

Stakeholder Engagement Reward - consultation

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Stakeholder Engagement Incentive

Objective: encourage network companies to engage effectively with a wide range of stakeholders and use the outputs from this process to inform how they plan and run their business.

Assessment process: All network companies submit an annual stakeholder engagement report to us. Those that satisfy our minimum criteria are forwarded to an independent panel.

The independent panel reviews the submissions and scores each of the companies out of ten across five pre-determined criteria on a Panel Scorecard, to calculate an overall panel score.

Panel Scorecard

The Panel Scorecard has five criteria:

Criteria	Weighting (%)
Initiatives that best serve specific interests of challenging groups of customers/communities/future stakeholders and resulted in measurable benefits	25
Initiatives reflect innovative thinking in responding to needs of stakeholders.	25
Outcomes of Stakeholder engagement activities are part of a comprehensive approach embedded in their business	15
Initiatives are supported by robust project management processes and appropriate resource	10
Initiatives resulting from stakeholder engagement activities are recognized as high quality/best practice	25

The Panel scores the network companies out of 10, against each criteria. The scores are weighted to calculate an overall score out of 10.

On the Panel scorecard we give a description of what each score equates to...

Weak				Average	Fair		Good	Excellent	
1	2	3	4	5	6	7	8	9	10

How does the overall panel score convert into a reward?



➔ £?

The DPCR5, GD1 and T1 licence provide little guidance about how to convert the panel score into a financial reward. It simply states that we will direct the value.

Objectives of consulting

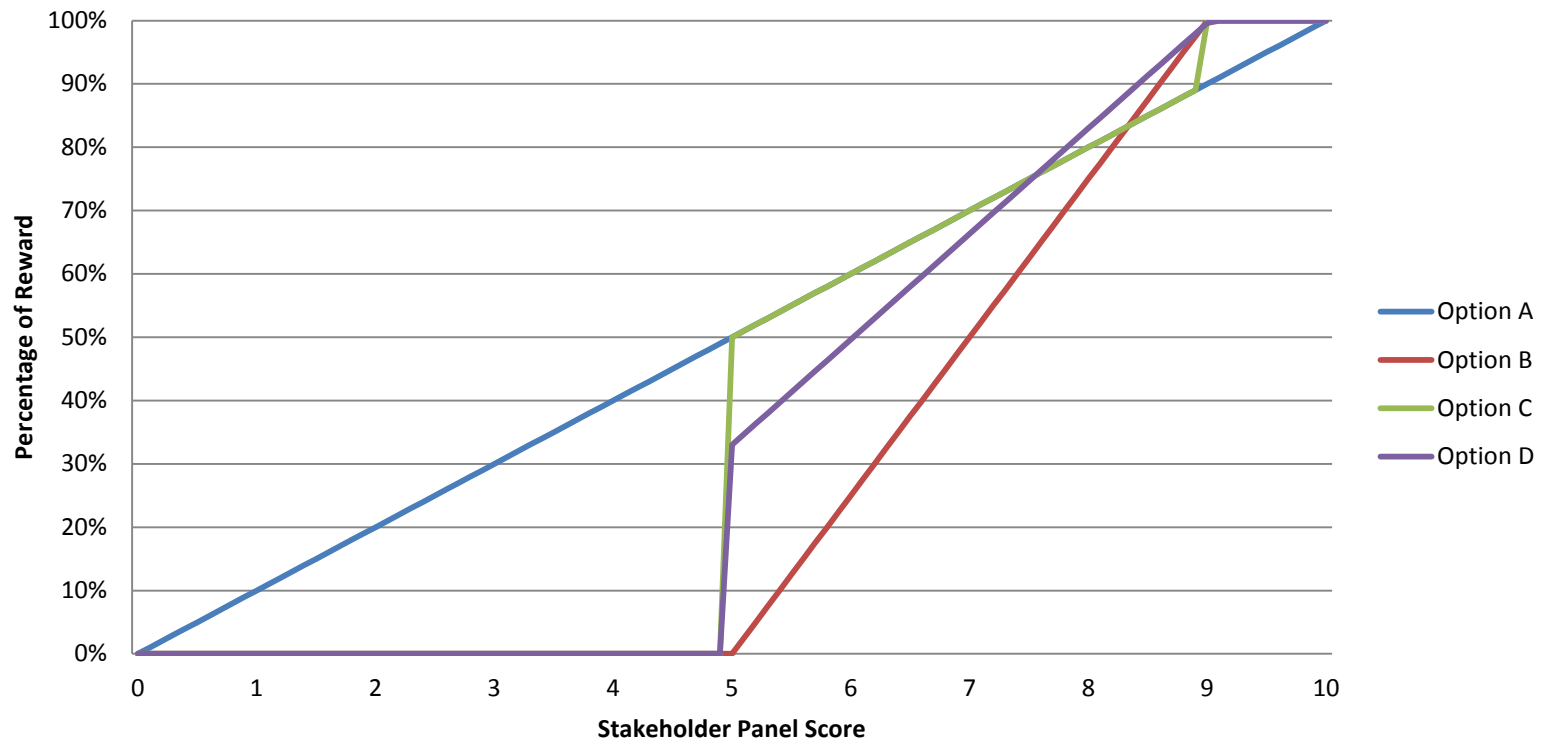
- Ensure that DNOs are only rewarded for performance that is considered “above average”.
- Ensure that the full value of the incentive is achievable.
- Ensure that the value of the reward reflects performance.

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

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.

Potential options



RIIO-ED1 Stakeholder Engagement

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Social Objectives and Stakeholder Engagement

At the last working group we set out our views that we could incorporate social objectives into the stakeholder engagement assessment process by:

- Reviewing minimum criteria
- Reviewing panel scorecard
- Introducing a common panel scorecard.

We sought views from stakeholders on our ideas.

Review minimum criteria

- 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.**

Review panel assessment

Key Factors of Assessment	Description	Factor Weighting
DNO engages with a broad range of stakeholders. Specific focus is given to the interests of challenging or hard-to-reach 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) Demonstrate that initiatives represent the best value for money for stakeholders 	25%
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%

Submission templates

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)						

Regulatory Instructions and Guidance (RIGs)

In advance of RIIO-ED1, we need to finalise RIGs for the:

- Customer Satisfaction Survey
- Complaints Metric
- Telephony Data

We think it may be useful to start identifying where changes are required to each of these RIGs.

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