

DNOs, GDNs, TOs and other
interested parties

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Date: 5 November 2018

Dear Stakeholders,

Consultation on changes to the:

- **Stakeholder Engagement Incentive Scheme Guidance; and**
- **Stakeholder Engagement and Consumer Vulnerability Incentive Guidance**

We introduced the Stakeholder Engagement (and Consumer Vulnerability) Incentives for the first RIIO electricity distribution, gas distribution and transmission price controls. We issued guidance documents which set out the scope of the incentives, as well as the application and assessment processes for each of the sectors. This consultation sets out, and seeks views on, our proposed changes to those guidance documents. We propose that the revised SEI and SECV guidance documents will take effect from April 2019, in time for the 2018-19 assessment in summer 2019.

Background

The Stakeholder Engagement Incentive (SEI) applies to the Gas Distribution Network operators (GDNs) and Transmission Owners (TOs), and was introduced in 2013-14.¹ The Stakeholder Engagement and Consumer Vulnerability Incentive (SECV) applies to the electricity Distribution Network Operators (DNOs) and was introduced in 2015-16.² Both the SEI and SECV aim to encourage network companies to engage effectively with a wide range of stakeholders and use the outputs from this process to inform how they plan and run their businesses. The SECV also incentivises the DNOs to play a full role in addressing consumer vulnerability issues; DNOs are assessed on the quality of their strategy in this respect and on the outcomes delivered.

Each year, network companies submit an annual report to us detailing their engagement activities and the resulting outcomes. Those network companies that meet our Minimum Requirements are then invited to a Panel Session where they are assessed by an independent Panel. The Panel scores each company out of 10 across five criteria, to calculate an overall Panel score; this score is then used to determine the financial reward (if any) for each company. Both the SEI and SECV operate on a continual improvement basis, meaning that companies must demonstrate that they have improved from one year to the next in order to obtain the same score from the previous year.

The SEI and SECV have been running for five years and three years respectively, and we have observed a general improvement in network company performance. Stakeholder engagement has become increasingly embedded in the businesses, with the majority of

¹ RIIO-GD1 and RIIO-T1 began in 2013-14 and will run until 2021-22.

² RIIO-ED1 began in 2015-16 and will run until 2023-24.

companies demonstrating that a commitment to stakeholder engagement runs through all levels of the organisation. The culture of network companies working collaboratively also continues to improve, and we have seen a number of companies working together, and with their partners, to roll out innovative initiatives which respond to the needs of their stakeholders. In addition, we have seen companies using outputs from their engagement activities to inform how they plan and run their businesses, for example through stakeholder mapping tools and enduring stakeholder advisory and challenge panels.

With regards to vulnerability, the DNOs' strategic priorities, which are informed by stakeholder engagement, have consistently included efforts to help vulnerable consumers. In addition, DNOs have demonstrated that they have a good understanding of how varied vulnerability can be, with companies expanding their Priority Service Registers (PSR) as well as regularly updating their vulnerable customer data.

While network company performance is generally improving, there is still room for improvement. The Panel's feedback in 2016-17 was that they wanted to see more ambition from companies, not just in terms of new initiatives but also in terms of rolling out initiatives that have been proven to work, and have resulted in positive outcomes, in previous years.^{3,4} The Panel stated that at this stage in the incentive, they expect network companies' activities to be in various stages of development and implementation, and that it would be beneficial for the companies to explain more clearly how they have progressed since the previous year.

Given this context, we now wish to review the arrangements with the aim of enabling network companies to better demonstrate the progress they have made from one year to the next as well as better equipping the Panel to facilitate their assessment of network companies' performance.

Proposed changes

We are seeking stakeholder views on changes we are proposing to make to the:

- SEI Guidance; and
- SECV Guidance.

Proposed changes to the application and assessment processes

We are proposing to make changes to the application and assessment processes for both incentives. Some of the proposed changes apply to all sectors and, therefore, amendments are required to both guidance documents. These changes are set out in Table 1.1. Further amendments only apply to the process for assessing DNOs' performance against the consumer vulnerability criteria; these changes would only be made to the SECV guidance document and are set out in Table 1.2.

Additional proposed changes

The SECV guidance document was last refreshed in 2016, during which more detailed guidance was issued. We did not refresh the SEI guidance at the time and are taking this opportunity to propose aligning the guidance documents by updating the SEI text where appropriate. These proposed updates are set out in tracked changes in Annex 1 of this document. When the SEI was introduced in 2013-14, separate guidance documents were

³ https://www.ofgem.gov.uk/system/files/docs/2017/11/decision_on_riio-ed1_stakeholder_engagement_and_consumer_vulnerability_incentive_2016-17_-_dnos.pdf

⁴ https://www.ofgem.gov.uk/system/files/docs/2017/11/decision_on_riio-t1_and_qd1_stakeholder_engagement_incentive_2016-17_-_tos_and_qdns.pdf

issued for gas distribution, electricity transmission and gas transmission. As the SEI applies to GDNs and to electricity and gas TOs, we are taking this opportunity to propose consolidating the separate guidance documents.

In addition, a number of typographical and grammatical amendments are set out below to both the SEI and SECV guidance documents.

A tracked changed version of the SEI Guidance Document is set out in Annex 1 (with a clean copy set out in Annex 2). A tracked change version of the SECV Guidance Document is set out in Annex 3 (with a clean copy set out in Annex 4).

Table 1.1: Proposed changes affecting all sectors

Proposed change	Reason for proposed change	Where
Clarify that the Part 1 Submission is not scored by the Panel, but that it does inform the Panel's assessment of the Part 2 (and Part 3 for the DNOs) Submissions.	The Part 2 (and 3 for the DNOs) Submissions are the focus of the Panel's assessment, but the Part 1 Submissions inform the Panel's view of network companies' performance. This proposed change would provide clarity in the guidance as to what is assessed by the Panel.	Paragraph 4.7 in the SEI Guidance Document Paragraph 4.7 in the SECV Guidance Document
Increase the Panel Session from 20 minutes to 40 minutes, within which network companies would give a 10 minute presentation. The presentation would be based on supplementary questions provided by the Panel to the network company, no later than 10 days prior to the Panel Session.	The extended Panel Session would allow more time for network companies to demonstrate the progress they have made from one year to the next. The introduction of a presentation based on supplementary questions provided by the Panel would better equip the Panel to assess network companies' performance.	Paragraph 4.8 in the SEI Guidance Document Paragraph 4.8 in the SECV Guidance Document
Remove the Entry Form and all references to the Entry Form.	The purpose of the Entry Form was to facilitate the Internal Team's assessment of network company performance against the Minimum Requirements. As the Entry Form replicates information from the Part 1 Submission, our view is that it is not necessary in order to carry out the Minimum Requirements check.	Paragraph 5.1 in the SEI Guidance Document Paragraph 4.4, 5.1 and Appendix 1 in the SECV Guidance Document
Amend the process for providing feedback on	Scores and feedback would not be provided on the same day as the Panel Sessions.	Paragraph 4.12, 5.2, 5.7

network company performance including the introduction of a Panel Report.	<p>This would allow more time for the Panel to deliberate and come to a view of network company performance. This is also in line with the process followed for other incentive schemes in RIIO.</p> <p>The introduction of a Panel Report will ensure there is a public facing document detailing network company performance. It would include details of the decision-making process undertaken by the Panel, areas for improvement and best practice highlighted by the Panel and activities which were excluded from consideration when scoring.</p>	<p>and Glossary in the SEI Guidance Document</p> <p>Paragraph 4.12, 5.2, 5.7 and Glossary in the SECV Guidance Document</p>
Apply the changes to the Guidance Documents from April 2019.	This would ensure changes are in effect in time for the 2018-19 assessment in summer 2019.	<p>Paragraph 5.5 in the SEI Guidance Document</p> <p>Paragraph 5.5 in the SECV Guidance Document</p>

Table 1.2: Proposed changes affecting DNOs only

Proposed change	Reason for change	Where
Clarify what the Panel is assessing against when evaluating the Part 3 Submissions.	<p>Whilst the Panel is assessing the Part 3 Submission against criteria (e) of the Panel Assessment Criteria, the Panel also takes a broader view of performance, by referring to criteria (a)-(d).</p> <p>At this stage of the incentive, the Panel expects the network companies to be able to demonstrate that activities addressing consumer vulnerability:</p> <ul style="list-style-type: none"> - Are part of a holistic approach embedded in the business; and/or - Reflect innovative thinking that may be recognised as best practice across the industry; and/or - Serve specific interests of hard to reach stakeholders; and/or - Result in measurable benefits for stakeholders. 	Paragraph 3.4, 3.6, 3.7 and 4.11 in the SECV Guidance Document
Remove ' <i>Consultant Assessment against the Consumer Vulnerability Criteria</i> ' section	There are a number of outputs linked to DNOs' actions around consumer vulnerability, which are captured within the Consumer Vulnerability Criteria. There are also a number of outcomes delivered as a result of these outputs. Bringing the	Paragraph 4.1, 4.7, 4.16-4.27, 5.4, 5.7, 5.8, Glossary in the SECV Guidance

Remove Consultants and all references to Consultants and the Consultants' Report.	assessment of Consumer Vulnerability within the remit of the Panel would provide an opportunity for the Panel to assess the DNOs' performance more holistically. DNOs' activities in relation to consumer vulnerability are closely linked to their wider stakeholder engagement activities and the Panel's broader and more outcomes-focused assessment means they are best placed to understand how network companies are performing and progressing year on year.	
Clarify what Panel Assessment Criteria (e) comprises. Retain Consumer Vulnerability Criteria and include as sub-criteria to Panel Assessment Criteria (e)	The five Consumer Vulnerability Criteria will be considered by the Panel in their assessment of the Panel Assessment Criteria (e). This is to clarify that the criteria previously assessed by the consultants will form part of the assessment by the Panel.	Paragraph 4.9 in the SECV Guidance Document
Retain detailed Consumer Vulnerability Sub Criteria in the Appendix as a guide for the Panel, but remove references to the sub-criteria as scoring requirements.	The Panel would be assessing the DNOs' consumer vulnerability performance. The Detailed Consumer Vulnerability Sub Criteria are therefore no longer needed, but would be retained as a guide for the Panel when assessing DNOs' against the Consumer Vulnerability Criteria.	Appendix 1 in the SECV Guidance Document

We propose that the revised SEI and SECV guidance documents will take effect from April 2019, in time for the 2018-19 assessment in summer 2019.

This document constitutes notice as required by:

- Paragraph 1E.27 of Special Condition 1E (Incentive adjustment in respect of the Broad Measure of Customer Satisfaction) of the gas transporter licence (for gas distribution),
- Paragraph 2C.10 of Special Condition 2C (Stakeholder Satisfaction Output) of the gas transporter licence (for gas transmission),
- Paragraph 3D.10 of Special Condition 3D (Stakeholder Satisfaction Output) of the electricity transmission licence; and
- Paragraph 2C.29 of Special Condition 2C (Broad Measure of Customer Service Adjustment) of the electricity distribution licence.

Consultation Responses

Responses should be sent to RIIO-ED1@ofgem.gov.uk by 3 December 2018. Unless clearly marked as confidential, responses will be published on our website. We will review consultation responses and issue the revised SEI and SECV guidance documents.

If you have any queries about this letter please contact Victoria Low at Victoria.Low@ofgem.gov.uk or on 0203 263 2773.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Steven McMahon', written in a cursive style.

Steven McMahon
Deputy Director, Electricity Distribution and Cross Sector Policy
Systems and Networks

Annex 1 – Modified Stakeholder Engagement Incentive Guidance with tracked changes

Stakeholder Engagement Incentive Scheme –Guidance Notes

Publication date: XX

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Overview:

To ensure the ongoing delivery of an efficient network that embraces wider social and environmental objectives, network companies need to engage with a range of stakeholders. Key stakeholders will include parties that are affected by, or represent those affected by, decisions made by the network companies.

The Stakeholder Engagement Incentive (SEI) encourages network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service. The SEI Scheme Guidance outlines the scope of the incentive, the application process, the assessment process and the reporting requirements.

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1. Introduction

Chapter summary

This chapter outlines the purpose of the incentive, the purpose of this document and the status of this document from a compliance perspective.

1.1. The aim of the SEI Scheme is to encourage network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

1.2. Proactive stakeholder engagement is necessary for efficient business practice. The stakeholder engagement element of the Broad Measure of Customer Satisfaction⁵ incentivises network companies to perform beyond 'business as usual' standards and to seek timely input and feedback from stakeholders on relevant issues, business activities and other developments. We expect that each network company will use this feedback to inform their current business operations and planning for future decision making.

Purpose of this Guidance

1.3. This document sets out the regulation, governance and administration of the SEI Scheme. This document is issued by the Authority⁶ under:

1.3.1. Part E of Special Condition 1E of the gas transporter licence for gas distribution. This document may be revised and reissued in accordance with Part E of Special Condition 1E.

1.3.2. Part C of Special Condition 2C of the gas transporter licence for gas transmission. This document may be revised and reissued in accordance with Part C of the Special Condition 2C.

1.3.3. Part C of Special Condition 3D of the electricity transmission licence. This document may be revised and reissued in accordance with Part C of the Special Condition 3D.

1.4. This Guidance Document is only relevant to the gas distribution, gas transmission and electricity transmission licensees. There is a separate guidance document for the electricity distribution Stakeholder Engagement and Consumer Vulnerability (SECV) incentive.

1.5. To be considered eligible for a reward, a network company must demonstrate that it meets the criteria set out in the SEI Scheme Guidance. We have attempted to make this document accessible and informative to a range of stakeholders, especially those that are

⁵ While the RIIO-T1 output in this area does not encompass the broad measure in full, it is based on the principles as relevant to transmission and the point made is relevant for all network companies.

⁶ The terms "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets.

interested in understanding how we incentivise and drive network companies to engage with stakeholders.

1.2.1.6. For the avoidance of doubt, this document is subordinate to the Licence. This document does not change any definition or obligations contained within the Licence and if, in the event of any dispute, the Licence will take precedence.

2. Scope of the scheme

Chapter summary

This section outlines the scope of the SEI Scheme.

2.1. Stakeholders are individuals or organisations that can be impacted by the activities of the network company. They may have a direct or indirect interest in a network company's business, and their contact with the network company may be anything from daily interaction to ~~those who have~~ occasional contact.

2.2. Stakeholders can include customers, investors, regulatory authorities, local government agencies, ~~N~~on-Governmental Organisations (NGOs) and any other interested organisations. We expect network companies to pay particular attention to stakeholders that represent the interests of vulnerable customers.

2.3. Through the SEI Scheme, we aim to reward high quality activities ~~which in our assessment demonstrate—undertaken by the network companies and the outcomes these activities deliver. These activities and outcomes must go beyond the network companies' Business As Usual activities.~~

- ~~• Initiatives which best serve specific interests of challenging groups of customers/communities/future stakeholders and result in measurable benefits,~~
- ~~• Initiatives which reflect innovative thinking in responding to needs of stakeholders,~~
- ~~• Initiatives which are part of an holistic approach embedded in their business,~~
- ~~• Initiatives which are supported by robust project management processes and appropriate resources,~~
- ~~• Initiatives resulting from stakeholder engagement activities which may be recognised as smart practice and could be replicated across the industry~~

2.4. We envisage that network companies will build on and highlight progress they have made, and are making, on their activities from previous years. Activities in subsequent years will require justification in order to be rewarded.

3. Application Process

Chapter summary

This chapter outlines what needs to be included in the network company's application.

- 3.1. We are inviting each network company to put forward a submission in relation to engagement activities carried out during the Regulatory Year in question. We expect each network company's submission to include two parts:

Part 1

• Aimed at demonstrating that the network company meets the Minimum Requirements.

Part 2

• Aimed at demonstrating network company performance against the Panel Assessment Criteria.

- 3.2. Network companies will have some flexibility as to how they gather and present relevant evidence to meet the requirements of each stage. In assessing the quality of the network company's activities and the effectiveness of their outcomes, we will need to be satisfied that the evidence presented is robust and verifiable.

