

Customer and Social Issues Working Group

Description

ofgem

RIIO-ED1 Stakeholder Engagement

In our RIIO-ED1 Strategy Decision we stated that our Stakeholder Engagement incentive would be broadened to incentivise DNOs to deliver social outputs.

Stakeholders have expressed further information about how this will happen.

We intend to use this session to discuss our proposals. We are keen to hear back from stakeholders at the next session.

In our RIIO-ED1 Strategy Decision we stated that we wanted DNOs play a full role in addressing consumer vulnerability, through:

- Improving the information they hold on customers connected to their wires and identifying how they can improve the assistance they provide
 - These activities should include the delivery of assistance to customers that are on their Priority Service Register (PSR).
- Engaging with a wide range of other agencies to ensure customers get access to support that is available
- DNOs may have a crucial role to play in seeking solutions for certain consumers.
 - identifying opportunities to enable energy solutions for vulnerable households that might also reduce demands on the distribution network .
 - identifying off-gas grid fuel poor customers.
- Embed their strategy for addressing consumer vulnerability in their systems, processes and how they manage customer interactions.

RIO-ED1 Stakeholder Engagement Incentive

During ED1, our assessment of social outputs will be incorporated as part of our Stakeholder Engagement assessment process.

Some parts of the assessment process can stay the same:

- Maintain two part assessment process (Ofgem Panel and Independent Expert Panel) and current assessment timelines.
- Maintain a common assessment criteria and one overall score for both stakeholder engagement and social outputs.

Some part of the assessment process may need to be reviewed:

- The minimum requirements
- The panel scorecard and panel membership.
- Assessment to focus more on demonstrating outcomes and outputs of stakeholder engagement (with possible change to submission structure)

What elements of the incentive do you think will need to be reviewed?

Why would a DNO not be forwarded for panel assessment?

The DNO has failed to demonstrate:

- A strategic approach to stakeholder engagement (eg common governance arrangements and due management oversight)
- That it has engaged with a broad and inclusive of stakeholders.
- That it has used appropriate mechanism to engage with stakeholders.
- That it has taken the views of stakeholders into account and learnt from its engagement.

We do not consider that radical changes are needed to minimum criteria to include social objectives.

- DNO has a comprehensive and up to date stakeholder engagement strategy **and its approach to address social outputs**, which sets out:
 - how the DNO keeps stakeholders informed about relevant issues, business activities, decision-making and other developments;
 - how the DNO enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision making.
- A broad and inclusive range of **relevant** stakeholders have been engaged. **This specifically includes engaging with challenging and hard-to-reach stakeholders.**
- The DNO has used variety of appropriate mechanisms to inform and engage their stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives
- The DNO can demonstrate it is acting on input / feedback from stakeholders.
- **The DNO can demonstrate that stakeholder engagement has led to positive outcomes for stakeholders.**

Do these minimum requirements capture all the reasons why a DNO should not be forwarded for panel assessment?

Are additional changes needed to incorporate social objectives?

Submission templates

Current submissions can make it:

- Hard to compare DNOs
- Hard to quantify the benefits of stakeholder engagement activities.

We are considering introducing a common template for submissions. This should help all parties demonstrate the long term benefits of stakeholder engagement.

SE group	Issue	SE Activities (with cost in £)	Outputs (with est financial benefits in £m)							
			To DNO	To Stakeholders						
-	-	-	-	Social	Enviro	Safety	Customer Service	Connection	Reliability	Costs
Housing Assoc		Workshops on services during powercut (£70K).	Less calls to customer call centre (£10k per year)	Trained social housing champion provides additional support (£5K)						

Is it always possible to quantify the benefits of your engagement?
Are there activities where the cost of engaging with stakeholders could outweigh the benefits?

Review panel assessment

- Review panel membership to reflect focus on social outputs.
- Panel score (we are considering some changes, to discuss later).
- Revised panel scorecard below:

Key Factors of Assessment	Description	Factor Weighting
DNO engages with a broad range of stakeholders.	<ul style="list-style-type: none"> • Initiative is relevant and timely for a specific group of stakeholders • Deliver measurable benefits to stakeholders which can be quantifiable (eg benefits to UK plc, or to a particular stakeholder group) 	25%
Specific focus is given to the interests of challenging or hard-to-reach stakeholders	<ul style="list-style-type: none"> • Demonstrate that initiatives represent the best value for money for stakeholders 	
Stakeholder engagement activities are part of a wider comprehensive strategy that is embedded in its business	<ul style="list-style-type: none"> • Initiatives are not stand alone projects, they are part of a wider coherent strategy • Initiative leads to genuine change in company's culture/improvement in company's decision making, and change can be clearly attributed to stakeholder engagement activity 	15%
Initiatives are supported by robust project management processes and appropriate resource	<ul style="list-style-type: none"> • Project plans available with responsibilities allocated • Resources committed to deliver projects and senior buy in • Cost and benefits of projects set out and risks identified 	10%
Initiatives resulting from stakeholder engagement activities are recognized as innovative or high quality/best practice	<ul style="list-style-type: none"> • Initiative reflects novel thinking which departs from business as usual • Demonstrate initiative has potential for replication/applicability across industry and/or • Generates knowledge that can be shared among industry • Tool in place to disseminate initiatives and learning within organisation and among interested parties 	25%
Stakeholder engagement activities have produced positive outcomes / outputs for stakeholders or consumers.		25%

Do you agree with our proposed revisions?
Does the proposed weighting incentivise the right behaviours?
Are additional changes needed to incorporate social outputs?

Next steps

We want to hear your feedback on our proposals at the next working group.

We are keen to trial this approach, alongside DPCR5 assessment, in Summer 2014 and 2015.

We may ask DNOs to populate an additional template as part of Summer 2014 stakeholder engagement assessment.

DNOs should be mindful of these discussions when producing future submissions.

Stakeholder Engagement Consultation

We are considering consulting on how the Stakeholder Engagement reward score should be converted into a financial reward.

- At the moment we have no fixed guidance. However, we have stated that for last year a score of 5/10 equated to 50 per cent of the maximum reward.
- We are considering changes so that a score below X will receive no reward and score above Y will receive their maximum reward. There are questions about what value X and Y should be.

We are considering consulting on some other tweaks to Stakeholder Engagement Guidance document.

Do you have any additional views on this consultation?

At what score should DNOs incur a reward? At what score should DNOs incur 100 per cent of its reward?

Potential Changes to the Guidance document

- Limit the amount of supplementary information.
- Specify in guidance that our interpretation of minimum requirements will be informed by previous submissions and our understanding of relevant issues. It may therefore change between years and between trans/dist and gas/elec.
- Add a mechanism that gives us the ability to ask supplementary questions (for clarity) before making a decision on minimum requirements.

Do you have an initial views on these changes to the guidance document?

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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.