

## Customer and Social Working Group

*28<sup>th</sup> February 2018*



**1 Introductions (10:00 – 10:10) (Pete Wightman, Head of Gas Distribution)**

Summary of previous meeting and the progress of actions.

**2 Customer Satisfaction (10:10 – 11:10) (GDNs)**

- Cadent to present thinking on the Customer Balanced Scorecard.
- GDNs to present their proposals for the Customer Satisfaction Survey's design and content

**3 Interruptions (11:10 – 11:55) (Ofgem)**

- Ahead of the meeting, we will provide a brief summary of the key options presented in the consultation for the design of the output along with specific questions to spur debate
- Thoughts from stakeholders on the design of the output

**4 Stakeholder Engagement (11:55 – 12:25) (GDNs)**

- GDNs to provide ideas and suggestions for benchmarking options for stakeholder engagement and how this could be incorporated into RIIO-GD2.
- Initial feedback on the options given within the sector specific methodology consultation

**5 Lunch (12:25 – 13:00)**

**6 GSOPs (13:00 – 13:30) (GDNs)**

- An update from the GDNs on the development of new GSOPs and their engagement so far.

**7 Vulnerability (13:30 – 14:15) (All)**

- Ofgem will present the options set out within the sector specific methodology consultation. This will be followed by a discussion on how these may work in practice and what a potential allowance could be used for

**8 FPNES (14.15 – 14.45) (GDNs)**

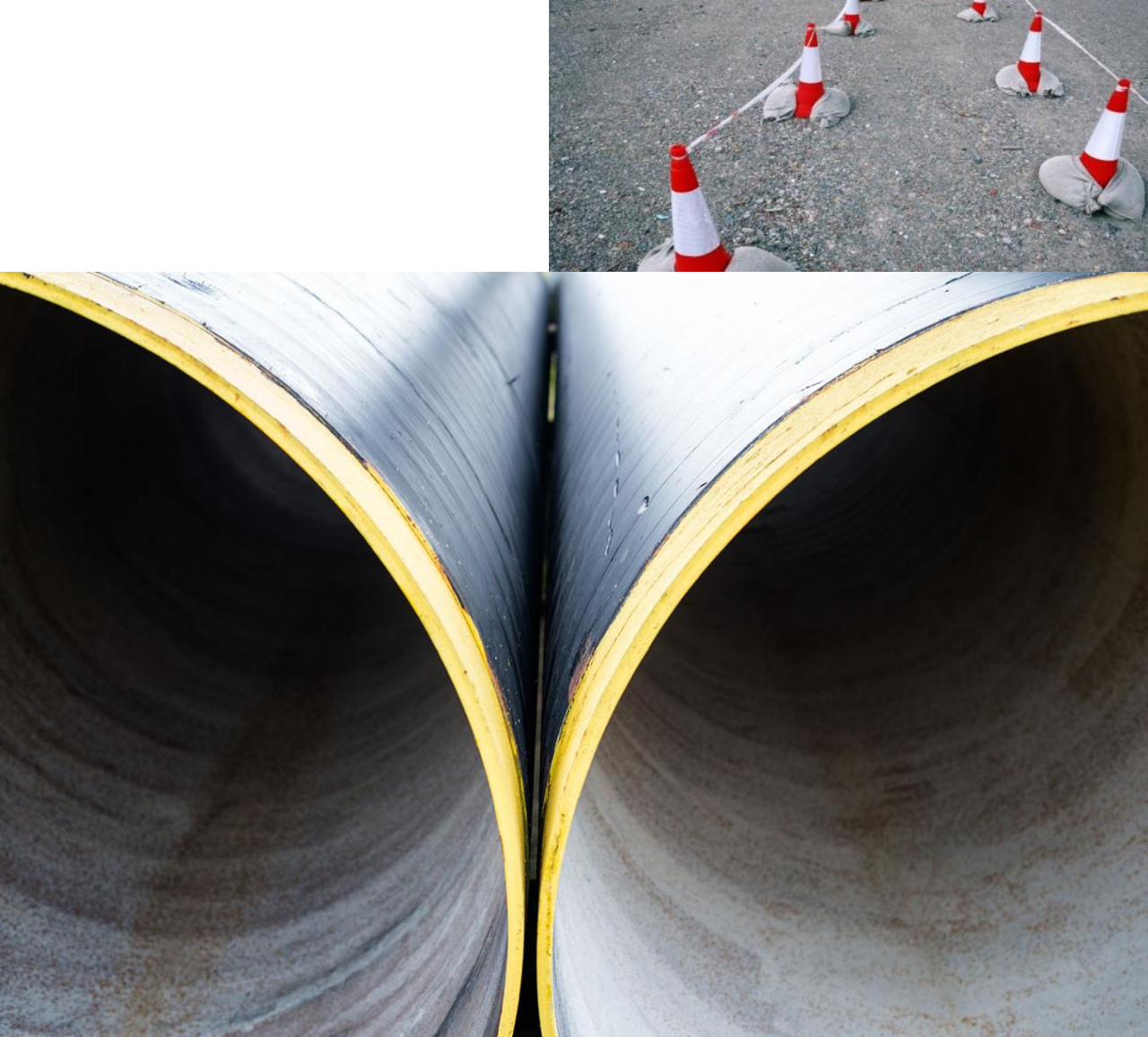
- GDNs to present their initial thoughts on the proposals set out in the sector specific methodology consultation in relation to FPNES targeting and their view on how this may work in RIIO-GD2

**9 Any other business (14:45 – 15:00)**

- Actions for completion will be circulated by Ofgem.
- Date of next meeting: 17<sup>th</sup> April 2019

## Customer Satisfaction





# Customer Balanced Scorecard

**Cadent views on measuring customer experience in RIIO-GD2**

**Customer & Social working group 5**

**Jahir Kashem**

28<sup>th</sup> February 2019

**Cadent**  
Your Gas Network

# Why a balanced scorecard approach?

Improvement	Insight / feedback	How a balanced scorecard could address this?
Consistent performance	In an industry achieving above 8.5/10, are customers willing to pay for a higher level of service, especially as cost to achieve increases at a higher rate	There are still areas for improvement – setting tangible measures against key drivers of satisfaction/dissatisfaction could allow us to target areas of low performance and ensure a consistent high level of service for all customers
Increased scope	The three surveys cover domestic customers only and are based on a sample of customers – Does the measure need to better represent our customer base?	Set wider customer measures which capture performance against services provided to all our customers - both domestic and non-domestic customers
Leading indicators	C-Sat survey is a lagging indicator – are there ways to measure more directly with leading indicators?	Set tangible measures against key steps in the process and record immediately (not at the end of the job)
Based on customer expectations	Data from RIIO-GD-1 can be used to understand key areas which cause dissatisfaction / satisfaction i.e. C-Sat comments / complaints / enquiries.	Use GD-1 insights to set the right measures to maintain good levels of service and target areas of poor performance
Avoids duplication/ conflict	There are many customer measures which are interrelated and may conflict i.e. different target levels, or are duplicated	Set a balanced scorecard which brings together all customer related measures to avoid conflict/duplication
Account for regional differences	Customer expectations differ across regions and evolve over time.	Targets set against tangible measures can be based on customer research and insights allowing greater comparisons and/or recognition of differences.

