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RIIO-GD2 Customer and Social Stakeholder Group

Introduction

Pete Wightman, Head of Gas Distribution

Meeting 2: 19th September 2018

Customer Satisfaction

Ongoing policy development – for discussion only

- **Introductions (10:30 – 10:55)** *(Pete Wightman, Head of Gas Distribution)*
  Summary of previous meeting and the progress of actions

- **Customer Satisfaction (10:55 – 11:55)** *(Centrica/Citizens Advice)*
  Strawman options for activities or levels of customer service which could be included in the GDNs licence

- **GSOPs (11:55 – 12:55)** *(Ofgem)*
  Discuss current position and summarise responses from GDN information request on GSOP performance levels.

- **Lunch (12:55 – 13:30)**
- **Interruptions (13:30 – 14:30)** *(Ofgem)*
  Ofgem to discuss current position and provide update following request for information on reporting of interruptions.

- **FPNES and Vulnerability (14.30 – 16.00)** *(BEIS, Cadent and WWU)*
  BEIS current thinking on fuel poverty and energy efficiency strategies post 2021 (14.30 – 15.00)
  WWU presentation on FRESH vulnerability mapping (15.00 – 15.30)
  Cadent presentation on vulnerability mapping (15.30 – 16.00)

- **Any other business**
  Actions for completion will be circulated by Ofgem.
  Date of next meeting: 28th November 2018

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Customer Satisfaction

Customer and Social Working Group

25/10/2018

GD Policy Team

25/10/2018

What activities or customer service levels should be included in GDN licences for RIIO-2?

citizens advice

October 2018

centrica

Task

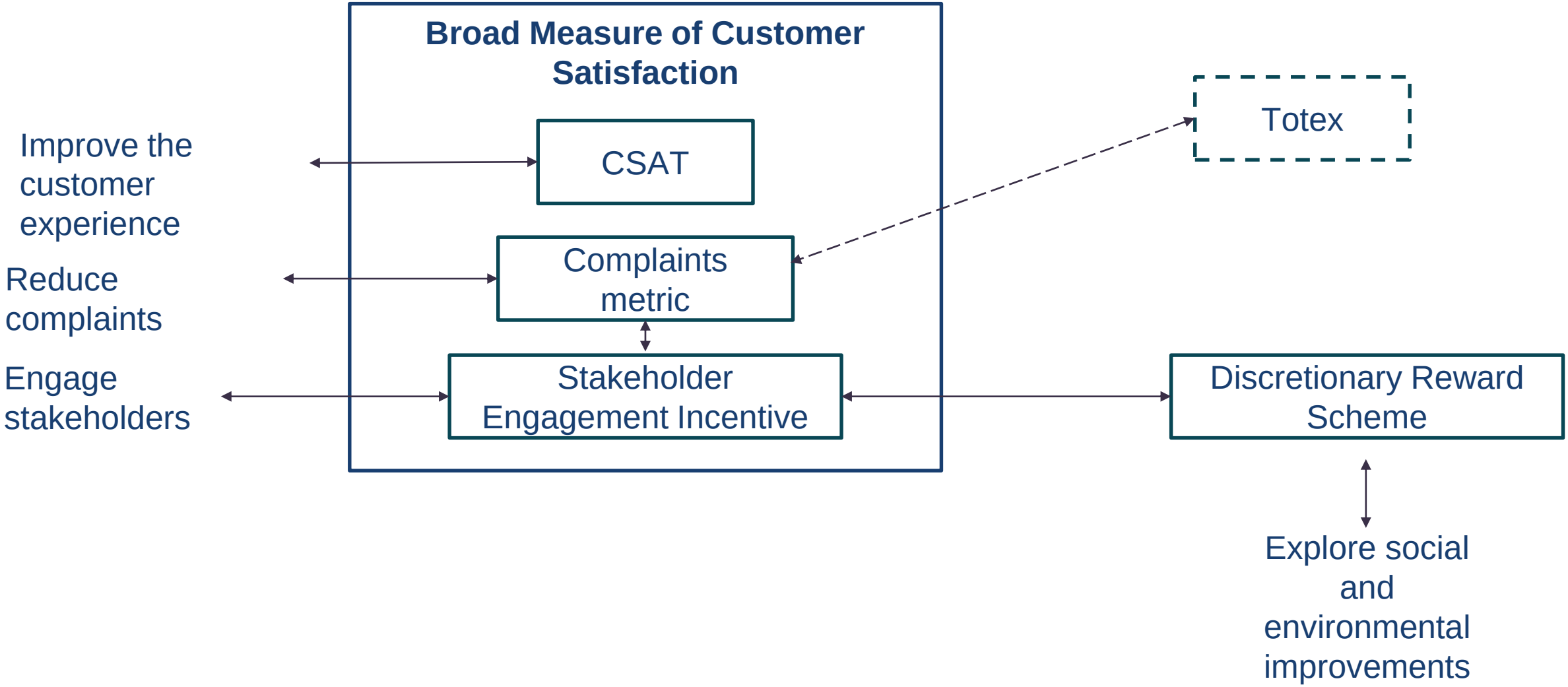
Draw up a strawman option for the levels of customer service which could be included in the GDNs licence as a minimum level of service for RIIO-GD2.

