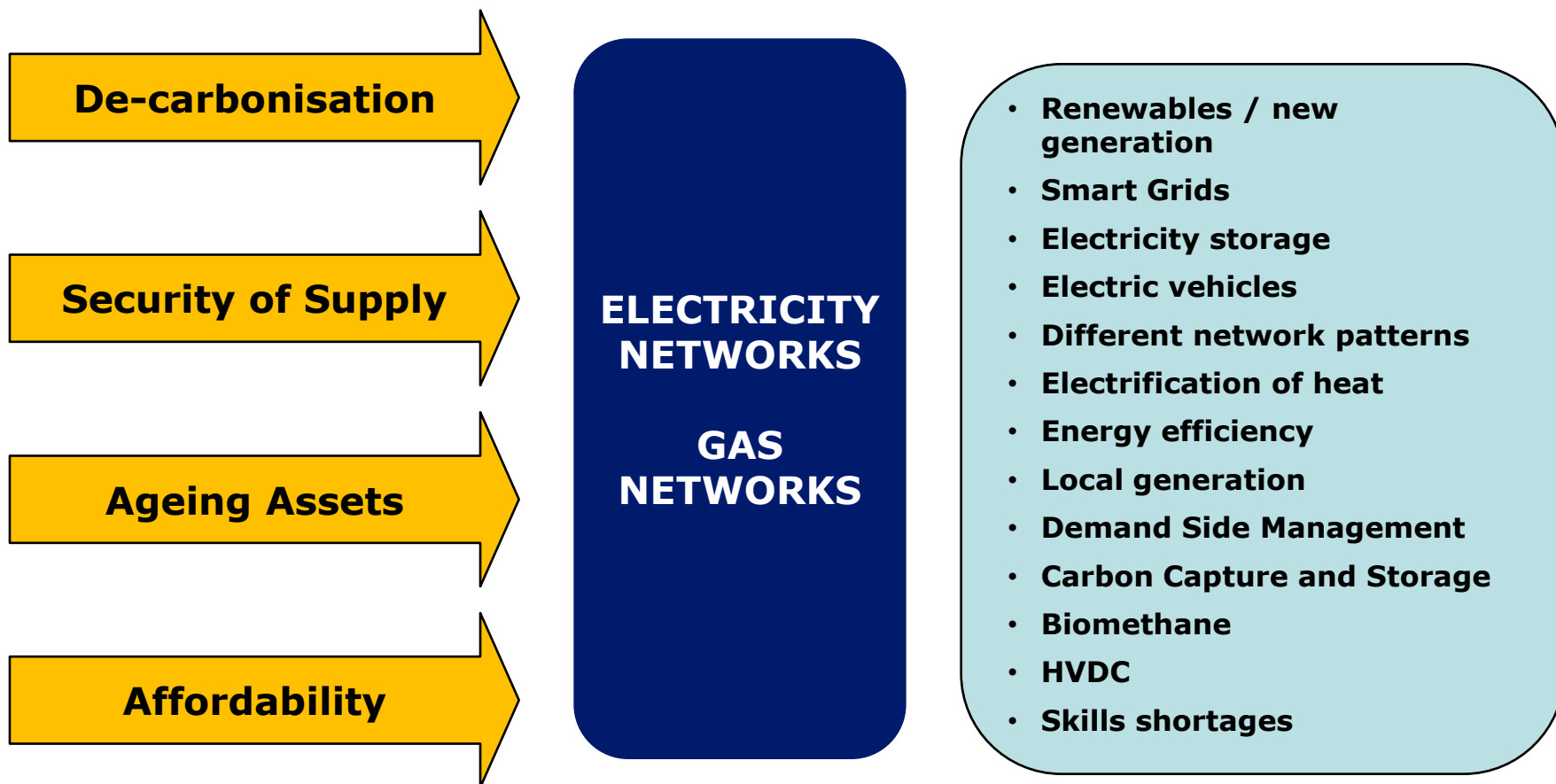


Ofgem's approach to consumer engagement

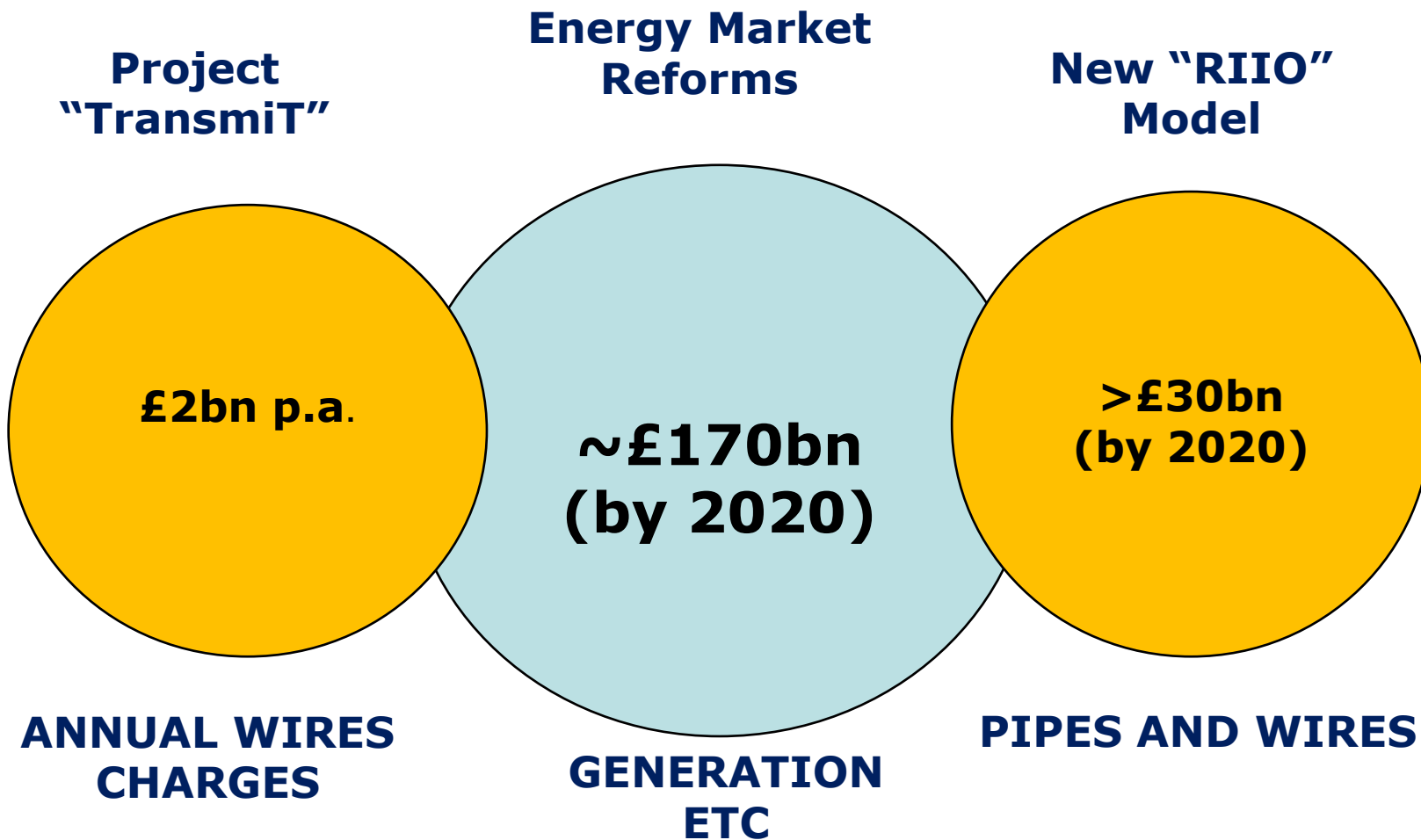
Integrated Planning in Network
Industries, Ofgem workshop

Imperial College, 20th December 2012

Industry drivers are changing



The scale of the challenge



What are we seeking to achieve?

Desired outcomes

Play a full role in the delivery of a sustainable energy sector

Deliver long-term value for money network services for existing and future consumers

What is required to achieve this?

