

Minutes of RIIO-GD1 Customer and Social Issues Working Group (CSIWG)

Minutes of RIIO-GD1 CSIWG meeting held at Ofgem on Thursday 10 th May 2012	From Date and time of Meeting Location	Dorothy Eke 10 th May 2012 10:30 to 1:30 Ofgem, 9 Milbank, London, SW1P 3GE	10 May 2012
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1. Present

Ofgem

James Veaney (JV)
Steve Brown (SB)
Phil Sumner (PS)
Lesley Ferrando (LF)
Lia Santis (LS)
Stephen Perry (SP)
Dorothy Eke (DE) – minutes

Stakeholder representatives

Derek Lickorish (FPAG)
Dhara Vyas (Consumer Focus)
Clare Lucas (Consumer Focus)

GDNs

Margaret Hunter (SGN)
Chris Bielby (SGN)
Stephen Mills (SGN)
Mark Oliver (WWU)
Claire Edwards (WWU)
Tracy Hine (NGG)
John Downing (NGG)
David Gill (NGN)

2. Introduction and progress update

- 2.1. The focus of the meeting was on outstanding issues relating to the Broad Measure of Customer Satisfaction. JV said there is a need to set out steps to go through to develop and implement the broad measure of customer satisfaction with the action on GDNs to prepare their initial position on how the weightings and scaling are set, and the incentive rates associated with that. He also said the work being carried out by the GDNs was to form the centre piece of the meeting. Actions and minutes from the previous meeting were agreed and signed off by the group.
- 2.2. JV mentioned that at the last meeting the group spoke extensively about Fuel Poor and Carbon Monoxide. He confirmed that Ofgem had received GDNs' revised business plans detailing their proposals which are currently being reviewed by Ofgem.
- 2.3. DL wanted to understand what work the GDNs are currently doing in relation to vulnerable customers; he was keen to hear their thinking around Ofgem's vulnerable customer strategy; particularly where GDNs' thinking has evolved to, what more can be done etc. to ensure their thinking links up with the electricity price control. GDNs took turns to give a brief summary of where they have got to with regard to Fuel Poor and the proposals for the next price control as contained in their business plan resubmissions.

3. Carbon Monoxide/Fuel Poor

- 3.1. JV asked for an update on any collaborative work done by the GDNs in relation to developing an awareness survey. GDNs confirmed there was an action on them to arrange a teleconference with the relevant people to compare notes and get a collective way forward. This action was confirmed as outstanding.
- 3.2. JV commented that GDNs have got to the point where they are each identifying different ways of tackling the risks associated with Carbon Monoxide. He said a number of those activities relate to increasing the levels of awareness and the dangers they pose. He commented further that Ofgem is not looking to impose any direction on the GDNs on what they need to do but there may be benefits in having a common survey across the GDNs to enable measurement of the potential impact of the different activities in order to assess the most productive.

4. Weightings and scaling for Broad Measure of Customer Satisfaction

- 4.1. JV went over the components of the broad measure of customer satisfaction as set out in our March Strategy document. He explained the elements of the broad measure of customer satisfaction and that across the three elements, the companies would be exposed to +/-1% of their revenues depending on their performance. He further explained that this amount is allocated across the three elements of the incentive but that a number of gaps have been left in terms of exactly how the incentives would be weighted within each of those elements.
- 4.2. DG presented the GDNs initial thoughts and concerns, however he stated first that the GDNs agree that the common criteria for the broad measure is straight forward and will deliver improved outcome for customers and a stable investment mechanism. He also said the GDNs recognise that they will be penalised for worst performance and rewarded for best performance under this incentive and agree with the proposed weightings of a 3rd split (33%) and that the weighting will be equivalent on the survey.
- 4.3. JV commented that it is important for the GDNs to consider whether the different types of customer groups captured in the customer satisfaction survey (i.e. customers who have experienced planned interruptions, customers who have experienced unplanned interruptions (and customers who have had a connection work) will be treated on the same footing or whether some should be given greater weighting than others. The GDNs agreed that the weightings seem a reasonable position and that the trigger point would be on the Upper Quartile of the scores for the trial period.
- 4.4. JD mentioned that the GDNs are currently using a number of different service providers for the customer satisfaction survey. He said there is need to review this and suggested that the GDNs either agree to use the same service provider, in which case they go through a tendering process and have a common methodology, or have a good governance process in place which will enable proper auditing process across the GDNs. He explained that NGG had opted for a separate service provider because they got more reporting functionality through their service provider. He also said it is important to decide whether the GDNs will do the survey on a purely commercial and simple mechanism or whether there are extras that some GDNs are willing to pay a bit more for. He added that the solution would be to ensure that GDNs are applying the same methodology regardless of the service provider they choose.
- 4.5. MO suggested that if GDNs want additional service, the same should be made available to all GDNs.
- 4.6. DG confirmed that GDNs agree that all three products have a positive incentive – He added that in the DNO formula if any one of those scores is below the mean of their

components that nulls the actual reward mechanism for (planned, unplanned, connections) weighted differently. GDNs are concerned that under the current mechanism they are only able to receive a reward if they are in the UQ for all three elements of the customer satisfaction survey. JV asked the GDNs to ensure the reason behind this is captured during the discussions.

