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Our ref

Your ref

Date

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16 January 2015

Dear James

Consultation on RIIO-ED1 Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc.

Western Power Distribution (WPD) supports Ofgem's decision to retain the stakeholder incentive for the next price control (RIIO-ED1) and to increase the scope of the reward to assess DNO responses to social challenges. WPD also supports the suggested adaptation of the mechanism to assess how well DNOs are addressing consumer vulnerability and ensuring positive outcomes for customers.

WPD acknowledges that the changes proposed in the consultation letter are relevant and adequate. In particular, WPD welcomes the addition of an independent assessment, by a third party, which will ensure that DNO engagement is considered in a fair and consistent manner. The additional scrutiny will help to differentiate between the different accreditation schemes each company has in place, the robustness of the assessments/audits they have undergone, as well as the quality of the various DNO initiatives and outcomes achieved.

WPD supports the proposal to retain DPCR5 arrangements for Summer 2015 and welcomes the opportunity to participate in a trial assessment against the RIIO-ED1 'consumer vulnerability criteria' later this year, once an independent consultant has been appointed.

There are four priorities that WPD would like to raise:

1. Clear SECV guidance with early sight of any future revisions

WPD welcomes the early sight of the draft guidance as well as the specific inclusion of the requirement for companies to demonstrate that they are paying attention to the interests of vulnerable customers and hard-to-reach stakeholders.

WPD also welcomes the addition of the panel scorecard to the guidance document and is satisfied that the weighting proposed for the criteria is appropriate. Including the scorecard in the guidance will aid DNO's understanding of the assessment criteria and will go some way to ensure DNO's are consistently assessed.

WPD agrees with removing the mention of specific regulatory years within the core guidance document, but feels it is vital that each company's submission remains focussed on the significant initiatives and outputs achieved specifically within the regulatory year in question. This avoids companies repackaging projects that have previously contributed significantly to a financial reward, without further enhancing or expanding these projects.

Should there be any future revisions to the guidance (for example, following specific points raised by the awarding panel in a previous year's assessment), we would favour earliest possible sight of these, ideally six months prior to the submission deadline.

2. An increase to the maximum pages permitted for part two submissions

WPD would favour an increase to the part two submission length from ten to fifteen pages. This would reflect the significant increased scope of the incentive.

In early 2014, WPD commissioned Simon Roberts from the Centre for Sustainable Energy to conduct a "dry-run" assessment of WPD against an early draft of the balanced scorecard (a revised version of which Ofgem have since indicated will be used for all DNO's going forward). WPD prepared a ten page written submission (in advance of an interview/audit) that focused solely on 'social obligations'. In our experience, due to the size of our programme and the number of criteria assessed, it was a challenge to adequately cover the most salient points and key outcomes in a ten page submission, and this did not include wider stakeholder engagement activities, as will be the case for the SECV incentive from 2015 onwards. We acknowledge that Ofgem have sought to address this with the inclusion of an independent audit stage, which will result in a short report produced about each company that the awarding Panel will receive, however a slight increase in submission length is necessary.

3. Ensuring a consistent independent audit process is followed

In order to ensure a consistent, 'like for like' audit process is followed there needs to be clear structure and guidance published. This is also necessary to ensure that the manner in which DNO's prepare for the audits is broadly consistent – for instance there are a number of possible options including: preparing a bespoke written submission (separate to the main SECV submissions), a detailed evidence file and making stakeholders from partnership organisations available for interview etc. Finally, the outcome reports produced should follow a consistent scope and format to ensure ease of comparison between companies. On the whole, the current Interruptions Incentive Scheme (IIS) is good a model to follow, including the opportunity for DNO's to review their own reports for factual accuracy prior to submission to Ofgem.

4. Consistent judging Panel membership and tenure

With regards to the awarding Panel, in principle WPD would favour increasing the membership rather than reducing the number of voting members, as currently proposed. This is due to the increased scope (and available financial rewards) of the Stakeholder Engagement Incentive from 2015. However, the most important factor is having consistent Panel membership with long tenure (ideally a minimum of 3 years). This would allow companies to use their submissions to discuss in greater detail initiatives and outputs started in previous years, without needing to repeat the high-level context.

If there are any aspects of this letter that you would like to discuss further then please contact Alex Wilkes at awilkes@westernpower.co.uk or on 01332 827647.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AS', written over a horizontal line.

ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager