

RIIO-ED2 Customer Service, Vulnerability and Connections Working Group



28 May 2020

Purpose of today's meeting is to:

- Get a progress update on outstanding actions
- Review proposals put forward for connections and vulnerability
- Agree next steps ahead of consultation publication

	<u>Agenda</u>
09:50 – 10:30	1. Intro and update on actions
10:30 – 12:00	2. Connections update <ul style="list-style-type: none">• Update on DNO work to assess connections' proposals and discuss WG's shortlist• Update on actions supporting proposed changes to BMCS and TTC (volumes, advice etc.)• Ofgem initial views and proposed next steps <p>We will take a short break part way through this item.</p>
12:00 – 12:45	Lunch
12:45 – 13:30	3. Vulnerability actions update <ul style="list-style-type: none">• Enhancing customer touchpoints• How to assess whether a DNO should undertake an initiative
13:30 – 14:30	4. Ofgem discussion item
14:30 – 15:00	Next steps for the WG

Item 2: Connections update

In WG 6, the group discussed views on broadening the scope of the BMCS. DNOs had a call to discuss proposals/RAG rate options. Key notes from DNOs from call include:

Proposal: Include new customer grouping 'LCT customers' which would include 'advice to customers'

- *Provides "opportunity to capture and incentivise improvements in experience of domestic and other small customers as they take steps to contribute to decarbonisation in ED2."*
- *"Many customers will be connecting such technologies to existing connections...they would not be included in the current scope of the survey...However, where these customers make contact with the DNO their experience could be measured under the BMCS by broadening the scope to include other types of contact e.g. "Advice". The definition and scope of "Advice" would need to be developed."*
- *"Two options for increasing the focus on LCTs:*
 - *Create a new category: LCT Connections, LCT General Enquiries and LCT "Advice".*
 - *Retain the existing categories but increase weighting of LCT term in the underlying algebra."*

Proposal: Include DGLV, HVHV, LVAL, LVHV customers

- *"Generally recognised that some small connections customers fall outside of current scope of BMCS but nature of their requirements does not fit well with being covered by ICE arrangements. Options:*
 - *...include further Connections Market Segments in the scope of the survey.*
 - *However, adding new segments to the BMCS would have to take into consideration the type of customers and retain the focus on segments serving smaller connections customers, taking account of where competition is mature in segments."*

Ofgem questions/proposed next steps:

- Are volumes of LCT customers sufficient to include as standalone customer grouping in the customer satisfaction survey?

DNO	BMCS LCT				Non BMCS			
	Quotes	Completed	GE Services	GE advice	DGLV	HVHV	LVAL	LVHV
SSEN	3948 (28%)	1009 (45%)	2692 (23.3%)	566	1048	5	445	585
SPEN	500 (9%)	100 (4%)	283 (7%)	Unable to measure specific to LCT	2000	4	250	30
NPG	134 (25%)	32 (25%)	1247 (25%)	Unable to measure specific to LCT	102	13	85	37

- What constitutes an 'LCT' and what constitutes 'advice'?
- If new customer groupings are included, what would be the appropriate weightings? Eg:

RIIO-ED1 customer groupings	Current weighting	Potential customer groupings	Potential weighing
Connections (minor customers)	50%	Connections (minor customers, excluding LCT customers)	40%
Interruptions	30%	Interruptions (separate reporting for PSR customer category)	30%
General Enquiries	20%	General Enquiries (excluding LCT customers)	10%
		LCT customers including advice	20%

- What would be the appropriate size of the incentive?
- WG has proposed changes to the satisfaction survey in ED2 (customer groupings, survey channels etc.). Is the existing content and methodology fit for purpose? Does the GDN research with TTI Global offer any insights?
- How to ensure targets are sufficiently stretching and that they remain stretching throughout?
 - o Static or dynamic?
 - o Option to align with GD2 approach by setting targets based on mean performance, with rewards applying to scores in upper quartile and penalties below average?

In WG 6, the group discussed views on proposals to amend existing connections outputs. DNOs had a call to discuss proposals. Key notes from DNOs from call include:

TTQ/TTC incentive proposals

- *"General acceptance that incentive has driven improvements in customer experience...there could be benefit in retaining...to cover potential increase in requests driven by decarbonisation."*
- *"TTC does not always reflect customer's experience against individual expectations:*
 - *Customers do not always wish for connection to be delivered as quickly as DNO can offer it. Eg where the connection is part of larger project, energisation must fit project timeline.*
 - *Some connections require third-party driven activities eg mandatory traffic management or property consents."*
- *"If retained...consideration should be given to ways in which delays and customer expectations can be factored into the incentive, being mindful that this could add complexity and transparency."*

ICE proposals

- *"ICE has embedded stakeholder engagement into BAU and driven a wide range of improvements"*
- *"Support for retaining an incentive covering areas of the Connections market where competition not yet mature to ensure customers remain well-served. The scope should reflect the current levels of competition in market segments across the industry. The form of this incentive could be reconsidered factoring in insight relating to:*
 - *The regulatory burden on DNOs, Ofgem and wider stakeholders*
 - *The other mechanisms that may overlap (eg those covering decarbonisation)*
 - *What specific factors are important to Connections customers"*
- *"Options could be considered to encourage more consistent/balanced feedback from stakeholders as part of a new, streamlined process in this area."*
- *"Support for a RII0-ED2 incentive in this area to maintain this ability to meet connection and wider stakeholder requirements in the delivery of a smart and flexible energy system."*

Ofgem questions/proposed next steps:

- If TTC retained, should it remain reward only, and why? Or should it be considered as symmetric or penalty only?
- If TTC retained, how should targets be updated to ensure they appropriately drive performance?
- Regarding ICE, high regulatory burden and difficult to compare and contrast performance. If ICE-type mechanism is retained, how to improve assessment process for ED2? Eg to allow for more consistent feedback from customers/stakeholders?

Item 3: Vulnerability update

Enhancing Minimum Requirements

Why do we want to enhance minimum requirements?

- To reflect performance improvements in ED1
- RIIO-ED1 SECV aimed to drive a step change in how DNOs identify and support vulnerable customers. We want to embed ED1 progress as BAU in ED2
- To ensure an appropriate minimum level of service to all vulnerable customers

How do we enhance the minimum requirements?

- ED1 strategy decision provided a reasonable level of detail on expectations but beyond funding associated with licence obligations, no upfront funding was provided, therefore performance against expectations fell into the SECV incentive
- In ED2, we would seek to embed best practice processes/activities rewarded through the SECV, by setting clear expectations in the minimum requirements, providing the associated baseline funding and including as a requirement under the BPI

- For session 2, the DNOs mapped out example initiatives they conduct under some key themes – below are the common activities conducted by all DNOs
- This provides a reasonable expectation of what BAU could look like in ED2
- This does not capture activities related to the energy system transition as there were no common activities in this category, but such activities could be included as a minimum requirement and/or could be captured under DSO functions

Addressing Vulnerability

Helping the fuel poor	PSR management	Hard to reach customers	Customer Service, resilience and support	Embedding in wider operations
Partnership Schemes delivering support services to customers	Data cleanse process	Social indicator mapping	Crisis / Winter Packs	Targeted Awareness / Education Programmes / Advertising Campaigns
Supporting Fuel Poverty Agencies	Utilities (Water, Gas) data sharing		Proactive Power Cut Calls	Vulnerability Training for all staff
Targeted Energy Efficiency Advice	Resilience Partnerships for Support (local authorities, resilience partners, councils)		Accessibility – tools/channels/inclusive comms (text line, braille, audio, easy read etc)	Training for support agencies
Target/Attend Community Events in Fuel Poor areas	PSR Promotion (via Internal Customer contacts & External Partners, Multi-channel)		Customer / Resilience Support (CRMs/Advisors, Welfare Units, BRC, generators, hot meals, alternative accommodation)	Advisory / Research Panels
	Customer Support (CRMs/Advisors, Welfare Units, generators, hot meals, alternative accommodation)		Dementia Friends and associated accreditations	Multi-channel, Accessibility (Translations services/web)
	Proactive Contact (faults, storms)			

How could this work in practice?

