

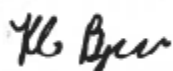
**To: Electricity North West Ltd (ENWL)  
Northern Powergrid (Northeast) Ltd (NPgN)  
Northern Powergrid (Yorkshire) plc (NPgY)  
London Power Networks plc (LPN)  
South Eastern Power Networks plc (SPN)  
Eastern Power Networks plc (EPN)  
SP Distribution plc (SPD)  
SP Manweb plc (SPMW)  
Scottish Hydro Electric Power Distribution plc (SSEH)  
Southern Electric Power Distribution plc (SSES)  
Western Power Distribution (West Midlands) plc (WMID)  
Western Power Distribution (East Midlands) plc (EMID)  
Western Power Distribution (South Wales) plc (SWALES)  
Western Power Distribution (South West) plc (SWEST)**

**Direction under Part H of Charge Restriction Condition (CRC) 2C (Broad Measure of Customer Service Adjustment) of the Electricity Distribution Licence to issue the Stakeholder Engagement and Consumer Vulnerability Guidance Document**

1. Each of the companies to whom this document is addressed is the holder of an Electricity Distribution Licence (the Licence) granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 (the Act).
2. Pursuant to Part H of special condition CRC 2C of the Licence, the Gas and Electricity Markets Authority (the Authority) gave notice on 2 March 2016 (the Notice) that it proposed to issue the Stakeholder Engagement and Consumer Vulnerability Guidance Document (the SECV Guidance Document). The Notice required any representations to the modifications to be made on or before 30 March 2016.
3. Prior to the close of the consultation period in respect of the Notice, the Authority received five responses. All non-confidential responses have been placed on the Ofgem website.
4. The Authority has carefully considered all representations received. Our responses to these representations are attached at Annex 1 to this modification.

**Now therefore**

5. In accordance with the powers under Part H of CRC 2C of the Licence, the Authority hereby issues the SECV Guidance Document as contained in Annex 2. This decision will take effect on and from 1 April 2016.
6. This document constitutes a direction issued by the Authority under paragraph 2C.28 of CRC 2C.



**Kersti Berge**

**Partner – RIIO Networks**

Duly authorised on behalf of the Gas and Electricity Markets Authority  
1 April 2016

## **Annex 1 – Responses to the representations received**

- Three Distribution Network Operators (DNOs) were happy with the SECV Guidance Document and had no further comments.
- One DNO suggested that further clarification could be provided for what constitutes 'Business As Usual'. We consider that the Glossary definition of Business As Usual gives an appropriate level of detail, without prescribing the exact activities each DNO should consider as Business As Usual. Further clarification was also suggested for the drivers that would be excluded from the SECV Guidance Document incentive submission on the basis that they have been funded elsewhere. We consider that the document provides an appropriate balance between stipulating which activities should be included in the submission and allowing DNOs to use their own judgement. We therefore did not amend the SECV Guidance Document.
- One respondent raised a number of points on the document:
  - The respondent expects that the scale of demonstrable impacts from the Stakeholder Engagement and Consumer Vulnerability Incentive over the lifetime of the incentive should correspond with the impacts of the Energy Best Deal and Energy Best Deal Extra Programmes. No change is required to the SECV Guidance Document.
  - The respondent welcomed the addition of paragraph 2.4 but believes that it could be strengthened with the inclusion of text setting out that the panel will only reward initiatives that are new or have "required genuine and demonstrable ongoing business activity from previous years". While we believe that this is inherent within the incentive, we have amended paragraph 2.4 to read "We envisage that network companies will build on and highlight progress they have made, and are making, on their activities from previous years. Inclusion in subsequent years will require justification in order to be rewarded."
  - The respondent also welcomed the amendment to paragraph 4.13, but considers that a question remains over how feedback is used. They suggested that a further amendment be made to set out how the panel will include "non-commercially sensitive research or best practice that has not yet been published" in their feedback to all DNOs. We consider that the second Panel Assessment Criteria encourage DNOs to share initiatives, and note that the detailed feedback sessions with each company will highlight the best practice across the industry; we therefore did not amend the SECV Guidance Document.
  - As raised at the informal consultation stage, the respondent believes the consumer vulnerability weighting should be increased to 50%. In earlier discussions we highlighted that this is the first year of an assessment of DNOs' approaches to consumer vulnerability, and that we wished to maintain as much consistency across sectors (electricity distribution, gas distribution, and transmission) as possible. We therefore set out that we wish to keep the weighting of consumer vulnerability to 25% for the first year at least, but may revisit this in later years. We therefore did not amend the SECV Guidance Document.
  - The respondent reiterated their request to revisit the decision of how Ofgem converts the panel score into a financial reward to avoid over-rewarding and skewed scores. As discussed previously, we are open to discussion about this issue later in the process. We did not amend the SECV Guidance Document.
  - The respondent also raised a number of points about the wider incentive and our approach in the future. Since none of these points required a change to the SECV Guidance Document we will follow up on these with the respondent separately.

**Annex 2 – the Stakeholder Engagement and Consumer Vulnerability Guidance Document**

Attached as an associated document.