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Date: 05/12/2013

Dear Jenny,

**Customer Engagement Plan for Scottish Hydro Electric Power Distribution (SHEPD) plc's Northern Isles New Energy Solutions (NINES) project**

On 15 September 2011, we issued a decision on funding the NINES Project.<sup>1</sup> The funding determination issued on 25 November 2011 contains the specific conditions that you committed to in receiving funding for the Project.

The funding determination requires you to comply with –

- Charge restriction Condition 18A of your Electricity Distribution Licence; and
- The NINES Project funding conditions.

As described in the funding determination, you are required to submit to Ofgem a Customer Engagement Plan for the NINES project, which you must publish on your website. The strategy must set out the following:

- a. a communications strategy which sets out inter alia:
  - i. any proposed interaction with a customer or premises of a customer or proposed interruption to the supply of a customer for the purposes of the project, and how the customer will be notified in advance;
  - ii. ongoing communications with the customers involved in the project; and
  - iii. arrangements for responding to customer queries or complaints relating to the project; and
- b. information on the Priority Services Register Customers<sup>2</sup> who will be involved in the project and how they will be appropriately treated (including providing information to any person acting on behalf of a Priority Services Register Customer in accordance with condition 26 of the Electricity Supply Licence, where applicable); and
- c. details of any safety information that may be relevant to the project; and
- d. details of how any consents that may be required as part of the project will be obtained.

SHEPD and its project partners must also comply with the following conditions:

- (i) not visit a premises of a customer for sales or marketing activities in connection with, in the context of or otherwise under the guise of the project; and

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<sup>1</sup> [http://www.ofgem.gov.uk/Networks/ElecDist/Policy/Documents1/NINES\\_Decision\\_Letter.pdf](http://www.ofgem.gov.uk/Networks/ElecDist/Policy/Documents1/NINES_Decision_Letter.pdf)

<sup>2</sup> Priority Services Register Customers has the meaning given to it in standard condition 10 of the electricity distribution licence.

- (ii) have regard to the implementation of the smart meter roll-out in its Distribution Services Area<sup>3</sup> to ensure that the project does not impede the implementation in any way.

In addition, if SHEPD or any of its project partners is installing any equipment at the customer's premises as part of the project, SHEPD and the project partners must comply with the following conditions:

- (i) not enter the premises of a customer, other than for the purposes contained in the Licence or for communication purposes (set out above), unless it first obtains the prior consent of the customer, such consent to be formally recorded;
- (ii) where the equipment is any form of smart meter, SHEPD, its project partners must first notify the customer's Electricity Supplier; and
- (iii) provide the customer with information (which should be identified as part of the communications strategy) on how the equipment will be installed, how long it will be installed for, and how it will be decommissioned.

The NINES project consists of the implementation of the infrastructure necessary to actively manage demand and generation on Shetland. The elements of this infrastructure will be coordinated to maximise the amount of energy generated by renewable generation while maintaining quality and security of supply. The challenge is to balance the system using generation, demand, electrical and heat storage and actively manage network power flows. This project is considered to be unique in that the trials are to take place on a standalone system which has no electrical connection to the mainland. Consequently, the system balancing must work in order to maintain security of supply.

In carrying out NINES, two principal effects are achieved:

- a reduction in maximum demand; and
- a reduction in the electricity units generated by fossil fuels.

The original NINES submission included the installation of Demand Side Management (DSM) into 750 homes provided by Hjaltland Housing Association (HHA) and Shetland Islands Council (SIC). However, SIC announced in October 2012 that it would be withdrawing from the project. This withdrawal resulted in a loss of over 500 domestic homes from the DSM project. On 13 March 2013, you submitted a request to amend the project to allow you to address this challenge.

We approved your DSM change request on 24 May 2013.<sup>4</sup> We agreed for you to develop a sustainable Market Model for DSM, which could be used to attract different customer types. The intention is to implement and use the model to sign up to 500 homes with active control of DSM by December 2016. The new model should attract additional DSM as well as disseminate the knowledge and learning which can be gained from implementing DSM on Shetland.

We note that the first stage of NINES DSM has already started. It includes the delivery of DSM into 234 socially owned homes, through the project's partnership with HHA. Our approval letters for stage one's Customer Engagement Plan and Data Protection Strategy can be found on our website.<sup>5</sup>

The second stage of NINES DSM is the development and implementation of a commercial Market Model to deliver DSM into a further 500 domestic homes on Shetland.

