

# RIIO-ED2 Customer Service, Vulnerability and Connections Working Group



**Purpose of today’s session:**

- Provide summary of SSMC proposals; clarify any questions
- Collaborative planning session enabling group members to share their views on the priority issues for upcoming SSMD
- Begin to address priority issues; assign actions

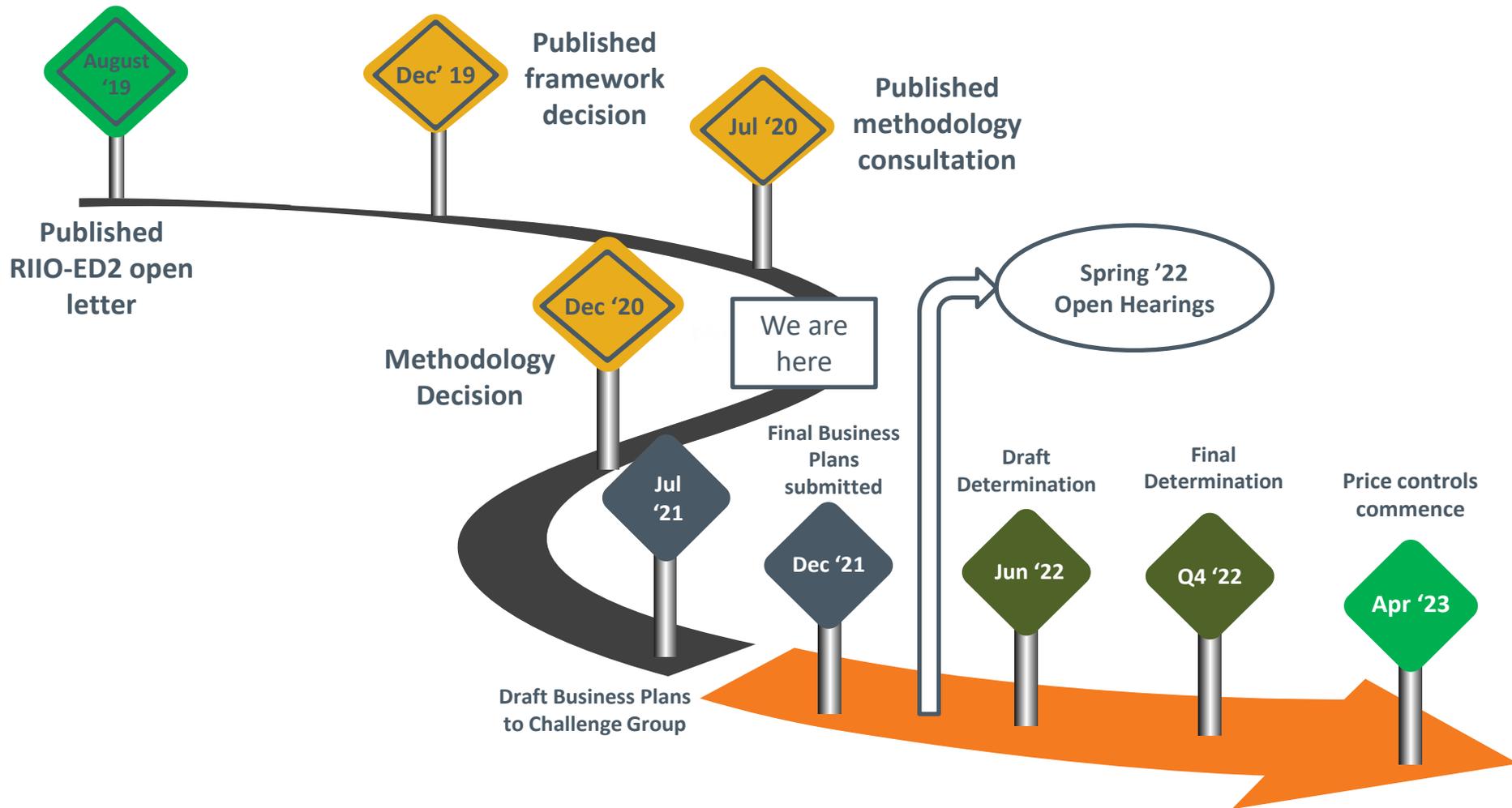
<b>Timings</b>	<b>Agenda item</b>
10:00 – 10:45	1. Running of the WGs ahead of SSMD 2. Recap SSMC proposals
10:45 – 11:15	3. Priority areas for the SSMD
11:15 – 11:30	Break
11:30 – 13:30	4. Proposed approach to refining framework for larger connection customers and vulnerable consumers – operation of BPI and ODI 5. Suitability of principles and baseline standards 6. Proposed approach to determining major and minor connection customer boundary