Focus on things that we currently incentivise that you think could be done as BAU, and if so, how this could be done.

Intro

- Focused on core customer services that matter to domestic and small business customers
- Reviewed current licence obligations
- Reviewed supplier licence obligations
- Licence Obligations need to be seen in the round with (updated) Guaranteed Standards, Price Control Deliverables and Outputs

Existing customer service incentives



What’s currently in the Gas Transporter licence?

- Gas emergency telephone line
- Provision of information to customers during unplanned interruptions
- Statement of rights

Guaranteed Standards

- Target to achieve Connection GSoPs 90% of the time
- Target to respond to uncontrolled gas escapes in 1 hour and controlled gas escapes in 2 hours, 97% of the time
- Compensation under Guaranteed Standards can be paid via shippers and suppliers

Customers in vulnerable circumstances

- maintain practices and procedures to **identify** domestic customers who may be eligible for assistance, and **offer** these customers specific priority services.
- Customers **eligible** for assistance:
  - Pensionable age, disabled, chronically sick, live with children under 5, or otherwise in a vulnerable situation and require additional services related to their access, communication and safety needs.
- Services that must be provided
  - Password for domestic customer who is of pensionable age, disabled or chronically sick
  - Facilities so that customers who are blind/partially sighted and deaf/hard of hearing can complain or ask about any service

Proposal: introduce a performance target for non-connection Guaranteed Standards?

- would be in line with target (90%) in the Connection GSoPs
- what is the right target: 90% / 95% ?
- the non-connection standards are the ones that matter most to domestic and small business customers

Non-connection GSoPs

- Supply restoration
- Reinstatement of customer's premises
- Heating and cooking facilities for priority domestic customers
- notification and payments under the GSoPs
- Notification in advance of planned supply interruptions
- Responding to complaints

+ new Standard around appointments during planned interruptions

What should move from the incentive framework into Licence Obligations?

Incentive framework

- Principles of what should be incentivised (see yellow box)
+ advantage is annual RIIO reporting brings focus to the incentivised areas
- penalties would be pre-set by RIIO framework

Licence Obligation

- danger of being forgotten?
- bar for enforcement action is high
+ enforcement actions could lead to higher fines

Hybrid option

Incentive to encourage performance improvements (and penalise performance below a benchmark) with Licence Obligations as a ‘backstop’

Good incentive design

- **Beneficial**: encourage companies to take decisions that are in the long-term interests of customers
- **Additional**: encourage firms to do things they would not have done otherwise
- **Value for Money**: reward firms with the amount of money required to get them to change their behaviour
- **Bankable**: encourage improvements in performance – and not reward standing still.
- **Measurable**: assess performance against clear and objective criteria
- **Regular reporting**: provide regular updates on their progress

What can we learn from retail market regulation?

