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20th March 2014

Dear James

Thank you for the opportunity to review and comment on 'Ofgem's Consultation on the changes to the Stakeholder Engagement Incentive Guidance Document' as published 6th February 2014. This letter is National Grid's response to this consultation. Having reviewed the proposals set out in this document, our comments on the 3 main changes you identify are:

1) Amount of supplementary information

- Volume of Evidence - We recognise Ofgem's rationale for managing the volume of information it will receive from companies and support the approach taken. In order to support Ofgem with this requirement, it is important that applicants to this process are fully aware of how supporting documents are assessed to allow for effective and necessary provision of information. Additional guidance would therefore be welcomed.
- Expert Panel - We note the proposal to reduce membership of the voting members, but believe that maintaining the current number of 5-6 will give a fair balance of review and challenge.

2) Addition of a supplementary question mechanism

We support your proposal to include a mechanism providing flexibility to ask supplementary clarification questions on networks' submissions to support the decision making process. We would like to request that networks are given a reasonable amount of time to respond to such requests in the context of:

- Process for Q&A - From our experience in the development of our RIIO business plan and the subsequent periods of Q&A with Ofgem, we found it beneficial to clearly define and agree a Q&A process to raise, log and answer questions in a structured and timely manner. We are happy to help in the design of this.
- Additional information and publication of Q&A - We note that you "would not expect this process to result in any additional information being provided to us." And that "All supplementary questions and answers will be published." We support this approach subject to a clearly defined Q&A process and any potential confidentiality issues being addressed before publication.

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3) Other general changes to the scheme

We support your approach to reducing the number of changes required each year, and to promote consistency across the schemes, however this needs to take account of the differing nature of the businesses. For example, the edits include the addition of new text stating that “We expect network companies to pay particular attention to stakeholders that represent the interests of vulnerable customers”. The relationship and impacts that Transmission and Distribution companies will have on these groups are significantly different and needs to be taken in to account.

The difference between Transmission and Distribution companies and their stakeholders was recognised during the pilot scheme. In view of this, we consider it important to clarify what expectations Ofgem has for the Transmission companies’ engagement with vulnerable customers. It is important that Ofgem and the Transmission companies have a consistent and shared view of who is appropriately identified as vulnerable customers for Transmission to ensure that the submissions under this incentive can be effectively and fairly assessed.

We look forward to submitting our reports under the scheme on 30th May.

If you would like to discuss our response further, please contact Tracy Hine (Distribution) on 07885 775 624 or by email to tracy.hine@nationalgrid.com, or Diane Green (Transmission) on 07768 490 808 or by email to diane.green@nationalgrid.com

Yours sincerely

[By e-mail]

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