On 31 October 2013, you submitted your proposal for a DSM Market Model. You included a summary of the overall costs (£989,380) of implementing the service and operating it

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<sup>3</sup> Distribution Services Area has the meaning given to it in standard condition 1 of the electricity distribution licence.

<sup>4</sup> <https://www.ofgem.gov.uk/ofgem-publications/43523/nines-change-request-decision-letter-24.05.2013.pdf>

<sup>5</sup> <https://www.ofgem.gov.uk/electricity/distribution-networks>

from December 2013 to December 2016 for 500 customers. The costs include a Customer Levelising Incentive.

Our approval of the DSM change request on 24 May 2013 was subject to there being no additional cost incurred to the total funding amount for NINES (£15.33m).<sup>6</sup> You envisaged that DSM costs would be absorbed within the existing project budget through cost savings made elsewhere.

On 29 November 2013, you submitted your Customer Engagement Plan for the second stage of NINES DSM. You set out how you will engage with customers during the roll out of DSM to 500 domestic homes across Shetland, as part of the NINES Project.

We have reviewed your Customer Engagement Plan against the criteria stated in the funding determination. We are satisfied that it contains the required information against each of the criteria as set out above. A summary of our assessment of your Customer Engagement Plan is attached as Appendix 1.

We note that a separate Data Protection Strategy will be submitted in relation to the DSM Market Model.

Where you make any changes to, or gain any learning from, your Project that affects any part of the Customer Engagement Plan, we expect you to revise the document accordingly and resubmit it to us.

Should you wish to discuss the content of this letter, please contact Giulia Buttini ([giulia.buttini@ofgem.gov.uk](mailto:giulia.buttini@ofgem.gov.uk) or 0207 901 3938).

Yours faithfully,



Dora Guzevela  
Head of Networks Policy  
**For and on behalf of the Authority**

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<sup>6</sup> <https://www.ofgem.gov.uk/ofgem-publications/43523/nines-change-request-decision-letter-24.05.2013.pdf>

## Appendix 1

Summary of our assessment of SHEPD's Customer Engagement Plan according to the criteria set out in the funding determination issued on 25 November 2011.

<p>a plan of how it, or any of its project partners, will engage with, or impact upon, customers as part of the project.</p>	<p>SHEPD submitted its final Customer Engagement Plan for commercial Demand Side Management (DSM) on 29 November 2013.</p> <p>For the purposes of DSM and the proposed Market Model, SHEPD has differentiated between:</p> <ul style="list-style-type: none"> <li>- Asset Owner: "A person or organisation who owns the home (therefore also the storage heating devices); and</li> <li>- Customer: "A person or organisation who is the energy user &amp; electricity account holder in the home".</li> </ul> <p>The Plan details –</p> <ul style="list-style-type: none"> <li>- The Customer journey;</li> <li>- The methods and mediums SHEPD will use when engaging with customers;</li> <li>- How SHEPD and its partners will treat and protect personal data; and</li> <li>- The Asset Owner journey.</li> </ul>
<p>A communications strategy which sets out inter alia:</p>	
<p>any proposed interaction with a customer or premises of a customer;</p>	<p>SHEPD will adopt six key principles for engaging with customers in relation to NINES DSM. These include having a single point of contact (SHEPD as the DSM System Operator (SO)) and having ease of access for customers, through a customer facing team.</p> <p>SHEPD will engage in marketing, including through –</p> <ul style="list-style-type: none"> <li>- Radio interviews and editorials;</li> <li>- Press and possibly radio advertising;</li> <li>- Posters and pamphlets in tradesman outlets and asset retailers; and</li> <li>- Community based events i.e. information days.</li> </ul> <p>As SHEPD will not target specific customers, customers will contact SHEPD and will freely agree to participate in the DSM service.</p> <p>SHEPD will send customers a welcome pack which includes information on -</p> <ul style="list-style-type: none"> <li>- DSM Service Information;</li> <li>- FAQ;</li> <li>- Useful Contacts; and</li> <li>- Copy of the contract.</li> </ul> <p>For the full list of contents, please see the Customer Engagement Plan.</p> <p>Each premises needs to have a certified DSM capable device. Once this is confirmed, the DSM Enabling Kit (which</p>

