



Making a positive difference
for energy consumers

All interested parties

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Dear Stakeholders,

RIIO-ED1 Stakeholder Engagement and Consumer Vulnerability Incentive Guidance – informal consultation

It is important that network licensees engage with stakeholders and help address consumer vulnerability – the RIIO-ED1 Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive drives network companies to do this. This informal consultation seeks views on our proposed SECV Incentive Guidance document following a trial of the assessment process last year.

In this consultation, we are not considering changes to either of the RIIO-GD1 or RIIO-T1 Stakeholder Engagement Incentive Guidance documents that we issued on 30 April 2014.¹ This consultation seeks views on the proposed RIIO-ED1 SECV Incentive Guidance document only.

Background

During DPCR5, we introduced the Stakeholder Engagement Incentive to drive the network licensees to engage with stakeholders and respond to their needs. The DPCR5 Stakeholder Engagement Incentive Guidance document² specified how DNOs should apply for the incentive and how we would assess their performance.³

We decided to widen the scope of the Stakeholder Engagement Incentive for RIIO-ED1 to ensure that DNOs are also incentivised to play a full role in addressing consumer vulnerability.⁴ We refer to the revised incentive as the SECV Incentive. We need to issue the RIIO-ED1 SECV Incentive Guidance document to specify the submission procedure and assessment process for the SECV Incentive.

In December 2014, we consulted on our initial views of the changes that we would need to make to the DPCR5 Stakeholder Engagement Incentive in order to incorporate an assessment of how well the DNOs were addressing consumer vulnerability issues.⁵ We received useful feedback to our proposals from external stakeholders, which prompted us to amend some of our proposals. We wanted to trial our updated proposals before publishing any further documents.

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-changes-stakeholder-engagement-incentive-guidance-document>

² https://www.ofgem.gov.uk/sites/default/files/docs/2014/04/ed_se_incentive_-_guidance_doc_0.pdf

³ Unlike the RIIO-T1 and RIIO-GD1 licence, the DPCR5 licence did not specify the process that we should adopt to issue or make changes to the Stakeholder Engagement Incentive Guidance document.

⁴ <https://www.ofgem.gov.uk/ofgem-publications/47068/riioed1decoutputsincentives.pdf>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-stakeholder-engagement-and-consumer-vulnerability-secv-incentive-consultation>

The trial

In autumn 2015, we appointed consultants to develop the incentive framework. The consultants were chosen due to their experience assessing regulatory incentives and their knowledge of consumer vulnerability issues.

The consultants were required to:

- Design a common methodology to assess each DNO against our proposed Consumer Vulnerability Criteria;⁶
- Undertake a trial assessment of the proposed methodology. The assessment included analysing a submission from each DNO demonstrating how it met the Consumer Vulnerability Criteria and a site visit to each company to challenge it on any gaps in its submission; and
- Produce a report on the results of the trial assessment. The report included a detailed description of the methodology, a detailed assessment of the six DNOs' performance and lessons learnt from the trial.

The consultants' report and the DNOs' submissions are published on our website (alongside this consultation). Following the trial, we updated the proposed SECV Guidance document to reflect the lessons learnt.

Consultation

We are seeking views on the proposed RIIO-ED1 SECV Guidance document, which is attached to this letter.

Please submit any written comments on the proposed SECV Guidance document to RIIO.Implementation@ofgem.gov.uk by 18 February 2016. Unless clearly marked as confidential, we will publish responses on our website.

Next Steps

The process for establishing the SECV Guidance document is outlined in Part H of electricity distribution special licence condition CRC 2C (Broad Measure of Customer Service Adjustment). We will review responses to this informal consultation and consider the representations received. We will then issue a formal consultation on the proposed Guidance in accordance with CRC 2C.29; upon considering any further representations made in that consultation, we intend to direct for the Guidance to be issued in accordance with CRC 2C.28.

We propose that the RIIO-ED1 SECV Incentive assessment in summer 2016 will adhere to our new guidance.

Yours sincerely,



Grant McEachran

Head of RIIO Electricity, RIIO Networks

⁶ Our proposed Consumer Vulnerability Criteria are:

- Strategic understanding and commitment to the role that network companies can play in tackling social issues relevant to vulnerable customers.
- Engagement with stakeholders to improve the data and information that they hold on vulnerable customers and what they do with it.
- Approach taken to management and use of PSR and associated services.
- Approach taken to develop and utilise partnerships (e.g. referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable customers.
- Embedding their strategy for addressing consumer vulnerability in their systems, processes and how they manage customer interactions.