# Insights from a wide range of customer touch points across our business



Planned work C-Sat insights	
Scores of 10	Scores of 1
Keeping customer informed	Respecting customers
Engineer attitude	Keeping appointments
Minimising disruption	Keeping customer informed

Connections C-Sat insights	
Scores of 10	Scores of 1
Adherence to schedule	Getting things right first time
Good communication	Keeping customer informed
Good customer service	Lead times for completion

Emergency Response & Repair C-Sat insights	
Scores of 10	Scores of 1
Response time	Keeping customer informed
Efficiency completion	Internal communication
Engineer attitude	Make safe

Top 10 complaint reasons	
1	Poor comms/expectation setting
2	Site left untidy
3	Restore gas supply
4	Contractor customer service
5	Customer objection to policy
6	Inappropriate behaviour
7	Workmanship
8	Reinstatement
9	Access Issues
10	Disruption

# Customer Balanced Scorecard – Information/Data flow



# How it could be formed

	Measure	A	B	C	D
Setting expectations	Planned works notification 5 days in advance	84%	82%	78%	86%
	Offering connections commencement/completion dates	100%	94%	99%	98%
	Responding to emergency calls (1/2hrs)	92%	92%	92%	92%
Keeping appointments	Planned works programme adherence	97%	97%	92%	68%
	Connections lead time (acceptance to completion)	88%	60%	78%	70%
	Repair duration within 24 hours	51%	45%	50%	51%
Delivering quality	Complaints ratio	89%	64%	83%	86%
	Gas on before 7pm	80%	92%	83%	90%
	Resinstatement within 3 days	19%	95%	72%	92%
Respecting customers	PW C-Sat professionalism score	85%	86%	83%	87%
	Connections C-Sat professionalism score	90%	81%	85%	89%
	ER&R C-Sat professionalism score	94%	92%	94%	95%
Responding to customer needs	PW Enquiry closure within 24 hours	TBC	TBC	TBC	TBC
	Connections Enquiry closure within 24 hours	TBC	TBC	TBC	TBC
	ER&R Enquiry closure within 24 hours	TBC	TBC	TBC	TBC

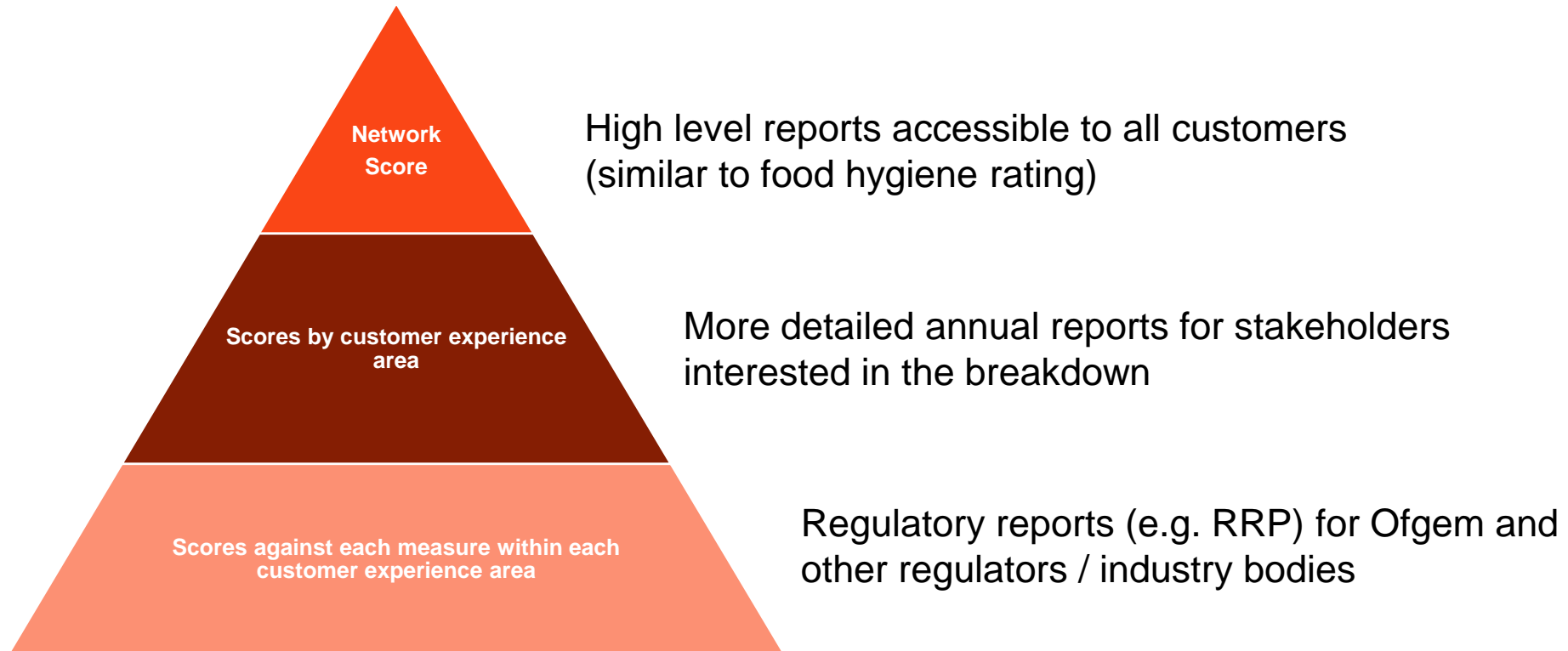


	A	B	C	D
Setting expectations	90%	89%	90%	92%
Keeping appointments	73%	67%	73%	63%
Delivering quality	79%	84%	79%	89%
Respecting customers	87%	86%	87%	91%
Responding to customer needs	80%*	60%*	80%*	50%*
	82%	77%	82%	77%

\*Dummy data for illustrative purposes



# How it could be reported





# Proposal for CSAT Survey in GD2

## Update for Customer Social Working Group 28<sup>th</sup> February



# Previously presented options

	Option 1	Option 2	Option 3	Option 4
Who we should be surveying	<ul style="list-style-type: none"> <li>Review current exclusions within RIGs – still relevant, what could now be included as currently surveyed outside of RIGs</li> </ul>	<ul style="list-style-type: none"> <li>Review current exclusions within RIGs</li> <li><b>Include additional high volume customers, impacted by our works into existing three workstreams</b></li> <li><b>Non interrupted, but impacted customers i.e. planned work affecting neighbouring properties</b></li> </ul>	<ul style="list-style-type: none"> <li>Review current exclusions within RIGs</li> <li>Include additional high volume customers, impacted by our works into existing 3 workstreams (*appendix slide 17) e.g. non interrupted, but impacted customers i.e. planned work</li> <li><b>Develop additional option survey groups to capture customers that cannot fit into existing work-streams e.g. maintenance or low volume</b></li> </ul>	Continue as is
What should we be asking (additional appendix info – slide 11 and 12)	<ul style="list-style-type: none"> <li>Rationalise existing questions set – as per GDN trials and research</li> </ul>	<ul style="list-style-type: none"> <li>Rationalise existing questions set – as per GDN trials.</li> <li><b>Include customer effort question (* see appendix slide 11)</b></li> </ul>	<ul style="list-style-type: none"> <li>Ask questions aligned to customers journey add in what really matters to them i.e. most important areas</li> <li>Include customer effort question (*appendix slide 12)</li> <li><b>Weighted average over lowest performing questions OR questions that best drive satisfaction.</b></li> </ul>	Continue as is
What format (additional appendix info – slides 9 and 10)	<ul style="list-style-type: none"> <li>Tailored to workstream E&amp;R and Connections - telephone/email</li> <li>Planned - letter</li> </ul>	<ul style="list-style-type: none"> <li>Tailored to workstream E&amp;R and Connections - telephone/email/sms</li> <li>Planned - letter</li> </ul>	<ul style="list-style-type: none"> <li>Tailored to workstream E&amp;R and Connections - telephone/email</li> <li>Planned – letter</li> <li><b>Select most appropriate methodology and timescales for optional customer surveys</b></li> </ul>	Continue as is
Advantages	<ul style="list-style-type: none"> <li>Most comparable to GD1</li> </ul>	<ul style="list-style-type: none"> <li>Broadens customer reach</li> <li>Introduces closer ‘effort’ benchmark to customer surveys outside sector.</li> </ul>	<ul style="list-style-type: none"> <li>Broadens customer reach and includes optional surveys for smaller/infrequently impacted customers groups.</li> <li>Gives GDNs options to survey beyond 3 workstreams</li> <li>Able to impact areas of service that customers value and matter more to them</li> </ul>	Fully comparable to GD1 Certainly on cost
Disadvantages	<ul style="list-style-type: none"> <li>Does not reach beyond existing 3 workstreams</li> <li>Potential increase in cost to survey</li> <li>Won’t keep pace with customer expectations</li> </ul>	<ul style="list-style-type: none"> <li>Less comparable to GD1</li> <li>Increase in cost to survey</li> <li>GDN customer benchmark will need to be reset</li> <li>GDPR and future privacy legislation may impact on calling customers at home</li> </ul>	<ul style="list-style-type: none"> <li>Less comparable to GD1</li> <li>Increase in cost to survey</li> <li>GDN customer benchmark will need to be reset</li> <li>GDPR and future privacy legislation may impact on calling customers at home</li> <li>Move to weighted average of all questions will make GD2 results incomparable to GD1</li> </ul>	Does not target areas of low performance Response rates reducing year on year for existing methodology
Next steps	None – all data gathered through GDN trials	Work with Tti to conduct further short term trials	Work with Tti to conduct further short term trials	

# Update from previous Customer and Social Working Group

The GDNs needed to reach agreement about how the issue of customer choice could be addressed, whilst still keeping comparability and integrity of data.

