

RIIO-ED2 Customer Service, Vulnerability and Connections Working Group



Timings	Agenda item
10:05-10:45	<i>Customer Satisfaction</i> - Customer Satisfaction Survey update
10:45-11:30	<i>Vulnerability</i> - Review of baseline standards (NEA and Citizens Advice)
11:30-12:00	<i>Vulnerability</i> - Social Value framework update (Sia Partners)
12:00-12:30	Break
12:30-13:30	<i>Connections</i> - Review of baseline standards and potential metrics (DNOs)
13:30-14:00	<i>Connections</i> - Competition (ENWL)
14:00-14:15	AOB and next steps

Customer satisfaction survey



BMCS – Work Plan

15.10.20

DNO Joint Actions relating to Customer Satisfaction (BMCS) – Progress Update

Action	Update	Status
SSMC Satisfaction Framework	SSMC Methodology reviewed by DNOs and slide passed to OFGEM ahead of 15.10.20 meeting	✓
Gather ICS Data	ICS Data from July 20 UK Top 50 obtained and shared in slides ahead of 15.10.20 working group	✓
Connections Segments to be included in BMCS	DNO agreed given circumstances surrounding competition test – BMCS should remain as LVSSA and LVSSB only	✓
LCT Definitions	Slide pack provided to OFGEM ahead of working group on 15.10.20	✓
Survey methods	Agreement on survey methods to be tested to be confirmed on 20 th Oct. Explain have this planned to test in November (output December)	Oct-Dec
Survey structure & leading questions	Agreement to be reached on survey structure and questions at meeting with Explain on 20 th October – This will then be tested in November (output December)	Oct - Dec
Review Sample Sizes & Propose for ED2	Session planned with Explain on 10 th November	10.11.20
Review GDN Research	Review anything coming from GDN research at session with Explain on 10th November	10.11.20



BMCS - Methodology

15.10.20

Customer Satisfaction Overview and Proposal

ED1	Interruptions	Connections	GE
Max Reward	8.9	8.9	8.9
Start of Reward	8.2	8.2	8.2
Max Penalty	6.8	6.8	6.8

Indicative Targets based on data up to March 20

OFGEM SSMC	Interruptions	Connections	GE
Max Reward	9.21	8.94	9.49
Start of Reward	8.99	8.79	9.29
Break Even	8.87	8.59	9.10
Max Penalty	8.54	8.24	8.70

Points to consider	
1	The mechanism should reward excellent service
2	ICS provides an independent view of Excellent Service over the UK
3	Given Satisfaction for No 1 Company in UK (John Lewis) is 8.63 is it reasonable to target beyond 9 & put companies into penalty if they perform better than No. 1 in the UK?
4	Targets should be stretching but realistic in terms of excellent service and need to take into account a number of factors
5	<input type="checkbox"/> Satisfaction across the UK is falling as customer expectations are increasing (so we need to do more to stand still) <input type="checkbox"/> The new technologies will mean DNOs need to deliver an excellent experience across increasing volumes and new technologies. <input type="checkbox"/> If the same calculation is used as for Gas DNO targets would be set way beyond the best in the UK. We would be in a position of penalty when scoring over 9 in some categories. <input type="checkbox"/> When comparing to Gas, GDNs have limited unplanned interruptions (due to the nature of their assets) and Subsidised Connections.

ICS (July 20 Results)		
Range	Overall Satisfaction	Customer Experience Element
No. 1	8.66	8.63
Upper Quartile	8.28	8.33
50 th Place	8.01	8.08



Proposed Targets & Rationale

Targeting above No. 1 in ICS			
OFGEM ED2	Interruptions	Connections	GE
Max Reward	9	9	9
Start of Reward	8.63	8.63	8.63
Break Even	8.33	8.33	8.33
Max Penalty	8.08	8.08	8.08

- Reward would only start above the equivalent of No. 1 in the UK
- Penalty would start if DNOs performed below UK Upper quartile performance
- Using ICS Customer Experience Performance - this is a higher target and comparable.



