

## Report on the RIIO-GD1 Stakeholder Engagement Incentive 2013-14 – Gas Distribution Networks

---

This document summarises the results of the 2013-14 Gas Distribution Stakeholder Engagement Scheme.

---

### 1. Introduction

- 1.1 In April 2013 we introduced a Stakeholder Engagement Incentive to run under the current gas distribution price control (RIIO-GD1). This incentive is intended to financially reward gas distribution operators (GDNs) for high quality outcomes in regards to stakeholder engagement.
- 1.2 The key aim of the stakeholder engagement incentive is to encourage GDNs to effectively engage with a wide range of stakeholders and use the outputs from this process to inform how they plan and run their businesses. The incentive financially reward where their engagement leads to high quality outcomes.
- 1.3 The scheme provides an annual reward of up to 0.5 per cent of annual allowed revenues per GDN. The allocation of this reward is based on an assessment of GDN's activities by a panel of independent experts, which is chaired by Ofgem. Last year was a trial of this incentive; this year has been the first year to include a financial 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 GDNs are required to submit evidence covering two parts. The first part should demonstrate a robust engagement strategy. This includes showing an understanding of who their stakeholders are and how best to engage with them. It should demonstrate governance arrangements are in place to ensure the stakeholder feedback results in meaningful outcomes. Part two of the submission is evidence of the outcomes and impacts of the engagement process.
- 2.3 The guidance notes set out the minimum requirements each submission must meet. Ofgem reviews the submissions against these requirements. Last year, during the trial run, only three out of four GDNs passed the minimum criteria. The companies whose submissions meet the minimum requirements are then invited to the expert panel.
- 2.4 The panel use a scorecard to assess the quality of the submissions and the presentation. The panel award each of the GDNs a score out of ten based on this assessment. The score is then used to derive the proportion of the overall incentive available for each GDN. The panel also provide group and individual feedback for the GDNs. 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 four GDNs. Following our internal assessment we concluded that all four GDNs 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
- Allen Creedy, Chairman, Federation of Small Businesses' Environment, Water and Energy Committee.

3.3 The companies were invited to attend the panel session on 10 July 2014.

#### 4. General panel feedback to the GDNs

4.1 The panel thought the GDNs showed genuine enthusiasm and this was reflected by the quality of their presentations which, in general, exceeded the quality of the written submissions.

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

- The panel were pleased by the amount of collaboration between the GDNs. The panel encouraged the GDNs to develop this further (eg ensuring best practice is shared amongst GDNs and implemented nationally).
- The panel considered that the GDNs demonstrated strong engagement on vulnerability and fuel poverty issues.
- The panel encouraged the GDNs to better understand and quantify the impacts of their engagement activities.
- The panel noted that the majority of initiatives focused on current issues. The panel encouraged the GDNs to give greater consideration to how stakeholder engagement could be used to address future issues.
- The panel considered that the GDNs had improved their stakeholder identification and mapping. The panel encouraged the GDNs to further consider who they want to engage with and why.
- The panel considered that the GDN's stakeholder engagement submissions are too focused on customer service issues. The panel encouraged the GDNs to include more information on wider stakeholder engagement issues.

#### 5. The panel scores for the GDNs

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

<b>Company</b>	<b>Score</b>
NGGD	7.15
NGN	6.75
WWU	6.3
SGN	6.05