**How the WGs will run:**

- At least four sessions over September and October, to feed into development of SSMD position by Mid November.
- Provisional agenda items set out for first half of agenda, second half of meetings will be kept free to return to items. Key aims of next session agreed at the end of WG.
- WG discussions should be constructive and provide evidence and analysis to inform the development of SSMD.
- If you wish to propose an alternative proposal through a WG agenda item, this should be communicated to Ofgem; address the rationale/challenges in the SSMC and should be discussed with Ofgem prior to presentation at the WG.
- Material to be shared in advance to enable sufficient preparation for discussion by all WG members.

<b>Date</b>	<b>Primary Topic Areas</b>
<b>Thursday 10<sup>th</sup> September</b>	See previous slide
<b>Thursday 24<sup>th</sup> September</b>  12:00 – 15:00 Teleconference	Connections  1. Setting the boundary between major and minor customers  2. TTC incentive - relevant considerations for target setting and reopen
<b>TBC – week commencing 28 September</b>  <b>OAWG*</b>	Proposed framework for larger connection customers and vulnerable consumers – BPI and ODI  1. BPI process – revealing and applying higher baseline standards  2. Within period ODI – assessing performance including calculating rewards and penalties
<b>Thursday 15<sup>th</sup> October</b>  10:00 – 15:00 Teleconference	Customer Service and Vulnerability  1. CSS – DNO research, defining Advice and LCTs and update on CSS methodology research  2. SROI methodology & principles-based LO
<b>Thursday 5<sup>th</sup> November</b>	<b>TBC</b>

\* Potential need to schedule additional OAWGs to cover BPI and ODI framework



## **2. Recap of SSMC proposals**

### Customer Service

- Retain the Customer Satisfaction Survey (CSS) as a reward and penalty financial ODI.
- Consulting on scope of incentive (propose to flag PSR and LCT satisfaction; to extend to more small-med connection customers not captured in ED1) and design of incentive (approach to target setting and rewards/penalties calculation).
- Retain complaints metric as a penalty only financial ODI with a common static target.

### Connections

- Retain the time to connect incentive as a financial ODI and introduce a reopener to amend targets/apply penalties if service levels deteriorate within the period.
- Include additional market segments, like in the CSS, and use average DNO performance data to set targets.
- For major connections customers, introduce a new financial ODI framework to drive quality business plans and ensure DNOs are accountable and ambitious in their delivery of these plans. ICE would be removed.
- Retain the existing guaranteed standards for all connection customers, updating payments for inflation (CPIH)

### Consumer Vulnerability

- Introduce a new financial ODI framework to drive quality business plans and ensure DNOs are accountable and ambitious in their delivery of these plans. The SECV would be removed.
- Introduce a new overarching principles-based LO to treat customers, including those in vulnerable situations, fairly. The existing LO to maintain a PSR register and provide support to these customers would be retained also.
- Remove the SECV incentive

Any clarification questions or high level reflections?

### **3. Priority areas ahead of the SSMD**

We set out below priority areas, and key questions to answer, ahead of the SSMD. This list is not exhaustive and doesn't capture all questions asked in our consultation. We have chosen to focus on those areas that we consider to be a priority for the WG, through which we can gather more evidence and analysis to help refine proposals. Have we missed anything?

### **Customer Service**

Customer Satisfaction Survey – ensuring the methodology is fit for purpose

- How to define LCTs and advice to LCT customers?
- What are the likely LCT and PSR customer numbers likely to be?
- What are the appropriate survey methods?

### **Vulnerability**

- What are the kinds of metrics and commitments could be used to assess performance within period? Common vs. bespoke?
- Is the SROI methodology appropriate?
- Are baseline standards appropriate?

### **Connections**

- How to determine the boundary between major and minor connections customers?

#### ***Minor connections:***

- TTC – How to ensure the proposed approach to setting targets is appropriate, including a potential reopener to introduce penalties, in light of the scenarios that may occur in ED2?