LCT in BMCS

Key Principles from SSMC

Proposing to require DNOs to separately report on the satisfaction scores awarded by

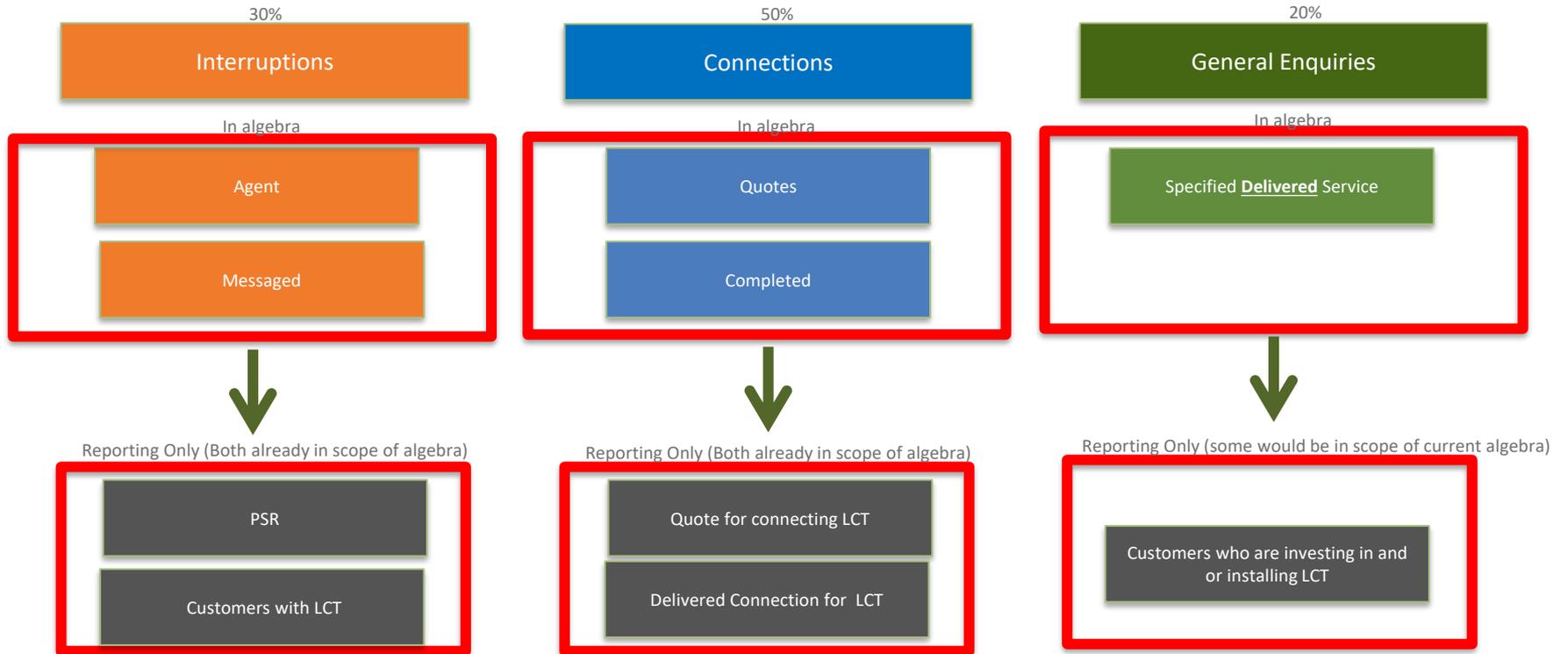
- PSR customers who experience a supply interruption
- Customers who are installing or operating low carbon technologies (LCTs) connected to the distribution network.

