- Suppliers, developer and trade association are against setting a financial reward to meet minimum requirements
 - Half of the DNOs recommend the allocation of a small financial reward for providing assurance through accreditation/auditing

Stakeholder Engagement – Responses II

- All of the respondents are supportive of the panel assessment. Half of them would welcome the publication of an objective and defined criteria for the panel to make an assessment.
- National Grid considered the two stage approach as highly subjective and proposed an alternative approach based around outcomes and centred in measurable benefits.
- The main departures from our approach consist in the following:
 - Common approach to meeting minimum requirements and
 - A proposal for the main submission to be assessed on weighted outcomes.
 - Inclusion of an appeal mechanism to allow network companies to challenge the assessment process.
- Trade association suggested that the renewable generation sector, should be represented on the stakeholder engagement panel.

Way forward

- Welcome further discussion on alternative approaches put forward
- Our pilot scheme proposal:
 - Run trial scheme for GDNs in Summer 2013 with summary of activities from regulatory year 2012/13
 - Use the ancillary Guidance issued for DNOs in October 2012
 - First year scheme under RIIO-GD1 - Summer 2014
 - Summary of activities from regulatory year 2013/14
 - Ofgem to issue final Guidance for GDNs in Summer 2013 informed by the 2013 trial



The background features a large, semi-transparent white arrow pointing from the left towards the right. Behind the arrow, there are faint, artistic depictions of solar panels on the left and a gas burner with a flame on the right. The overall color palette is light and airy, with soft blues and whites.

Gas Complaints Metric

10 May 2012

- Penalty only.
- Max revenue exposure -0.5 per cent of annual allowed revenue.
- A composite complaints metric score will be calculated, based on GDN performance in four components.
 - Percentage unresolved after 1WD
 - Percentage unresolved after 31WD
 - Percentage of repeat complaints
 - Percentage of ombudsman findings against the GDN
- If the GDN scores more than the fixed target (based on upper quartile performance in the trial), then the GDN will not receive a penalty.
- If the GDN scores below the fixed target then they will receive a penalty. The maximum penalty will only be applied to those companies that fall below a minimum level.
- A sliding scale will be applied relative to the upper quartile performance and minimum level.

The use of trial data will be used to inform various aspects of the complaints metric design:

- Weightings of the relative complaints metric components:
 - Percentage unresolved after 1WD (10% as per DPCR5)
 - Percentage unresolved after 31WD (20% as per DPCR5)
 - Percentage of repeat complaints (50% as per DPCR5)
 - Percentage of ombudsman findings against the GDN (20% as per DPCR5)
- The fixed target (based on the upper quartile composite complaints metric score).
- The minimum level of performance (maximum penalty score)
 - In electricity we have defined this as a fixed score of 70.
 - Fixed based on lower quartile composite complaints metric score
- The incentive rate term (sliding scale)
 - In elec the incentive rate this is determined annually by dividing total revenue exposure by the difference between the maximum penalty score and the industry upper quartile.

	Weighting	Code	NG EE	NG LON	NG NW	NG WM	SCOT	SOU	WWU	NGN
Percentage of complaints unresolved by the end of the first working day after which the complaint was first received (day +1)			94.95%	93.95%	96.06%	95.44%	49.09%	63.06%	63.61%	82.97%
Percentage of complaints unresolved after the end of 31 calendar days from the end of the first working day after which the complaint was first received (day +31)			36.12%	32.88%	28.37%	35.22%	5.49%	11.61%	20.53%	8.79%
Percentage of repeat complaints			3.32%	3.69%	4.42%	3.10%	0.30%	0.93%	0.73%	3.85%
Obudsman findings against the DNO			60.00%	38.46%	20.00%	50.00%	0.00%	66.67%	0.00%	100.00%
	Weighting									
Percentage of complaints unresolved by the end of the first working day after which the complaint was first received (day +1)	10.00	PCUDPot	9.50	9.40	9.61	9.54	4.91	6.31	6.36	8.30
Percentage of complaints unresolved after the end of 31 calendar days from the end of the first working day after which the complaint was first received (day +31)	20.00	PCUDPT	7.22	6.58	5.67	7.04	1.10	2.32	4.11	1.76
Percentage of repeat complaints	50.00	PRCt	1.66	1.85	2.21	1.55	0.15	0.47	0.37	1.93
Obudsman findings against the DNO	20.00	POFt	12.00	7.69	4.00	10.00	-	13.33	-	20.00
Combined complaints metric		CMPt	30.4	25.5	21.5	28.1	6.2	22.4	10.8	32.0

Upper quartile UQCMt 18.8
 Minimum level 70.0

	Allowed Revenue Exposure (£m)	Incentive rate (£m) calculated as per slide 3	Complaints metric score	Upper Quartile score – complaints metric score	Incentive Amount
NG EE	£ 1.59	£ 0.03	30.4	- 11.55	-£ 0.36
NG LON	£ 2.55	£ 0.05	25.5	- 6.68	-£ 0.33
NG NW	£ 1.21	£ 0.02	21.5	- 2.66	-£ 0.06
NG WM	£ 1.77	£ 0.03	28.1	- 9.31	-£ 0.32
SCOT	£ 1.72	£ 0.03	6.2	12.67	£ -
SOU	£ 2.77	£ 0.05	22.4	- 3.60	-£ 0.19
WWU	£ 1.36	£ 0.03	10.8	7.99	£ -
NGN	£ 1.68	£ 0.03	32.0	- 13.15	-£ 0.43

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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