Part 1 Submission

- ~~3.2.— Part 1 of the submission is aimed at demonstrating that the network company has an engagement strategy in place that satisfies the minimum requirements set out below. Network companies will have some flexibility as to how they gather and present relevant evidence to meet the requirements of each stage. In assessing the quality of stakeholder engagement activities and their effectiveness in bringing about positive change, we will need to be satisfied that the evidence presented is sound, robust and verifiable.~~

- ~~3.3.— Each network company is encouraged to consider the following means of gathering evidence to support Part 1 of their submissions—~~

- 3.3. The Part 1 Submission is aimed at demonstrating that the network company has an engagement strategy in place that satisfies the **Minimum Requirements** stated in paragraph 4.2 of this document. Each network company is encouraged to consider the following means of gathering evidence to support Part 1 of their Submissions:

- Independent evaluation / audit – to assess the network company's approach to stakeholder engagement covering: process of engagement, quality of engagement, senior management buy-in, impact on culture, organisational activities and senior decision-making, cost effectiveness, likely outcomes for customers / communities etc;
- Relevant accreditation schemes;

- Results and feedback from stakeholder engagement surveys;
- Evidence of culture change, senior management buy-in, e.g. as reflected in key strategic documents and decision-making arrangements within the company.

Part 2 Submission

~~3.4.—The second stage of the process is aimed at reviewing the outcomes and outputs of such engagement.~~

3.4. The Part 2 Submission is aimed at demonstrating performance against the **Panel Assessment Criteria** stated in paragraph 4.9 of this document.

~~3.5.—In Part 2 of their submission, each network company should submit a relevant summary of outcomes/activities/action plans resulting from its stakeholder engagement activities carried out during the regulatory year in question. We recommend that this part of the submission include the following information—~~

3.5. In Part 2 of their Submission, each network company should submit a summary of the activities and outcomes resulting from its stakeholder engagement activities carried out during the Regulatory Year in question. We recommend that this part of the Submission includes the following information:

- ~~T~~he nature of the stakeholder engagement activities undertaken which led to the showcased outcomes/action plans;
- how these outcomes fit with the organisation's stakeholder engagement strategy;
- any impact the outcomes have had on policies, procedures, business plans and/or organisational culture;
- any impact the outcomes have had on stakeholder groups;
- any mechanisms by which the outcomes are monitored and reported within the organisation;
- any outcomes/action plans which are considered best in class and/or portray an innovative approach.

~~3.6.—In assessing the outcomes and outputs of stakeholder engagement activities the independent Panel will need to be satisfied that the evidence presented is sound, robust and verifiable.~~

4. Assessment Process

Chapter summary

This chapter outlines the assessment process of the SEI Scheme.

4.1. Our assessment process will involve the following steps –

- Internal assessment against the Minimum Requirements
- Panel assessment against the Panel Assessment Criteria

Internal Assessment against the Minimum Requirements

~~4.1. Our aim for the Stakeholder Engagement Incentive is to reward network companies for high quality outcomes resulting from stakeholder engagement process. Hence network companies are expected to have a stakeholder engagement process in place which meets the following **minimum requirements**—~~

4.2. The SEI is designed to only reward network companies for high quality activities or outcomes that go beyond Business As Usual. Network companies must therefore have basic processes in place to meet the following **Minimum Requirements** to be eligible for a reward:

- The network company has a comprehensive and up to date stakeholder engagement strategy, which sets out –
 - how the network company keeps stakeholders informed about relevant issues, business activities, decision-making and other developments, and
 - how the network company enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision-making.
- A broad and inclusive range of stakeholders have been engaged.
- The network company has used a variety of appropriate mechanisms to inform and engage their stakeholders, ~~which:—these~~
 - have been tailored to meet the needs of various stakeholder groups, and
 - are fit-for-purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.
- The network company can demonstrate it is acting on input / feedback from stakeholders.

4.3. An Internal Team will assess each network company's Part 1 Submission to identify evidence that the network company meets the Minimum Requirements.

4.4. The Internal Team will be comprised of Ofgem staff that have sector-specific experience. They will consider all information provided in the Part 1 Submission when carrying out their assessment. They will confirm whether each network company has provided evidence that they meet the Minimum Requirements.

4.5. If required, the Internal Team will ask the network company supplementary questions to clarify any aspects of its Submission. All supplementary questions and answers will be published, subject to redactions of confidential information.

4.6. If the Internal Team identifies evidence to demonstrate that the network company has satisfied all of the Minimum Requirements, then the network company is eligible for a reward. All network companies will be informed of the outcome of the internal assessment against the Minimum Requirement in advance of the Panel Session. Those network companies that meet the Minimum Requirements will be invited to attend a Panel Session. Those network companies that do not meet the Minimum Requirements will not be invited to the Panel Session and will be advised of the reasons for our decision.

Evaluation and Reward Allocation

Our assessment process will involve the following steps—

1) An internal panel at Ofgem will assess each network company's Part 1 submission against the minimum requirements while considering all of the supporting evidence and the information provided in the entry form. If required, we will ask the network company supplementary questions, to clarify any aspects of its submission. We would not expect this process to result in any additional information being provided to us. All supplementary questions and answers will be published. The internal panel will then decide which companies have met minimum requirements and are eligible for a reward. We will collate those submissions and send them to the Panel prior to their meeting. All network companies will then be informed of the outcome of our assessment and those who meet the minimum requirements will then be invited to attend a panel session. Those who have not met the minimum requirements will be advised of the reasons for our assessment.

2) Panel assessment: The independent panel will only assess those submissions that have met the minimum requirements as assessed by Ofgem's internal panel. The focus of their assessment will be the Part 2 submissions (although they will receive the complete submission for information purposes). They will then decide on relevant questions to pose to each network company during the Panel meeting.

3) Panel meeting: Each network company that is invited to attend the Panel session will have an opportunity to take part in a 20 minute question and answer session with the Panel on the day of the meeting. We will perform a secretariat role at the Panel meeting. The Panel will assess the submissions and Q&A session with the aid of a scorecard and will then make recommendations on a score for each eligible network company that will determine the allocation of a financial reward under the incentive mechanism.

4) Feedback session: After the Panel has made its decision there will be an opportunity for the Panel to provide some general feedback on submissions to each network company on the day. Attendance at the feedback session does not preclude further feedback discussions between us and a network company at a later date.

Each network company will be notified of the exact date and timetable for the day in due course.

Panel Assessment against the Panel Assessment Criteria

4.7. The Panel will only assess those Submissions that have met the Minimum Requirements, as assessed by the Internal Team. The focus of their assessment will be the Part 2 Submissions. Although the Panel will not score the Part 1 Submissions, they will receive the licensee’s complete Submission for information purposes.

4.8. Each invited network company will have the opportunity to take part in a 40 minute Panel Session. To contribute to the Panel’s assessment against the Panel Assessment Criteria, network companies will be asked to give a 10 minute presentation as part of their Panel Session. The presentation will be based on supplementary questions provided by the Panel to the network company, no later than 10 days prior to the Panel Session. The presentation will be followed by a 30 minute question and answer session. During the Panel Session, the Panel may ask additional supplementary questions to inform their assessment. We will perform a secretariat role at the Panel Session.

4.9. The Panel will assess the companies against the **Panel Assessment Criteria**:

- Initiatives which are part of an holistic approach embedded in their business,
- Initiatives which reflect innovative thinking in responding to needs of stakeholders,
- Initiatives which best serve specific interests of challenging groups of customers/communities/future stakeholders and result in measurable benefits,
- Initiatives which are supported by robust project management processes and appropriate resources,
- Initiatives resulting from stakeholder engagement activities which may be recognised as smart practice and could be replicated across the industry.

4.10. The Panel will score the network company out of 10. The score out of 10 will be given the reference points below:

<u>Score</u>	<u>Below 5</u>	<u>5</u>	<u>6-7</u>	<u>8</u>	<u>9-10</u>
<u>Description</u>	<u>Weak</u>	<u>Average</u>	<u>Fair</u>	<u>Good</u>	<u>Excellent</u>

4.11. The score for each criterion will be weighted using the weightings below, to calculate an Overall Panel Score. The Overall Panel Score will determine the allocation of a financial reward (if any) under the incentive mechanism, as outlined in Chapter 6.

<u>Panel Assessment Criteria</u>	<u>Weighting</u>
<u>1) Initiatives which are part of an holistic approach embedded in their business</u>	<u>15%</u>
<u>2) Initiatives which reflect innovative thinking in responding to needs of stakeholders</u>	<u>25%</u>
<u>3) Initiatives which best serve specific interests of challenging groups of customers/communities/future stakeholders and result in measurable benefits,</u>	<u>25%</u>
<u>4) Initiatives which are supported by robust project management processes and appropriate resources,</u>	<u>10%</u>
<u>5) Initiatives resulting from stakeholder engagement activities which may be recognised as smart practice and could be replicated across the industry</u>	<u>25%</u>

4.12. Each year the Panel will publish a **Panel Report** after the Panel assessment has taken place. The Panel Report will be published by 30 November, the year following the Regulatory Year in question.⁷ The Panel Report will set out:

- An Executive Summary, including:
 - An explanation of the decision-making process undertaken by the Panel.
 - Examples of best-practice identified by the Panel, broken down by criteria where appropriate.
 - Areas for improvement identified by the Panel, broken down by criteria where appropriate.
 - Details of all network company activities that the Panel deemed were appropriately incentivised by another primary driver, and which were excluded from consideration during scoring.
- An Appendix for each network company, including:
 - The Overall Panel Score awarded, as well as criteria specific scores ie against the Panel Assessment Criteria outlined in 4.11; and
 - Detailed feedback to explain how the scores were decided, subject to redactions of confidential information.

The Panel Members

4.2.4.13. The Panel will be comprised of at least four voting members and a non-voting Chair (who will be an Ofgem employee). The remaining members will be drawn from organisations with expertise in stakeholder and customer engagement. Tenure on the Panel will be time-limited, with a proportion changed from time to time to allow for a diversity of views, regions and organisations to be represented.

4.3.4.14. We will provide guidance to the Panel and brief them before the panel session (eg on the role of energy network companies, the regulatory framework, the purpose of this incentive and the Panel's role). We will also provide the Panel with a scorecard against which they will provide an initial assessment of the network company's submissionSubmission. The scorecard includes the areas of assessment outlined in the section of this guidance describing the scope of the scheme.

⁷ ie the Panel Report for the 2018-19 Regulatory Year will be published no later than 30 November 2019.

5. Format of the application and timescales of reporting

Chapter summary

This section outlines the format of the application and the timescales for reporting.

Format of application

5.1. Applications should consist of the following -

Application Checklist	Length of submissionSubmissions
<p>Part 1 sSubmission:</p> <p>1. Entry form providing evidence that the network company has met the minimum requirements; and 2. Overview of evidence; and 3. Any supplementary information referenced in the entry form.</p>	<p>Entry Form — Maximum of four A4 pages Overview of evidence — Maximum of ten A4 pages (excluding cover pages, content pages and blank pages). Supplementary information — at the network company's discretion, however consideration should be given to the purpose and length of any supplementary information provided.</p>
<p>Part 2 submissionSubmission:</p> <p>1. Summary of outcomes/activities/action plans resulting from stakeholder engagement activities carried out during the rRegulatory yYear in question.</p>	<p>Maximum of ten pages <u>(excluding cover pages, content pages and blank pages).</u></p>
<p><u>Redacted versions (as relevant) of Parts 1 and 2 for Ofgem to publish accordingly.</u></p>	

5.2. The Submissions should clearly identify the driver for activities where that driver has come from an Ofgem, BEIS or other statutory body incentive (eg activities that form part of a Low Carbon Network Fund, Network Innovation Competition or Network Innovation Allowance project) or intervention. Such activities are not necessarily out of scope, but highlighting them is intended to increase transparency for the Panel and stakeholders. The Panel will assess whether it is appropriate to reward these activities (and/or the way they are delivered) under the SEI, or whether they are appropriately incentivised by their primary driver. Where the Panel decides that an activity is appropriately incentivised by its primary driver, it will be included in the Panel Report provided to the network company.

5.3. The format of the application and the use of graphics are flexible and there is no restriction on the font sizes used in the ~~s~~Submissions (however, Submissions must be legible). Embedded URLs are acceptable.

All submissions should be received by us by **5pm on the final Friday in May, the year following the regulatory year in question** (for example submissions for the regulatory year 2014-15 should be made in May 2015). All submissions should be sent to our office in

London for the attention of Distribution Policy Team³, SG&G Distribution and emailed to connections@ofgem.gov.uk.

Timescales for reporting

4.4.5.4. This guidance document applies to Submissions made from April 2019 onwards. From this date, electronic copies of the Submissions should be received by us **on the final Friday in May, the year following the Regulatory Year in question. Six hard copies of the Submissions (excluding redacted versions) should be received by us by the Friday of the first week in June** (the hard copies should be prepared so that they can be easily placed in an A4 ring binder file). All gas distribution and gas transmission Submissions should be sent to our office in London for the attention of the Gas Networks team, and should be emailed to gasnetworks@ofgem.gov.uk. All electricity transmission Submissions should be sent to our office in London for the attention of the Electricity Transmission team, and should be emailed to electransnetworks@ofgem.gov.uk.

4.5.5.5. We will not consider any Submissions that are received after the deadline dates, unless the network company has consent from us for late submission. We will only consider requests for late submission in exceptional circumstances.

5.6. The network companies' Submissions and the Panel Report will be published on our website. We will also publish any supplementary questions asked by the Internal Team as well as the answers provided by the network companies subject to redactions of confidential information. The network companies should highlight any information that they consider to be confidential. If a network company's Submission includes information that the network company considers to be confidential, then the network company should provide an alternative redacted version of their Submission for us to publish.

Ofgem confirmation of arrangements

5.7. We will confirm the name of the Panel Members and Chair, and the date of the Panel Session by the final Friday in May.

6. Converting the Overall Panel Score into a financial reward

Chapter summary

This section outlines how the Overall Panel Score is converted into a financial reward.

6.1. Under this incentive, a network company may receive a financial reward depending on the quality of its stakeholder engagement activities. The value of any financial reward is directed by us, pursuant to:

6.1.1. Part E of Special Condition 1E of the gas transporter licence for gas distribution.

6.1.2. Part B of Special Condition 2C of the gas transporter licence for gas transmission.

6.1.3. Part B of Special Condition 3D of the electricity transmission licence.

6.2. This document is issued by the Authority under:

6.2.1. Part E of Special Condition 1E of the gas transporter licence for gas distribution. This document may be revised and reissued in accordance with Part E of Special Condition 1E.

6.2.2. Part C of Special Condition 2C of the gas transporter licence for gas transmission. This document may be revised and reissued in accordance with Part C of the Special Condition 2C.

6.2.3. Part C of Special Condition 3D of the electricity transmission licence. This document may be revised and reissued in accordance with Part C of the Special Condition 3D.

6.3. Performance is assessed by an independent panel of consumer and stakeholder engagement experts (the Panel) as set out in paragraphs 4.7 to 4.15. In making its assessment, the Panel awards an Overall Panel Score out of 10 for each network company group. We convert the Overall Panel Score, into a financial reward for each licensee, as per the following formula:

If $OPS \geq 9$, then $SE_t = MSER$

If $OPS \leq 4$, then $SE_t = 0$

If $OPS > 4$ and < 9 , then $SE_t = MSER \times ((OPS - 4) \times 0.2)$

Where:

SE_t the positive adjustment (if any) to Allowed Revenue in Regulatory Year t in relation to stakeholder engagement performance, pursuant to the provisions of

- Part E of Special Condition 1E of the gas transporter licence for gas distribution
- Part B of Special Condition 2C of the gas transporter licence for gas transmission
- Part B of Special Condition 3D of the electricity transmission licence.

MSER Maximum stakeholder engagement reward (£m, in 2012/13 prices). The methodology for calculating the maximum stakeholder engagement reward is outlined in:

- Part E of Special Condition 1E of the gas transporter licence for gas distribution
- Part B of Special Condition 2C of the gas transporter licence for gas transmission
- Part B of Special Condition 3D of the electricity transmission licence.

OPS The Overall Panel Score calculated as outlined above.

6.4. As outlined in the formula above the formula states that any network company that scores 4 out of 10 or less will not receive a financial reward. Any network company that scores 9 out of 10 or above will receive all of their financial reward. There is a straight line incentive rate between these two values.

6.5. This approach rewards good performers, does not reward weaker performers, and ensures that excellent performers are able to realise 100 per cent of their incentive.