OFGEM would like DNOs to separately report on the levels of satisfaction of customers who invest in low carbon technologies (LCTs)

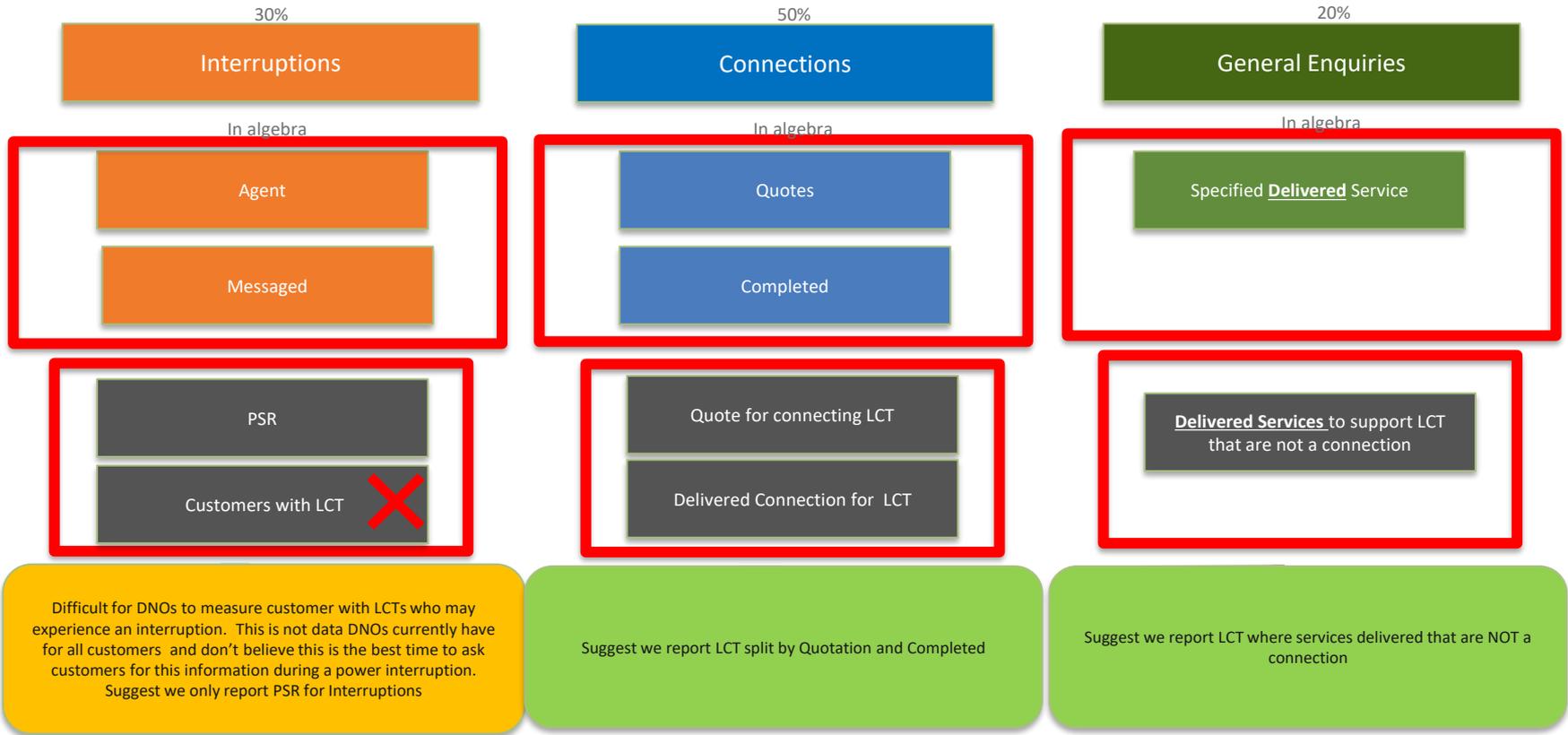
- This would include separate reporting under all three surveys: connections, general enquiries and interruptions

OFGEM would like DNOs to provide a view as part of our joint working on how volumes may change and what additional or different services customers may require