#### ***Major connections:***

- What are the kinds of metrics and commitments could be used to assess performance within period? Common vs. bespoke?
- Are baseline standards appropriate?

### **ODI framework (vulnerability, major connections)**

- Timing assessments (BPI and ODI), rewards and baseline enhancements
- Criteria for CVP and lifting baselines
- Assessment of metrics and deliverables in ODI
- Development of BPDTs to reflect associated costs

## **4. Overview of the proposed strategy ODI approach**

In the SSMC, we outlined an overarching approach for a financial ODI framework to apply to driving service improvements in instances where the consumers (or stakeholders) have additional or more complex requirements and the services they receive may not be easily captured quantifiably.

This framework is a two stage approach:

1. Driving quality business plans through the business planning process
2. Ensuring accountability and ambition in delivery through an ex post evaluation in the form of a financial ODI

In the SSMC, we proposed to apply this framework to the following output areas:

- a) Major connection customers
- b) Vulnerable customers
- c) DSO role

### **To note:**

- We propose to apply this as a separate ODI for each area
- It is an overarching approach, but the application can be flexible to reflect the different characteristics of each area

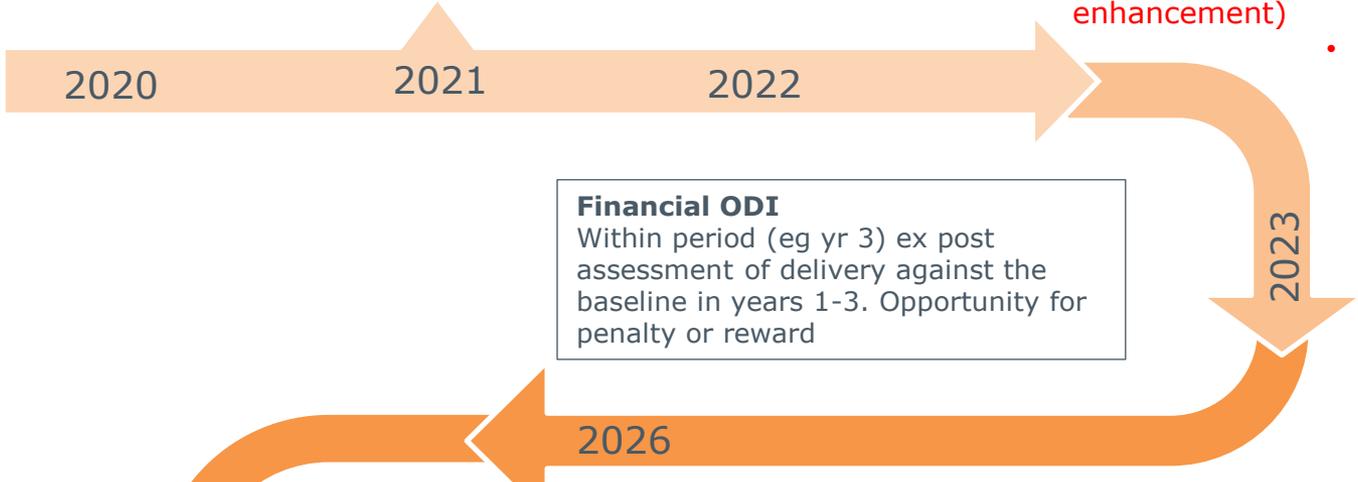
**BP Guidance:**  
Minimum requirement to have a strategy for the output area to deliver a level of service in line with baseline expectations

July: Draft BP submissions  
  
December: Final BP submissions

**BP Assessment:**  
Stage 1 BPI Assessment to see if plans meet min reqs  
  
Stage 2 BPI Assessment of CVPs.

**Key area for development:** how best to drive quality business plans and ensure baseline expectations reflect best practise?

