

## Summary of Ofgem's Customer and Social stakeholder group - Meeting 2

From:	Date: 19 <sup>th</sup> September 2018  Time: 10.30am	Location: Ofgem, Glasgow
-------	---	--------------------------

### 1. Introductions

- 1.1. Ofgem provided an update on the actions from the previous meeting.
- 1.2. More information on the working groups taking place for RIIO-GD2 can be found on our website: [RIIO-2 events, seminars, and working groups page](#).

### 2. Guaranteed Standards of Performance (GSOPs)

- 2.1. The group discussed several key questions set out in the slides presented by Ofgem.

*How should the process of customer engagement in relation to the new and existing GSOPs be organised? How would you propose standards and customer payment levels be set for existing GSOPs?*

- 2.2. It was generally agreed that either a collaborative Gas Distribution Network (GDN) engagement piece or Ofgem led engagement, with support from the GDNs, would be best way to develop GSOPs for RIIO2. The group discussed customers' willingness to pay. It was suggested that higher GSOP standards, or new GSOPs, could lead to an increase in GDN costs.
- 2.3. It was suggested that Ofgem should consider the process and timings in more detail, including:
  - The need to consider potential stakeholder fatigue given the considerable engagement already taking place for RIIO2.
  - The time any new engagement piece may take and how this might interact with the development of GDNs business plans.

*Which GSOPs should be prioritised for updating, and which areas might require new GSOPs?*

- 2.4. GDNs have already collected a lot of data in areas that the GSOPs cover. The GDNs will consider this information further to identify where GSOPs can be improved and also where further engagement is required in relation to the new GSOPs. This will be discussed at the next meeting.

### 3. Interruptions

- 3.1. Ofgem set out its initial thinking on interruptions and the group discussed how to take this work forward. The need to understand how GDNs report interruptions, whether this is consistent, and how any differences might be addressed, was seen as key area to focus on. Ahead of the next meeting, Ofgem will develop a template to capture this information. Ofgem will provide an update on the findings from this template at the next meeting.

## 4. Customer Satisfaction

- 4.1. NGN and SGN presented a strawman for how customer satisfaction surveys could be used in RIIO GD2. Four initial options were highlighted, all with varying levels of work required to the current process. Ofgem asked the GDNs to collaboratively work on a more detailed proposal for customer service to be presented at the November stakeholder working group meeting. The group also discussed which areas were impacting customer satisfaction, and whether it would be appropriate to score the surveys using a weighted average.
- 4.2. Cadent and WWU presented potential options for measuring customer service which did not rely on customer satisfaction surveys. They presented an option for a balanced scorecard which could be used to show where companies are performing over and above the base measure. Parties noted that any option would need to avoid any possible over complication. GDNs added that they believed any work in this area would be additional to the customer satisfaction survey which they believed should be retained. It was thought that this could possibly carry financial penalties as well as reward.
- 4.3. The group also discussed the possibility of using an external form of benchmarking, such as requiring the GDNs to sign up to an external accreditation standard. This idea had mixed levels of support from the group.

## 5. Behind the meter and FPNES

- 5.1. Ofgem presented their strawman thinking in relation to vulnerability. The group were in agreement that the current Discretionary Reward Scheme is very labour intensive for all parties involved, and there were also concerns raised whether the rewards are proportionate to the outputs.
- 5.2. Ofgem proposed that one option is to remove the current gas Discretionary Reward Scheme and create a "use-it-or-lose-it" allowance which will create a pot of funding that could be used by the companies to tackle social issues, however more development of this option is required. There was some discussion of how to encourage behaviours and an annual public learning and sharing event was suggested.
- 5.3. Discussion was had over the future of the Fuel Poverty Network Extension Scheme (FPNES), and Ofgem suggested that targeting needs to be improved. GDNs advised that whilst targeting could be improved, this could raise the costs associated with the connections. It was also noted that despite an improvement in targeting there is still issues surrounding the in house works required for the customers to make savings. Some parties suggested that the FPNES scheme should be more aligned with other funding schemes to ensure that the in house work and fuel poor connections are linked to maximise the benefit to fuel poor households.

## 6. Stakeholder Engagement Incentive

- 6.1. Some parties agreed that the Stakeholder Engagement Incentive (SEI) has been beneficial in changing behaviour within the networks and has promoted collaborative working and engagement with senior management.

6.2. Three potential high-level options for the SEI in RIIO-GD2 were presented by Ofgem and discussed;

- Retain the incentive, whilst updating the minimum requirements and assessment criteria;
- Reform the incentive moving towards either a reward and penalty incentive, or purely a penalty only incentive; or
- Remove the incentive completely and replace with bespoke or common metrics, embedded in outputs.

6.3. GDNs identified a possible fourth option suggesting a “pot” of funding could be provided alongside requirements for the levels on engagement the GDNs should be providing. It was added that parties could be incentivised for performing over and above any baselines set.

6.4. Some parties thought that outcomes delivered in RIIO-GD1 would not have been delivered without the incentive, and there were concerns that by removing the SEI GDNs would no longer be driven to keep improving in this area. The GDNs also raised that Citizens Advice recently reviewed the SEI, and noted that while progress has been made in RIIO-1, there is still room for improvement.

Many parties noted that this area can be subjective which can lead to problems if an output only process was adopted. Some parties also noted that such subjectivity around outputs and outcomes would make it difficult if we were to move towards a penalty-only incentive.

6.5. Parties were advised that the changes to the SEI will be discussed further in a separate Stakeholder Engagement workshop.

## **7. Next meeting**

7.1. The next customer and social stakeholder group meeting is scheduled for 25th October 2018.