GDNs met in December and January, and agreed core principles for the Customer Satisfaction Surveys:

1. Maintain current RIGs principle that **all** impacted customers should be provided for survey:

Regulatory Instructions and Guidance (p 168).

*“Provision of information to the independent third party survey population*

*1.60. For each month, GDNs must provide to the independent third party all relevant details of customers who have experienced an activity specified in Table A5.1 since the beginning of the month for which records are available”*

2. *Customers should be given choice, and this can be achieved at the point of survey.*
3. *Given the changes in methodology, a trial period needs to be agreed to reset the benchmark.*

# Proposal for GD2, based on options 2 and 3

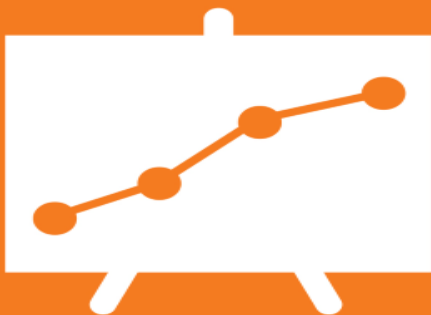
Category	Current State	Proposal for GD2 – core survey
Who we survey	E&R, Replacement, Connections	E&R, Replacement, Connections (to include paid for disconnections and non standard connections) (See appendix)
How we survey*** This has been revised to offer customers more choice at the point of survey	Paper only	<b>E&amp;R – Telephone, with option for paper or link via text</b> <b>Replacement – Paper, with option for telephone or link via text</b> <b>Connections – via route selected by customers at the point of application</b>
What we are asking	Existing question set for GD1	Question set revised to match customer journey. Includes customer effort question across all three journeys, and safety question for E&R.
How we are calculating satisfaction	‘Killer’ question – Satisfaction based on one question – overall how satisfied are you with the service received.	Move to weighted average, based on two question in each questionnaire that matter most to customers i.e. questions that have previously shown to influence overall satisfaction the most
Timing	Monthly	<b>E&amp;R – Weekly</b> <b>Connections – Weekly</b> <b>Planned - Monthly</b>
Volumes	100 Connections - quarterly 150 Replacement - quarterly 200 Emergency and Repair - quarterly	Increase minimum volumes within RIGs for Replacement and E&R – GDNs agree that quarterly volumes should become monthly volumes. For connections keep quarterly minimum volume OR survey 100%.

# Next Steps

- Agree survey trial period to set baseline for GD2 – proposal that this should mirror approach to GD1:
  - 6 month trial – October 2019 to March 2020
  - April 2020 to March 2021 – retender CSAT survey in line for commencing revised surveys for April 2021 onwards.
- Agree approach for managing incentive through trial period. No issue for E&R or Replacement, but currently survey 100% connections customers. Would need to take regulated connections survey off-line for 6 months.
  - Proposal – agree approach for connection performance during 6 month trial period.
  - Options:
    - use performance from previous year,
    - extrapolate previous six months
    - use three month average pre and post 6 month trial period
- Gain further understanding on how incentive mechanism will work. No questions included in consultation so shall GDNs put forward proposal?

## RIIO-GD2 Proposals

### Average restoration time incentive for total unplanned interruptions

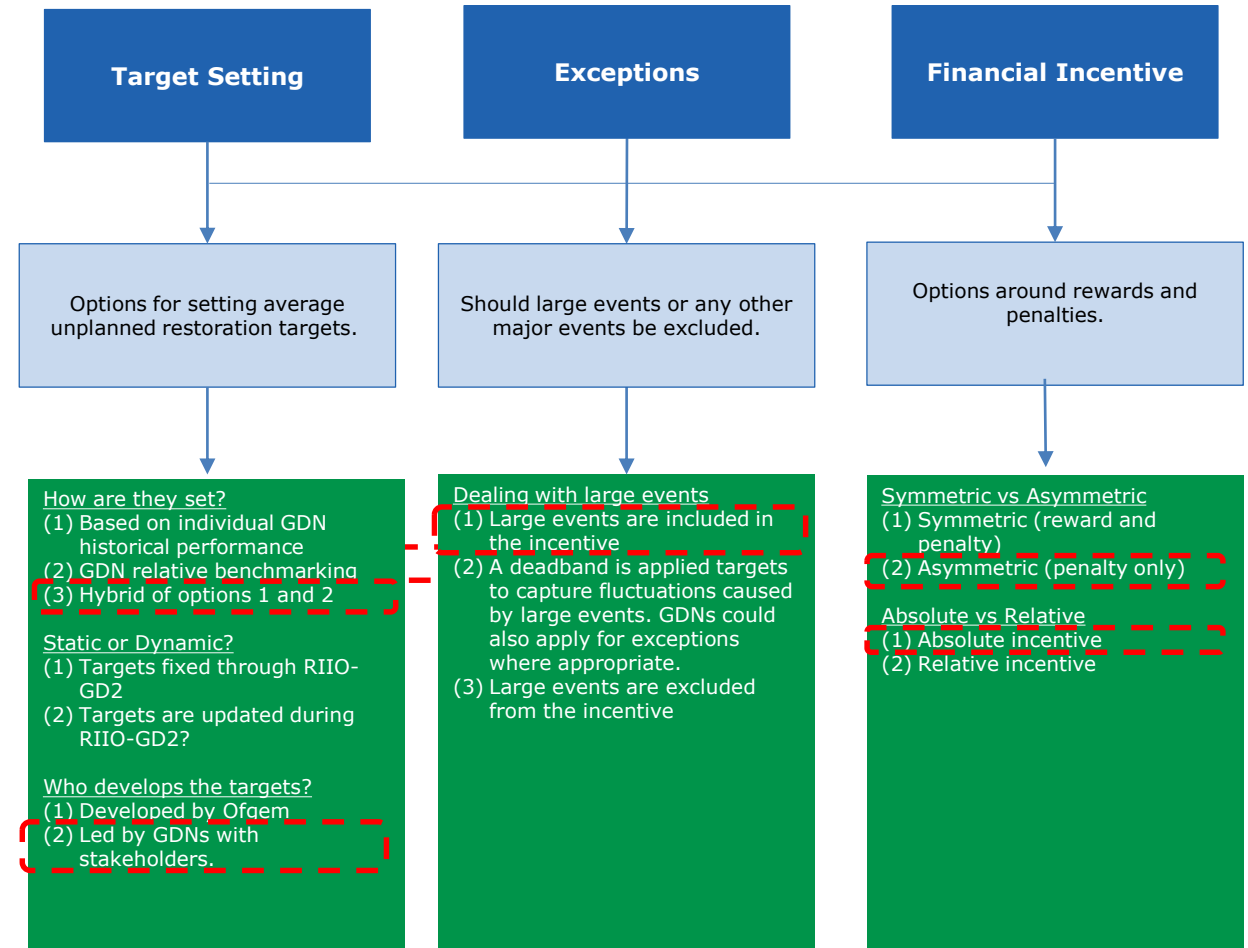


Tom Mackenzie and Duncan Innes  
28 Feb 2019

## Average restoration time incentive for total unplanned interruptions

### Purpose of today

- Explore the potential design options for this output and seek your initial views.
- Understand areas where you think you may need more detail in our May decision vs. areas that we can work with you to develop over the rest of the price control review.