- Options:
- CVP assessment at draft stage and enhanced baseline
  - CVP assessment at final stage and enhanced baseline (alternative: no baseline enhancement)
  - No CVP assessment, plan rated as baseline or exceeding



**ED2 Goes Live**  
  
ODI Incentive Period Begins:  
Ofgem ensures clarity of baseline expectations and ODI mechanism (eg guidance document)

**Financial ODI**  
Within period (eg yr 3) ex post assessment of delivery against the baseline in years 1-3. Opportunity for penalty or reward

**Key area for development:** how to ensure robust assessment of performance

- Use of performance metrics and deliverables
- Use of evaluation criteria and range of models for assessing performance (ranging from more discrete to holistically)
- Role of panels and other stakeholder scrutiny
- Timing of assessment

**Financial ODI**  
End of period ex post assessment of delivery against the baseline in years 4 - 5. Opportunity for penalty or reward

- The overarching approach to the BPI and ODI will be developed through specific OAWG sessions, with CSVC members invited along
- The CSVC WG will progress the development of connections and vulnerability specific issues eg suitability of baseline standards
- Key issues to be progressed ahead of the OAWG are:
  - Timing of BP assessments, rewards and any baseline enhancements
  - Criteria for CVP and lifting the baseline
  - How to ensure robust assessment and what is needed for this in the business plan
  - Potential value of the incentive

**For the SSMD, we do not need to have developed all aspects of the mechanism in there entirety and want to prioritise the areas of highest priority for DNOs to be able to develop their business plans**

## **5. Principles and baseline standards**

## **To meet the minimum requirements under Stage 1 of the BPI, DNOs' strategies should:**

- include a robust assessment of the [output area] issues prevalent in the company's customer base and evidence of how this informs its proposed approach.
- set out a clearly articulated vision for addressing [output area] issues identified, with tangible links between the proposed deliverables and the outcomes and the benefits these aim to deliver.
- be aligned to the principles and baseline standards set out in Annex 1.
- include deliverables which are specific, time bound and relevant. For the purpose of the ex post assessment under the ODI, we expect DNOs to identify where proposed deliverables are in line with baseline standards, or exceeding these standards.
- where appropriate, include transparent performance metrics which enable stakeholders to track the DNO's progress. For each metric, it should be clear how performance will be measured, how the metric is relevant to the strategy objectives and there should be well-justified performance target. For the purpose of the ex post assessment under the ODI, we expect DNOs to identify where proposed targets are in line with baseline standards, or exceeding these standards.
- be developed with stakeholder and CEG input, and developed in line with the company's wider business planning processes and decisions.

- Licence obligations set out the minimum standards DNOs must comply with to protect customers against unacceptable levels of service
- Baseline standards go beyond the standard of service mandated by the licence. They reflect our expectations of an appropriate level of performance and the type of activities and services all DNOs should be carrying out in RIIO-ED2.
- Existing levels of performance and service provision in RIIO-ED1 are embedded within the baseline standard.
- Some (or all) companies may need to improve their performance or capability in order to meet the baseline standard in RIIO-ED2.
- Performance against the baseline standard will be assessed through the ODI framework. Performance below the baseline standard does not imply non-compliance with the licence obligations.

## **Connections Principles:**

1. Support connection stakeholders to make informed decisions by providing accurate, comprehensive and user-friendly information
2. Deliver value for customers by ensuring simplicity and transparency at all stages of the connections process
3. Facilitate the delivery of timely and economical connections that meet customers' needs

**The principles provide an overarching view of the baseline standards. For ease of articulation, we structure the baseline standards under each principle but recognise that there is a large degree of overlap and interaction amongst them.**

**As a baseline standard, we expect DNOs to:**

- Establish and maintain up to date guidance on how, and where, customers can connect to the distribution network. This should include information about the application and delivery process. It should also include the provision of heat maps, capacity registers, Long Term Development Statements (LTDS) to clarify, at a granular level, where capacity is available, where network services may be beneficial, and likely curtailment levels in constrained areas.
- Offer a range of connection options which suit customers' requirements, including where customers are looking to provide energy services, for example to the System Operator.
- Provide customers with clear connection quotation cost breakdowns, listing out the cost components and any assumptions used in the formulation of a quote. This should include:
  - Simple explanations of products and pricing options
  - Clear outline of what prices include and exclude, including contestable cost elements
  - Where appropriate, the likely implications for the customer's connection offer if any changes arise, either as a result of changes to their own requirements or because of other customers that are seeking to connect in the same area.
- Specifically in relation to flexible connection customers, provide clarity around conditions and circumstances of current and future curtailment, including in areas with transmission constraints.
- Where flexible or alternative connections are not available in constrained areas, provide information about when these types of connection will become available. If not, the DNO should explain why this information is not available and when it will be.
- Where consortium connections are available, provide clear and detailed information about where, how and under what conditions such projects can proceed.

