

SENT BY EMAIL

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Dear Kersti,

National Grid's response to Ofgem's consultation on values within the stakeholder satisfaction output arrangements (electricity transmission licence, special condition 3D and gas transporter licence, special condition 2C)

Thank you for the opportunity to respond to the above consultation. National Grid's response, covering both Electricity and Gas Transmission, can be found below. We welcome the fact that years 1 and 2 of RIIO-T1 are to remain as per our expectations and annual reporting.

- 1.1 Whilst we acknowledge that the proposed baseline is based on the data provided, we would like to highlight that we believe there is a strong likelihood of volatility in this area due to the nature of the relationships that we have with the respondents, especially on our major projects. This is due to the fact that the stakeholder base for our major projects changes on a year by year basis, dependent upon the specific projects that we are progressing. Additionally, it is associated with work that by its nature is not always welcomed. We therefore question the ability for Ofgem to have certainty that the proposed baseline is appropriate. We also note that the population is relatively small in relation to the customer population (135 respondents in 14/15) and therefore the impact of volatility will be greater as a result. Over the last two year of surveys, the volatile major projects element has accounted for an average of over 40% of the stakeholder satisfaction survey respondents (we did not survey any major projects during the dry run in 12/13). The proportion of respondents affected by major projects is set to increase over the next few years as the number of major projects hitting survey trigger points increases – for example, in 15/16 the number of projects we are able to survey will be at least five in comparison with a total of six over the last two years combined, and this number will increase further throughout the remainder of RIIO-T1.
- 1.2 On an associated point to 1.1, we feel that it is unfair to set a higher baseline for the stakeholder element than the customer element, recognising that by the nature of the works, it is more challenging to satisfy our stakeholders during major projects. This is especially true when we start construction works, at which point dissatisfaction is much harder, if not impossible, to mitigate through engagement due to the inherent disruption these projects can cause. To date only one of the major project surveys we have undertaken has been at construction stage. However, over the remainder of the period of RIIO-T1, we will be surveying in the order of ten further projects during their construction phase. As a result of the nature of the work associated with these projects, and the volatility of the respondents, this will have a significant impact on our ability to maintain the levels of engagement scores we are currently demonstrating. We would therefore recommend that the stakeholder target should not be increased beyond the customer target, cap and collar of 6.9, 8.5 and 5.3.

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1.3 Our final concern is with the steep and immediate rise from 10% to 30% of the overall satisfaction incentive. We feel that this, combined with the two points made above, means that the impact of volatility and the higher baseline in relation to the customer element will be compounded. We would request that this large rise is reconsidered and suggest that a lesser increase of a maximum of 20% is more appropriate.

We trust that you will consider these points and look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mike Calviou". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mike Calviou
Director, Transmission Network Service