



Price Control Review Forum: summary of proceedings

Date: 23 April 2014, 10.00 – 13:00

Venue: Queen Elizabeth II Conference Centre

On 23 April 2014 Ofgem held the third Price Control Review Forum (PCRF) for the electricity distribution price control (RIIO-ED1). We summarise the main points arising in the meeting below.

The attendees are listed in Appendix 1. Presentations given by Ofgem and the DNOs are attached as associated documents to this summary.

Introduction and purpose of the meeting

Ofgem highlighted the main purposes of the meeting:

- recap of the RIIO-ED1 process so far
- DNO short summaries of their revised business plans
- Citizens Advice's initial views on the revised plans
- discussion of key issues arising from the plans and monitoring RIIO-ED1.

Presentations

Ofgem presented a short summary of the RIIO-ED1 process so far. A discussion followed on how to get stakeholders involved in the process. Several attendees thought the policy working groups were too detailed – and suggested stakeholder workshops on the big value incentive schemes, or specialist teach-ins.

Each DNO presented a 10 minute summary of the revised plan it had submitted to Ofgem in March 2014. These plans are published on the DNO websites, with links from the Ofgem website. Ofgem is seeking views on the plans – the consultation closes on 12 May 2014.

The Citizens Advice representative presented his initial views of the business plans. He observed that there is a clear drop in the distribution element of bills from DPCR5 to RIIO-ED1, but that it wasn't clear how much of this is driven by changes to asset lives versus actual cost reductions and whether this was transferring cost to future customers. He wondered how the DNOs could justify such different costs of equity, and asked if Ofgem will explain how stakeholders should interpret this.

With respect to customer service, he noted that there is low customer awareness of their DNO, and therefore who they should contact in a power cut. So while he

was pleased to see a voluntary increase in guaranteed standard payments for long interruptions, he noted that many people who have been interrupted haven't received any money.

He observed that DNO engagement on issues affecting vulnerable consumers has improved, although some DNOs are still better than others. There is an ongoing requirement to ensure that all those customers eligible to be on the Priority Service Register (PSR) are registered. He also noted that those companies that used smaller 'critical friends' panels were likely to get more continuity and focus on issues, than those that relied on larger 'town hall' events.

He noted that many of the DNO commitments in their plans are not SMART (Specific, Measurable, Assignable, Realistic, Time-bound), and suggested the DNOs work with stakeholders to define them better and monitor progress. He challenged everyone to ensure the stakeholder engagement continues throughout the price control.

Elements of the RIIO-ED1 framework rely on reputational incentives, and Citizen's Advice wonders how effective these will be over an 8 year price control.

He also asked how elements such as the development of the stakeholder engagement governance framework, the guaranteed standards consultation, the PSR consultation and the investigation into the Christmas storms will interact with the RIIO-ED1 review – and noted that this is not clear to stakeholders.

He also asked how the various incentives fit together, and what the upper and lower bounds are. He also noted that the incentives could lead to volatility in network charges and wondered whether the knock-on impact to suppliers led to a premium on prices. Again, he felt that this is not clear to stakeholders.

At this point in the RIIO-ED1 process, Citizens Advice's focus is now turning to delivery and accountability i.e. how to ensure the DNOs deliver on their commitments in their business plans.

Discussion on issues in the business plans

The National Energy Action (NEA) representative echoed many of the Citizens Advice's observations on stakeholder engagement. He is seeing DNOs referring low income householders to energy efficiency schemes, but felt there needs to be more recognition that there are some issues with these schemes – for example some are no longer accepting referrals. He was also interested in the links between demand-side response, and demand aggregation on big schemes.

One attendee questioned how DNOs know who the vulnerable customers are. A DNO noted that there is work ongoing – and that the suppliers will be sharing this information.

The RenewableUK representative asked which DECC scenario each DNO is using for their plan, and what they will do if the future is actually lower or higher. All the DNOs are using scenarios based on or around the low scenario, with the load-related re-opener providing flexibility to respond to changes. Some flagged that they will use innovative solutions, and have identified triggers to check whether what is happening matches what was forecast.

The representative from Ofgem's Consumer Challenge Group (CCG) was pleased to see this recognition of uncertainty and the requirement for innovation, since over the 8 year price-control period many things will change, and the DNOs will need these tools to ensure they can deliver. He encourages DNOs to look outside the sector for best practice on customer handling, technology and data usage.

Discussion on monitoring the RII0-ED1 price control

The attendees discussed what information stakeholders find useful. One proposed a short, annual comparison of key performance indicators across the DNOs. Traffic lights were felt to be a good tool.

Since customers don't know who the DNO is, some attendees wondered if DNOs could send their customers key information, including DNO performance. WPD already does this, and notes it's still hard for them to increase customer recognition.

DNOs were asked how they intended to report on the delivery of their lists of commitments.

There was discussion on how to get comparability across the DNO reporting, and whether comparability is always necessary. For individual customers it may not be so important – they probably just want to know how their DNO is doing, although they may be interested to know if their DNO is the best.

SPEN is keen for DNOs to publish a lot more data, and more frequently than annually. WPD's stakeholders have said they want a simple summary of what the DNO has promised in its plan.

NPg's stakeholder panel told it to ensure its annual stakeholder report aligns with the business plan structure.

Attendees assumed where stakeholders operate across multiple DNO areas they will want comparability and consistency.

A supplier representative stated that customers want confidence they are receiving good value, and therefore want to see the DNOs' performance against the financial incentives, and how this flows through into DNO revenues.

Some stakeholders will want detailed information, such as investment in smart grids and innovation and tracking the avoidance of innovation using demand-side reduction and other innovative initiatives.

Ofgem asked what it should publish versus the DNOs. One attendee noted there is no point in Ofgem repeating what the DNOs have published, it needs to add value. Ofgem can provide commentary, explain mitigating factors. It was expected that an Ofgem commentary will be more factual and neutral than that provided by the DNOs. Another attendee noted that Ofgem can make sure information is consistent and in a common format. One attendee noted that it may not trust data supplied by the DNOs, and therefore may ask Ofgem for the verified data

Annex 1: List of attendees

Name	Organisation
Andy Manning	Centrica
Chris Alexander	Citizen's Advice
Mike Hemsley	Committee on Climate Change
Robert Kinnaird	Department for Energy and Climate Change (DECC)
Sarah Walls	Electricity North West Ltd (ENWL)
Steve Johnson	Electricity North West Ltd (ENWL)
Ian Burkett	GMB
Chris Welby	Good Energy
Hugh Conway	Major Energy Users Council
Paul Whittaker	National Grid
Peter Smith	National Energy Action (NEA)
Iain Miller	Northern Powergrid (NPg)
John Barnett	Northern Powergrid (NPg)
Anna Rossington	Ofgem
James Veaney	Ofgem
Phil Sumner	Ofgem
Paul Smith	Ofgem's RIIO-ED1 Consumer Challenge Group (CCG)
Louisa Coursey	RenewableUK
Jonathan Wisdom	RWE npower
Xander Fare	Smart Grids GB
Scott Mathieson	SP Energy Networks
Jim McOmish	SP Energy Networks
Samantha Risdale	SSE Power Distribution
Steve Kennedy	SSE Power Distribution
Alan Broadbent	SSE Power Distribution
Keith Hutton	UK Power Networks (UKPN)
Alison Sleightholm	Western Power Distribution (WPD)