Long-term focus on value for money

Innovation

Optionality and flexibility

Working with others to identify best delivery solutions

Understanding and responding to needs of existing and future consumers

Objectives of engagement

Improve the quality of our decisions

Improve the transparency of our decisions

Improve the legitimacy of our decisions

Role of consumers in the regulatory regime

Effective engagement could deliver a more informed regulatory package, improve the legitimacy of the regime and improve consumer understanding

Recognition that price control engagement has increased, e.g. in DPCR5
BUT there is a rationale for increasing consumer engagement further:

Cost increase

Environmental decisions

Concerns over regulation

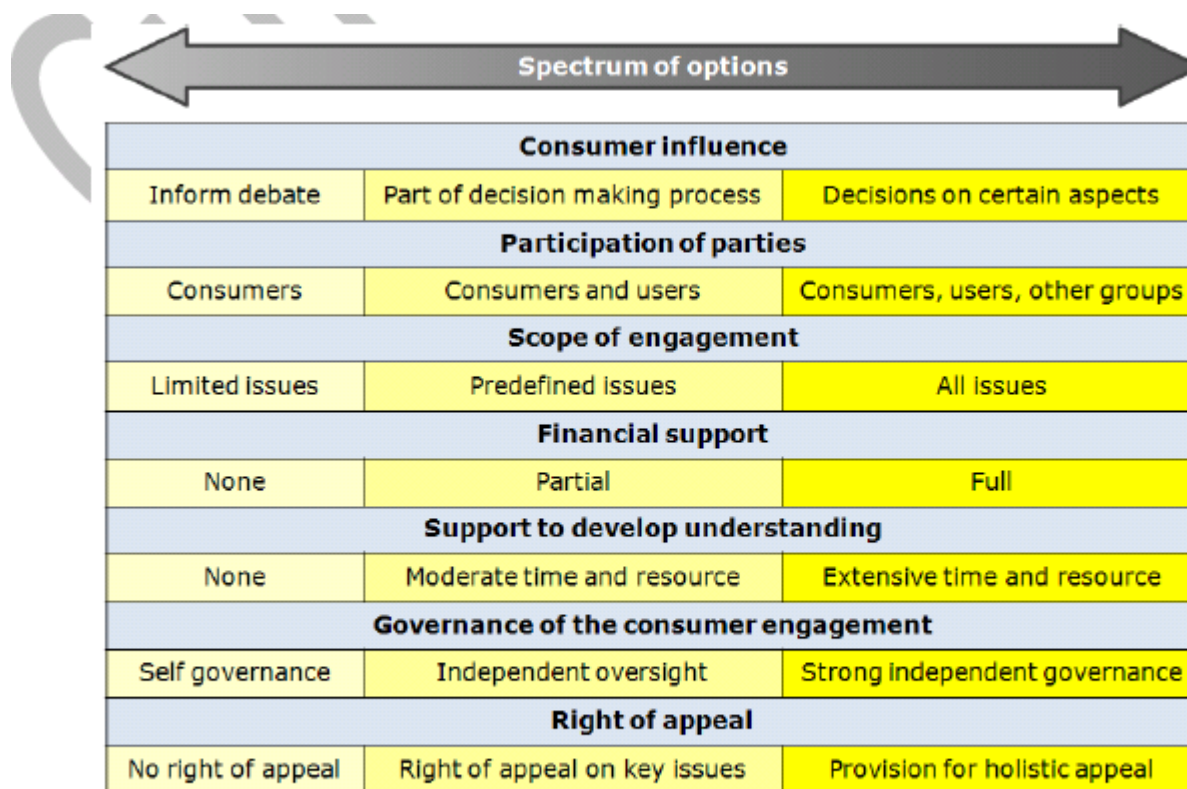
Complexity

Informing decisions

Part of decision-making process

Agreeing certain parts of settlement

Options for consumer engagement



RIIO uses “enhanced engagement”