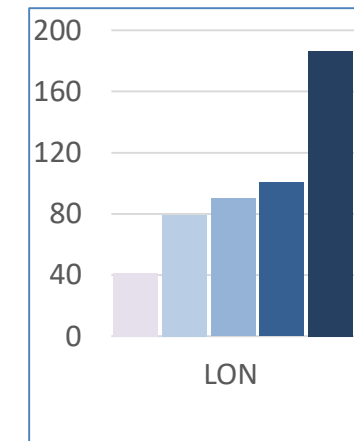
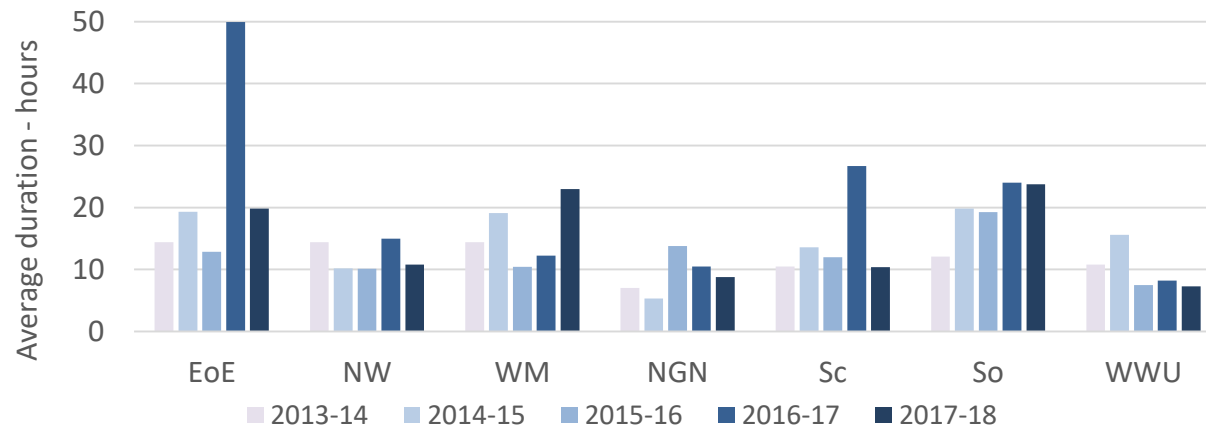




## Context:

- We've seen performance on unplanned interruptions worsening in some areas of GB.
- We think there is currently a gap in framework regarding interruptions, and that it is important that the incentive framework is strengthened for RIIO-GD2 so that performance improvements are made.
- Concerned that a reputational incentive alone is not sufficiently powerful to drive improvements in performance or even maintain existing RIIO-GD1 performance levels.

GD1 average  
interruption  
durations by GDN  
(inc. large events)



**We propose to:** Introduce a penalty only ODI, with targets based on the average amount of time it takes a GDN to restore customers in the event of an unplanned outage.

**Purpose:** To drive GDNs to restore gas supply efficiently and effectively following an unplanned interruption.

## Questions for discussion:

- Do you think that unplanned interruptions is an important issue to focus on for RIIO-GD2?
- Has unplanned interruptions been an area of interest identified through your stakeholder engagement (including CEG) to date?

## Target Setting

### How are they set?

- (1) Based on individual GDN historical performance
- (2) GDN relative benchmarking
- (3) Hybrid of options 1 and 2

### Static or Dynamic?\*\*

- (1) Targets fixed through RIIO-GD2
- (2) Targets are updated during RIIO-GD2?

### Who develops the targets?

- (1) Developed by Ofgem
- (2) Led by GDNs with stakeholders

### Our consultation preference

- GDNs use a combination of their own historical performance and relative benchmarking to develop targets.
- GDNs engage widely with stakeholders and their CEGs.

### Questions for discussions

- Dynamic targets would help ensure targets remain stretching over the price control – are there any material downsides?

### Questions for discussions

- Are there any specific areas you would like to see greater clarity on in May so that, if the output is implemented, you can engage effectively with stakeholders on the performance target?
- How should we best take account of differences between GDNs e.g. on MOB populations?
- Do you have an initial sense of what stretching targets your stakeholders will like to see (e.g. reduction, sustain GD1 levels)?

(3) Hybrid of options 1 and 2 Our proposal

*\*\*Note consultation text clear that we currently have no preference here at this stage even though 'fixed' is circled in the consultation diagram*

## Exceptions

Dealing with large events  
(1) Large events are  
included in the incentive

(2) A deadband is applied  
targets to capture  
fluctuations caused by  
large events. GDNs  
could also apply for  
exceptions where  
appropriate

(3) Large events are  
excluded from the  
incentive

(1) Our proposal

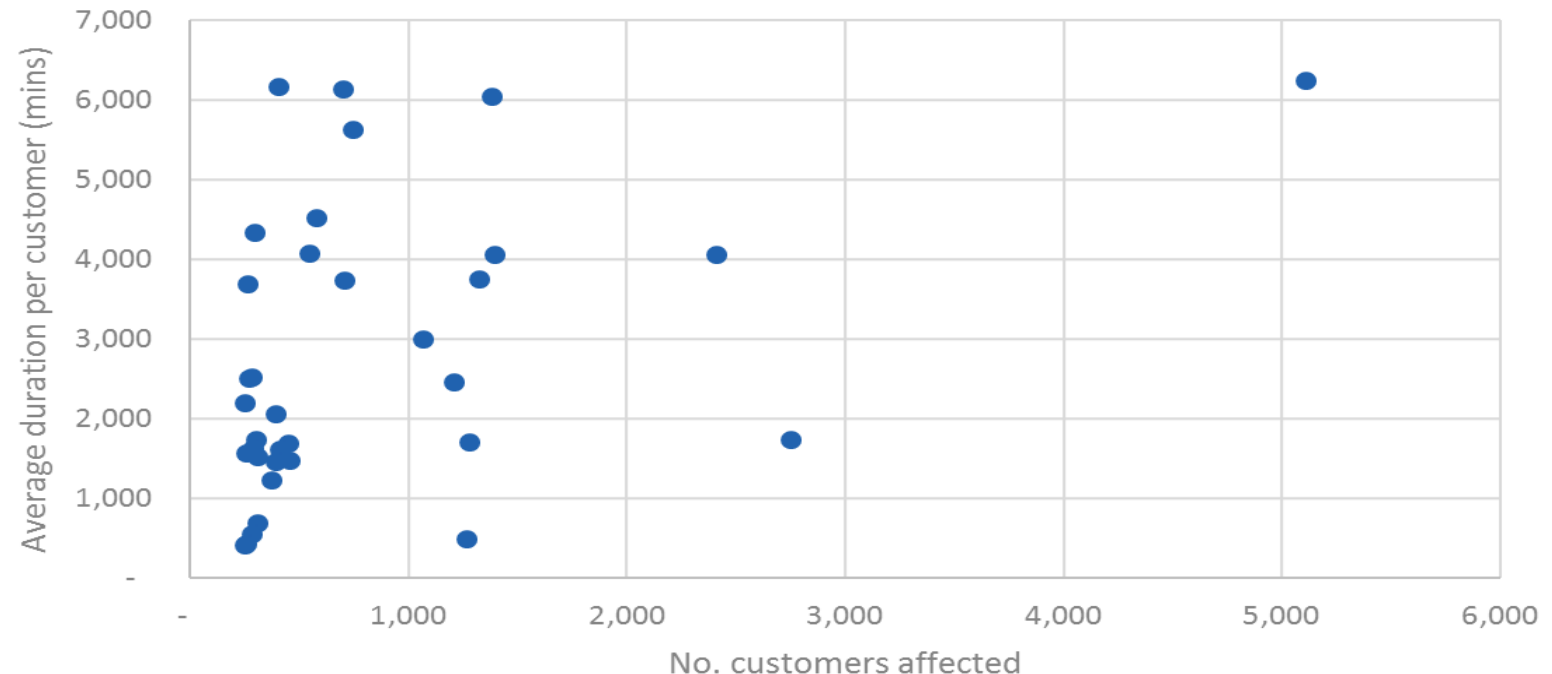
### Our consultation preference:

- Minimal correlation between number of customers affected and average restoration time.
- Inclusion of large events would incentivise good performance during all unplanned interruptions.



### Questions for discussions

- What's your initial view of our analysis of large events?
- If exclusions are required, how should this be done e.g. all large events, application process for exceptions?
- Are there other exceptional events that should be excluded from any target?



