



Making a positive difference  
for energy consumers

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Date: 18 December 2018

**Dear** 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 (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 modified Stakeholder Engagement and Consumer Vulnerability Guidance (SECV) 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 CRC 2C of the Licence, the Gas and Electricity Markets Authority (the Authority) gave notice on 5 November 2018 (the Notice) that it proposed to issue the modified Stakeholder Engagement and Consumer Vulnerability Incentive (SECV) Guidance Document. The Notice invited any representations to the modifications to be made on or before 3 December 2018.
3. The Authority received 11 responses to the Notice<sup>1</sup>. All non-confidential responses have been placed on the Ofgem website.

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<sup>1</sup> The Notice also invited representations to be made on the proposed modifications to the Stakeholder Engagement Incentive (SEI) Guidance Document, which applies to the Gas Distribution Network operators (GDNs) and the Transmission Owners (TOs). The 11 responses were the total number of representations received in response to the changes proposed to both the SECV and SEI Guidance Documents.

4. The Authority has carefully considered all representations received. Some respondents proposed further minor amendments, linked to the changes consulted on, which we have incorporated into the Guidance. These amendments are listed in Annex 1 to this direction. Some other comments were more substantive and we have summarised these comments and set out our responses in a table in Annex 1 to this direction.

**Now therefore**

5. In accordance with paragraph 2C.29, Part H of CRC 2C of the Licence, the Authority hereby issues the modified SECV Guidance Document as contained in Annex 2. This decision will take effect immediately.
6. This document constitutes a direction issued by the Authority under paragraph 2C.28 of CRC 2C.

**Steven McMahon**  
**Deputy Director, Electricity Distribution and Cross Sector Policy**  
**Systems and Networks**

Duly authorised on behalf of the Gas and Electricity Markets Authority  
18 December 2018

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

Respondents were generally supportive of our proposed modifications to the SECV Guidance. Some respondents proposed minor amendments, linked to the changes consulted on, which we have incorporated into the Guidance. These amendments are:

- Typographical, aesthetic and grammatical corrections.
- Addition of footnote to the first sentence in paragraph 1.4, to clarify that the SECV Guidance Document does not apply to Independent Distribution Network Operators (IDNOs).
- Revision to paragraph 2.4 from 'we envisage that' to 'we expect', to clarify that Ofgem expects network companies to build on and highlight progress they have made from previous years in their Submissions.
- Revision to paragraph 3.1 to clarify that the Part 3 Submission is aimed at demonstrating network company performance against the Panel Assessment Criteria, in particular against the criteria addressing consumer vulnerability.
- Revision to the numbering of the Panel Assessment Criteria and Consumer Vulnerability Criteria to ensure all criteria are clearly labelled (changes made to paragraphs 3.4, 3.6, 4.9 and 4.11).
- Revision to paragraph 3.5 setting out that the Part 2 Submission should include 'evidence' rather than 'information'. This is to align wording with the Part 3 Submission.
- Revision to paragraph 3.6 clarifying that the Panel will use the Detailed Consumer Vulnerability Sub-Criteria for guidance purposes in their assessment of the Part 3 Submission.
- Revision to paragraph 4.7 clarifying that the Part 1 Submission will not be scored by the Panel, but that the Panel will receive the complete Submission (Parts 1, 2 and 3) for information purposes. This is to ensure consistency with the SEI Guidance.
- Revisions to paragraph 4.8:
  - o Clarification that the maximum number of supplementary questions that will be asked by the Panel is six and that these questions will focus on the Part 2 and 3 Submissions, as the Part 1 Submission is not scored by the Panel.
  - o Clarification that supplementary questions will be provided to the network company no later than 10 working days prior to the Panel Session.
  - o Clarification that additional information regarding the format of the presentations and question and answer sessions will be provided in advance of the supplementary questions being received.
- Addition of new paragraphs 4.12 and 4.13, which give more detailed information regarding the provision of feedback to network companies following the Panel Session.
- Revision to paragraph 4.14 (which was previously paragraph 4.12): A number of companies commented that the proposed publication date of the Panel Report by 30<sup>th</sup> November was too late making it difficult for companies to incorporate feedback into their businesses for the following year. We have amended the date by which the Panel Report will be published to the 30<sup>th</sup> September.

Some other comments were more substantive. We have summarised these comments and set out our responses below:

Summary of responses on specific proposals /issues	Ofgem response
<p><b>Proposal/issue: Remove consultant assessment against the consumer vulnerability criteria and bring assessment of Part 3 Submissions within the remit of the Panel</b></p> <p>While a number of respondents expressed support for bringing the assessment of the Part 3 Submission within the remit of the Panel, a number of respondents also expressed concerns about the removal of the independent consultants' assessment of Part 3 Submissions. The principal concern was that the independent consultants spend a number of hours with the network companies and have a good understanding of how vulnerability strategies are implemented. This is in comparison to the shorter Panel Session in which the Panel assesses company performance. In addition, a number of network companies value the detailed feedback given by the reports produced by the independent consultants, and the transparency of a public report allows for comparison of activity between companies.</p>	<p>While there are a number of outputs linked to DNOs' actions around consumer vulnerability and these are captured in the Consumer Vulnerability Criteria, there are also a number of outcomes delivered as a result of these outputs. We believe that bringing the assessment of the Part 3 Submission within the remit of the Panel will provide an opportunity for the Panel to assess DNO performance more holistically. In addition, the extension of the Panel Session from 20 to 40 minutes will allow more time for the Panel to assess company performance.</p> <p>We note that the DNOs value the detailed feedback from the independent assessment conducted by the consultants. We believe that the introduction of the Panel Report will provide network companies with meaningful feedback on their performance as well as highlight areas of best practice and areas for improvement. A public-facing report will also allow for the comparison of activity between companies.</p> <p>If DNOs find the independent consultants' assessment useful, however, it is still open to them to continue to seek an independent view of performance in regards to their activities to assess consumer vulnerability.</p>
<p><b>Proposal/issue: Remove consultant assessment against the consumer vulnerability criteria and bring assessment of Part 3 Submissions within the remit of the Panel</b></p> <p>One respondent commented that they are concerned the removal of the consultants will drive companies to lobby Ofgem through the year with regard to their activities. The respondent said there is a danger the incentive will be based around perception rather than testing the reality of how this is working.</p>	<p>The assessment of the Part 3 Submissions will be carried out by the independent expert Panel, not Ofgem. As such, we do not agree there is a danger that the removal of the consultants will drive companies to lobby Ofgem through the year with regard to their activities.</p>
<p><b>Proposal/issue: Detailed Consumer Vulnerability Sub-Criteria</b></p> <p>Two respondents commented that the Detailed Consumer Vulnerability Sub-Criteria should be retained and used by the Panel to assess and score Part 3 submissions if the consultant assessment is removed.</p>	<p>To confirm, we are proposing to retain the Detailed Consumer Vulnerability Sub-Criteria as a guide for the Panel in their assessment of the Part 3 Submissions. We are only proposing to remove references to the sub-criteria as scoring requirements.</p>

<p><b>Proposal/issue: Information to include in the Part 1 Submission and the minimum requirements check</b></p> <p>One respondent commented that clarification would be welcomed in regards to what should be included in the Part 1 Submission to ensure companies pass the minimum requirements check.</p>	<p>The table in paragraph 3.3 provides information regarding what should be considered when companies are writing their Part 1 Submission. The table is not intended to be an exhaustive list but rather provides guidance on what may be considered as evidence of meeting the minimum requirements. Companies must include sufficient detail in the Part 1 Submission such that they feel they have met all of the minimum requirements.</p>
<p><b>Proposal/issue: Information to include in the Part 1 Submission and the minimum requirements check</b></p> <p>One respondent suggested that it should be made clear that the Part 1 Submission is designed to determine entry to the incentive and for network companies to lay out their stakeholder engagement (and consumer vulnerability) strategies. These strategies therefore should not be repeated in other parts of the submission.</p>	<p>While network companies should avoid duplication in their submissions, they should also ensure that they have provided sufficient information in the other parts of their submissions to demonstrate that they have met the Panel Assessment Criteria.</p>
<p><b>Proposal/issue: Minimum requirements</b></p> <p>One respondent commented that the minimum requirements criteria should be set out clearly and published in the Guidance to ensure transparency and legitimacy.</p>	<p>To confirm, the minimum requirements are set out in paragraph 4.2 of the SECV Guidance.</p>
<p><b>Proposal/issue: Timing of the Panel Session</b></p> <p>Two respondents suggested that the Guidance should set out a date before which the Panel Session must take place, ie a backstop of 15 July for the session to be held.</p>	<p>While we do not propose to amend the SECV Guidance to introduce a backstop, as dates will vary from year to year, we endeavour to provide companies with information on timings as early as possible each year.</p>
<p><b>Proposal/issue: Panel Session Presentation</b></p> <p>In relation to introduction of the 10 minute presentation as part of the Panel Session, one respondent noted that the consultation does not articulate the format and whether there is a maximum length as detailed for the submissions. This should be clarified in the final Ofgem decision to provide a standard approach as this will allow Companies to focus on what is most important to their stakeholders.</p>	<p>Additional information regarding the format of the presentations and question and answer sessions will be provided in advance of the supplementary questions being received.</p>
<p><b>Proposal/issue: Panel scores</b></p> <p>One respondent suggested that scores against the Panel Assessment Criteria should be published in two forms – the scores initially given by the Panel prior to the Panel Session and the final score arrived at following the Panel Session. This would both increase transparency and provide greater clarity to networks as to the areas of improvement required to help better serve customers.</p>	<p>Although the Panel conduct an initial assessment of Submissions prior to the Panel Session, each Panel member does this independently. As such, there is no consolidated pre-Panel Session score, and therefore it is not possible to share a score prior to the Panel Session.</p>

<p>Two respondents also suggested that if any amendments are made between the initial and final panel score, that this difference should be supported with detailed information on the reasoning, thus giving greater transparency and allowing learning from the process.</p>	
<p><b>Proposal/issue: Other</b></p> <p>A number of respondents raised further considerations and suggested amendments to the SECV Guidance and the incentive more generally, in particular with regards to the assessment criteria and how rewards are calibrated.</p>	<p>While are not seeking to make further changes to the SECV incentive at this time, and have not made additional changes to the SECV Guidance, we will take these comments into consideration in respect of RIIO-2.</p>

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

Attached as an associated document.