

## RIIO-GD1 Customer and Social Issues Working Group

This working group captures all consumer and social issues related to the service provided by the gas distribution networks (GDNs).

From  
Date and time of  
Meeting  
Location

perrys  
10:30-13:00  
9 Millbank, London,  
SWIP 3GE.

10 September 2012

### 1. Present

James Veaney (Ofgem)  
Stephen Perry (Ofgem)  
Colette Schrier (Ofgem)  
Lesley Ferrando (Ofgem)  
Phil Sumner (Ofgem)  
Jacob Kane (Ofgem)  
Steve Brown (Ofgem)  
David Gill (Northern Gas Networks)

Margaret Hunter (Scotia Gas Networks)  
Stephen Mills (Scotia Gas Networks)  
Chris Bielby (Scotia Gas Networks)  
Tracy Hine (National Grid)  
John Downing (National Grid)  
Claire Edwards (Wales and West Utilities)  
Mark Oliver (Wales and West Utilities)  
Gretel Jones (Age Concern)

### 2. Introductions

2.1. James Veaney (JV) welcomed attendees to the latest RIIO-GD1 Consumer and Social Issues working group (CSIWG). JV commented that this working group was an opportunity for stakeholders to ask questions about our RIIO-GD1 Initial Proposals (published on 27 July 2012).

### 3. Initial Proposals – Customer Satisfaction Survey (CSS)

3.1. JV noted that the majority of our proposals for the CSS were relatively aligned with the GDNs' proposals.

3.2. John Downing (JD) questioned why Ofgem had proposed maximum reward/penalty scores of 7.5-8.5 rather than the 7.4-8.4 proposed by the GDNs. JV stated that Ofgem had analysed several different approaches to setting the maximum penalty/reward scores and considered that these values best reflected DNO performance and improved simplicity by mirroring the values used for the interruption component of the CSS. JV invited further views on these values in response to our consultation.

3.3. Mark Oliver (MO) suggested that it was difficult for GDNs to satisfy the maximum reward score in the early years of RIIO-GD1 and suggested that the target/maximum reward/penalty scores could be ratcheted up annually during RIIO-GD1. JV noted that we decided how the CSS target would be calculated in our Strategy decision document (fixed at upper quartile performance based on trial data) and that we would need sufficient evidence that customers would benefit to justify why we should revisit this decision.

3.4. Each GDN currently has their own market research provider that administers the CSS on their behalf. To improve consistency, MO suggested that all GDNs should be obliged to use the same market research provider. Gretel Jones (GJ) supported this proposal. JV noted that the electricity distribution companies decided to pool resources/purchasing power to use the same market research provider and suggested that the GDNs may want to adopt a similar approach.

### 4. Initial Proposals – Complaints Metric

4.1. JV outlined our proposals for the complaints metric component of the Broad Measure of Customer Satisfaction. JV noted that the GDNs proposed reducing the weighting on the

percentage of Energy Ombudsman (EO) decisions against the GDN from 20 to 5 per cent or removing the indicator completely. Ofgem proposed reducing the weighting from 20 to 10 per cent.

4.2. The GDNs considered that the measure could drive unintended behaviours (eg paying off customers before they are referred to the EO or purposefully increasing the number of complaints referred to the EO once one EO decision goes against the GDN).

4.3. JV considered that the EO still had an important role in complaint resolution and that measuring the GDNs' EO performance was a useful indicator of the GDNs' complaint handling procedures.

4.4. David Gill (DG) suggested that the indicator is removed from the Complaints Metric and becomes a reputational incentive only. JV suggested that altering the indicator to measure the number of EO decisions against the GDN as a percentage of total complaints.

4.5. GJ was concerned that the Complaints Metric may drive GDNs to reduce the number of complaints received or drive them to resolve complaints quickly, rather than ensuring that the customers are satisfied. The working group confirmed that there was no direct incentive on the GDNs to reduce the number of complaints received and considered that there was adequate incentive on the DNO to resolve complaints to the customer's satisfaction.

4.6. JV noted that the GDNs had many opportunities to engage with the EO before they make a final decision and, based on the evidence provided to date, did not believe that any exemptions should apply to EO decisions

4.7. JD questioned why Ofgem had pursued a simple approach to setting the target and maximum scores for the CSS, but not for the Complaints Metric. JV noted that the two incentives had been considered individually and that we seek DNOs' views on our proposals.

## **5. Initial Proposals – Stakeholder Engagement**

5.1. JV told the working group that we trialled the stakeholder engagement arrangements with the electricity distribution companies earlier in the summer. JV noted that their decision on the approach used to assess stakeholder engagement would be published in October 2012. JV considered that the high-level process of assessment was likely to be as described in the electricity distribution stakeholder engagement consultation document published earlier this year.