7. Glossary

Broad Measure of Customer Service

The RIIO-ED1 Broad Measure of Customer Service incentive drives network companies to deliver good customer service, engage with stakeholders and address consumer vulnerability issues. It comprises of a customer satisfaction survey, a complaints metric and the SECV incentive. For more information on the Broad Measure of Customer Service please see Chapter 6 of the Strategy decision for the RIIO-ED1 electricity distribution price control - Outputs, incentives and innovation.⁸

Business As Usual

Activities which the network company undertakes that go beyond the requirements of the licence conditions will be considered beyond Business As Usual where it is clear to the Panel that this does not constitute the normal execution of standard operations involved with running the business.

Internal Team

A team of Ofgem employees that will critically assess network companies against the Minimum Requirements, in accordance with paragraphs 4.2 to 4.6 of this document.

Minimum Requirements

The Minimum Requirements are the basic requirements that a network company must meet to be eligible for a reward. The Minimum Requirements are outlined in paragraph 4.2 of this document.

Overall Panel Score

The overall score awarded to each network company by the Panel, in accordance with paragraphs 4.7 to 4.15 of this document.

Part 1 Submission

The Part 1 Submission is aimed at demonstrating that the network company meets the Minimum Requirements. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Part 2 Submission

The Part 2 Submission is aimed at demonstrating the network company's performance against the Panel Assessment Criteria. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

⁸ https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/riioed1decoutputsincentives_0.pdf

Panel

The Panel Members and Panel Chair that will assess the network companies' Submissions against the Panel Assessment Criteria.

Panel Chair

A non-scoring Ofgem employee that is appointed to chair the Panel. The Panel Chair will oversee the Panel's assessment and will lead the Panel Session.

Panel Member

An individual with stakeholder engagement expertise appointed by Ofgem to sit on the Panel.

Panel Assessment Criteria

The Panel Assessment Criteria are the criteria that the Panel will use to assess and score the network companies' performance engaging with stakeholders and consumer vulnerability issues. The Panel Assessment Criteria are outlined in paragraph 4.9 of this document.

Panel Report

Each year, a Panel Report will be published after the panel assessment has taken place. The Panel Report will set out the Overall Panel Score awarded to each network company and will include detailed feedback on network companies' performance. More information on the Panel Report can be found in Chapter 4 of this document.

Panel Session

A meeting of the Panel to discuss the Submissions, assess performance against the Panel Assessment Criteria through a presentation and question-and-answer session, and determine an Overall Panel Score for each network company.

Regulatory Year

Means a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the following calendar year.

Stakeholder Engagement Incentive (SEI)

The SEI drives network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

Stakeholder Engagement Incentive (SEI) Guidance

The SEI Guidance sets out the regulation, governance and administration of the SEI. This document is issued by the Authority under:

- Part E of Special Condition 1E of the gas transporter licence for gas distribution. This document may be revised and reissued in accordance with Part E of Special Condition 1E.
- Part C of Special Condition 2C of the gas transporter licence for gas transmission. This document may be revised and reissued in accordance with Part C of the Special Condition 2C.
- Part C of Special Condition 3D of the electricity transmission licence. This document may be revised and reissued in accordance with Part C of the Special Condition 3D.

Submission

The network company's combined Part 1 Submission and Part 2 Submission.

Annex 2 – Modified Stakeholder Engagement Incentive Guidance (clean copy)

Stakeholder Engagement Incentive Guidance

Publication date: TBC

Contact: Pete Wightman, Head of Gas Distribution; Clothilde Cantegreil, Head of Electricity Transmission Policy

Team: RIIO Gas Networks/RIIO Electricity Transmission

Tel: 0141 331 6031; 020 7901 3195

Email: Pete.Wightman@ofgem.gov.uk;
Clothilde.Cantegreil@ofgem.gov.uk

Overview:

To ensure the ongoing delivery of an efficient network that embraces wider social and environmental objectives, network companies need to engage with a range of stakeholders. Key stakeholders will include parties that are affected by, or represent those affected by, decisions made by the network companies.

The Stakeholder Engagement Incentive (SEI) encourages network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service. The SEI Guidance outlines the scope of the incentive, the application process, the assessment process and the reporting requirements.

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1. Introduction

Chapter summary

This chapter outlines the purpose of the incentive, the purpose of this document and the status of this document from a compliance perspective.

1.1. The aim of the SEI is to encourage network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

1.2. Proactive stakeholder engagement is necessary for efficient business practice. The stakeholder engagement element of the Broad Measure of Customer Satisfaction⁹ incentivises network companies to perform beyond 'business as usual' standards and to seek timely input and feedback from stakeholders on relevant issues, business activities and other developments. We expect that each network company will use this feedback to inform their current business operations and planning for future decision making.

Purpose of this Guidance

1.3. This document sets out the regulation, governance and administration of the SEI. This document is issued by the Authority¹⁰ under:

1.3.1. Part E of Special Condition 1E of the gas transporter licence for gas distribution. This document may be revised and reissued in accordance with Part E of Special Condition 1E.

1.3.2. Part C of Special Condition 2C of the gas transporter licence for gas transmission. This document may be revised and reissued in accordance with Part C of the Special Condition 2C.

1.3.3. Part C of Special Condition 3D of the electricity transmission licence. This document may be revised and reissued in accordance with Part C of the Special Condition 3D.

1.4. This Guidance Document is only relevant to the gas distribution, gas transmission and electricity transmission licensees. There is a separate guidance document for the electricity distribution Stakeholder Engagement and Consumer Vulnerability (SECV) incentive.

1.5. To be considered eligible for a reward, a network company must demonstrate that it meets the criteria set out in the SEI Guidance. We have attempted to make this document

⁹ While the RIIO-T1 output in this area does not encompass the broad measure in full, it is based on the principles as relevant to transmission and the point made is relevant for all network companies.

¹⁰ The terms "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets.

accessible and informative to a range of stakeholders, especially those that are interested in understanding how we incentivise and drive network companies to engage with stakeholders.

1.6. For the avoidance of doubt, this document is subordinate to the Licence. This document does not change any definition or obligations contained within the Licence and if, in the event of any dispute, the Licence will take precedence.

2. Scope of the scheme

Chapter summary

This section outlines the scope of the SEI.

- 2.1. Stakeholders are individuals or organisations that can be impacted by the activities of the network company. They may have a direct or indirect interest in a network company's business, and their contact with the network company may be anything from daily interaction to occasional contact.
- 2.2. Stakeholders can include customers, investors, regulatory authorities, local government agencies, non-Governmental Organisations (NGOs) and any other interested organisations. We expect network companies to pay particular attention to stakeholders that represent the interests of vulnerable customers.
- 2.3. Through the SEI, we aim to reward high quality activities undertaken by the network companies and the outcomes these activities deliver. These activities and outcomes must go beyond the network companies' Business As Usual activities.
- 2.4. We envisage that network companies will build on and highlight progress they have made, and are making, on their activities from previous years. Activities in subsequent years will require justification in order to be rewarded.

3. Application Process

Chapter summary

This chapter outlines what needs to be included in the network company's application.

- 3.1. We are inviting each network company to put forward a Submission in relation to engagement activities carried out during the Regulatory Year in question. We expect each network company's Submission to include two parts:

Part 1

• Aimed at demonstrating that the network company meets the Minimum Requirements.

Part 2

• Aimed at demonstrating network company performance against the Panel Assessment Criteria.

- 3.2. Network companies will have some flexibility as to how they gather and present relevant evidence to meet the requirements of each stage. In assessing the quality of the network company's activities and the effectiveness of their outcomes, we will need to be satisfied that the evidence presented is robust and verifiable.

Part 1 Submission

- 3.3. The Part 1 Submission is aimed at demonstrating that the network company has an engagement strategy in place that satisfies the **Minimum Requirements** stated in paragraph 4.2 of this document. Each network company is encouraged to consider the following means of gathering evidence to support Part 1 of their Submissions:

- Independent evaluation / audit – to assess the network company's approach to stakeholder engagement covering: process of engagement, quality of engagement, senior management buy-in, impact on culture, organisational activities and senior decision-making, cost effectiveness, likely outcomes for customers / communities etc;
- Relevant accreditation schemes;
- Results and feedback from stakeholder engagement surveys;
- Evidence of culture change, senior management buy-in, e.g. as reflected in key strategic documents and decision-making arrangements within the company.

Part 2 Submission

- 3.4. The Part 2 Submission is aimed at demonstrating performance against the **Panel Assessment Criteria** stated in paragraph 4.9 of this document.
- 3.5. In Part 2 of their Submission, each network company should submit a summary of the activities and outcomes resulting from its stakeholder engagement activities carried

out during the Regulatory Year in question. We recommend that this part of the Submission includes the following information:

- the nature of the stakeholder engagement activities undertaken which led to the showcased outcomes/action plans;
- how these outcomes fit with the organisation's stakeholder engagement strategy;
- any impact the outcomes have had on policies, procedures, business plans and/or organisational culture;
- any impact the outcomes have had on stakeholder groups;
- any mechanisms by which the outcomes are monitored and reported within the organisation;
- any outcomes/action plans which are considered best in class and/or portray an innovative approach.

4. Assessment Process

Chapter summary

This chapter outlines the assessment process of the SEI.

4.1. Our assessment process will involve the following steps –

- Internal assessment against the Minimum Requirements
- Panel assessment against the Panel Assessment Criteria

Internal Assessment against the Minimum Requirements

4.2. The SEI is designed to only reward network companies for high quality activities or outcomes that go beyond Business As Usual. Network companies must therefore have basic processes in place to meet the following **Minimum Requirements** to be eligible for a reward:

- The network company has a comprehensive and up to date stakeholder engagement strategy, which sets out –
 - how the network company keeps stakeholders informed about relevant issues, business activities, decision-making and other developments, and
 - how the network company enables timely input and feedback from stakeholders via appropriate mechanisms to inform decision-making.
- A broad and inclusive range of stakeholders have been engaged.
- The network company has used a variety of appropriate mechanisms to inform and engage their stakeholders, which:
 - have been tailored to meet the needs of various stakeholder groups, and
 - are fit-for-purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.
- The network company can demonstrate it is acting on input / feedback from stakeholders.

4.3. An Internal Team will assess each network company's Part 1 Submission to identify evidence that the network company meets the Minimum Requirements.

4.4. The Internal Team will be comprised of Ofgem staff that have sector-specific experience. They will consider all information provided in the Part 1 Submission when carrying out their assessment. They will confirm whether each network company has provided evidence that they meet the Minimum Requirements.

4.5. If required, the Internal Team will ask the network company supplementary questions to clarify any aspects of its Submission. All supplementary questions and answers will be published, subject to redactions of confidential information.

4.6. If the Internal Team identifies evidence to demonstrate that the network company has satisfied all of the Minimum Requirements, then the network company is eligible for a reward. All network companies will be informed of the outcome of the internal assessment against the Minimum Requirement in advance of the Panel Session. Those network companies that meet the Minimum Requirements will be invited to attend a Panel Session. Those network companies that do not meet the Minimum Requirements will not be invited to the Panel Session and will be advised of the reasons for our decision.

Panel Assessment against the Panel Assessment Criteria

4.7. The Panel will only assess those Submissions that have met the Minimum Requirements, as assessed by the Internal Team. The focus of their assessment will be the Part 2 Submissions. Although the Panel will not score the Part 1 Submissions, they will receive the licensee’s complete Submission for information purposes.

4.8. Each invited network company will have the opportunity to take part in a 40 minute Panel Session. To contribute to the Panel’s assessment against the Panel Assessment Criteria, network companies will be asked to give a 10 minute presentation as part of their Panel Session. The presentation will be based on supplementary questions provided by the Panel to the network company, no later than 10 days prior to the Panel Session. The presentation will be followed by a 30 minute question and answer session. During the Panel Session, the Panel may ask additional supplementary questions to inform their assessment. We will perform a secretariat role at the Panel Session.

4.9. The Panel will assess the companies against the **Panel Assessment Criteria**:

- Initiatives which are part of an holistic approach embedded in their business,
- Initiatives which reflect innovative thinking in responding to needs of stakeholders,
- Initiatives which best serve specific interests of challenging groups of customers/communities/future stakeholders and result in measurable benefits,
- Initiatives which are supported by robust project management processes and appropriate resources,
- Initiatives resulting from stakeholder engagement activities which may be recognised as smart practice and could be replicated across the industry.

4.10. The Panel will score the network company out of 10. The score out of 10 will be given the reference points below:

Score	<i>Below 5</i>	<i>5</i>	<i>6-7</i>	<i>8</i>	<i>9-10</i>
Description	Weak	Average	Fair	Good	Excellent

4.11. The score for each criterion will be weighted using the weightings below, to calculate an Overall Panel Score. The Overall Panel Score will determine the allocation of a financial reward (if any) under the incentive mechanism, as outlined in Chapter 6.

Panel Assessment Criteria	Weighting
1) Initiatives which are part of an holistic approach embedded in their business	15%
2) Initiatives which reflect innovative thinking in responding to needs of stakeholders	25%
3) Initiatives which best serve specific interests of challenging groups of customers/communities/future stakeholders and result in measurable benefits,	25%
4) Initiatives which are supported by robust project management processes and appropriate resources,	10%
5) Initiatives resulting from stakeholder engagement activities which may be recognised as smart practice and could be replicated across the industry	25%

4.12. Each year the Panel will publish a **Panel Report** after the Panel assessment has taken place. The Panel Report will be published by 30 November, the year following the Regulatory Year in question.¹¹ The Panel Report will set out:

- An Executive Summary, including:
 - An explanation of the decision-making process undertaken by the Panel.
 - Examples of best-practice identified by the Panel, broken down by criteria where appropriate.
 - Areas for improvement identified by the Panel, broken down by criteria where appropriate.
 - Details of all network company activities that the Panel deemed were appropriately incentivised by another primary driver, and which were excluded from consideration during scoring.
- An Appendix for each network company, including:
 - The Overall Panel Score awarded, as well as criteria specific scores ie against the Panel Assessment Criteria outlined in 4.11; and
 - Detailed feedback to explain how the scores were decided, subject to redactions of confidential information.

The Panel Members

4.13. The Panel will be comprised of at least four voting members and a non-voting Chair (who will be an Ofgem employee). The remaining members will be drawn from organisations with expertise in stakeholder and customer engagement. Tenure on the Panel will be time-limited, with a proportion changed from time to time to allow for a diversity of views, regions and organisations to be represented.

4.14. We will provide guidance to the Panel and brief them before the panel session (eg on the role of energy network companies, the regulatory framework, the purpose of this incentive and the Panel's role). We will also provide the Panel with a scorecard against which they will provide an initial assessment of the network company's Submission. The scorecard

¹¹ ie the Panel Report for the 2018-19 Regulatory Year will be published no later than 30 November 2019.

includes the areas of assessment outlined in the section of this guidance describing the scope of the scheme.

5. Format of the application and timescales of reporting

Chapter summary

This section outlines the format of the application and the timescales for reporting.

Format of application

5.1. Applications should consist of the following -

Application Checklist	Length of Submissions
Part 1 Submission: 1. Overview of evidence.	Maximum of ten A4 pages (excluding covers pages, content pages and blank pages).
Part 2 Submission: 1. Summary of outcomes/activities/action plans resulting from stakeholder engagement activities carried out during the Regulatory Year in question.	Maximum of ten pages (excluding cover pages, content pages and blank pages).
Redacted versions (as relevant) of Parts 1 and 2 for Ofgem to publish accordingly.	

5.2. The Submissions should clearly identify the driver for activities where that driver has come from an Ofgem, BEIS or other statutory body incentive (eg activities that form part of a Low Carbon Network Fund, Network Innovation Competition or Network Innovation Allowance project) or intervention. Such activities are not necessarily out of scope, but highlighting them is intended to increase transparency for the Panel and stakeholders. The Panel will assess whether it is appropriate to reward these activities (and/or the way they are delivered) under the SEI, or whether they are appropriately incentivised by their primary driver. Where the Panel decides that an activity is appropriately incentivised by its primary driver, it will be included in the Panel Report provided to the network company.

5.3. The format of the application and the use of graphics are flexible and there is no restriction on the font sizes used in the Submissions (however Submissions must be legible). Embedded URLs are acceptable.