## Financial Incentive

### Symmetric vs Asymmetric


(1) Symmetric (reward and penalty)

(2) Asymmetric (penalty only)

### Absolute vs Relative

(1) Absolute incentive\*\*

(2) Relative incentive

 Our proposal

- Concerned that a reputational incentive alone is not sufficiently powerful to drive improvements in performance or even maintain existing levels.

### Our consultation preference

- Penalty only, considering up to 0.5% allowed revenue.
- Penalty based on performance against GDNs' own target. Not proposing relative incentive because targets are unlikely to be common.



### Questions for discussions

- Is a financial incentive needed to place greater focus on unplanned interruptions relative to GD1?
- Do you see value in having a financial reward?
- We expect to work on the calibration of the incentive after the May decision (i.e. how to translate under/over performance into a financial adjustment). Do you have any views on how this should work?

*\*\*Note consultation text is clear that 'absolute' is our current preference, even though was not circled in our consultation diagram.*

## Stakeholder Engagement



## Options we proposed in the consultation:

In December, we proposed the Stakeholder Engagement Incentive (SEI) as a common output across all sectors in RIIO-2. Proposed options in our consultation were:

Potential ODIs to monitor performance during the control period:

- **Op. 1: No ODI for stakeholder engagement:** Under this option, there would be no SEI
- **Op. 2: Reputational incentive:** Under this option, we would report annually on companies' performance
- **Op. 3: Financial incentive:** Under this option, we would reward and/or penalise companies for their performance on stakeholder engagement.

We also proposed, as part of the enhanced engagement proposals, that stakeholder engagement could be included as part of the Business Plan Incentive (BPI). This could in addition to an ODI within the period, or a standalone upfront incentive:

Business plan incentive:

We expect companies to submit a clear strategy and plan for stakeholder engagement for the duration of the price control period. This strategy would be informed by company User Groups and would describe how companies will incorporate best practice from RIIO-1 into their activities.

## We are seeking views on:

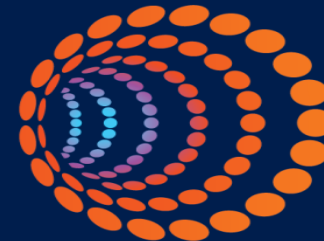
We welcome views on whether a specific incentive for stakeholder engagement is appropriate in RIIO-GD2, and if so, whether this should be reputational or financial.

We invite views on types of business plan commitments that would be appropriate for stakeholder engagement.

We welcome views on the potential approaches to setting a financial incentive in RIIO-GD2, if retained. Are there any other considerations we should take into account if we move to a fixed reward pot that network companies compete for?

# Stakeholder engagement incentive

Customer and social working group discussion  
February 2019



**SGN**  
Your gas. Our network.

# Accreditation of stakeholder engagement



## AA1000 Stakeholder Engagement Standard (AA1000SES) 2015

AA1000 AccountAbility Stakeholder Engagement Standard (2015) is the most widely applied global stakeholder engagement standard, supporting organizations to assess, design, implement and communicate an integrated approach to stakeholder engagement.

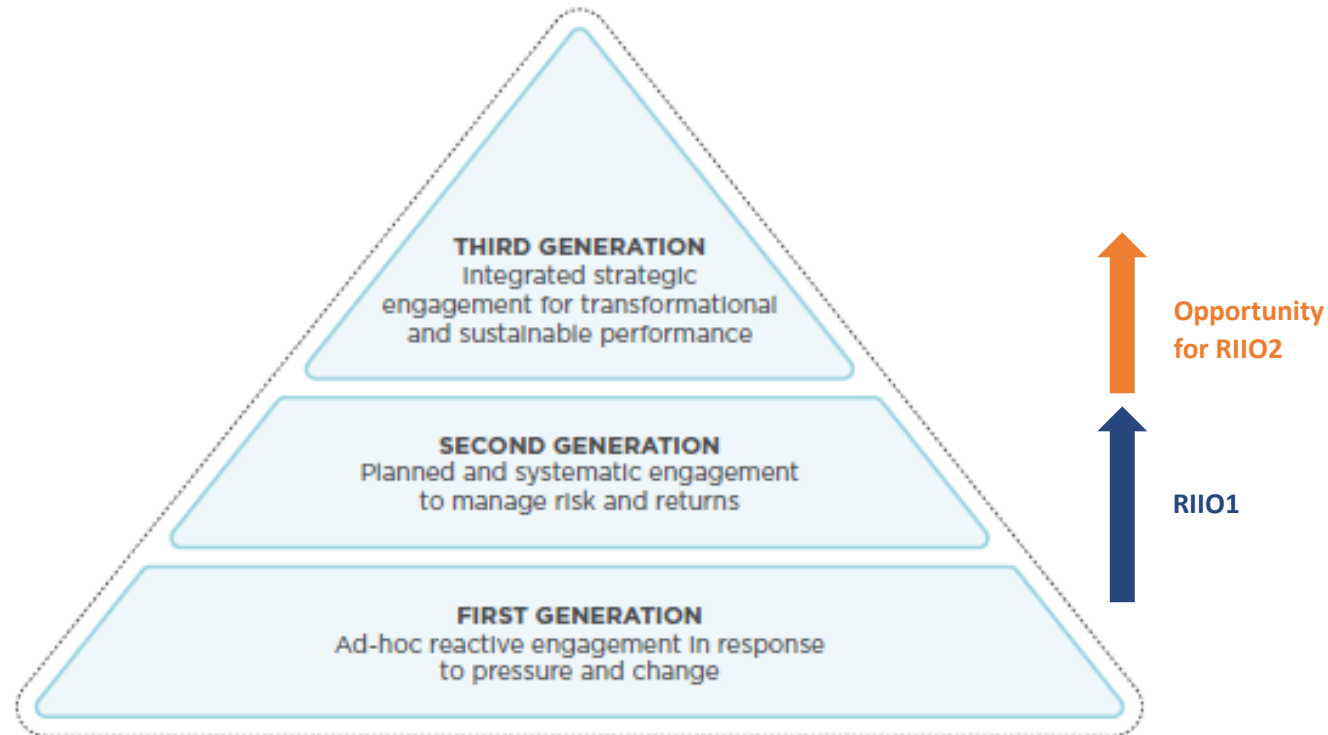


Continuing the journey, how far, how fast?



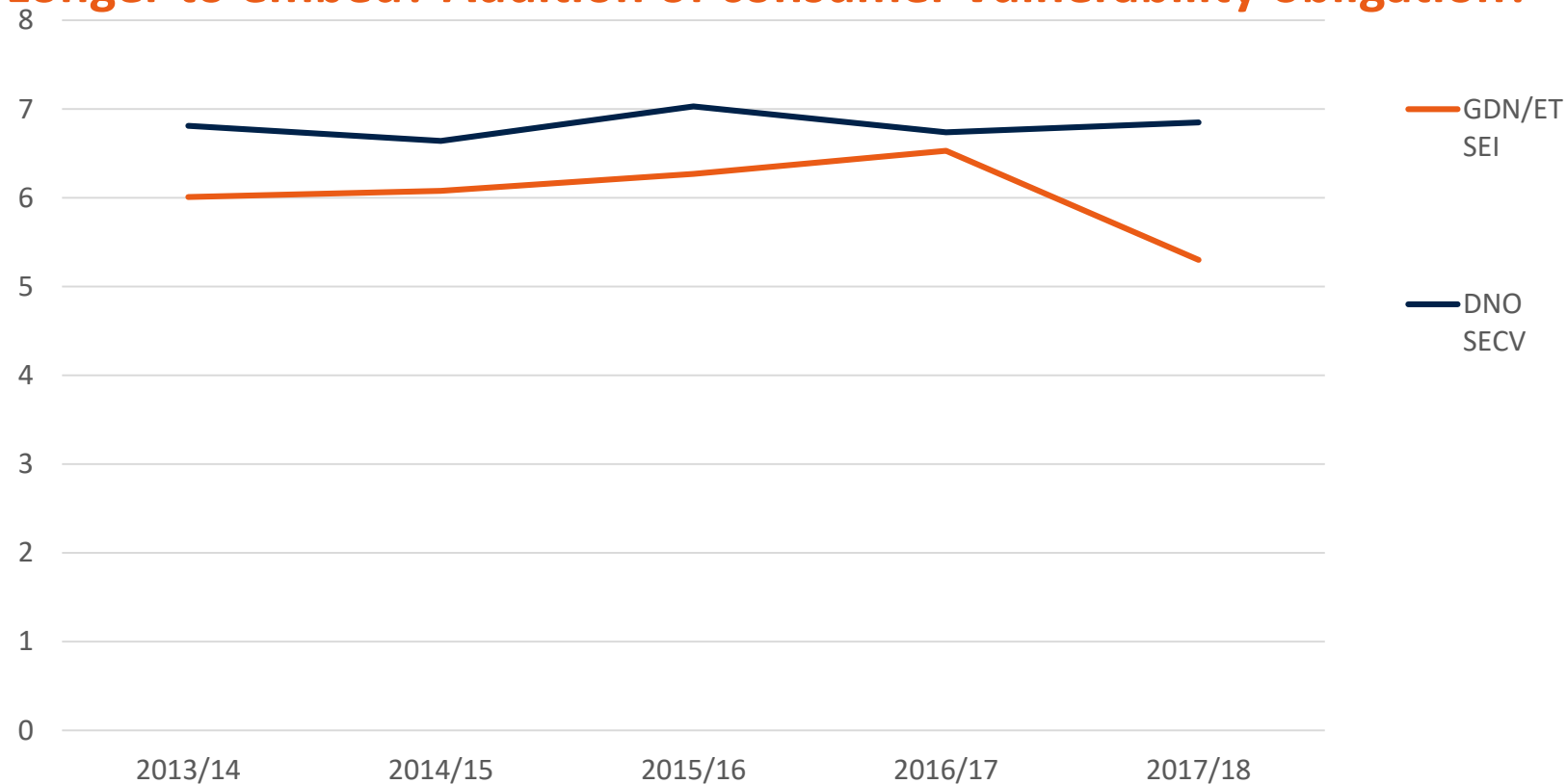
# Ambitions for third generation engagement