- 4.7. TH commented that coming from an UQ rather than the mean position there is the need to recognise there are areas that GDNs will need to develop and areas where potentially they have the opportunity to go above the UQ – they would like the opportunity to get an outperformance in an area where they are offering excellent service.
- 4.8. JD commented that mathematically, using the mean instead of the UQ makes it statistically harder for GDNs to gain any reward in the first year. He further commented that they were keen to know what the GDNs will go forward with as a target for this year. He asked whether they would continue with the trial and continue measuring the killer questions or whether they would go back to combined score.
- 4.9. MO reiterated that the GDNs would like to know when to draw a line on the trial to set the target.
- 4.10. JV commented that our intention in terms of timing is that the 2011/12 data will be used to set the UQ target. The GDNs registered their concern that using the first 3 months data to set the scores may not give the required outcome the next 3 months data could give a different result. There was the suggested option to extend the trial period for the survey. He said that extending the trial period to April/June next year will not leave enough time before the price control. This may mean that GDNs will not know what the target will be beforehand.
- 4.11. MO suggested that since the new Price Control doesn't kick in until next April 2012, the GDNs could build up this year's data and use it on the killer questions and the additional questions that they pull in to set the overall benchmark.
- 4.12. JV said that Ofgem could describe the mechanism all of the parameters and have the licence point towards a separate document which sets out the UQ target score – He asked whether there are common questions from the previous surveys that can be cross-referenced in order to check for consistency.
- 4.13. JD confirmed that the killer question data is quite inconsistent but the touch point survey is consistent – GDNs have done it over so many years and should be able to find common questions within that.
- 4.14. JV reiterated that the way forward on this issue would be to either go with the 6 months data and leave with more limited data but know beforehand the target that they need to achieve and how that will work or extend the survey and get more data but in doing so may not be able to introduce this element of broad measure in April 2013.

The GDNs said they need some guidance from Ofgem on determining the max out numbers attainable

Action

- GDNs to email JV their proposal on whether to set the target using the 6 months trial data or using 12 month historic data

5. Complaints

5.1. SP provided an overview of the RIIO-GD1 complaints metric and highlighted the areas that require further development (the relative weightings of the components, calculating the fixed target, the minimum level of performance and the incentive rate term). SP highlighted that pilot data will be used to inform many of these decisions and encouraged the GDNs to develop proposals for areas of the incentive that have not yet been finalised.

Action

- Ofgem to investigate how the minimum level of performance was calculated for the last electricity price control (DPCR5) as soon as reasonably practicable;
- GDNs to develop proposals on how the components could be weighted, how the minimum level of performance could be calculated and how the incentive rate term could be calculated in advance of the next meeting

6. Stakeholder Engagement

6.1. LS presented a summary of the responses to the consultation on Ofgem's approach on assessing stakeholder engagement for the DNOs. The slides are included in the meeting pack.

6.2. NGGD presented their alternative approach to assessing stakeholder engagement and took an action to circulate their consultation response to all the GDNs for wider discussion. NGGD's consultation response included a number of options to recalibrate the stakeholder engagement component of the Broad Measure of Customer which were briefly discussed at the meeting:

- Take out the stakeholder engagement component out of the Broad Measure of Customer Satisfaction and recalibrate the incentive accordingly
 - CSAT and CM should be set at (.8%/+.8%)?
 - If stakeholder Engagement is to be assessed separately (as per DRS)
 - What would be an adequate reward for SE?
- Leave Broad Measure as proposed with the three components but reduce incentive linked to Stakeholder Engagement, as per Electricity DPCR5
 - Stakeholder Engagement set at = (+.2%)?
 - CSAT and CM recalibrated at = CSAT (-.5%/+.8%) CM (-.5%)
- Leave Stakeholder Engagement in Broad Measure and as proposed on Strategy document (+.5%)

Action

- NGGD to circulate consultation response (Done)
- Ofgem to circulate note on the proposed options and collate views from GDNs (Email sent on Friday 11 May)

7. **Date of next meeting:** 12th June 2012