5.2. JV agreed that Ofgem would also publish guidance on Stakeholder Engagement Reward Guidance later this year. JV confirmed the GDNs would have the opportunity to input into the guidance document before it was published.

## **6. Revenue associated with the Broad Measure**

6.1. JV noted that the GDNs proposed to increase the value of the Broad Measure from +/-1 per cent of allowed revenue to +1.5/-1 per cent of allowed revenue. JV considered that Ofgem had not received sufficient justification to increase the overall size of the financial incentive. JV noted that NGN also proposed recalibrating the financial weighting the components of the Broad Measure. JV sought views on both of these issues as part of consultation responses.

## **7. Initial Proposals – Fuel Poor Network Extensions**

7.1. Lesley Ferrando (LF) outlined Ofgem Initial Proposals for the Fuel Poor Extension Scheme.

7.2. MO questioned whether the GDNs that set a flat fuel poor connection target across GD1 are allowed to outperform/underperform against the target annually. MO also questioned whether the GDN would receive additional funding if they completed more connections than projected during GD1 (eg an associated revenue driver).

7.3. JV stated that we would assess these issues internally and confirmed that our Final Proposals document would provide greater detail on these issues.

7.4. GJ questioned whether off-grid solutions were also being addressed as part of this scheme and whether the GDNs were addressing potential constraints on the number of fuel poor extensions completed (eg the cost to customers to install new heating equipment). Phil Sumner (PS) clarified that the Fuel Poor Network Extension Scheme is only focused on delivering fuel poor extensions to the gas network, but that it should be considered in the wider environment where we expect GDNs to collaborate with partner organisations to find the cheapest solution for energy customers. To facilitate better cross industry collaboration and more innovative solutions, Ofgem will host a cross-industry working group on social issues on 19<sup>th</sup> October 2012 in central London.

7.5. TH also confirmed that the GDNs pursue a “whole house” solution for the customer and that they work with other organisations to help provide assistance to customers.

## **8. Carbon Monoxide (CO) Awareness**

8.1. JV provided a high level overview of Ofgem’s Initial Proposals on improving awareness of CO poisoning.

8.2. Chris Bielby (CB) suggested that a financial incentive (of 0.5 per cent allowed revenue) could be attached to the common industry survey on CO awareness (paper attached). Steve Brown (SB) noted that many organisations can influence general public CO awareness (eg energy suppliers, consumer charities, schools) and that it was difficult to assess the extent to which the GDNs were responsible for changes in CO awareness. JV suggested that any survey on CO awareness should capture all customers, not just those that have participated in GDN activities.

8.3. GJ questioned whether the GDNs’ CO awareness campaigns captured the risk of CO poisoning from other fuels. CB confirmed that SGN’s CO awareness material does cover the risk associated other fuels (eg BBQ fuel).

## **9. Licence Drafting and Regulatory Instructions and Guidance**

9.1. Colette Schrier (CS) highlighted that alongside RIIO-GD1 Initial Proposals, we are also informally consulting on the RIIO-GD1 licence. CS provided a high-level overview of the timescales for the RIIO-GD1 licence and highlighted that Ofgem are hosting a RIIO-GD1 Licence Drafting Working Group on 1<sup>st</sup> October and that GDC24 (the associated licence condition to the Broad Measure of Customer Satisfaction) would be discussed at that meeting. CS encouraged the GDNs to test the proposed licence condition and ensure that any issues are fed back to working group.

**Action: Ofgem to circulate an excel spreadsheet to guide stakeholders through the proposed RIIO-GD1 licence formula, as soon as reasonably practicable.**

9.2. CS noted that we need to publish an updated version of the draft Regulatory Instructions and Guidance (RIGs) alongside the licence. CS encouraged the GDNs to review the RIGs and highlight any potential changes to the document.

9.3. Claire Edwards (CE) considered that some paragraphs of the current RIGs document could be clearer. CE noted that if a complaint reaches deadlock and the customer is not satisfied but they don’t progress to the EO/Ofgem then, under the current definition of a

resolved complaint, the complaint can never be closed. The working group discussed various methods of resolving this issue (eg fixed time periods) and SP confirmed that we would address this issue in the RIGs.

## **10. D10 licence requirement**

10.1. TH highlighted that the GDNs were undertaking changes to the gas general enquiries telephone number, so that each GDN would have their own general enquiry line rather than National Grid conducting a national enquiry line. In this context and given the new focus on customer service measures in RIIO, TH suggested that the GDNs did not need to report general enquiry performance as part of the aggregated telephone answering service under licence condition D10. All GDNs agreed with the proposal and JV encouraged the GDNs to include this in their response to Initial Proposals.