Figure 1: Generations of Stakeholder Engagement



# Average assessment scores for SEI/SECV

What has driven consistently higher performance from DNOs?  
Longer to embed? Addition of consumer vulnerability obligation?



# Ofgem proposals for engagement incentive

	Lower ambition	Higher ambition
<b>Ofgem proposals</b>	<ul style="list-style-type: none"> <li>Quality of engagement will be part of business plan incentive assessment.</li> <li>Strategy and plan for GD2 period to be agreed by CEG</li> </ul>	
<b>Ofgem incentive proposals for consultation</b>	3 options 1. No incentive 2. Reputational only Annual report against commitments	3. Financial at end of GD2 considering relative rewards and penalties to drive competition
<b>SGN's view</b>	Without financial incentive, engagement will be planned and systematic at level two	To create a step change in engagement to become integrated and strategic, an <b>annual or at least biannual</b> reward incentive would be required to drive company investment and focus

# Stakeholder engagement incentive discussion

**Driving behaviour that delivers benefits for customers and society**  
**Believe financial incentive would continue to embed culture change**

- Accreditation to Accountability AA1000SES standard could form a benchmark of minimum performance
- With additional performance financially incentivised with annual evaluation
- Recognise the challenge of measurement, suggest that CEG chairs could form an assessment panel
- **Concerned that proposed end-of-period assessment with financial penalties for relative performance, will limit collaboration and joint working for a full five years**

# Lunch

## GSOPs



# Customer engagement – new Guaranteed Standard of Performance (GSOP)

Joint GDN engagement





# Ofgem request by May 2019

- As part of the stakeholder engagement for the next gas price control period (RIIO-GD2), Ofgem have asked the GDN to:

## To test

- An appointment standard for arranging and keeping appointments similar to the water and electric sectors.

## To research

- New GSOPs to broaden support for vulnerable customers
- Any additional new GSOPs



# Ofgem guidance on research

### Research - New GSOPs

- We believe more research is required to design and implement new GSOPs. GDNs have indicated agreement in the past.
- We propose that GDNs should work collaboratively to reach proposals for new GSOPs – they are well placed to do so and already have the necessary infrastructure to engage with stakeholders.
- We would expect GDNs to work with their CEGs on this, with CEGs to informally review the scope of the work as well as reviewing drafts and final proposals.
- The ultimate deliverable would be a report to us (shared via the working group) on:
  - Recommendations for proposed new GB-wide standards, including payment levels for non-compliance;
  - Description of value of these to consumers;
  - Process / research carried out to determine above (evidence/analysis/assessment);
  - Cost of implementation of new standards;
  - Areas considered but not recommended for progressing; and
  - Any other information considered relevant.

Discussion point: What do GDNs think can be achieved by May? What is a realistic timescale for delivery?



# New GSOP Principles

Any new GSOPs must be SMART:

- S – Specific (what will be required)
- M – Measureable (can we record a service has been offered and either declined or accepted)
- A – Achievable
- R – Realistic (there must be a willingness to pay from the wider customer base for these services)
- T – Time bound (a clear definition in terms of the number of hours or days must be defined)

*TO TEST:*  
NEW APPOINTMENT STANDARD FOR  
PLANNED WORKS



# Progress

- TTI Global have been selected to complete this work, as the research is targeted at planned work customers only.
- TTI will use data from the three previous months targeting 2,000 responses averaging 21% of customers giving a 90% confidence level in the results
- CEGs are being consulted – would like to see option of customers completing the survey via a URL link (WWU)
- Questionnaire and cover letter have been finalised.

# Timeline

Time Schedule: GDN New GSOP Research	February														March														April																
	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F					
	11	12	13	14	15	18	19	20	21	22	25	26	27	28	1	4	5	6	7	8	11	12	13	14	15	18	19	20	21	22	25	26	27	28	29	1	2	3	4	5	8	9	10	11	12
Set Up																																													
Research go ahead and POs																																													
Agree time schedule																																													
Questionnaire design																																													
Database validation and formatting																																													
Printer set up																																													
Questionnaire sign off																																													
Questionnaire & Database																																													
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Send Reports																																													
Presentation TBC																																													
<div><div></div>GDNs ACTIONS<div></div>TTI ACTIONS<div></div>JOINT ACTIONS</div>																																													

Results to be available w/c 8<sup>th</sup> April

***TO RESEARCH:***

- NEW GSOPS TO BROADEN SUPPORT FOR VULNERABLE CUSTOMERS
- ANY ADDITIONAL NEW GSOPS



# Scope

- This research will provide:
  - An understanding of the needs of vulnerable customers
  - How these needs are currently met, and how this could be improved
  - What GSoPs to vulnerable customers might support look like and how these will support customers
  - Whether gas customers overall are supportive of potential GSoPs and willing to pay towards them
- The initial output of the research is required by the end of April to allow the gas networks to review findings and take these to Ofgem. An additional phase of research may be possible following this to explore the issues further.
- Where possible, the research would build on previous research conducted by the Gas Network companies.
- This research will be conducted by Accent, who have already been commissioned to undertake the collaborative GD2 engagement on behalf of the GDNs.





## A two-phase approach

- The requirements of this research fall into two strands:
  1. Understanding the needs of vulnerable customers and how GSoPs may support
  2. Measuring - across the customer base - support, including willingness to pay for, the solutions and/or adaptation of existing services
- These research objectives are best tackled using different methods, with each strand taking a tailored approach.
- Given timings, it would be most appropriate to phase the research approach, with the first research objective being covered in the period to end of April 2019. The second strand would be approached through a second phase of research following on from May 2019.