	<p>consists of the LIC, the home hub and the energy monitoring device) will need to be installed in the Customers' home. This will not require major work, and installation should take approximately two hours. There will be a bi-lateral contract between SHEPD and the customer to allow access to the premises.</p> <p>Flexible charging hours will be needed to maximise the benefit of the DSM service. SHEPD will inform the customer, during the initial enquiry stage, that it may be cheaper to switch to a single tariff. SHEPD will not be involved in this process as it is the customer which will need to contact the supplier.</p> <p>Customers will be free to opt in and out of DSM as they wish. SHEPD, as the DSM SO, will deal with all customer interactions. It will set up a customer facing team for this.</p> <p>A full list of customer interactions is included in Appendix 1 of NINES' Customer Engagement Plan.</p>
<p>any proposed interruption to the supply of a customer for the purposes of the project, and how the customer will be notified in advance;</p>	<p>SHEPD has stated that there will be no interruption of supply for customers for the purposes of the project or DSM.</p>
<p>ongoing communications with the customers involved in the project; and</p>	<p>SHEPD will inform customers, through written notifications, of when they move from one stage to another in the <i>customer journey</i>. This will include –</p> <ul style="list-style-type: none"> <li>- Successfully registered interest in participating in the DSM service;</li> <li>- Feasibility to participate in the DSM service has been confirmed;</li> <li>- Confirmation of contract;</li> <li>- Call to arrange installation visits for installation of the DSM Enabling Kit;</li> <li>- Activation of DSM service notification;</li> <li>- Cancellation of the service request received; and</li> <li>- Cancellation of the DSM service completed.</li> </ul> <p>SHEPD will provide user and technical support materials to customers. It will also provide them with an annual customer review report which will include information on the operation of the scheme.</p> <p>Should a customer opt in, it will receive regular updates through community newsletters.</p> <p>Additionally, SHEPD will inspect, on an annual basis, all SHEPD owned devices (access to the home permitting).</p>

	<p>SHEPD will also provide regular incentive payments to the DSM customers covered by this Customer Engagement Plan.</p> <p>As part of the bi-lateral contract between SHEPD and the customer, the customer will provide a regular (possibly quarterly) reading from their heating energy monitoring device. If the customer does not provide this, SHEPD will issue two written reminders to the customer, then it will try to call the customer (if possible). The last resort would be a visit to the home. SHEPD will inform the new tenant that their house is installed with DSM.</p> <p>If there is any change to the services, SHEPD will alert the customer.</p> <p>A full list of customer interactions is included in Appendix 1 of NINES' Customer Engagement Plan.</p>
<p>arrangements for responding to customer queries or complaints relating to the project;</p>	<p>SHEPD will have a customer support network to deal with customers wanting to make enquires, raise concerns, provide feedback or raise complaints.</p> <p>There will be a customer facing team for answering queries and complaints throughout the process. SHEPD will provide a written response for complaints.</p> <p>SHEPD has included information on which communications will be done by phone (for example the confirmation of the house visit) and which will be written (for example the DSM information pack and confirmation of DSM activation, as well as the contract between SHEPD and the customer). An example of a customer communication is in Appendix 2 of NINES' Customer Engagement Plan.</p> <p>User and technical support materials will also be made available through provisional user guides including a FAQ section, an online forum, and the customer facing team for troubleshooting and advice.</p>
<p>The Plan must include:</p>	
<p>information on the Priority Services Register Customers who will be involved in the project and how they will be appropriately treated (including providing information to any person acting on behalf of a Priority Services Register Customer in accordance with condition 26 of the Electricity Supply Licence, where applicable);</p>	<p>PSR customers will not be directly targeted.</p> <p>When a customer registers interest, SHEPD will "verify, validate and proactively identify signs of vulnerability and request customer's consent to register them for priority services." Customers will be informed that SHEPD can offer extra help to eligible PSR customers, and how they can register.</p> <p>A customer can provide written consent (or another appropriate method depending on the customer's</p>