Move to principles-based regulation

- outcomes-focused
- puts onus on companies to do the right thing
- future-proof
- sits alongside monitoring

Customer objective	Suppliers, and their representatives[6], treat each customer fairly			
'Limbs' of the Standards	Behaviour towards consumers	Providing customers with information	Customer service processes	Considering vulnerable domestic customers
What this means in practice	Suppliers must behave and carry out any actions in a fair, honest, transparent, appropriate and professional manner	Suppliers must provide information (whether in writing or orally) which, amongst other things is complete, accurate, and not misleading and displayed in plain and, intelligible language, as well as being appropriate and fair	Suppliers must make it easy for consumers to contact them, act promptly to put things right when they make a mistake, and ensure customer service arrangements are fit for purpose	Suppliers must identify and understand the characteristics, circumstances and needs of vulnerable customers and satisfy themselves that their actions are resulting in vulnerable consumers being treated fairly
Consumer outcome	Consumers have a positive experience when dealing with their supplier and are not put off future engagement	Consumers receive the right information – at the right time and in a suitable format – in order to make decisions about their energy supply	Consumers' expectations are met by the supplier's processes and their issues are resolved appropriately	Consumers' vulnerable situations are taken into account by a supplier so all consumers can participate effectively in the market

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Guaranteed Standards of Performance (GSOPs)

Customer and Social Working Group

25/10/2018

GD Policy Team

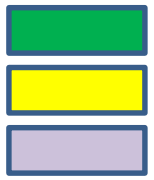
25/10/2018

Introduction

Ongoing policy development – for discussion only

In this GSOP session we plan to discuss the key findings of the GSOPs information request that was sent all GDNs to complete following the September C+S working group meeting, which aimed to explore:

1. **What does existing GDN stakeholder research data say about GSOPs?**
   - Stakeholders appear happy with the existing standard / customer payment level.
   - Stakeholders appear to demand a stronger standard / customer payment level.
   - Evidence unclear/more evidence needed



2. **How may GDNs would have performed if different standards had been adopted in 2017/18?**
   - We asked GDNs to provide indicative data on their performance against illustrative targets in 2017/18.
   - This data provides us with the information required to set robust and feasible standards for RIIO-GD2.

3. **Do any themes emerge from GDN complaints data?**
   - We asked GDNs to provide details on the themes and areas that receive the most complaints.
   - This information should provide us with an indication of the areas customers are most concerned about.

We conclude by discussing next steps.

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What does existing GDN stakeholder research data say about GSOPs?

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Initial Findings

GSOP	Payment Level		Standard	
	Overall	Key Findings	Overall	Key Findings
GSOP1: Supply Restoration		• Clear that **stakeholders demand a higher customer payment level**. • Concerns with **fairness of cap** as may reduce the incentive to reconnect once cap has passed.		• Most **feedback supports a stronger standard**, and potentially a **higher standard for vulnerable customers** (3 hours?) • Different standard during winter months?
GSOP2: Reinstatement		• On the whole stakeholders **demand a higher customer payment level.**		• Clear that the **standard should be tightened**. 3 days was mentioned. • GDNs highlight the **importance of quality** too.
GSOP3: Priority Domestic Customers		• Agreement that **payments should be increased** and **made automatic**.		• **More research is required** but agreement that vulnerable customers need to be better reflected within GSOPs and need to be publicised better.
GSOP5 – GSOP11: Connections (Quotations, Land Enquiries and Offering dates)		• **Lack of evidence in this area**. • One suggestion that payments could be doubled.		• Lack of evidence elsewhere. • **Higher standard demanded for standard quotations**.
GSOP12: Notification and Payment		• **Lack of evidence in this area**. • One suggestion that payments could be doubled.		• No stakeholder research conducted but **should align with electricity distribution**.
GSOP13: Planned Interruptions		• **Payments should be increased** and made **automatic**. • Information sharing on vulnerable customers needed.		• **Tighter regulation required** as many cases where customers receives no / short notice of works. • **Some support for an Introduction of an appointment standard**.
GSOP14: Complaints		• **Mixed feedback** on stakeholder satisfaction with payment level.		• **Stakeholders impressed with speed complaints are processed**. Standard should align with ED1.

