

Steven McMahon
Deputy Director, Electricity Distribution and Cross Sector Policy Systems and
Networks
Ofgem
10 South Colonnade
Canary Wharf, London
E14 4PU

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Dear Steven

Consultation on changes to the SEI and SECV Guidance documents

Scottish and Southern Electricity Networks (SSEN) welcomes the opportunity to respond to the Ofgem consultation on the proposed changes to the Stakeholder Engagement Incentive (SEI) and Stakeholder Engagement and Consumer Vulnerability (SECV) guidance documents. Scottish Hydro Electric Power Distribution Plc (SHEPD), Southern Electric Power Distribution Plc (SEPD) and Scottish Hydro Electric Transmission Plc (SHE Transmission) are the owners of the electricity distribution and transmission networks across the north Scotland and Central Southern England. This response is on behalf of all three licensees.

Much like Ofgem, SSEN value the importance of engaging with our customers and stakeholders to inform how we run and invest in our networks. As such we view this as an integral part of our business.

We generally agree with the proposed changes to the Stakeholder Engagement (and Consumer Vulnerability) Incentives guidance documents which improve the clarity of the requirements and the transparency of the assessment and scoring process. We are pleased to see the alignment, where possible, between the RIIO-T1 SEI and RIIO-ED1 SECV guidance documents as we previously raised concerns regarding the growing discrepancy of both the quality and the clarity between the two incentives.

We would welcome more meaningful feedback from the panel to understand what stakeholder activities receive credit in its assessment such that we can learn from this to improve outcomes in both Distribution and Transmission. This applies whether or not the consultant assessment is retained for the consumer vulnerability element of the distribution incentive. Transparency is also essential for external stakeholders to understand exactly what TO and DNO activities are being rewarded and why.

Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ  ssen.co.uk

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For the SECV incentive, we firmly believe that the consultants' assessment of Part 3 submissions against the Detailed Consumer Vulnerability Sub Criteria should be retained. Although we experienced issues with the quality of the assessment this year, and recognise that the potential for poor quality assessments in future is a risk, we feel this can be managed. The consultants assessment of Part 3 allows for a detailed inspection of the work undertaken by each DNO with regards to consumer vulnerability. In addition, the depth and clarity of reporting that is produced from this assessment is extremely helpful in allowing each DNO to identify areas of best practice which can then be replicated, where appropriate, to the benefit of their consumers. Finally, the assessment is a robust and rigorous independent assessment process against a clear set of criteria which provides transparency for both the DNO community and other interested parties.

In general, more detail about the proposed process for the panel to assess Part 2 and 3 submissions would be welcomed. We think many of the issues which have been raised regarding the distribution reward are due to discrepancies between the results of the consultant assessment process and the panel assessment and the lack of transparency given to these changes. We understand that the consultant's report of Part 3 is used as an advisory document and support the view that the panel should have the power to amend scores, however, we would ask that any amendments are supported with detailed information on the reasoning, thus giving greater transparency and allowing learning from the process which will improve outcomes for vulnerable customers. We believe that by removing detail from the existing assessment criteria midway through the price control there is a real risk that the assessment process becomes less transparent and therefore open to criticism.

In relation to RIIO-2, we believe that the SEI remains important to both the network licensees and Stakeholders that it serves and should therefore remain an important part of the overall Stakeholder Satisfaction Output incentive in the next price control. From a licensee perspective, the SEI mechanism provides the incentive to continue to develop and improve the Stakeholder Engagement We welcome the continued engagement with Ofgem regarding the future of the stakeholder engagement and consumer vulnerability incentives as we head into the RIIO-2 price control.

We have outlined our specific feedback on the Transmission and Distribution guidance documents in Appendix 1. We would welcome the opportunity to discuss our response in more detail or to discuss our views on the SEI and SECV incentive in more detail.

Yours sincerely

Sam Torrance
Networks Regulation

Appendix 1 - specific feedback on the Transmission and Distribution guidance documents

- Cover page (T) – The cover page should make it clear that this guidance only refers to Electricity Transmission, Gas Transmission and Gas Distribution only. This is not clear until page four of the guidance currently (para 1.4) whereas the SECV guidance makes clear reference to Electricity Distribution in its title.
- Paragraph 3.7 (D) – we recommend this paragraph (or an additional paragraph) should refer to the Detailed Consumer Vulnerability Sub Criteria in Appendix 2 which are currently proposed for deletion. The detailed sub-criteria should be retained and used by the Panel to assess and score Part 3 submissions if the consultant assessment is removed. Once it is made clear that the Panel’s final overall scoring of Part 3 is done with reference to 4.9(a)-(d) rather than the detailed sub criteria in isolation, by either the consultants or Panel, this should remove ambiguity in the process. Removing the sub-criteria reduces transparency and is inappropriate midway through the price control.
- Paragraph 4.5 (T and D) – this indicates that the supplementary question process could result in new information being provided, because provision of new information is not specifically ruled out as it is in the current version of the Transmission guidance. Is this the case?
- Paragraph 4.9 (T) – this paragraph gives additional detail about the Panel assessment process (use of scorecard) and does not appear in the Distribution guidance, is this discrepancy intentional?
- Paragraphs 4.15 (D) and 4.16 (T) – The Distribution guidance states Ofgem will publish panel members’ biographies and require declaration of conflicts of interest, this is missing from the Transmission guidance, is it intentional?
- Paragraphs 4.16 (D) and 4.17 (T)- The Distribution and Transmission guidance vary slightly in what the panel will be provided with to inform scoring (D = copy of Panel Assessment Criteria, T = scorecard including areas of assessment outlined in the section of the guidance describing the scope of the scheme). We suggest these should be aligned to a scorecard with the assessment criteria.
- New paragraph around 5.7 (T and D) – we contributed to and strongly support UKPN’s recommendation on behalf of DNOs for a new Panel report. This is particularly important if the consultant assessment isn’t retained for the CV element of the distribution reward and it’s essential for both the T and D guidance to specify the structure and content of the proposed new report.
- New paragraph around 5.8 (T and D) – we would ask that a timeframe of when the panel assessments would take place is given in advance. Our proposal would be that all panel assessment take place within the first 14 days of July.