

Report on the DPCR5 Stakeholder Engagement Incentive 2013-14 – Electricity Distribution Network Operators

This document summarises the results of the 2013-14 Electricity Stakeholder Engagement Incentive.

1. Introduction

- 1.1 Under the current electricity distribution price control (DPCR5) electricity Distribution Network Operators (DNOs) are incentivised to become more outward facing and responsive to the needs of their stakeholders.
- 1.2 The key aim of the stakeholder engagement incentive is to encourage DNOs to identify and engage stakeholders and use this to inform how they run and plan their business. The incentive is designed to financially reward companies where their engagement leads to high quality outcomes.
- 1.3 The incentive provides an annual reward of up to 0.2% of annual allowed revenues per DNO. The allocation of this reward is based on an assessment of DNO activities by a panel of independent experts, which is chaired by Ofgem. This is the second year in which we have assessed DNO stakeholder engagement activities and provided a reward.

2. The assessment process

- 2.1 On 30 April 2014 we published guidance notes setting out the assessment process for this scheme.
- 2.2 DNOs submit evidence split into two parts. The first part is a demonstration that there is a robust engagement strategy in place. This should show how feedback from engagement is incorporated into business plans and decisions. This includes showing an understanding of who their stakeholders are and how best to engage with them. Part two of the submission is evidence of the outcomes of the engagement process.
- 2.3 The guidance notes set out the minimum requirements each submission must meet. Ofgem assesses the submissions against these requirements. The companies whose submissions meet these requirements are then invited to a question and answer session with the panel.
- 2.4 The panel use a scorecard to assess the quality of the submissions and the presentation. The panel award each DNO a score out of ten based on this assessment. The score is then used to derive the proportion of the overall incentive available to each DNO. The panel also provide group and individual feedback for the DNOs. All the companies subsequently meet with Ofgem staff to receive more specific feedback.

3. The submissions and the panel session

- 3.1 On 30 May 2014 we received submissions from all six DNOs. Following our internal assessment we concluded that all the DNOs had met the minimum requirements.
- 3.2 This year's panel was made up of experts from a range of backgrounds, chosen for their skills and expertise in communications and understanding business

relationships. This experience included stakeholder engagement across the public, private and charity sectors. The panel members were:

- Philip Cullum, Partner Consumer and Demand-side Insight, Ofgem (Chair)
- Colin Browne, Consultant, Colin Browne Strategic Communications
- Andrew Whyte, Director, Kingsnorth Communications
- Alexander Ehmann, Head of Government and Parliamentary Affairs, Institute of Directors
- Marieke Dwarshuis, former Director, Consumer Focus Scotland
- Laura van der Hoeven, Campaigns Manager, Citizens Advice
- Allen Creedy, Chairman, Federation of Small Businesses' Environment, Water and Energy Committee.

3.3 The companies were invited to attend the panel session on 9 July 2014.

4. General panel feedback to the DNOs

4.1 The Chair thanked all of the DNOs for their commitment to stakeholder engagement and acknowledged that all submissions demonstrated progress since last year. However, the Chair noted that the panel's expectations have also increased from last year.

4.2 The panel made the following key points to all DNOs:

- The panel considered that the DNOs still need to engage with a greater diversity of stakeholders (eg government and small-medium businesses).
- The panel encouraged DNOs to give more consideration to how stakeholder engagement could be used to address future issues.
- The panel encouraged DNOs to become more self-aware about their engagement, so that they can prioritise areas to improve.
- Many DNOs demonstrated initiatives and practices which could be rolled out across wider regions and nationally. The panel encouraged the DNOs to do this through greater collaboration.
- The panel considered that some DNOs' strategies and activities felt disconnected from each other. The panel considered that all DNOs' strategies had improved, but that some DNOs were not using their strategies to inform their activities.
- The DNOs used various measures to gauge the effectiveness of their engagement. The panel encouraged the DNOs to focus on measuring the quality of engagement, rather than the quantity of engagement.
- The panel encouraged DNOs to be more strategic and proactive in their engagement. The panel encouraged the DNOs to think more about who their stakeholders are, why they want to engage with them and what methods of engagement are chosen.
- The panel strongly encouraged future submissions to assess the cost effectiveness of their engagement activities.

5. The panel scores for the DNOs

5.1 The panel awarded the following scores out of 10 for each of the DNOs:

- Western Power Distribution (WPD) – 8.05
- Northern Powergrid (NPG) – 7.65
- Scottish Power Energy Networks (SPEN) – 6.65
- UK Power Networks (UKPN) – 6.55
- Electricity North West Limited (ENWL) – 6.45
- Scottish and Southern Energy (SSE) – 5.5