The Authority remains the decision maker

- Role in balancing interests
- Resources

Networks expected to engage with consumers on ongoing basis

- Demonstrate in planning / delivery
- Incentives in price control

Third party appeal

- Under European 3rd package

End consumers and their representatives

Domestic, small business and industrial consumers

Investors

Network users

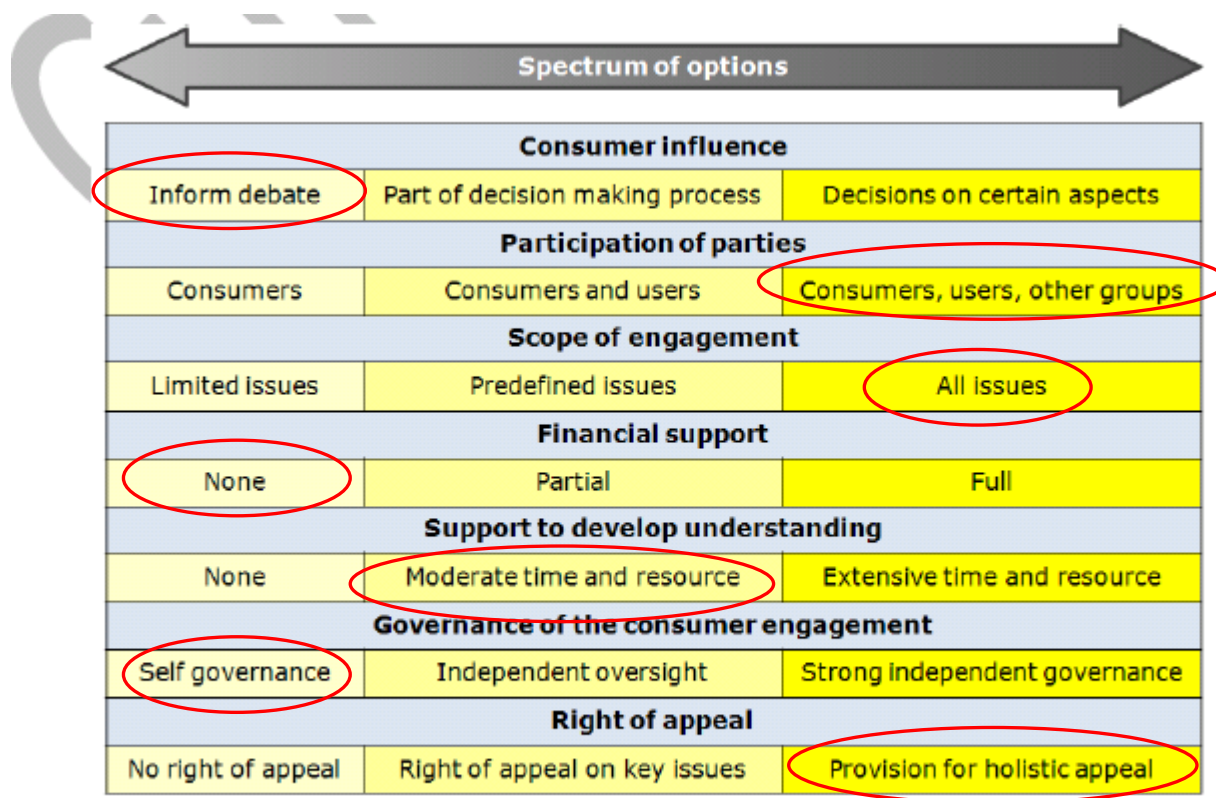
Special interest groups

Network companies

Other regulators

Government

Options for consumer engagement



Principles of “enhanced engagement”