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How may GDNs have performed if different standards had been adopted?

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GSOP Description	Existing target	Outcome of analysis
GSOP1: Unplanned interruptions	**24 hours** 92.0%	**18 hours** 85.9%
GSOP2: Reinstatement	**5 working days** 97.6%	**3 working days** 84.1%
GSOP4: Provision of standard connection quotations =<275kWh per hour	**6 working days** 99.9%	**3 working days** 97.1%
GSOP5: Provision of non-standard connection quotations =<275kWh per hour	**11 working days** 98.3%	
GSOP6: Provision of non-standard connection quotations > 275kWh per hour	**21 working days** 99.7%	
GSOP8: Response to land enquiries	**5 working days** 97.3%	
GSOP9: Offering a date for commencement and substantial completion of connection works (=<275kWh per hour)	**20 working days** 99.5%	**17 working days** 92.8%
GSOP10: Offering a date for commencement and substantial completion of connection works (> 275kWh per hour)	**20 working days** 100.0%	**19 working days** 80.6%
GSOP13: Notice of Planned Interruption	**5 working days** 92.0%	**7 working days** 81.5%
GSOP14: Complaints	**10 / 20 working days** 98.1%	**7 / 17 working days** 97.4%

Based on GDN performance against illustrative standards we have identified **potential ranges for revised standards** based on median performance across GDNs in 2017/18.

We acknowledge that there may be a case to constrain revisions to standards to only **reflect business as usual** and not to require significant investment in the network.

Those **highlighted green may require the standard to be strengthened further**? E.g. Std Connection Quotes.

Do you agree with the outcome of our analysis?

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Potential GSOP revisions based on existing evidence - Strawman

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Summary of GSOP	Standard		Payment	
	Current	Proposal	Current	Proposal
GS1: Supply must be restored after an unplanned interruption within [X]	24 hours	**18 - 24 hours**	£30 dom; £50 non-dom £1000 cap	**£45 - £75 dom; £70 - £150 non-dom; £1400 - remove cap**
GS2: After works, premises must be restored to condition within [X]	5 working days	**3 – 5 working days**	£50 dom; £100 non-dom	**£70 - £100 dom; £140 - £200 non-dom**
GS3: Must provide alternative heating and shower facilities within [X] hours of an outage	4 hours (8 for large events)	4 hours (8 for large events)	£24	**£35 - £50**
GS12: Any GSOP payments owed must be paid within [X]	20 working days	**10 – 20 working days**	£20	**£30 - £40**
GS13: Must give at least [X] notice of a planned interruption	5 working days	**5 – 7 working days**	£20 dom; £50 non-dom	**£25 - £40 dom; £65 - £100 non-dom**
GS14: Company must provide a response to complaints within [X]	10 working days (20 if visit needed)	**5 – 10 working days (10 – 20 if visit)**	£20 per 5 days £100 cap	**£25 - £40 per 5 days; £125 – remove cap**

- Potential proposals for GSOP revisions are based on regulatory precedent and stakeholder research.
- At a minimum, we intend to propose that all GSOPs customer payments are inflated by inflation (CPIH). Either from 2002 or from 2008 depending on when the GSOP was initially introduced and/or set.

What are your initial views on our strawman?

* Connections GSOPs are under consideration and will be discussed separately.

Next steps…

Ongoing policy development – for discussion only

- We will finalise our existing GSOP revision proposals ahead of the December consultation.
- We'll aim to explore the introduction of **new** GSOPs at the next C+S working group meeting in November.
- If you want to express any additional views following this workshop regarding GSOPs and/or this presentation please do not hesitate to contact us.

Ongoing policy development – for discussion only

GSOPs

ANNEX

Do any themes emerge from GDN complaints data?