### As a baseline standard, we expect DNOs to:

- Have clear and simple customer journey process, which accounts for the particular needs of different groups of customers and which is effectively communicated to customers and delivery partners. This should include:
  - Tailored communication plans to suit different customer needs, including specified engagement methods and points of contact during the connection process
  - Clarity on DNO, customer and third party responsibilities
  - Regular updates on project/connection
- Provide good customer service to connection stakeholders along the customer journey. This should include processes to manage customer accounts and resolve any issues that arise, including a process for escalating issues.
- Have robust and processes in place to proactively engage with connection stakeholders. This should include how the DNO plans to both identify and address connections issues.

**As a baseline standard, we expect DNOs to:**

- Processes to help customers identify how they could make changes to their connections requirements, that would meet their needs and allow them to get connected quicker or cheaper.
- Ensure the availability of flexible connections for all customers, including storage.
- Where there are slow moving projects, and where these are impacting on other customers, or existing customers that are materially underutilising capacity in constrained parts of the network, have processes in place for releasing capacity that is not being used.
- Have processes in place for the promotion of certain types of customers (such as storage) in connection queue if it will help others connect more quickly/cheaply.
- DNOs to show consideration of innovative connection solutions for customers which may include, amongst other things, improved coordination with other utility connection providers and between connection customers.

## Vulnerability Principles

1. Effectively support consumers in vulnerable situations, particularly those most vulnerable to a loss of supply, through a sophisticated approach to the management, promotion and maintenance of a PSR register.
2. Maximise opportunities to identify, and deliver support to, consumers in vulnerable situations through smart use of data.
3. Understand new forms of vulnerability, in particular by identifying blockers to participating in a smart flexible energy system.
4. Embed the approach to protecting the interests of consumers in vulnerable situations throughout a company's operations to maximise the opportunities to deliver support.

**The principles provide an overarching view of the baseline standards. For ease of articulation, we structure the baseline standards under each principle but recognise that there is a large degree of overlap and interaction amongst them.**

**Principle 1: Effectively support consumers in vulnerable situations, particularly those most vulnerable to a loss of supply, through a sophisticated approach to the management, promotion and maintenance of a PSR register. As a baseline standard, we expect DNOs to:**

- Undertake proactive and targeted advertising of the PSR and the services offered to vulnerable consumer groups. By targeted, we mean towards specific areas of highest need or where data analysis suggests there are gaps in PSR reach.
- Have an effective data and information strategy in place specific to meeting the needs of vulnerable consumers. This should include effective PSR database maintenance with customer data checks at least every 24 months. Data analysis should be used to inform the development and delivery of service offerings. DNOs should also align the approach to data sharing with suppliers and other utilities to get customers onto the PSR to the requirements of Data Best Practice.
- Provide information for PSR customers in formats suited to a range of additional communication needs.
- For accessibility services, companies should meet a minimum standard of Accessibility AA. Translation services should be available for at least the top 10 Languages in a DNO area.
- Have dedicated lines, and or prioritisation, available for customers registered on PSR when they need to contact the DNO.
- Deliver a wide range of support during, or in relation to, a supply interruption that reflects different customer needs and is, at a minimum, in line with existing provision. There should be a clear link between the information held about PSR customers and how this is used to target, or prioritise, support. We consider a wide range of support could include, but is not limited to, crisis packs, hot meals and drinks, mobile generation, alternative accommodation or on-site welfare units. We would expect there to be multi-channel information provision during supply interruptions. Companies can deliver this support directly or through/in conjunction with partner agencies.

**Principle 2: Maximise opportunities to identify, and deliver support to, consumers in vulnerable situations through smart use of data.**

**As a baseline standard, we expect DNOs to:**

- Utilise social indicator or vulnerability mapping to inform their service development and partnership strategy. This approach may form part of the PSR management, but the identification of vulnerability should not be limited to PSR registrations.
- Maintain a good understanding of the social issues associated with the scope of the DNOs role, the prevalence of these within their consumer base and how they are evolving.