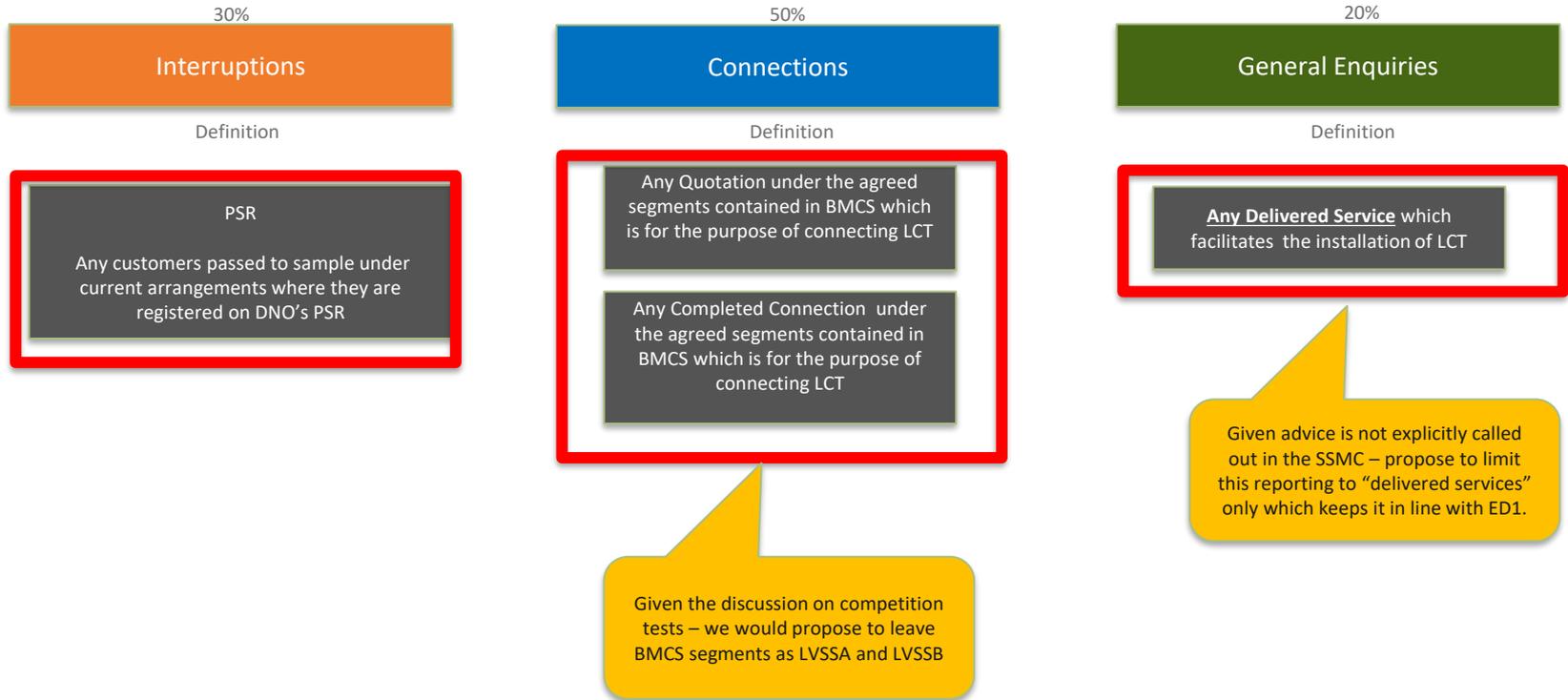
Ofgem Position



Proposal



Definition for Reporting



Definition of LCT - Work Types

Connections (In Incentive)	Connections LCT Reporting Only	General Enquiries (In Incentive)	General Enquiries LTC Reporting Only
Quotations and Completed Connections for LVSSA & LVSSB Segments	LVSSA & B Quotes and Completed Connections where these are for the purpose of <ul style="list-style-type: none"> EV /Charging Point Heat Pump 	Delivered service under the following categories	Delivered service under the following categories
		Tree Trimming close to OHL	Capacity/Load Enquiry
		Reinstatement Enquiry	Small and multiple embedded generation non quotable (e.g. installation of solar panels)
		Shrouding Request	
		General/Substation Maintenance	
		Cable safe/Proximity	
		Diversions	
		Information Request – Electric and Magnetic fields	
		Feasibility Studies	
		Electrical Safety Isolations	
		Electrical Capacity Enquiry	
		Meter box door repair	
		Physical Disconnection	
		Plant Enquiry	
		Site Visit Request – Not Connections	
		Small and multiple embedded generation non quotable	
		Street Lighting Enquiry	
		Volta Complaint/Flickering Lights	
		Wayleave Enquiry	



Point for clarification

DNOs would not include connections where the connection is for the purpose of connecting a property to the network – which may have LCT as part of the development.