Ongoing policy development – for discussion only

Priority Number	Emergency / Unplanned	Planned	Connections
1	Communication on progress	Communication	Time taken to schedule works
2	Length of time to restore supply	Reinstatement Quality	Time taken to complete works
3	Reinstatement Quality	Broken promise	Time taken to provide quotation
4	Quality of work / outcome	Quality of work / outcome	Pricing Enquiry
5	Unexpected gas interruption	Time to reinstate	General Communication

A number of key themes emerge:

1. **Poor communication**
2. **Poor quality outcomes / reinstatement**
3. **Length of time to restore supply / reinstate property**

Do you agree with the outcome of our initial thinking?

Lunch

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Interruptions

Customer and Social Working Group

25/10/2018

GD Policy Team

25/10/2018

Introduction

Ongoing policy development – for discussion only

In this interruptions session we plan to discuss:

1. Interruptions information request findings

- Following the September C+S workshop we sent GDNs an information request to explore potential data consistency issues between company interruption data.
- We present the key findings of our analysis.

2. How to incentivise good unplanned average interruption duration performance?

- Ex-ante absolute targets vs Ex-post relative performance assessment?
- Disaggregation of targets?
- Exclusions from targets?

3. Whether there should be a licence condition relating to GSOP1?

4. Next steps

Interruptions data request – initial analysis

Ongoing policy development – for discussion only

- To set robust interruption targets data comparability is important.
- While unplanned interruption data is comparable at a total level we are less confident at a more disaggregate level (e.g. mains, service, risers, ECV, other interruptions).
- Our information request aimed to better understand differences in reporting between GDNs and to identify ways in which interruption reporting can be improved.

Key Findings

1. Current RRP interruptions template **requires significant manual input** from GDNs.
2. This appears to lead to **differences in interpretation and inconsistencies**.
3. RIGs **definitions could be improved ahead of RIIO-GD2** to improve comparability and consistency.
4. Potential **differences in practicable definition of planned / unplanned interruptions** (i.e.5 days notice).
5. **Setting robust disaggregated interruptions targets may be challenging using current data** (i.e. riser interruption targets) .
6. **Improvements in MOBs / Riser interruptions reporting would likely require data management system enhancements**.

Data Assessment Key Questions and Next Steps:

1. What are the **barriers to introducing data management systems** that can systematically report data against the RRP template?
   - How much would it cost? Would this be good value for customers?
   - How long would it take to implement such systems?
2. We intend to develop a plan to **explore data improvement strategies and options with the GDNs.**

How to incentivise good unplanned average interruption duration performance?

Ongoing policy development – for discussion only

There are two main approaches to incentivising performance as set out in RIIO2 Framework decision:

1. **Ex-ante absolute targets**

- Choice of reputational or financial incentive.
- Absolute targets are **set before the start of each financial year**.
- **Based on historical company performance in absolute terms and relative to peers** (median, upper quartile, etc.).
- There are two main implementation options:
  - i. **Set ahead of the price control and remain fixed** throughout the price control.
  - ii. **Updated year-on-year** to account for performance achieved during the price control.

2. **Ex-post relative performance assessment**

- Financial incentive only.
- Maximum reward/penalty is chosen and GDN performance is **evaluated ex-post following each financial year**.
- The **sector benchmark is selected** (median, upper quartile, etc.) and **GDNs are ranked** in terms of performance.
- **GDNs performing above the target receive a reward and those performing below the target could pay a penalty**.
- The overall impact of the incentive across the industry is zero-sum if both rewards are triggered and penalties are incurred.

Ex-ante absolute targets or ex-post relative performance assessment?

How to incentivise good unplanned average interruption duration performance?

Ongoing policy development – for discussion only

Disaggregation of targets

- **We could set different targets for different types of interruptions.** For example:
  1. Riser unplanned interruptions.
  2. All other unplanned interruptions.
- Alternately, **we could set average restoration targets based on total unplanned interruptions**.
- The choice of approach may be somewhat dictated by data comparability and consistency between GDNs.