- Detailed minimum requirements in business plan guidance, which build on the ED1 guidance and aim to embed fair to good outcomes from the SECV criteria
- Overarching requirement to have a vulnerability strategy in place, keep it up to date and reflective of current challenges and report annually on progress
- Minimum requirements would be funded through totex allowances
- Ambition on these areas driven by BPI and potential for penalty/failure of minimum requirements if adequate strategy and associated commitments not included. Ambition could be demonstrated through high SROI.
- These minimum requirements would be underpinned by the existing licence obligation and proposed principles-based licence condition.

Interaction with other vulnerability package mechanisms

- Any additional mechanisms should encourage DNOs maximise this role to deliver value for customers and support the energy system transition by ensuring that customers, including those in vulnerable circumstances, are supported to participate in the energy system transition
- Opportunity to seek NIA funding for innovation that is not captured by other arrangements

Item 4: Ofgem discussion item

Working group discussion

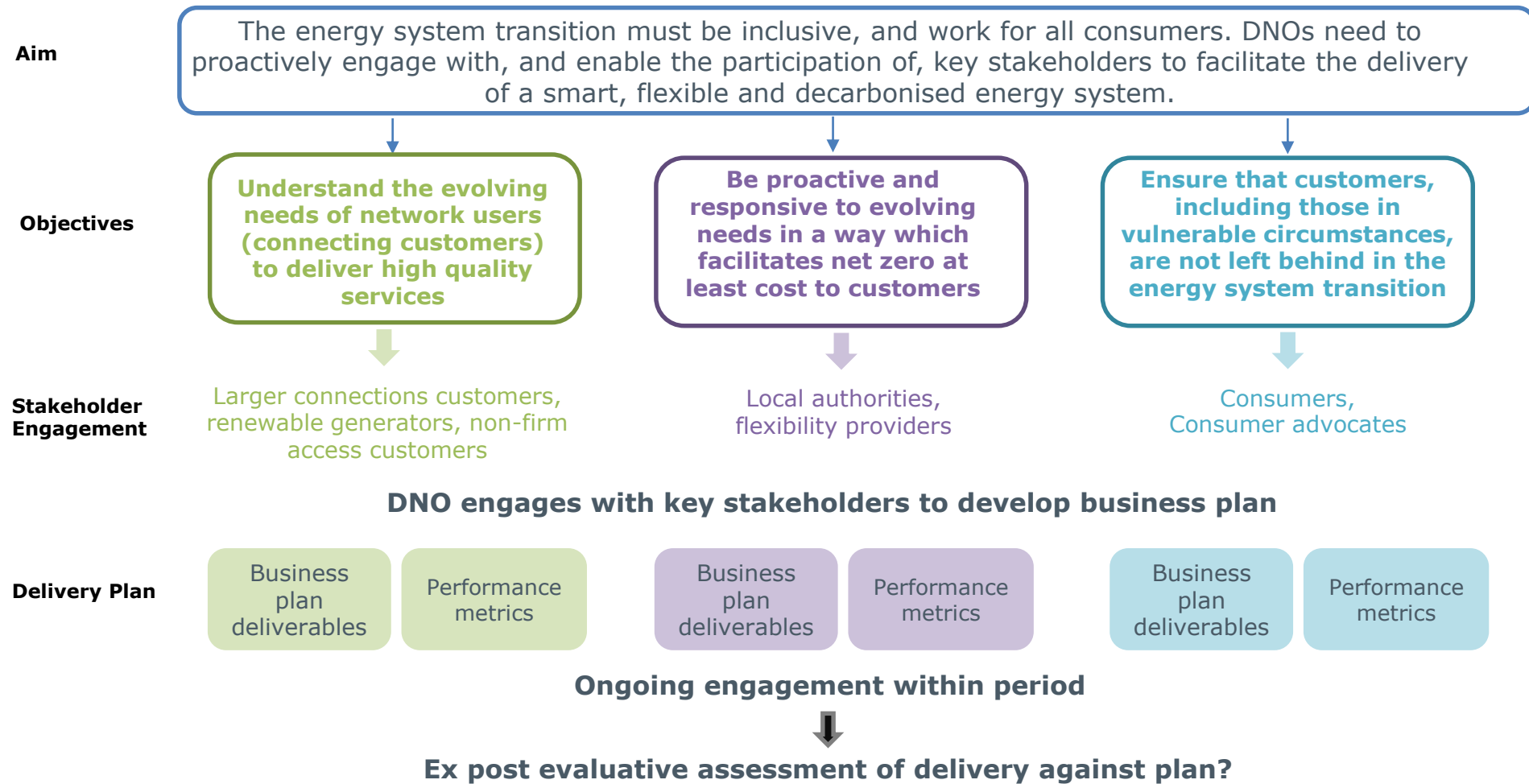
- Where ED1 incentives have driven performance improvements, these should be embedded in ED2.
- Appetite from some members for financial incentives to drive DNOs to address emerging challenges, in particular to ensure an inclusive transition to a smart, flexible and decarbonised energy system. One particular challenge we have discussed in the WG sessions is participation support.