Inclusiveness

Transparency

Accessibility

Control

Responsiveness

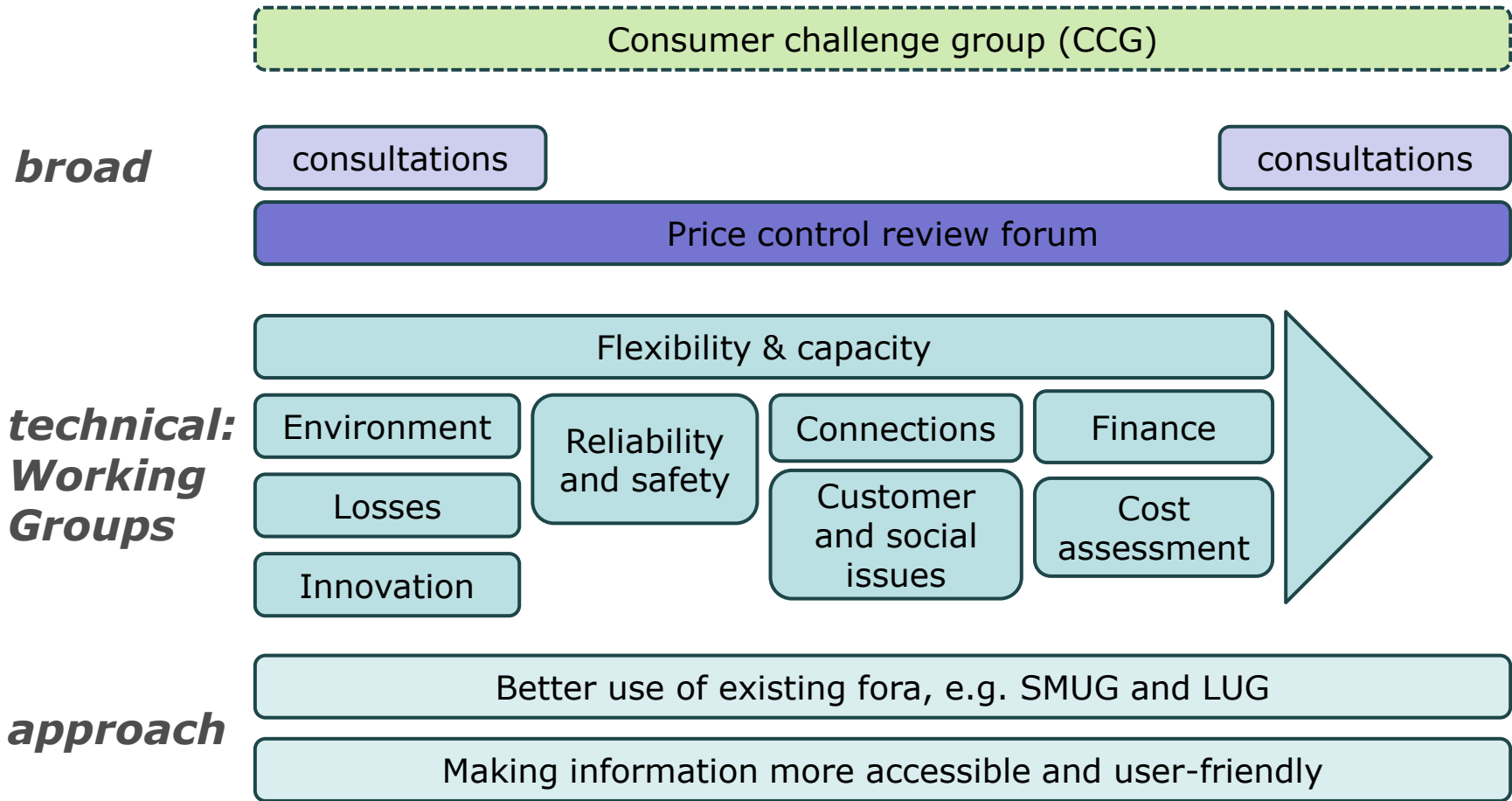
Accountability

Taking view seriously

Demonstrating impact

Evaluation

Ofgem's approach to stakeholder engagement



Some reflections

- Huge increase in engagement by network companies
- Widening stakeholder representation
- PCRf promotes understanding of trade offs / alternative views
- Significant effort needed to make wider fora 'work'
- CCG a good critical friend, with focus changing during process
- Working groups promote 'no surprises' and buy in
- Must avoid engagement fatigue
- Tailored engagement needed for 'non traditional' stakeholders

We and network companies continue to learn; and our approach will continue to evolve

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.

ofgem

Promoting choice and value
for all gas and electricity customers