Exclusions from targets

- **Current interruption targets** are based on total number and volume of interruptions and **exclude major events.**
- Similarly, the RIIO-ED1 Interruption Incentive Scheme which is based on duration and volume of interruptions per customer, excludes the following:
  - **Severe weather events** (8x daily average fault rate).
  - Events that affect **25,000 or more customers** and/or **cause 2 million or more customer minutes lost**.
- **While exclusion of major incidents may make sense if targets are set for total number and duration of interruptions,** the rationale is less clear for average restoration targets.
- Arguably **GDNs are still able to influence the average restoration time during a major incident**.
- This is **also the view of Ofwat whose supply interruption targets for PR19 are also based on average interruption length and do not allow any exclusions.**

What are your views on the disaggregation of unplanned interruption targets and exclusions from targets?

Unplanned Interruptions GSOP1 Licence Condition

Ongoing policy development – for discussion only

75% of unplanned interruptions are restored within 24 hours

- GSOP1 requires GDNs to restore a customer's gas supply following an unplanned interruption within 24 hours. In the event that a customer's supply is not restored within 24 hours the customer receives compensation.
- However, there is not currently a licence condition attached to GSOP1.
- **A complementary licence to GSOP1 that provides additional protection to consumers** is an area that could be considered for our consultation.
- This should **reflect the minimum standard of quality expected with regards to supply restoration**.
- Our current thinking and analysis of GSOP data between 2013/14 and 2017/18 indicates that **a 75% target may be appropriate.**

GSOP1: Unplanned interruptions	
% not restored within 24 hours (2013/14 to 2017/18)	
EoE	**82.4%**
Lon	**75.9%**
NW	**87.5%**
WM	**91.9%**
NGN	**87.7%**
Sc	**90.6%**
So	**86.6%**
WWU	**91.9%**

Minimum	75.9%
Lower Quartile	85.5%
Median	87.6%
UQ	90.9%
Maximum	91.9%

What are your views on the potential introduction of a licence condition for GSOP1? Is 75% appropriate?

Next steps…

Ongoing policy development – for discussion only

- We will finalise the development of interruption outputs ahead of the December consultation.
- We do not envisage requesting any further information regarding interruptions from you before the December consultation but we will be in touch if circumstances change.
- If you want to express any additional views regarding interruptions following this workshop please do not hesitate to contact either Tom Mackenzie or Daniel Mitchell.

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FPNES and Vulnerability

Customer and Social Working Group

25/10/2018

GD Policy Team

25/10/2018

Department for
Business, Energy
& Industrial Strategy

Fuel poverty and energy efficiency strategy update

Department for Business, Energy & Industrial Strategy

Clean Growth Strategy

- Announced aspiration for all homes to be improved to Band C by 2035 and reiterated commitment to 2030 fuel poverty target.
- Committed to at least £640m per year investment in home energy efficiency from 2018 to 2028
  - Delivered through ECO from 2018 to 2022
  - BEIS will review the best form of support in 2022
- Pledged to consult on improving the energy efficiency of private rented homes and social housing to Band C by 2030, where practical, cost effective and affordable.
- Commitment to phase out high carbon fossil fuel heating over 2020's.

Department for
Business, Energy
& Industrial Strategy

Fuel Poverty Strategy

HM Government

Cutting the cost of keeping warm

A fuel poverty strategy for England

- The fuel poverty target is to ensure as many fuel poor households as is reasonably practicable achieve an energy efficiency rating of Band C by 2030.
- 2015 fuel poverty strategy for England set out a vision for tackling fuel poverty and meeting the 2030 target.
- Strategy includes interim milestones for a minimum energy efficiency rating for fuel poor households of Band E by 2020 and Band D by 2025.

Department for
Business, Energy
& Industrial Strategy

Fuel poverty support schemes

Energy Company Obligation

- £640m p.a. focused on home energy efficiency improvements for low income and vulnerable households from 2018 to 2022.

Warm Home Discount:

- Supports 2 million low income and vulnerable households with a £140 rebate off their winter energy bill, currently committed to 2021.

Fuel Poor Network Extension Scheme:

- Target for Gas Distribution Networks to connect fuel poor households to the mains gas grid until 2021. Eligibility aligned with ECO and devolved support schemes.

