

Minutes of RIIO-ED1 Customer and Social Issues Working Group (CSIWG)

Minutes of RIIO-ED1 CSIWG meeting held at Ofgem on Tuesday 24 th July 2012	From Date and time of Meeting Location	Stephen Perry 24 th July 2012 10:30 to 14:00 Ofgem, 9 Milbank, London, SW1P 3GE	24 July 2012
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1. Present

Ofgem

James Veaney
Lia Santis (by teleconference)
Stephen Perry
Rebecca Sampins
Phil Sumner
Claire Tyler

Stakeholder representatives

Duncan Carter (Consumer Focus)
William Boohan (DECC)

Distribution Network Operators (DNOs)

Alison Sleightholm (WPD)
John Barnett (Northern Powergrid)
Brian Hoy (ENWL)
Gareth Shields (SSE)
Paul Fitzgerald (SSE)
Jeremy Blackford (Scottish Power)
Kendal Adams (Scottish Power)
Hannah Ngoma (UKPN)
Paul Measday (UKPN)

2. Introduction

2.1. James Veaney (JV) welcomed everyone to the latest RIIO-ED1 Customer and Social Issues working group. JV highlighted that the meeting would be focused on the DNOs' role in addressing social issues and the design of the RIIO-ED1 Broad Measure of Customer Satisfaction.

3. Ofgem's current view on customer and social issues

3.1. Stephen Perry (SP) provided an overview of Ofgem's current thinking on customer and social issues. Ofgem consider that the Broad Measure of Customer Satisfaction should be retained for RIIO-ED1, taking into account the lessons learnt from DPCR5. Ofgem were still unclear whether there was need for a separate output or incentive attached to social issues.

3.2. Ofgem also discussed arrangements for connection customers. Ofgem consider that a revised methodology for the customer satisfaction survey should exist for major connection customers. The working group agreed that the relatively small sample size for major connection customers was still a potential issue. Jeremy Blackford (JBI) suggested that Ofgem might consider applying a threshold sample level for this category of customers for a reward/penalty to apply.

3.3. Ofgem stated that they are considering a time to connect incentive and that this will be developed by the RIIO-ED1 Connection Working Group. Ofgem were also keen to incentivise the DNO's to provide more connection information upfront. Ofgem stated that they are considering using customer satisfaction survey data in conjunction with connection quotation acceptance rates, to better understand why connection quotations are not progressed.

3.4. Ofgem presented their views on the potential RIIO-ED1 customer satisfaction incentive framework. Ofgem noted that they are considering increasing the value of our customer facing incentives, mainly to bolster the incentives for connection customers. The DNOs considered that the proposed value of the time to connect incentive (approx 0.25% of allowed revenue) was relatively modest. JV felt that the time to connect incentive should be considered as part of the wider package to improve the quality of service provided to connection customers. Duncan Carter thought that a relatively small financial incentive was appropriate since the incentive was only just being introduced.

3.5. Ofgem considered that any connection market segment that has passed the competition test by the start of RIIO-ED1 should be excluded from our package of connection incentives. The DNOs noted that this would exacerbate the problem of low sample size for major connection customer surveys.

3.6. Alison Sleightholm (AS) noted that the telephony incentive was not included in our potential RIIO-ED1 incentive framework. AS considered that the telephony data (specifically the number of unsuccessful calls) was a useful indicator of a DNO's systems and processes and should therefore be incorporated into the RIIO-ED1 incentive framework. This was supported by a number of other DNOs.

3.7. Brian Hoy (BH) suggested using basis points, rather than percentage of allowed revenue to calculate overall value of each incentive. BH noted that each licensee's allowed revenue will change over the eight year period and subsequently, if we use percentage of allowed revenue, the financial incentive to improve performance will also change on an annual basis.

Action: JV encouraged all parties to consider the views put forward by Ofgem in their presentation. If any party wants to further discuss the contents of Ofgem's presentation, then please contact SP or JV as soon as possible.

4. Social Issues

4.1. Jeremy Blackford (JBI) presented, the DNOs' latest thinking on social outputs and incentives. JBI outlined the existing social arrangements under the current price control framework and highlighted areas where it was felt that that DNOs could play a role, such as in delivering affordable heat, enhanced services to priority service register customers, safety and wider social issues.

4.2. The DNOs suggested a range of funding mechanisms that could be used to incentivise the DNOs to address social issues. The main difference between the incentives proposed was whether they funded activities or rewarded behaviours.

Action: Individual DNOs to highlight their preferred funding mechanism, in advance of the next working group.

4.3. The DNOs noted that the Discretionary Reward Scheme had been the main vehicle to reward DNOs for engaging with social issues. The DNOs agreed with Ofgem that Stakeholder Engagement mechanism could be widened to explicitly reward behaviour on social issues.

4.4. The DNOs questioned whether the current incentive framework encouraged the sharing of best practice across the electricity distribution industry. For example, in the complaints metric and customer satisfaction survey, rewards/penalties are incurred relative to average annual performance. The DNOs stated that since they are in competition with each other, they are not incentivised to share best practice.

4.5. DC noted that none of the ideas presented by the DNOs considered the smart meter rollout. DC suggested that smart meter data or customer interactions during smart meter installations could be used to address a range of social issues.

4.6. Claire Tyler (CT) noted the importance of the DNOs' Priority Service Register (PSR) and encouraged the DNOs to work alongside other organisations (eg gas distribution network companies, energy supply companies and water companies) to optimise the PSR's potential value.

5. SSE presentation on incentive

5.1. Gareth Shields (GS) presented SSE's views on the underlying principles that should be used to design incentives (specifically the Broad Measure of Customer Satisfaction). GS believed that all companies should be capable of receiving a reward, targets should be set in advance and improvements in performance should be rewarded.

5.2. GS proposed two possible incentive designs models. The first model provided each licensee with an individual rolling target, based on average historic performance in the previous three years. The second model rewards/penalises licensees based on improvement over the price control period.

5.3. JV stated that he wasn't averse to some of the ideas proposed by SSE, but noted that he would need some convincing to change the method in which rewards/penalties are incurred. JV stated that the current design of the customer satisfaction survey mimics a competitive environment where a company has to outperform average industry performance to realise rewards. DC questioned whether the DNOs should receive a reward for relative industry performance, as overall industry performance may be poor. JV agreed that this was an issue and noted that the gas distribution targets were fixed, partly to ensure that overall industry performance remained at a high level.

Action: GS to produce a paper developing the potential design of Customer Satisfaction Survey.

6. Customer Satisfaction Survey

6.1. John Barnett (JBa) presented an overview of a customer satisfaction survey used to interview major connection customers in the USA. JBa highlighted that the survey asked a mix of task specific questions and generic stakeholder engagement questions. JBa suggested that we may want to adopt a similar approach for the major connection customer satisfaction survey

Action: JBa to circulate another example of a customer satisfaction survey and the sample sizes involved.

6.2. The group agreed that the current customer satisfaction survey could be expanded to include all general enquiries customers, regardless of the communication channel used. The group discussed whether interruption customers that have been proactively updated via social media (eg website, phone app, facebook) should be included within the customer satisfaction survey sample. Some DNOs considered that there was already an operational incentive to proactively engage with interruption customers (less demand at DNO call centres) and noted that the majority of customers still want to be contacted via the telephone. Other DNOs felt that the channels customers use to contact the DNO will change

over the price control period and that the current incentive is not incentivising DNOs to proactively provide quality information to customers.

7. Next Meeting

7.1. The next working group will be held from 10:30- 14:00 on 22th August 2012 at Ofgem's main offices in London (9 Millbank, London, SW1P 3GE).