

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

*Western Power Distribution,  
Pegasus  
Herald Way  
Castle Donington  
DE74 2TU*

*Telephone 01332 827647  
Email [awilkes@westernpower.co.uk](mailto:awilkes@westernpower.co.uk)*

*Our ref*                      *Your ref*  
-

*Date*  
23 November 2018

Dear Stephen

**Consultation on changes to the Stakeholder Engagement and Consumer Vulnerability Incentive Guidance**

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc.

In addition to recent meetings between network companies and Ofgem on this topic, Western Power Distribution (WPD) welcomes the opportunity to provide further feedback on Ofgem's Review of the Stakeholder Engagement (and Consumer Vulnerability) Incentives.

This response is not confidential. Below you will find WPD's response to each of the proposed changes to Ofgem's guidance:

**Clarify that the Part 1 Submission is not scored by the Panel, but that it does inform the Panel's assessment of the Part 2 (and Part 3 for the DNOs) Submissions.**

WPD supports this. It is inevitable that the Part One submission will be referred to within companies' Part Two and Three submissions, particularly given its focus on our strategies for stakeholder engagement and consumer vulnerability. WPD would therefore support if this was explicitly scored by the Panel; however we support Ofgem's minded to position and statement that whilst it will not be formally scored it will inevitably inform the Panel's view of companies' performance.

**Increase the Panel session from 20 minutes to 40 minutes, within which network companies would give a 10 minute presentation. The presentation would be based on supplementary questions provided by the Panel to the network company, no later than 10 days prior to the Panel Session.**

WPD supports this. More time with the Panel to enable them to scrutinise our performance and approach is welcomed, especially in light of the removal of the independent consultant audit/report from the assessment process for consumer vulnerability. We would welcome some guidance around the practical considerations of delivering these presentations well in advance of the supplementary questions being

received (e.g. availability of PowerPoint facilities versus requirements for hand-outs, etc).

There will need to be some limit placed on the number of supplementary questions asked, and inclusion of this in the guidance, to ensure that responses can be adequately provided in the 10 minutes assigned for presentations. For example, as part of the 2017/18 independent consultant audit, ahead of the day-long visit, WPD received 23 supplementary questions that required a 13,000 word response. Clearly nothing close to this volume will be manageable in the time with the Panel from 2018/19 onwards. A cap of six questions would seem appropriate in WPD's view.

**Remove the Entry Form and all references to the Entry Form.**

WPD supports this.

**Amend the process for providing feedback on network company performance including the introduction of a Panel Report. *Scores and feedback would not be provided on the same day as the Panel Sessions.***

Whilst WPD welcomes the opportunity to receive in-depth and tailored feedback on our performance in the incentive, we do not support the proposal for companies to no longer receive the results on the day.

At present the Panel arrive at scores for each company on the day, and quite rightly there should be no scope for companies to lobby for these to be changed after this point. Therefore, WPD cannot see any reason for scores not to be shared immediately. The full reasons for the Panel's decisions can then follow at a later date within the final Panel Report.

The scores and initial outline feedback currently provided to companies on the same day as the Panel interviews are of significant value. It ensures that feedback is "hot off the press" and avoids messages becoming diluted or lacking context if delivered several months later. In WPD's case the feedback is invaluable in immediately shaping our strategic thinking and next steps for the next regulatory year, which is already over 3 months underway by the time of the Panel interview itself. The new draft guidance states that the Panel Report will not be published until 30<sup>th</sup> November, some five months after the Panel interview and eight months into the new regulatory year, leaving very limited time to act on this highly useful feedback. This will slow down the whole process and remove momentum from the incentive. This presents a significant backwards step and risks having a detrimental impact on performance. WPD therefore request that scores and preliminary feedback continue to be provided to companies on the same day as the Panel interview.

The mention within the consultation that this decision will enable the Panel more time to deliberate and come to a view on each company is surprising; there has been no previous mention that the Panel have indicated they require more time to reach a satisfactory decision. Decisions have always been final and well justified, with no suggestion that they would have been different had there been more time to deliberate.

**Apply the changes to the Guidance Documents from April 2019.**

WPD supports this, but requests that a final set of guidance is circulated as soon as possible, given that the 2018/19 regulatory year (to which this new guidance will apply) is already eight months underway.

It would be very helpful if the key dates for next year's audit and Panel assessment could be shared as soon as possible. We are also keen for as much consistency in Panel members as possible year to year, and setting the dates now will hopefully help to secure their availability.

**Proposed changes affecting DNOs only:**

- 1. Clarify what the Panel is assessing against when evaluating the Part Submissions.**
- 2. Remove 'Consultant Assessment against the Consumer Vulnerability Criteria' section**
- 3. Remove Consultants and all references to Consultants and the Consultants' Report.**
- 4. Clarify what Panel Assessment Criteria (e) comprises. Retain Consumer Vulnerability Criteria and include as subcriteria to Panel Assessment Criteria (e)**
- 5. Retain detailed Consumer Vulnerability Sub Criteria in the Appendix as a guide for the Panel, but remove references to the subcriteria as scoring requirements.**

WPD supports this. We are happy that in light of the removal of the consultant assessment there has been a significant expansion in the duration of the Panel interview session. The retention of the vulnerability subcriteria is useful to guide our submissions, without carrying explicit scoring against each.

**Additional comments**

The updated Ofgem guidance sets out in relation to Part One a list of evidence areas that each network company is "encouraged" by Ofgem to provide. In WPD's case the verbal feedback received from Ofgem as part of the results discussions after the 2016/17 and 2017/18 incentives advised us that some of this evidence was no longer required given the established nature of the incentive. However, given that the incentive carries the possibility that companies can fail to pass the stage one minimum requirements assessment, this carries a significant risk were WPD to follow the verbal feedback rather than the written guidance. This is therefore unclear. It would be helpful if Ofgem could include clarification that if these are only *recommended* inclusions, companies will not be penalised for failing to include them. Conversely, if failure to include them may result in a company not passing the minimum criteria then it should be clarified that these are *required* evidence items, not simply recommendations.

If there are any aspects of this letter that you would like to discuss further then please contact Alex Wilkes at [awilkes@westernpower.co.uk](mailto:awilkes@westernpower.co.uk) or on 01332 827647.

Yours sincerely,



ALEX WILKES  
Stakeholder Engagement and Social Obligations Manager