

## RIIO-ED2 Customer Service, Vulnerability and Connections (CSV) Working Group – Session 4

From: Ofgem

Date: 27 February 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)  
Utility Customer Service Management Limited (UCSM Ltd)  
Greater London Authority  
Sustainability First  
Citizens Advice

### 2. Introduction

2.1. Ofgem discussed a proposal to move the 19<sup>th</sup> March working group session focusing on connections to a later date, in order not to clash with the Overarching Working Group. The group agreed to have a call to update on actions on the 19<sup>th</sup> March instead.

### 3. Customer Service – Broad Measure of Customer Service (BMCS): what is the case for change?

3.1. SPEN presented an update on a gap analysis into the services and customers currently covered by BMCS and what ED2 customer needs will be. It was suggested that adding in PSR customers and the services received by customers looking to connect low carbon technologies (LCTs) would be appropriate for ED2. SPEN also proposed broadening the customer segments included in the BMCS.

3.2. The group discussed how new customers and services might be included in the BMCS, with some members considering it most appropriate to include PSR or LCT as new categories in addition to the current three and others considering they would be included as a part of the measurement of the existing categories.

3.3. The discussion focused on the relationship between the new services proposed and the current connections category. Ongoing work into customer segmentation from the Connections working group sessions was raised and it was agreed this should feed into the Customer Service session too.

3.4. The group discussed the implications of broadening the incentive and the necessary considerations, such as whether the incentive may be diluted or how to avoid duplication.

#### **4. What are DNOs touchpoints with consumers: identifying opportunities to effect positive change? (SSE)**

4.1. SSE presented work reviewing the touchpoints that DNOs have with consumers and what they currently do at these touchpoints and how these touchpoints could be enhanced in RIIO-ED2.

4.2. The group discussed how there were many new touchpoints that could be identified and that SSE's initial presentation was the start of a broader discussion through the working group on what the DNOs should be doing.

4.3. Regarding how to assess what should be done, in the context of a wider spectrum of activities that could be done, the group discussed how the necessary considerations would centre on understanding the desired outcomes.

4.4. SSE took on an action to develop the work presented further and to articulate the desired outcomes for vulnerable customers; to map how the touchpoints interact with the outcomes and to identify which touchpoints relate to the core activities and competencies of the DNOs.

#### **5. Measuring social value of DNO activities – Update from DNOs on methodologies and potential for aligning approaches (DNO-led, WPD presented)**

5.1. WPD and SPEN outlined the benefits and drawbacks of willingness to pay (WTP) research and social return on investment (SROI) tools as means to measure the value DNO activities deliver to customers. WPD presented an approach for a combined transparent methodology, that includes using both, and is consistent across all the companies.

5.2. Sustainability First supported the intention to develop a consistent methodology. To develop consistency across network companies, SGN is hosting a workshop for network companies to determine how best to align methodologies. The details of this were to be circulated to the DNOs in the group and an update would be provided at the next working group.

5.3. ENWL agreed with the desire for a common methodology but queried whether this was regarding values or assumptions included in the methodology. They noted that the implications regarding individual DNOs costs or regional variations should also be considered.

5.4. It was also noted that SROI can be an effective element of a reputational incentive. Ofgem asked the group to consider how viable SROI is as a method to measure what has been delivered and how as a metric it would work alongs different regulatory approaches.

## **6. NPg to present proposed approach to vulnerability in ED2.**

6.1. NPg presented its proposal for a package of arrangements for vulnerability in RIIO-ED2 and the rationale for this. This package was broken down into four elements: BAU implementation and best practice; continuous service improvement; ambition and progressive thinking and innovation. NPg outlined its consideration of the appropriate mechanisms for each element of the package (see slides).

6.2. The group could see merit in much of the proposal and discussion centred on the 'ambition and progressive thinking' element of the package. Many group members considered this is where there was a gap in the proposal and that the suggested mechanism [business plan incentive] would not be sufficient. The group discussed whether the use it or lose it incentive, as adopted within the RIIO-GD2 package, could be suitable within this package.