EG - a connection to a new house would not be classified as "LCT" even if it has a heat pump, PV or EV charging

The rationale being in the future the majority of connections are likely to fall into this category.



Point for clarification

DNOs would not include Advice Services that may be offered for 2 reasons.

1. Not explicit in the SSMC
2. Current GE is delivered services
3. Advice services may be something DNOs may offer depending on the ambition of their plan. We need to take care that this is comparable across all companies.

Vulnerability baseline standards (NEA)

Improving the Vulnerability Baseline



Action for Warm Homes

Matt Copeland

5 Priorities to improve the Baseline

NEA believes that there are five key ways in which the vulnerability baseline could be improved:

1. Better addressing accessibility
 2. Better addressing affordability
 3. Improving the PSR across sectors
 4. Integrating DSO and Vulnerability work
 5. Aligning with broader objectives
-
-

Better addressing accessibility



Our work on the Fuel Poverty Monitor 2020 found that those speaking English as an additional language faced significant difficulty accessing information and support during the pandemic lockdown.

This is mostly reflected in principle one, but we particularly found some gaps in the provision of material in Braille and British Sign Language.

Within principle 1, this could be resolved with the explicit addition of these formats to the top 10 spoken languages in each DNO area.



Better addressing Affordability

Again, in this year's Fuel Poverty Monitor, analysed the growing problems associated with utility debt.

We recommended that as part of a remedy for the growing issue of affordability issues in the energy market, that Ofgem and energy companies work to ensure that financially struggling households are more easily identified through the creation of a financial vulnerability flag or 'needs code' within the Priority Services Registers (PSR).

As DNOs have a clear responsibility for the PSR through their licence, we believe that this baseline represents one of a number of opportunities this to be done, albeit one that is relatively far in the future.

The creation of a financial vulnerability PSR flag could be a baseline requirement in principle 2, but we hope for this to be resolved much sooner than the start of RIIO ED2

Improving the PSR across sectors



.Ofgem's Consumer Vulnerability Strategy 2025 includes a theme to “work with others to solve issues that cut across multiple sectors.

As the PSR clearly crosses several sectors (Energy, water, finance, digital), we believe that there is a clear need for DNOs to work with others to share data and ensure that the PSR remains fit for purpose.

Many DNOs already undertake this work in some respect, so we do not expect this to be extra work, but banking what has mostly already been achieved.

This could be achieved in principle 1 by adding a standard for sharing PSR information and best practice across sectors



Integrating DSO and Vulnerability work

NEA believes that we cannot achieve an inclusive, smart, flexible energy system, without the integration of vulnerability and DSO strategies, and more generally through the embedding of a desire to address vulnerability challenges across businesses.

We therefore believe that there should be an explicit reference to the embedding of addressing vulnerability within the DSO plans (and DSO in the vulnerability strategy).

Additionally, within principle 4, we believe that it is extremely positive to expect as a minimum to have a vulnerability champion at board level, but there is still a potential for work on vulnerability to be siloed in nature if the baseline does not at least reference other DNO functions, such as the transition to DSO, as outlined above.

Aligning with broader objectives



While DNOs do not have a statutory role in the rollout, there is much that could be done to promote the benefits of smart meters, in particular to those households that currently use prepayment meters.

The benefits of this work to both customers and networks was showcased in the UKPN innovation project “Energywise”, and I’m sure many others too.

We therefore believe that principle 3 should contain a standard for facilitating and supporting suppliers to deliver the smart meter rollout.