# Phase 1: Understanding customers' needs

- **Objective:** Build on existing knowledge to identify the forms of vulnerability, what their needs are, how they interact with existing services, and what additional support they might need
- A range of vulnerabilities – often overlapping and multi-layered - will need to be covered in the research sample; physical impairment, mental health conditions, fuel poverty, permanent and temporary states of vulnerability.
- The assistance that customers require will vary considerably between different types of vulnerable customer, and in different circumstances (e.g. BAU, emergency response etc).
- **Approach:**
  - Rapid desk review of existing research and Gas Network knowledge
  - Ethnographic 1-on-1 in-home interviews with vulnerable customers (2 hrs each), supported by stakeholder interviews
    - X32 with vulnerable customers, spread across the 4 Gas Network areas
      - A range of vulnerabilities in each network area
      - Spread of urban, suburban and rural areas
    - x16 stakeholder interviews
      - Representatives of Gas Network partner agencies, consumer bodies, charities and other relevant organisations
- **Outputs:** Workshop to debrief research network and emerging GSoP requirements  
Full report including proposed next phase of the research



## Phase 2: Measuring support for GSoPs

- **Objective:**
  - Grounding phase 1 findings in reality; understanding the numbers that can be reached, options for doing so (draft GSoPs)
  - Measuring support for GSoPs – principle and specifics
- **Approach:**
  - Inception and co-creation workshop with Gas Networks to review phase 1 findings, refine research approach and develop potential GSoPs to test with customers
  - Stakeholder interviews x8 to test and refine GSoPs
  - 4 to 8 2-hour discussion groups with Gas Network customers to understand reactions to proposed GSoPs and refine prior to quantitative testing
  - Representative quantitative survey across gas network customers (online with an in-home face-to-face boost) to measure support for GSoPs and willingness to pay
- **Outputs:**
  - Workshop to debrief Gas Networks
  - Full report setting out findings of phase 1 and phase 2



## Vulnerability package



## Possible building blocks of the RIIO-GD2 vulnerability package

	Item	New/existing	Description
MINIMUM STANDARDS	1. Licence Obligation to provide priority services for specific customer groups	Existing	Requirement on companies to refer customers for the Priority Services Register, and to offer particular services to them
	2. Guaranteed Standards of Performance	Existing, but enhance for RIIO-2	Requirements on service levels. Propose to increase payments to consumers for non-compliance, and potentially add new standards (eg increased service offering to vulnerable consumers in an outage).
	3. Fuel poor connections	Existing, but enhance for RIIO-2	Take measures to improve targeting of scheme. Not proposing to expand scheme into non-network areas (eg in-home heating and efficiency).
	4. Licence obligation on treatment of consumers in vulnerable situations	New	A general licence obligation to understand characteristics, circumstances, and needs of vulnerable consumers and ensure that company actions result fair treatment. Similar to obligation in retail.
SUPPORTING FLEXIBILITY	5. Business plan incentive	Enhanced for RIIO-2	Have a minimum requirement for business plans to include clear proposals and strategies which have been tested with stakeholders and the CEGs.
	6. Innovation funding (if NIA retained)	New	Encouraging innovation projects that seek to ensure consumers in vulnerable situations are not left behind through the energy system transition.
	7. Use-it-or-lose-it allowance.	New	An allowance of c.£15m-£30m to undertake initiatives that go above and beyond BAU. Clear deliverables and targets will be required for use of funds; if not met, funding will be returned to customers. Two implementation options: 1. flexible funding in period, or 2. funding fixed on business plan proposals.
	8. Reputational incentive	Replace existing	A method to highlight strong performers and name-and-shame poor performers. Could be Ofgem-led, an ongoing CEG role or third party led.

	Item	Option 1 'Enhanced minimum'	Option 2 'Incentive based'	Option 3 'Combined package'
MINIMUM STANDARDS	1. Licence obligation re Priority Service Register	✓	✓	✓
	2. Guaranteed Standards of Performance	✓	✓	✓
	3. Fuel poor connections (gas only)	✓	✓	✓
	4. Licence obligation on treatment of consumers in vulnerable situations	✓	✓	✓
SUPPORTING FLEXIBILITY	5. Business plan incentive	✗	✓	✓
	6. Innovation funding (if NIA retained)	✗	✗	✓
	7. Use-it-or-lose-it allowance	✗	✗	✓
	8. Reputational incentive	✗	✓	✓



### **Overall package**

- What are your initial views on the individual outputs we are proposing?
- What is your preference on the three potential options we have outlined for a consumer vulnerability package, and why?



### **Reputational incentive**

- How do you think we should implement the reputational incentive?
- Who should run the incentive (Ofgem, CEG or third party), and how often should it be run?



### **Innovation funding**

- What types of projects relating to consumer vulnerability could be funded through innovation funding?
- Why would these project not be funded through totex or the use-it-or-lose-it allowance?



### **Use-it-or-lose-it allowance**

- What is your preference on the options for implementing the allowance (flexible or through business plans), and why?
- What examples can you provide of initiatives that could be funded through the allowance?
- What do you think is an appropriate level of funding for the allowance and how should this be apportioned?

# Vulnerable customers Appendix



# Ofgem proposals for vulnerable customers

**What would the criteria and boundaries be for the ‘use it or lose’ it?  
How will scale of allowance and assignment to GDNs be determined?**

	Lower ambition	Higher ambition
<b>Ofgem proposals</b>	<ul style="list-style-type: none"><li>• New Licence Obligation to understand characteristics, circumstances and needs, ensuring they are treated fairly and that our actions result in good outcomes.</li><li>• Must be built into plan to achieve business plan incentive</li></ul>	<ul style="list-style-type: none"><li>• Company specific actions either through Innovation stimulus addressing vulnerability or a PCD use it or lose it allowance to support vulnerable customers and CO safety initiatives beyond business as usual. Potential for continued role for CEG</li></ul>
<b>Ofgem incentive</b>	Reputational ODI. Annual report published by CEG or third party assessor	Total value of all GDN vulnerable pot is £3-6m per year. Flexible or fixed up front strategy

# DNO requirements for Part 3 social obligations

- A strategic understanding of and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers
- Engagement with stakeholders to improve the data and information that they hold on vulnerable consumers and what they do with it
- Network companies' approach to management and use of the Priority Service Register (PSR) and associated services
- Network companies' approach to develop and utilise partnerships (eg referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers
- Embedding of consumer vulnerability strategy in network companies' systems, processes and in how they manage consumer interactions

## FPNES



October 2018

# Fuel Poverty Output RII0-GD2 thinking

Nigel Winnan



WALES & WEST  
UTILITIES

# Background

The Fuel poor Network Extension scheme should support:

- England Warm Homes Strategy
- Welsh Government Fuel Poor strategy (consultation early 2019 on new strategy)
- Welsh Government Energy Efficiency Scheme (NEST and ARBED)
- Scottish Government HEEP / SEEP
- Clean Growth Strategy
- Welsh Government decarbonisation of homes strategy (in development)

etc.

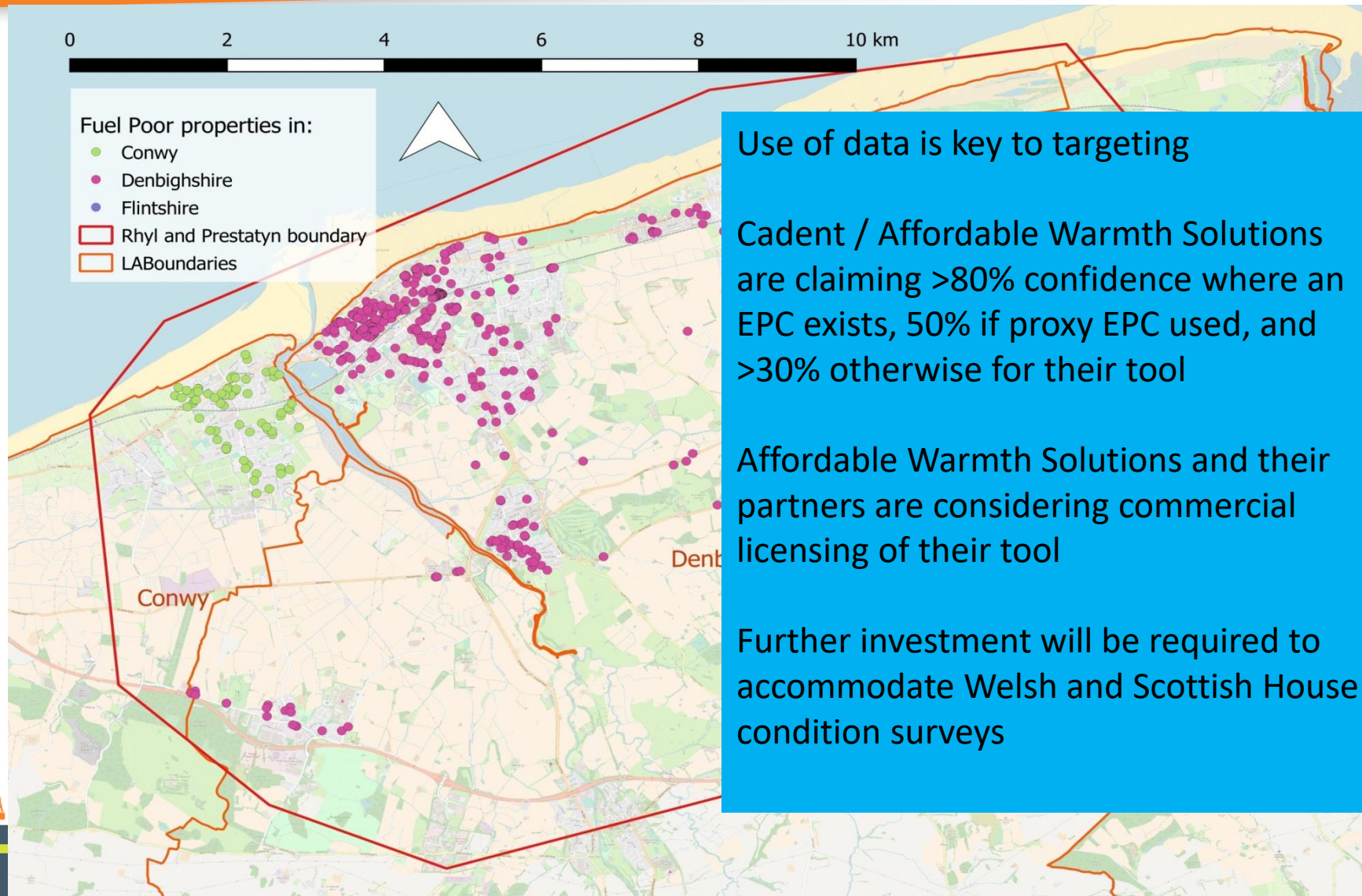
Sia Partners review of the scheme supported continuation of the scheme