6.3. In line with the previous point, UKPN suggested that the reputational incentive proposed within the package would be effective in keeping DNO's accountable to their business plans but might not drive the flexibility needed to respond to a changing environment over the course of RIIO-ED2. Some of the DNOs considered that retaining the stakeholder engagement and customer vulnerability (SECV) incentive was the most effective way of promoting this flexibility and driving ambition and progressive thinking.

## **7. Update on 'Social Constraint Management Zone' project (NEA and SSE)**

7.1. SSE and NEA presented an overview on a joint project they had conducted in SSE's southern licence area where communities and community organisations can receive payments for helping ease constraints on the local electricity network, as an alternative to upgrading cables and substations.

7.2. The group discussed some of the considerations such projects raise regarding proposed arrangements for RIIO-ED2. NEA outlined a suggestion for using different sharing factors to incentivise projects with high social rewards.

7.3. In response to different interpretations of how the project would work and the implications for the outputs and incentives arrangements, SSE suggested it would develop a strawman design of what would be required in the price control to support such a project.

## 8. Summary Table of Actions

Action	Allocated to	Due date
<p><b>Customer Service action</b> - SPEN to draft up list services that fall under LCT categories (set out in slide 6 of SPEN presentation).</p> <p>Additional question(s):</p> <ul style="list-style-type: none"> <li>Do all LCT-related services fall into the sub-categories of connections and general enquiries or not?</li> <li>Do we know what the volumes of LCT categories are now/would likely be in ED2?</li> </ul>	SPEN	9 April (Connections)
<p><b>Customer Service action</b> - SPEN to consider appropriateness of separating out PSR customers in the BMCS surveys.</p> <p>Question(s):</p> <ul style="list-style-type: none"> <li>Should this be separately incentivised or just monitored? What are the merits and drawbacks?</li> <li>Would there need to be a different PSR survey or an additional question in the same survey?</li> </ul>	SPEN	30 April (Vulnerability)
<p><b>Customer Service action</b> - what is the most appropriate way to segment customers for survey? How to ensure that all domestic customers are captured in the BMCS?</p>	UKPN (Ross) and ENWL (Brian) - SPEN (Kendal) to provide input	9 April (Connections) Provide progress update on <b>19 March</b> (Customer Service)
<p><b>Customer Service action</b> - SSEN to bring back thoughts on how a balanced scorecard approach could work in ED2 (including any lessons learned from Ofwat approach)</p>	SSEN	<b>Provide update at 19 March session</b>

Action	Allocated to	Due date
<p><b>Vulnerability action</b> - SSEN to consider and answer the following:</p> <ol style="list-style-type: none"> <li>1. What are the outcomes we want to see realised for vulnerable customers in ED2?</li> <li>2. Using the touchpoints identified (slides 11-13), map the touchpoints to the outcomes.</li> <li>3. Which touchpoints relate to the DNOs' core activities and areas of competence? Are these natural touchpoints for other organisations/local authorities?</li> </ol>	SSEN with input from wider group	30 April (Vulnerability)
<p><b>Vulnerability action</b> -</p> <ol style="list-style-type: none"> <li>1. How could an SROI be used in period to measure what has been delivered? In particular, how would it work alongside other regulatory approaches eg an in-period incentive or a use-it-or-lose-it allowance?</li> </ol> <p>(For example, UIOLI would sit outside totex and would arguably not drive an underspend, but would it drive DNOs to deliver a higher return on investment than set out in BPs?)</p>	WPD with input from wider group	30 April (Vulnerability)
<p><b>Vulnerability action</b> - Maxine and DNOs to provide update after GDN meeting on aligning SROI methodologies</p>	Maxine and DNOs	<b>Provide update at 19 March session</b>
<p><b>Vulnerability action</b> - Ofgem to develop and share a common assessment criteria for assessing options for vulnerability package in ED2</p>	Ofgem	<b>Share via email prior to 19 March session</b>
<p><b>Vulnerability action</b> - NEA and SSEN to share more detail on the Constraint Management Zone project</p>	SSEN and NEA	<b>Share via email prior to 19 March session</b>