SSMC - Customer Vulnerability and Major Connections Principles and Baseline standards



Our full response can be found on our website:
<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-consultation-responses/citizens-advice-response-to-ofgem-riio-ed2-methodology-consultation/>

Consumer vulnerability principles and baseline standards

- Monitoring and evaluation - BP guidance - “where **appropriate**, include transparent performance metrics which enable stakeholders to track the DNO’s progress”.
- SSMD and Business Plan guidance should make clearer reference to the importance of focussing on **outcomes** and how this will be measured.
- **Minimum standards** should be delivered from the **first year of the price control** and in every subsequent year. Failure in any individual year should be weighted negatively in assessments that determine rewards/penalties.
- Explicit references to **fuel poverty** given its relevance under all 4 principles plus alignment with Consumer Vulnerability Strategy (CVS) 2025 priorities - *“Supporting those struggling with their bills”*.
 - Reflects the significant economic impact that COVID-19 has had on household incomes and debt levels.
- **Partnerships** not mentioned throughout. Particular **absence in principle 2**.

1	2	3	4
PSR and loss of supply	Identify and deliver with smart data	New vulnerabilities in energy system + partnerships	Embed consumer interests and max opportunities

Consumer vulnerability principles and baseline standards

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'.

- Dedicated PSR lines. These should be open **24/7**
- "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**".
 - Clarification needed on 'existing provision'. In line with the principle of convergence we would support 'existing provision' as meaning provision of the sector.
- "Align the approach to data sharing with suppliers and other utilities to get customers onto the PSR to the requirements of Data Best Practice".
 - **beyond utilities**

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

- Transient vulnerability - "**at risk of**"

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'.

- "an appropriate **form** of vulnerability training" sounds quite singular. Suggest "appropriate **range** of vulnerability training" recognising different touch points with customers and opportunities to identify vulnerability and risks and provide an offer of support.

Major Connections Principles and baseline standards

- **Principles 1 and 2** - providing information in a way that will support informed decisions and a supportive, simple and transparent process.
 - No references to **digitalisation strategies**, though we would expect data provision requirements to be common.
- Additional principle that DNOs are required to **uphold industry-agreed standards** for connections, such as the proposed changes to Queue Management. Should apply to all types of connections and not just those for major connections customers.
- Principle 3: Facilitate the delivery of timely and economical connections that meet customers' needs.
 - Principle 1: "Support connection stakeholders to make informed decisions by providing ^{timely} ^, accurate, comprehensive and user-friendly information"

Thank you

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Social Value Framework (Sia Partners)



Pioneer of Consulting 4.0

SOCIAL VALUE MEASUREMENT FRAMEWORK QUESTIONS & FEEDBACK ON FIRST DRAFT

OCTOBER 2020

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Introduction



What did we do?

- We created a first draft of each component required as part of consistent framework.
- We presented an overview of the social value measurement framework to all six DNOs and Ofgem.
- We asked each party the same set of questions, collected the feedback and broke it down into:



What will we do now?

- Walk through the takeaways, edits to the framework, and decisions to be made (at a high-level).
- As we only have 30 minutes, we won't aim to gather answers to the decisions today.
- After this meeting, we will send round a) a first draft of each component of the framework, and b) the formal list of decisions to be agreed, for each party to feed back on.

Once each DNO has provided their feedback, we will organise a joint meeting for the DNOs to agree the final points (w/c 26th of Oct). This should allow the framework to be wrapped and available for use from early November (barring any large edits required).

Overview of the Social Value Measurement Framework

Based on stakeholder feedback, and the DNO's and Ofgem's expectations, we have designed the framework around three guiding principles:



Consistent

The framework has been designed to allow for regular, dependable measurement, using an approach and research that is consistent across the industry.

To deliver this, we've provided:

- Reference projects
- A project data checklist
- Standard proxy values
- A set approach for WTP
- A standard worksheet
- An audit process



Comparable

The central goal of the framework is to provide figures for Ofgem's incentive that allow for the effective comparison of the various outcomes delivered by DNOs.

To deliver this, we've provided:

- Set reporting templates, listing common measures to compare the DNOs



Conservative

Key feedback from stakeholders was to ensure figures were conservative wherever possible. The framework has been designed with this principle at its core.