	<p>needs) should it want a third person to deal with SHEPD on its behalf.</p> <p>SHEPD will treat PSR customers' personal data as per their contract, and no differently than for other customers' personal data. For more information on this, please see NINES' Data Protection Strategy.</p> <p>SHEPD will ensure all customers, including PSR Customers, have full understanding of the contract. Depending on the customers' needs, communications will be provided in varying formats.</p>
<p>details of any safety information that may be relevant to the project; and</p>	<p>Full health and safety checks as well as a risk assessment will be undertaken prior to the installation of the DSM kit. Safety checks will be undertaken pre and post implementation (once a year during the DSM scheme).</p> <p>Safety information will be communicated to the customer during the home visit for the installation of the equipment.</p> <p>The handover pack will also include safety information, such as user manuals, emergency contact numbers, test certificates and warranties.</p> <p>For safety purposes, SHEPD will visit each site annually, from the date of installation, to ensure the DSM Enabling Kit remains safe to use. A note will also be made of the monitoring device reading.</p> <p>Installation of the equipment will be carried out in a safe and secure manner, wearing the appropriate personal protective equipment, complying with regulations, codes of practice and relevant legislation. All SHEPD staff or its contractors making direct customer contact will show appropriate identification including a photograph, the employees name and the company name. Customers can also request a password to be given at the home by staff to ensure secure entry.</p> <p>Duty of care will be applied when working in a customer's home, minimising disruption and inconvenience to the customers.</p>
<p>details of how any consents that may be required as part of the project will be obtained.</p>	<p>Written consent will be required, for example, to join the scheme and for SHEPD to access the property. This will be obtained through a bilateral contract between SHEPD and the customer.</p> <p>Written consent will also be used when a customer leaves the scheme, at which point all personal data for that customer will be deleted.</p>
<p>SHEPD and its project partners must:</p>	

<p>not visit a premises of a customer for sales or marketing activities in connection with, in the context of or otherwise under the guise of the project;</p>	<p>SHEPD will not specifically target customers. Marketing will be done on a general basis, including by radio and newspaper adverts. SHEPD has confirmed that it will not visit a premises of a customer for sales or marketing activities.</p> <p>Visits to a customer's premises will only be for the installation of DSM equipment, annual checks and potentially in the event that a meter reading has not been provided.</p>
<p>have regard to the implementation of the smart meter roll-out in its Distribution Services Area to ensure that the project does not impede the implementation in any way.</p>	<p>SHEPD confirmed that smart meter implementation will not be impeded.</p>
<p>In addition, if SHEPD or any of its project partners is installing any equipment at the customer's premises as part of the project, SHEPD and the project partners must:</p>	
<p>not enter the premises of a customer, other than for the purposes contained in the Licence or for communication purposes (set out above), unless it first obtains the prior consent of the customer, such consent to be formally recorded;</p>	<p>Customers will provide written consent through the signed bi-lateral contract. This will include, amongst other aspects, consent to collecting data and consent for SHEPD to access the premises.</p> <p>A suitable date and time will be arranged between SHEPD and the customer prior to the installation and the annual check visits. This will be arranged by phone.</p> <p>If a customer does not abide by its contract by not providing readings to SHEPD, SHEPD will send two written reminders and will try phone the customer (if possible). The last resort would be a home visit. It is likely SHEPD would cancel the contract and issue a notification to the customer advising of that decision.</p>
<p>where the equipment is any form of smart meter, SHEPD, its project partners must first notify the customer's Electricity Supplier; and</p>	<p>SHEPD will inform the customers' suppliers that the customers' homes are DSM capable and that the customers are participating in NINES. SHEPD will agree the above with the customers before contacting the supplier.</p>



<p>provide the customer with information (which should be identified as part of the communications strategy) on how the equipment will be installed, how long it will be installed for, and how it will be decommissioned.</p>	<p>The home must be fitted with DSM compatible heating and hot water system. SHEPD staff will then install the DSM kit. The customer must provide written consent to this before anything is installed.</p> <p>Installation of the equipment will be carried out in a safe and secure manner, as described in the Customer Engagement Plan. It should take no more than two hours. SHEPD will inform the customer of this, including through the welcome pack.</p> <p>A customer may choose to leave the DSM scheme at any point.</p> <p>In exception cases (eg the property is being demolished), SHEPD may arrange to remove the DSM Enabling Kit.</p>
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