Timescales for reporting

5.4. This guidance document applies to Submissions made from April 2019 onwards. From this date, electronic copies of the Submissions should be received by us **on the final Friday in May, the year following the Regulatory Year in question. Six hard copies of the Submissions (excluding redacted versions) should be received by us by the Friday of the first week in June** (the hard copies should be prepared so that they can be easily

placed in an A4 ring binder file). All gas distribution and gas transmission Submissions should be sent to our office in London for the attention of the Gas Networks team, and should be emailed to gasnetworks@ofgem.gov.uk. All electricity transmission Submissions should be sent to our office in London for the attention of the Electricity Transmission team, and should be emailed to electransnetworks@ofgem.gov.uk.

5.5. We will not consider any Submissions that are received after the deadline dates, unless the network company has consent from us for late submission. We will only consider requests for late submission in exceptional circumstances.

5.6. The network companies' Submissions and the Panel Report will be published on our website. We will also publish any supplementary questions asked by the Internal Team as well as the answers provided by the network companies subject to redactions of confidential information. The network companies should highlight any information that they consider to be confidential. If a network company's Submission includes information that the network company considers to be confidential, then the network company should provide an alternative redacted version of their Submission for us to publish.

Ofgem confirmation of arrangements

5.7. We will confirm the name of the Panel Members and Chair, and the date of the Panel Session by the final Friday in May.

6. Converting the Overall Panel Score into a financial reward

Chapter summary

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If $OPS \geq 9$, then $SE_t = MSER$

If $OPS \leq 4$, then $SE_t = 0$

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Where:

SE_t the positive adjustment (if any) to Allowed Revenue in Regulatory Year t in relation to stakeholder engagement performance, pursuant to the provisions of

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MSER Maximum stakeholder engagement reward (£m, in 2012/13 prices). The methodology for calculating the maximum stakeholder engagement reward is outlined in:

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6.5. This approach rewards good performers, does not reward weaker performers, and ensures that excellent performers are able to realise 100 per cent of their incentive.

7. Glossary

Broad Measure of Customer Service

The RIIO-ED1 Broad Measure of Customer Service incentive drives network companies to deliver good customer service, engage with stakeholders and address consumer vulnerability issues. It comprises of a customer satisfaction survey, a complaints metric and the SECV incentive. For more information on the Broad Measure of Customer Service please see Chapter 6 of the Strategy decision for the RIIO-ED1 electricity distribution price control - Outputs, incentives and innovation.¹²

Business As Usual

Activities which the network company undertakes that go beyond the requirements of the licence conditions will be considered beyond Business As Usual where it is clear to the Panel that this does not constitute the normal execution of standard operations involved with running the business.

Internal Team

A team of Ofgem employees that will critically assess network companies against the Minimum Requirements, in accordance with paragraphs 4.2 to 4.6 of this document.

Minimum Requirements

The Minimum Requirements are the basic requirements that a network company must meet to be eligible for a reward. The Minimum Requirements are outlined in paragraph 4.2 of this document.

Overall Panel Score

The overall score awarded to each network company by the Panel, in accordance with paragraphs 4.7 to 4.15 of this document.

Part 1 Submission

The Part 1 Submission is aimed at demonstrating that the network company meets the Minimum Requirements. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Part 2 Submission

The Part 2 Submission is aimed at demonstrating the network company's performance against the Panel Assessment Criteria. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

¹² https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/riioed1decoutputsincentives_0.pdf

Panel

The Panel Members and Panel Chair that will assess the network companies' Submissions against the Panel Assessment Criteria.

Panel Chair

A non-scoring Ofgem employee that is appointed to chair the Panel. The Panel Chair will oversee the Panel's assessment and will lead the Panel Session.

Panel Member

An individual with stakeholder engagement expertise appointed by Ofgem to sit on the Panel.

Panel Assessment Criteria

The Panel Assessment Criteria are the criteria that the Panel will use to assess and score the network companies' performance engaging with stakeholders and consumer vulnerability issues. The Panel Assessment Criteria are outlined in paragraph 4.9 of this document.

Panel Report

Each year, a Panel Report will be published after the panel assessment has taken place. The Panel Report will set out the Overall Panel Score awarded to each network company and will include detailed feedback on network companies' performance. More information on the Panel Report can be found in Chapter 4 of this document.

Panel Session

A meeting of the Panel to discuss the Submissions, assess performance against the Panel Assessment Criteria through a presentation and question-and-answer session, and determine an Overall Panel Score for each network company.

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Stakeholder Engagement Incentive Scheme (SEI)

The SEI drives network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

Stakeholder Engagement Incentive (SEI) Guidance

The SEI Guidance sets out the regulation, governance and administration of the SEI. This document is issued by the Authority under:

- Part E of Special Condition 1E of the gas transporter licence for gas distribution. This document may be revised and reissued in accordance with Part E of Special Condition 1E.
- Part C of Special Condition 2C of the gas transporter licence for gas transmission. This document may be revised and reissued in accordance with Part C of the Special Condition 2C.
- Part C of Special Condition 3D of the electricity transmission licence. This document may be revised and reissued in accordance with Part C of the Special Condition 3D.

Submission

The network company's combined Part 1 Submission and Part 2 Submission.

Annex 3 – Modified Stakeholder Engagement and Consumer Vulnerability Incentive Guidance with tracked changes

Electricity Distribution Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive Guidance

Publication date: XX

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Overview:

To ensure the ongoing delivery of an efficient network that embraces wider social and environmental objectives, electricity distribution network operators need to engage with a range of stakeholders. Key stakeholders will include parties that are affected by, or represent those affected by, decisions made by the network companies.

In particular, network companies have an important role to play in helping consumers in vulnerable situations. Our Consumer Vulnerability Strategy and Priority Service Register Review [highlight highlighted](#) the need for network companies to maximise their role in this respect.

The Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive drives network companies to engage with stakeholders and address consumer vulnerability issues. The SECV Incentive Guidance outlines the scope of the incentive, the application process, the assessment process and the reporting requirements.

Associated Documents

Electricity Distribution Licence – Charge Restriction Condition 2C (Broad Measure of Customer Service Adjustment)

<https://epr.ofgem.gov.uk/Document>

Strategy decision for RII0-ED1 - Outputs, incentives and innovation

<https://www.ofgem.gov.uk/ofgem-publications/47068/riioed1decoutputsincentives.pdf>

Consumer Vulnerability Strategy

<https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

Priority Services Register – Final Proposals

<https://www.ofgem.gov.uk/publications-and-updates/priority-services-register-review-final-proposals>

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1. Introduction

Chapter summary

This chapter outlines the purpose of the incentive, the purpose of this document and the status of this document from a compliance perspective.

Purpose of this incentive

1.1. The aim of the Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive is to encourage network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

1.2. Proactive stakeholder engagement is necessary for efficient business practice. The stakeholder engagement element of the Broad Measure of Customer Service incentivises network companies to perform beyond Business As Usual standards (ie beyond the requirements of the licence conditions) and to seek timely input and feedback from stakeholders on relevant issues, business activities and other developments. We expect that each network company will use this feedback to inform their current business operations and in planning for future decision making.

Purpose of this Guidance

1.3. This document sets out the regulation, governance and administration of the SECV Incentive. This document is issued by the Authority¹³ under Part H of the relevant licence condition (Charge Restriction Condition (CRC) 2C. [Broad Measure of Customer Service Adjustment]). This document may be revised and reissued in accordance with Part H of CRC 2C.

1.4. This Guidance Document is only relevant to the electricity distribution licensees. There are separate guidance documents for the transmission and gas distribution stakeholder engagement incentives.

1.5. To be considered eligible for a reward, a network company must demonstrate that it meets the criteria set out in the SECV Incentive Guidance. We have attempted to make this document accessible and informative to a range of stakeholders, especially those that are interested in understanding how we incentivise and drive network companies to engage with stakeholders and address consumer vulnerability issues.

1.6. For the avoidance of doubt, this document is subordinate to the licence. This document does not change any definition or obligations contained within the electricity distribution licence and if, in the event of any dispute, the licence will take precedence.

¹³ The terms "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets.

2. Scope of the scheme

Chapter summary

This chapter outlines the scope of the SECV Incentive.