To deliver this, we've provided:

- Validation and assumption guidelines
- A common approach for determining 'optimism bias'

Key takeaways from DNO/Ofgem's feedback

- 1 Broadly, the three principles were seen favourably, driving social value work in the right direction. Consistency across the DNOs was identified as the highest priority, given the use case – comparing levels of delivery.
- 2 Validation guidelines (the use of optimism bias) was seen as a positive addition. While it may lead to lower 'claimed' values, consistent use across DNOs and an increase in stakeholder confidence was seen as a worthwhile trade.
- 3 An independent audit was viewed as critical (*"the most important aspect"*) to ensure that the 'bottom-up' guidance was applied consistently.
- 4 Separation of 'WTP' and 'Economic' benefits viewed positively, providing additional clarity and comparability by drawing a distinction between the two. There are still several questions to be answered/agreed on in the application of multiple types of value.
- 5 The common set of metrics was seen as the right approach – with Ofgem planning on using them for the ED2 vulnerability incentive. The DNOs were keen for more information on the details of the mechanism as soon as possible.

Edits to be made to the framework

- 1 'DNO benefits' is not an appropriate term for avoided operational costs as the savings are passed on to the customer. 'Direct customer saving' or 'Network benefits' may be more appropriate. Sia Partners to update the relevant components. **(UKPN, SPEN & others)**
- 2 Within their reporting, as with the current SECV incentive, Ofgem would expect DNOs to provide details of what was delivered (i.e. the output), not just the financial outcome. Sia Partners to include a note explaining this in the reporting guidance component. **(Ofgem)**
- 3 The worksheet should have tests set to ensure that the formulae are working correctly. Sia Partners to include a process in the worksheet user guide for DNOs to follow to check that all aspects of the worksheet are working correctly. **(ENWL)**
- 4 The monetisation decision tree should clarify that multiple benefits can be attributed to a single project. Sia Partners to update the component to clarify that the process should be followed for each benefit, not just once per project. **(WPD)**

Decisions to be made

A detailed list of decisions to be made (with a Sia Partners recommendation) will be sent round to the DNOs after this call. Once agreed between the DNOs, Sia Partners will make any required changes to the framework. The decisions cover:

1. Input figures (Proxies & WTP)
 - a) Regional variation within proxies **(NPg)**
 - b) Regional variation within WTP **(ENWL)**
 - c) Differences in start points (baselines) **(ENWL)**

2. Practical application of the framework
 - a) Change in proxy values mid-period **(NPg)**
 - b) 'Stacking' benefit types **(WPD)**
 - c) File corruption issues **(ENWL)**

3. Governance & Audit
 - a) Appointing an independent auditor – ED2 incentive **(Sia)**
 - b) Appointing an independent auditor – CVP incentive **(Sia)**
 - c) Common WTP governance **(Sia)**
 - d) Remaining years of ED1 **(Sia)**



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Connections

SSMC - Customer Vulnerability and Major Connections Principles and Baseline standards



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Assessment of current levels of competition

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- In the DPCR5 process there was no guidance from Ofgem
- The process developed into a mix of
 - Data to demonstrate that there was active competition
 - Descriptions of processes to support competition
- Since then SLC52 and the Competition in Connections Code of Practice have been introduced
 - SLC52 sets obligations to minimise input services and comply with the Code of Practice
 - The Code of Practice describes the services that DNOs have to provide to support ICPs & IDNOs
 - These incorporated best practice identified through the Competition Test process
 - The Code of Practice is subject to open governance which allows changes to be instigated
 - There have only been a few changes therefore endorsing the scope of the original document
 - DNOs have to publish a report annually in a common format to demonstrate their compliance with the Code of Practice
- In light of these developments, an option is for the review to focus more on the data
- Following slides suggest three different aspects that could be considered to assess the levels of competition

1. Demonstrable competition



- Analysis of market shares per market segment
 - Split DNO & third party (ICP or IDNO)
- Based on accepted projects to show where third parties have actually won work
 - By number of projects – simplest option
 - By capacity – shows if small number of large projects won by third parties
 - By number of connections made for unmetered
- Criteria
 - Analysis based on projects where there is some contestable work
 - Treat partial acceptances as won by third party
 - Based on RRP submitted data ie based on quotes issued in regulatory year (irrespective of when accepted)
 - Use three years of data FY18, FY19 & FY20
- Assessment
 - DNOs could submit data, Ofgem analyse and decide whether effective competition or not