# Supporting the right people

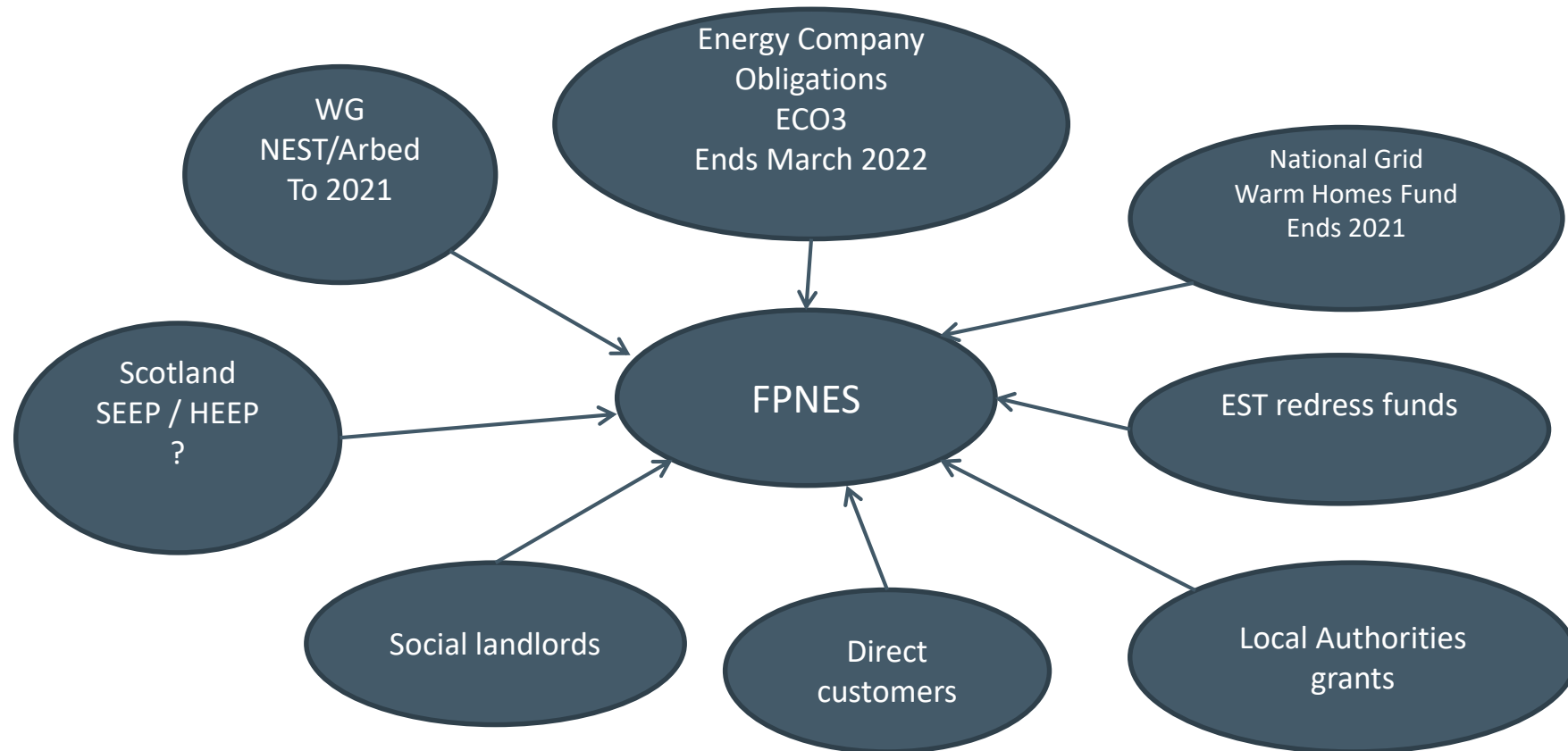
## Current Criteria

- Low income plus qualifying benefits (ECO3)
- LA Flexibility plus infill flexibility under ECO
- Fuel poor as defined by UK (LIHC) and devolved governments 10% of income test
- An assessment by Warm Wales of 60 cases after July 2018 where the HHCRO income and benefits information was used for eligibility, 70% where in fuel poverty against the 10% definition / LIHC England)
- LA Flexible eligible properties have no data to undertake assessment
- Sia Partners report stated above 50% would be a net benefit to society
- Conclusion - current eligibility is broadly suitable

# Using data to find eligible homes



# First Time Heating funding GD2





# Partnerships

- Partnerships are key to efficiency delivery
- GDNs already do this with multiple fuel poor partners and other working relationships
- GDNs not always best place to directly lead on engagement with the customer
- Models such as the Cadent / AWS work well
- See also partnerships with Welsh and Scottish schemes and Warm Home Funds organisations

# Energy Efficiency ratings

## EPC Rating

- Proposal that connection should lift a property to band C or by at least two bands
- EPC assessment required to confirm impact and to set a baseline if no EPC exists (c12 million current EPCs) – cost of EPC assessment £60-£120
- Connection alone may not achieve this - may need to do insulation, windows etc.
- Levels of intrusion in customer lives and a lack of funding for other measures may mean nothing happens – customer does not benefit from £400 plus annual heating cost savings

# Funding and incentives

- GDNs will submit conservative estimates of FPNES connection numbers as a result, especially if existing licence requirements remain with penalties for under-delivery
- A flexible funding mechanism (volume driver or use it or lose it allowance) would be required to enable larger scale mains extension projects to rural homes or mass connections driven by national infrastructure decarbonisation projects
- Incentive scheme if >50% of connections are demonstrated to be true fuel poor) – ref Sia Partnership assessment of social value of the FPNES
- FPNES could form part of the vulnerability incentive with financial reward for demonstrating how they have established partnerships and collaborated within and cross sector
- This should sit alongside the SEIS as an annual financial ODI allowing with assessment by the same third party

# Conclusions

- Uncertainty over funding for First Time Central Heating beyond 2021
- Flexible mechanism required to allow for uncertain workload volumes
- Reward mechanism if >50% of properties can be demonstrated to be in fuel poverty
- Current eligibility criteria returning good levels of support for fuel poor homes – important that an ECO Flex type mechanism continues into GD2
- Continue with current calculation of maximum voucher value
- Reward for partnerships, targeting initiatives and collaboration via a financial vulnerability ODI



**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 practical, 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.**