

RIIO-ED2 Customer Service, Vulnerability and Connections (CSVC) Working Group – Session 2

From: Ofgem

Date: 23 January 2020
Time: 10:00-15:30

Location: Ofgem
10 S Colonnade, London

1. Present

Ofgem
UK Power Networks (UKPN)
Western Power Distribution (WPD)
Northern Powergrid (NPG)
Scottish Power Energy Networks (SPEN)
Electricity North West (ENWL)
Scottish and Southern Energy Networks (SSEN)
National Energy Action (NEA)
Sustainability First
Utility Customer Service Management Limited (UCSM Ltd)
Agility Eco
Citizens Advice
Bromley By Bow Centre
Greater London Authority
University of Bath

2. Recap of Actions from first session

- 2.1. Ofgem confirmed that the Terms of Reference were now finalised, and will be published on the website in due course.
- 2.2. Ofgem set out the proposed work plan and timeline for the group. Ofgem explained that the work plan has been split into phases to ensure there is time to both explore policy options (phase 2) as well as to identify where supporting information may be needed to evaluate the merits and drawbacks of these options (phase 3).

3. Priorities for the CSVC Working Group – vulnerability-specific

- 3.1. Ofgem presented an overview of the issues the group had identified in relation to addressing vulnerability, its approach to considering whether there was a case for change and whether the RIIO-GD2 package addressed the challenges in ED2.
- 3.2. The group discussed how the role of the DNO could evolve in ED2 as a result of the energy system transition and discussed what the role of the DNO should be in this space. It was agreed that an action should be for the group to review the touch points

the DNO has with customers and to identify how DNOs can affect positive outcomes from these touchpoints, with specific regard to the CVS outcomes.

- 3.3. The group discussed a number of approaches to regulating DNOs in this space. NPg noted that some activities should be embedded as BAU while SPEN cautioned against limiting the ambition of DNOs in ED2. WPD also noted that we are in a period of change so incentives could still be appropriate. SSEN suggested that a range of different regulatory tools could be appropriate to ensure positive outcomes for vulnerable customers.
- 3.4. Sustainability First noted that incentives should be used to catalyse change and that if the SECV incentive is still needed in ED2 then arguably it has not done this. If this is the case, Ofgem should consider whether financial incentives are appropriate in this area in ED2.

4. DNO role in ED2 and lessons learned from GD2 vulnerability package

- 4.1. Citizens Advice presented on the role DNOs could play in RIIO-ED2 and the extent to which the GD2 vulnerability package could be used to address ED2 challenges. (See slides for detail).
- 4.2. Sustainability First said we should consider the extent to which we expect DNOs to listen to their stakeholders versus what they should be delivering regardless of willingness to pay.
- 4.3. The group discussed the benefits of using Social Return on Investment (SROI) models to measure social benefits. It was suggested that a common methodological approach would be a good way to ensure DNOs are assessing opportunities and benefits in the same way.
- 4.4. Agility Eco noted that SROI is a useful tool but not always appropriate as not all social benefits can be quantified. Some form of qualitative assessment would also be needed.
- 4.5. The group also discussed other potential metrics that could be used to measure DNO performance.

5. What do DNOs currently deliver for vulnerable customers? How does this meet the challenges we have identified?

- 5.1. SPEN presented a high level list of functions the DNOs currently carry out in regards to addressing consumer vulnerability which was compiled as part of an action from the first session (slide 28).

- 5.2. SPEN presented reflections on how current DNO activity interacts with the emerging challenges the group has identified and whether the current arrangements are fit for purpose given these challenges. SPEN outlined its proposed approach to incentivisation for ED2. This approach was not supported by all DNOs.
- 5.3. NPg considered that any incentive should be focused on actions that look to combat emerging future challenges. NPg support embedding improvements from RIIO-ED1, which should be considered BAU, into the licence. Many other group members voiced support for the introduction of a principles-based licence condition.
- 5.4. In reference to slide 31, the group discussed the extent to which the DNOs role should be to address fuel poverty or to support those in fuel poverty and what the difference in this may be. It was noted that the electricification of heat could impact the current definition of fuel poverty and that the group must be alert to how fuel poverty may change.
- 5.5. The group discussed the extent to which the PSR should be used as a metric and what the key elements would be to track. It was proposed that any tracking of the PSR should measure satisfaction, reach and the benefit realised from a customer being on the PSR. Some group members questioned if this would be possible or whether it was necessary to quantify the value of being on the PSR, as it is a licenced obligation.

6. The role networks can and should play in helping vulnerable customers.

- 6.1. Agility Eco presented its perspective on the role networks can and should play in helping vulnerable customers. The presentation emphasised the importance of trying to identify the hard to reach and how this can have the most benefit.
- 6.2. In response to a case study of assistance provided via network companies and Agility Eco, it was noted that the group could benefit from making use of customer journeys and user experience when considering possible policy options.
- 6.3. The group discussed how the support networks could provide through partnerships was dependent on these partners being able to access funding and that there was a need for coherent funding. NEA suggested that having a joined up pot across utility sectors would be efficient but recognised that this may be beyond the scope of a price control. Ofgem noted that a difficulty could be ascribing an associated output to such funding.

7. AOB and next steps

- 7.1. Ofgem summarised what had been discussed during the day and on reflection of the discussion, set out the following key questions to keep in mind for future meetings:
 - a) What are the DNO touchpoints with their customers?

- b) When would/wouldn't it be appropriate for a DNO to undertake activity? What outcomes do we want to see as a result of these activities?
- c) How should we fund these activities?
- d) How do we know if the DNO has done it well?

8. Actions

- 8.1. Map out DNO touchpoints with customers. Identify how DNOs can affect positive outcomes from these touchpoints (both with regards to identifying vulnerability and addressing a particular customer's needs). This will help inform a discussion on when it would/wouldn't be appropriate for a DNO to undertake an activity - Citizens Advice to start and share with Group for further input - Share material with Ofgem by 20 February, ahead of WG session on 27 February
- 8.2. Identify opportunities and benefits from doing some of the "transition" activities outlined on the spectrum, aside from vulnerability. E.g. a benefit of paying for energy efficient appliances in fuel poor households would be to reduce "losses". A benefit of buying a household a battery+ToU tariff would be to reduce peak load. - TBC
- 8.3. Identify where innovation projects have already involved some of those "transition" activities and reflect on their success, how they could be improved, and whether they should be delivered at scale. - TBC
- 8.4. SPEN volunteered to write a paper on why and how certain activities should be incentivised. - SPEN - Provide update at WG session on 27 February. Present at 9 April.
- 8.5. DNOs to start comparing SROI methodologies that DNOs are using. (This should also be in conjunction with SROI methodologies GDNs used in their Business Plans (to calculate their Consumer Value Proposition)). - DNOs-Provide update on progress at next vulnerability session (27 February).
- 8.6. Identify areas for common engagement activities and WTP studies. - All to bring views - Share views at session on 27 February
- 8.7. NPg to present their proposed approach to addressing vulnerability in ED2 -NPg - Share material with Ofgem by 20 February, ahead of WG session on 27 February
- 8.8. Share links to GDN business plan links - Ofgem - 7 February
- 8.9. Bring ideas forward for future agenda items - All - 7 February