Ofgem reflections

- WG messages reflect discussions on **potential approaches to vulnerability in ED2**, but we **also consider these messages to be relevant to other policy areas**.
 - The energy system transition requires DNOs to embed smarter ways of developing and operating their network (we consider these DSO functions).
 - As DNOs take on these new roles, the types of customers, and relationships with customers, will change.
 - DNOs will need to proactively engage with, and enable the participation of, key stakeholder groups to deliver this transition – and net zero – at lowest cost.
- There could be merit in a mechanism which drives DNOs performance against this broad objective, ie to ensure the participation of key stakeholders in the transition to a smart, flexible and decarbonised energy system.

Our expectation is that DNOs should do these activities as part of their core role. Through our work on the DSO functions we are considering the role that licence conditions can play to establish minimum standards, and the extent to which the TIM should drive performance. There may though be a need for us to review how DNOs perform these activities, particularly where totex incentives may not solely drive behaviour, and we are sketching out here how an element of this review could consider how DNOs enable the participation of key stakeholders.

How to enable participation in a smart, flexible and decarbonised energy system?



This is early stage thinking and we welcome initial thoughts.

- Do you agree there could be merit in a mechanism which spans different output areas due to their collective importance in facilitating a smart, flexible energy system that is inclusive?
- An incentive in this space would seek to specify the key stakeholders, do you agree with the proposed key stakeholder groups we have identified? Should other stakeholders be captured by such an incentive?
- Could we, and how could we, draw on the approaches of the SECV incentive, ICE and the ESO incentive?
- Are there opportunities for DNOs to deliver value that would not be facilitated by appropriately funded minimum requirements; a mechanism targeted at initiatives to support consumers in vulnerable situations to participate in the low carbon transition and access to NIA funding?
- Under this option, would a vulnerability-specific UIOLI allowance be needed?

The role of the DNO is changing as a result of the energy system transition...

Vulnerable customers

The DNOs' role in regards to addressing vulnerability may need to evolve in light of the energy system transition. There is a risk that some customers may be 'left behind' in ED2 and the cost of decarbonisation may exacerbate existing affordability issues.

Non-firm connections

As we move to a more decentralised and flexible system, we are likely to see an increasing prevalence of non-firm connections. Flexible connection customers are not captured under current arrangements and we need to ensure there is visibility on the quality of service received by these customers (and mitigate against the risk of excessive curtailments).

Renewable generators and large developers

In ED2, DNOs may need to invest ahead of need in order to facilitate the transition to a low carbon system. Without investment ahead of need, we may see connection time slow down. Renewable generators and large developers are captured under current ED1 arrangements by the ICE. However, there is a mixed picture regarding the quality of service these customers are receiving.

Local authorities

Local authorities have a big role to play in driving the decarbonisation of society. DNOs will need to work with LAs in order to understand their 'energy plans' and to deliver decarbonisation at lowest cost to consumers.

Flexibility providers

DNOs have an increasing role to facilitate effective markets for flexibility. This includes procuring flexibility to meet their own network and system needs as well as to ensure coordination across flexibility markets. DNOs must ensure their market models, processes and products are developed reflecting the diverse needs of different types of flexibility providers.

Aim

To support vulnerable customers, including those at risk of being left behind by the transition

To deliver high quality services to connections customers

To facilitate the transition to low carbon society

To facilitate effective competitive services