**Principle 3: Understand new forms of vulnerability, in particular by identifying blockers to participating in a smart flexible energy system.**

**As a baseline standard, we expect DNOs to:**

- Have an extensive network of partnerships with a range of organisation types, including from beyond the energy sector.
- Make effective use of referral channels and signposting support to customers. This will primarily be done through customer service teams, but we expect DNOs to seek opportunities to maximise consumer touchpoints.
- Be involved in two-way flow partnerships supporting vulnerable customers, in line with the companies understanding of social issues in their region. This should include the network company having direct involvement in the end to end process of delivering support, providing expertise and co-creating schemes. Where appropriate, we would expect to see example schemes where the DNO is taking a leading role.
- Have a clear process for identifying which partnerships are likely to be most effective at delivering benefits through co-operative working. This should be clearly linked to the priority areas of focus of the strategy, in particular addressing fuel poverty and supporting those at risk of being left by the energy system transition.

**Principle 4: Embed the approach to protecting the interests of consumers in vulnerable situations throughout a company's operations to maximise the opportunities to deliver support.**

**As a baseline standard, we expect DNOs to:**

- Have processes in place for embedding a commitment to protecting the interests of vulnerable customers. This should include a well justified approach to ensuring all staff have received an appropriate form of vulnerability training to maximise the potential from all customer touchpoints. Companies should have make use of external advice and support to set strategic direction, such as a vulnerability advisory or research panel. DNOs should appoint a vulnerability champion at senior management or board level.
- Seek opportunities to protect vulnerable customers throughout their capabilities.

- Between now and SSMD we want to further develop the baseline standards and ensure they are suitable for delivering an appropriate level of service to consumers in RIIO-ED2.
- We recognise the connections baseline standards were not tested with the groups prior to publication – **what are your initial reflections?**
- To test the suitability of the baseline standards, we want the working groups input. Where the baseline standards are not deemed to be an appropriate level, we request that you highlight this and the supporting evidence of why the standard is pitched too low or too high.
- **Action: DNOs to present a recommendation on changes to the baseline standards for the Thursday 15<sup>th</sup> October. All group members to feed in relevant views to Ofgem ahead of this WG also.**

## **6. Proposed approach to determining major and minor connection customer boundary**

### Issue:

- In RIIO-ED1 we applied different regulatory approaches for customers seeking small, or minor, connections and those seeking large, or major, connections.
- We consider that some connection customers in market segments currently defined as 'large', and are subject to the ICE arrangements, may have more in common with those requiring LVSSA or LVSSB connections. Market segments (and customers) under consideration are:

Market segment	Example customer(s)
LVAL	Additional load typically small to medium sized commercial or industrial customers requiring additional power capacity or extension assets. May include schools, colleges or other educational establishments.
LVHV	Larger domestic housing developments commercial dispersed loads such as retail parks or industrial units. Farms and other rural businesses are a good example of this as often rural overhead line systems cannot provide the same capacity as urban cable networks, therefore rural customers require a greater incidence of HV work.
DGLV	Small distributed generators such as those in use in farms, factories, smaller office premises, schools, hotels, combined heat and power (CHP) plants and domestic scale premises.

### SSMC proposal

To extend TTC and CSS to customers who:

1. have the same, or similar, characteristics as LVSSA and LVSSB customers; and
2. may either form part of a market segment where there is no competition, or if the market segment in which they sit does attract competition, these customers may constitute a subset where no competition occurs or is likely to occur.

### Proposed approach:

- Awaiting responses to consultation questions
  - Do you agree with our proposal to expand the scope of the TTC and CSS?
  - Do you consider that we have identified the relevant considerations to determine which customers should be captured in scope?
- Confirm approach in SSMD

### Additional considerations ahead of SSMD:

- If we confirm proposal to review the boundary between major and minor connection customers, proposed process would be to re-run competition test:
  - Competition test process: propose to only require submissions for market segments that didn't pass the competition test in 2013, not segments that passed.
  - Competition test timing: propose to run as a separate process to the SSMD, to take place in late 2020/early 2021. Need to carefully consider timings to ensure DNOs can put business plans together.

### Proposed actions:

- Upcoming Connections Steering Group meeting to provide initial feedback on considerations outlined above and feed back to Ofgem.

## Actions, AOB and next steps

Proposed focus of 24th September session:

- Major/minor connection customer boundary - process for setting the boundary between major and minor customers, and any relevant considerations we have missed
- TTC incentive - relevant considerations for target setting and reopener

Proposed actions:

- DNOs to present a recommendation on changes to the baseline standards for the Thursday 15th October. All group members to feed in relevant views to Ofgem ahead of this WG also.

**Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.**

**We do this by:**

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**