

James Veaney
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Ofgem
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16 January 2014

Dear James

RIIO-ED1 Stakeholder Engagement and Consumer Vulnerability (SECV) incentive consultation

Thank you for the opportunity to respond to the above consultation. This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. Our response is not confidential and can be published via the Ofgem website.

Our detailed feedback can be found in the appendix to this letter, the main focus of which is to ensure clarity of the requirements for DNOs and the regime Ofgem will operate to review and grade the submissions.

In relation to the independent third party consultant assessment, we note that as drafted the consultant will focus on the consumer vulnerability aspects only and not the wider stakeholder engagement element. This produces a tension between licensees producing a holistic, consolidated SECV submission and the need for the consultant to identify and review only the consumer vulnerability sections of the submission. We believe that the appropriate solution to this is to enable the auditor to look at and provide a view on the complete submission and not just the consumer vulnerability element.

We would also like to take this opportunity to seek clarity on the trial indicated in your covering letter – specifically, the proposed scope (your consultation says “some parts” will be trialled) and the feedback process/consultation which will be undertaken post trial to update the guidance as required.

We look forward to working with you on SECV, if you have any queries please do not hesitate to contact me in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Hutton', with a large, sweeping flourish at the end.

Keith Hutton
Head of Regulation
UK Power Networks

Copy Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

1. The title of the document should be amended to “Stakeholder Engagement and Consumer Vulnerability Incentive Guidance” to match the exact wording used in the CRC2C.
2. Application process – currently worded as “expect” a DNO to submit a two part submission but does not explicitly require a DNO to submit it in two parts. We propose changing “expect” to “require”.
3. In both of the Part 1 and Part 2 boxes, the first letter on the first line does not need to be capitalised.
4. Part 1 box:
 - a. The first bullet should include “governance” of the submission as an item that should be assessed. This is particularly important in view of the DAG’s introduction
 - b. The first bullet should include a reference to how the quality of engagement is measured
 - c. As drafted, the first bullet could be interpreted to exclude non-financial benefits. Without this being in scope there is a risk that DNOs focus solely on engagement with a measurable financial output. Accordingly, we propose replacing “cost effectiveness” with “value creation”
 - d. The terms ‘outcomes’, ‘outputs’ and ‘impacts’ are used interchangeably in the document. We believe that it is important that they are consistently referenced to ensure clarity in the guidance itself through to the assessment criteria for the panel
5. In the Assessment Process bullets it is unclear whether the reference to “challenging and hard-to-reach stakeholders” means individual stakeholders who are both challenging and hard-to-reach, or a mix of stakeholders, some of whom are challenging and some of whom are hard-to-reach. Furthermore, we propose removing the example ‘community energy’ as including an example might lead licensees to focus on them at the expense of other parties.
6. Also in the Assessment Process section, one of the changes refers to the ability to demonstrate positive outcomes for stakeholders. Whilst we support this, we believe it should also reflect where initiatives have been trialled and proven by stakeholders to not work, but that the DNO can evidence the process and learning in doing so.
7. In the Evaluation and Rewards Allocation section:
 - a. Bullet 1 should be amended to clarify in the second line that the minimum requirements are those outlined earlier in the SECV document
 - b. Bullet 2, first paragraph should be updated to clarify:
 - i. That Ofgem appoint the independent third party
 - ii. That the third party should be suitably qualified and experienced in this subject matter
 - iii. The scope of the independent audit – i.e. Parts 1 and 2
 - c. Bullet two, second paragraph has been incorrectly indented
 - d. The first sub bullet under bullet 2 should be clarified so that “relevant social issues” are “social issues relevant to the licensee’s vulnerable customers”
 - e. For bullets 3 and 4, it is unclear as to the scope of the assessments – are they Parts 1 and 2 only or do they also include the consultant’s report?
 - f. In the table:
 - i. The third row refers to “challenging groups **OR** hard to reach stakeholders” [emphasis added]. This is different to the wording in the Assessment Process section which refers to “and” not “or”. This needs to be standardised throughout the document
 - ii. The final column in the table, confirming scoring, is a sensible addition but requires a description of the calculation steps to merge the weighting and the score to get a total score
 - g. Bullet 5 has been incorrectly indented

8. In the second paragraph of the Panel Members section, clarity is required regarding the scorecard. If this is the one earlier in the document then this should be specified. If it is a separate one then this should be included in the document and requires consultation with licensees before its inclusion.
9. In the format of the application section:
 - a. Both rows in the table require clarity on whether the page limit includes cover pages, contents pages, blank pages etc
 - b. In the first row of the table it should be clarified such that licensees are clear whether the supplementary information is included in the panel's assessment of the score
 - c. The reference to there being no restriction on the font size should be caveated such that the submission must be legible
10. Finally, we believe that a closing sentence is needed to clarify that the guidance is effective from 1 April 2015 and applies to submissions made from May 2016 onwards; such submissions falling due on the last Friday in May each year.