Department for
Business, Energy
& Industrial Strategy

Fuel poverty strategy update

- Government intend to update the 2015 fuel poverty strategy over the next year.
- This will seek to:
  - Align fuel poverty strategy with commitments made in the Clean Growth Strategy and other Government priorities e.g. Industrial Strategy, Energy Price Cap, Air Quality and heat decarbonisation.
  - Look to set out a policy plan beyond 2021/2022 when many of the current committed policies expire.
  - As we look to build a more sustainable market for energy efficiency, explore which incentives may be able to make a contribution to the fuel poverty target.

Vulnerability mapping

Fuel Poverty Identification Model

Jahir Kashem

RIIO-GD2 Customer & Social stakeholder group

25 October 2018

Cadent

Your Gas Network

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What is the Fuel Poverty Identification Model?

The fuel poverty identification model uses an algorithm which brings together publicly available data to predict household fuel poverty status

The development of this model is funded by Affordable Warmth Solutions CIC (AWS) and Cadent Gas.

Key features of the model:

- Model can make predictions for homes from publically available data such as EPC rating
- Machine learning allows algorithm to become smarter
- Mitigates need to complete costly and intrusive home visits
- Indicates households on or off the gas grid
- Predictions are >75% accurate

It is proposed that the model will be provided free of charge to local authorities and other 'non-profit' agencies working to mitigate fuel poverty in the UK

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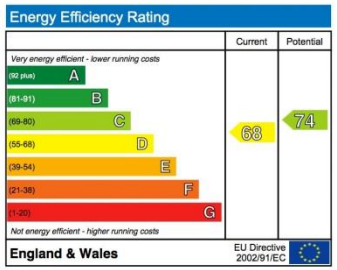
How does it work?



- Data includes Energy Performance Certificates (EPC), HMRC post-code-level variables and house prices
- This data is combined with actual fuel poverty data – English Housing Survey (EHS)

Brings public data into one place

ENGLISH HOUSING SURVEY

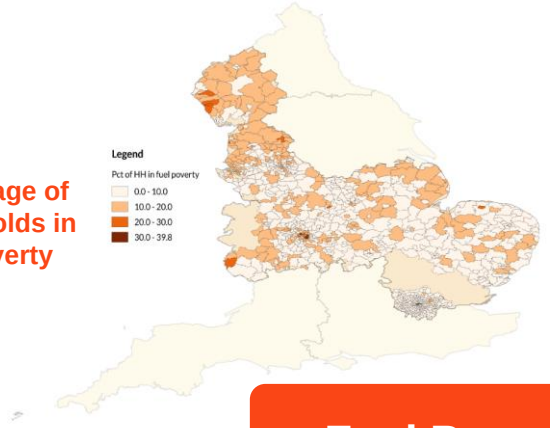
EHS used to train and test accuracy

- EHS – 23,806 households
- Split in 4 parts:
  - 3 parts used to 'train' the algorithm
  - 1 part used to test the accuracy of the prediction
  - 75% accuracy

Machine learning

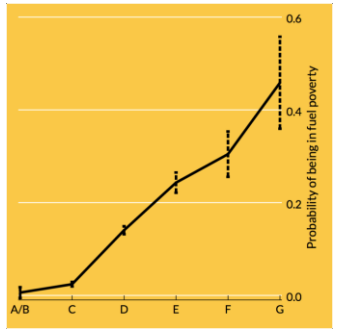
- Random Forest Classification technique used for machine learning
- Multiple decision tree analysis using various data sources

Percentage of Households in Fuel Poverty



Fuel Poverty prediction

- Model generates two key outputs:
  - A household-level fuel poverty prediction
  - Confidence level of the prediction



HM Revenue & Customs

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Data security

The algorithm generates predictions using public data, the predictions are stored on an encrypted server, and are regularly uploaded to the software platform that is being used

Only select users, such as Local Authorities and Affordable Warmth Solutions will have access to the predictions

The predictions are neither shared nor sold to any third party

Users of the platform only have access to predictions for their particular area in order to protect household privacy

The model is compliant with the General Data Protection Regulations (GDPR)

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AOB

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Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where pratical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.

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