2. Demonstrable market activity

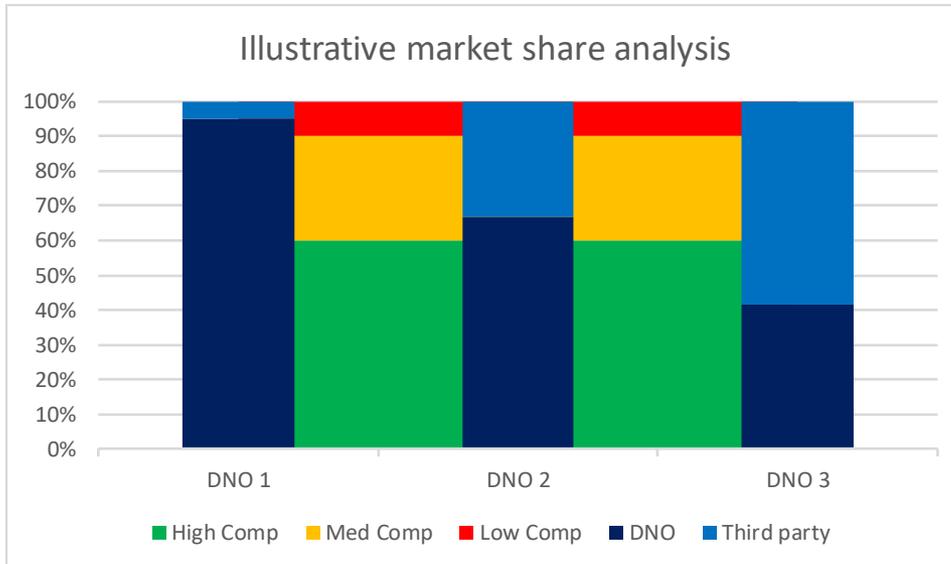


- Analysis of market shares per market segment
- Based on quoted projects to show where third parties have competed for work
 - By number of projects – simplest option
 - By capacity – shows if small number of large projects won by third parties
- Criteria
 - Analysis based on projects where there is some contestable work
 - Based on RRP submitted data ie based on quotes issued in regulatory year
 - Use three years of data FY18, FY19 & FY20
- Assessment
 - DNOs could submit data, Ofgem analyse and decide whether effective competition or not

3. Demonstrable market participants



- Analysis of market shares per market segment
- Based on quoted projects to show number of third parties that have competed for work
 - By number of projects quoted
 - By number of projects won
- Criteria
 - Based on RRP submitted data ie based on quotes issued in regulatory year
 - Use three years of data FY18, FY19 & FY20
- Assessment
 - DNOs could submit data, Ofgem analyse and decide whether effective competition or not



Simplified assessment shown above. **Threshold percentages shown are illustrative only**

Actual assessment would take account of:

- Combination of work lost, work competed for & market participants
- three year trends

Could assess data to classify each market segment into three categories:

1. Low levels of competition
 - Little or no evidence of competition
 - Remove regulated margin
 - “Strategy Delivery ODI”
2. Medium levels of competition
 - Some evidence of competition
 - Retain regulated margin
 - “Strategy Delivery ODI”
3. High levels of competition
 - Clear evidence of competition
 - Convert to unregulated margin



Timescales	Activity
November	DNOs to develop detail for Request For Information
December	Ofgem issue Request for Information post SSMD
January	DNOs return RFI
February	Ofgem decision on categorisation
July	DNOs submit Business Plans including Connections Strategies for market segments not passed

- Indicative timescales

AOB, actions and next steps

CSVC 5th November Working Group	
Proposed Area of focus	Material Needed
Review of redrafted vulnerability and connections principles and baseline standards	Ofgem to circulate a revised copy of each for comment and discussion
Vulnerability Metrics	DNOs to provide material on work to identify metrics and strategy evidence
Time to connect -Target setting -Calculating rewards	Ofgem led
-Customer Satisfaction Survey? -Target setting -Calculating rewards	Ofgem led
Return to additional actions resulting from today's session	Tbc

Are there any additional areas of focus you consider should be included on 5th Nov?

Note: Ofgem will confirm all actions in the minutes to this session.