2.1. Stakeholders are individuals or organisations that affect or can be affected by the activities of the network company. They may have a direct or indirect interest in a network company's business, and their contact with the network company may be anything from daily interaction to ~~those who have only~~ occasional contact.

2.2. Stakeholders can include consumers, investors, regulatory authorities, local government agencies, non-governmental organisations (NGOs) and any other interested organisations. We expect network companies to pay particular attention to stakeholders that represent the interests of vulnerable consumers, as defined in Ofgem's Consumer Vulnerability Strategy.¹⁴

2.3. Through the SECV Incentive we aim to reward high quality activities undertaken by the network companies and outcomes these activities deliver. These activities and outcomes must go beyond the network companies' Business As Usual activities.

2.4. We envisage that network companies will build on and highlight progress they have made, and are making, on their activities from previous years. Including activities in subsequent years will require justification in order to be rewarded.

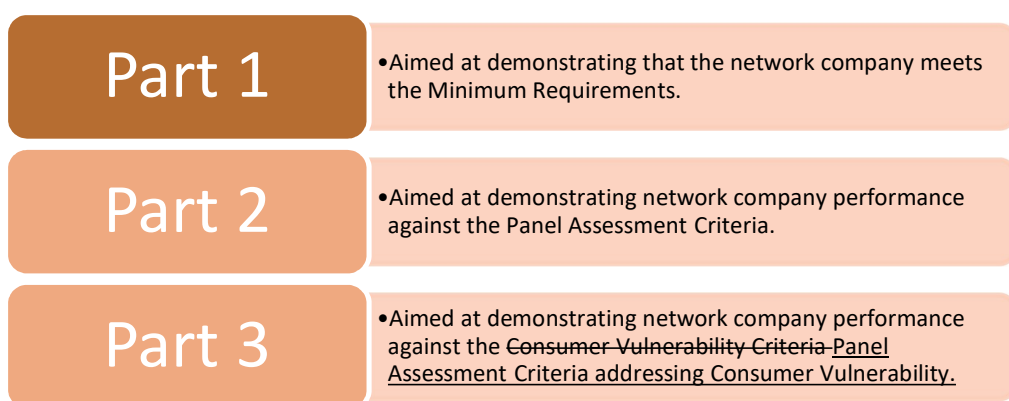
¹⁴ <https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

3. Application process

Chapter summary

This chapter outlines what needs to be included in the network company's application.

3.1. We are inviting each network company to put forward a Submission in relation to engagement activities carried out during the Regulatory Year in question. We require each network company's Submission to include three parts.



3.2. Network companies will have some flexibility as to how they gather and present relevant evidence to meet the requirements of each stage. In assessing the quality of the network company's activities and the effectiveness of their outcomes, we will need to be satisfied that the evidence presented is robust and verifiable.

Part 1 Submission

3.3. The Part 1 Submission is aimed at demonstrating that the network company has an engagement strategy in place that satisfies the **Minimum Requirements** stated in paragraph 4.2 of this document. Each network company is encouraged to consider the following means of gathering evidence to support Part 1 of their Submissions:

- independent evaluation/audit – to assess the network company's approach to stakeholder engagement and consumer vulnerability covering: process of engagement, quality of engagement, senior management buy-in, governance arrangements, impact on culture, organisational activities and senior decision-making, cost effectiveness, likely outcomes for consumers/communities, etc.;
- relevant accreditation schemes;
- results and feedback from stakeholder engagement surveys;
- evidence of culture change, senior management buy-in, eg as reflected in key strategic documents and decision-making arrangements within the company.

Part 2 Submission

3.4. The Part 2 Submission is aimed at demonstrating performance against the **Panel Assessment Criteria** stated in paragraph 4.9(a)-(d) of this document.

3.5. In Part 2 of their Submission, each network company should submit a summary of the activities and outcomes resulting from its stakeholder engagement activities carried out during the Regulatory Year in question. We recommend that this part of the Submission includes the following information:

- the nature of the stakeholder engagement activities undertaken which led to the showcased outcomes/action plans;
- how these outcomes fit with the organisation's stakeholder engagement strategy;
- any impact the outcomes have had on policies, procedures, business plans and/or organisational culture;
- any impact the outcomes have had on stakeholder groups;
- any mechanisms by which the outcomes are monitored and reported within the organisation; and
- any outcomes/action plans which are considered best in class and/or portray an innovative approach.

Part 3 Submission

~~3.6.—The Part 3 Submission is aimed at demonstrating network company performance against the **Consumer Vulnerability Criteria** stated in paragraph 4.17 of this document.~~

3.6. The Part 3 Submission is aimed at demonstrating network company performance against paragraph 4.9(e), with reference to the supporting criteria (a)-(d) of the **Panel Assessment Criteria**.

~~3.7.—In Part 3 of their Submission, each network company should provide a summary of the activities and outcomes resulting from its activities carried out to address consumer vulnerability.~~

3.7. In Part 3 of their Submission, each network company should submit a summary of the activities carried out to address consumer vulnerability issues and the outcomes resulting from those activities. We recommend that this part of the Submission includes evidence of the following:

- A strategic understanding of and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers;
- Engagement with stakeholders to improve the data and information that they hold on vulnerable consumers and what they do with it;
- Network companies' approach to management and use of the Priority Service Register (PSR) and associated services;
- Network companies' approach to develop and utilise partnerships (eg referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers; and
- Embedding of consumer vulnerability strategy in network companies' systems, processes and in how they manage consumer interactions.

4. Assessment process

Chapter summary

This chapter outlines the assessment process of the SECV Incentive.

4.1. Our assessment process will involve the following steps –

- Internal assessment against the Minimum Requirements
- Panel assessment against the Panel Assessment Criteria
- ~~Consultant assessment against the Consumer Vulnerability Criteria~~

Internal assessment against the Minimum Requirements

4.2. The SECV Incentive is designed to only reward network companies for high quality activities or outcomes that go beyond Business As Usual. Network companies must therefore have basic processes in place to meet the following **Minimum Requirements** to be eligible for a reward:

- The network company has comprehensive and up-to-date stakeholder engagement and consumer vulnerability strategies.
- A broad and inclusive range of relevant stakeholders have been engaged. This specifically includes engaging with challenging or hard-to-reach stakeholders (eg community energy).
- The network company has used a variety of appropriate mechanisms to inform and engage their stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.
- The network company can demonstrate it is acting on input/feedback from stakeholders.
- The network company can demonstrate that stakeholder engagement has led to positive outcomes for stakeholders.

4.3. An Internal Team will assess each network company's Part 1 Submissions to identify evidence that the network company meets the Minimum Requirements.

4.4. The Internal Team will be comprised of Ofgem staff that have electricity distribution experience. They will consider all information provided in the ~~entry form and the~~ Part 1 Submission when carrying out their assessment. They will confirm whether each network company has provided evidence that they meet the Minimum Requirements.

4.5. If required, the Internal Team will ask the network company supplementary questions to clarify any aspects of its submission. All supplementary questions and answers will be published, subject to redactions of confidential information.

4.6. If the Internal Team identifies evidence to demonstrate that the network company has satisfied all of the Minimum Requirements, then the network company is eligible for a reward. All network companies will be informed of the outcome of the internal assessment against the Minimum Requirement in advance of the Panel Session. Those network companies that meet the Minimum Requirements will be invited to attend a Panel Session. Those network companies that do not meet the Minimum Requirements will not be invited to the Panel Session and will be advised of the reasons for our decision.

Panel assessment against the Panel Assessment Criteria

The Panel Session

4.7. The Panel will only assess those Submissions that have met the Minimum Requirements, as assessed by the Internal Team. The focus of their assessment will be the Part 2 and 3 Submissions (although they will receive the licensee's complete Submission for information purposes). ~~The Panel will also receive the Consultants' Report to aid their assessment of performance.~~

4.8. ~~Each invited network company will have an opportunity to take part in a 20 minute question and answer session with the Panel on the day of the Panel Session. Each invited network company will have the opportunity to take part in a 40 minute Panel Session. To contribute to the Panel's assessment against the Panel Assessment Criteria, network companies will be asked to give a 10 minute presentation as part of their Panel Session. The presentation will be based on supplementary questions provided by the Panel to the network company, no later than 10 days prior to the Panel Session. The presentation will be followed by a 30 minute question and answer session. During the Panel Session, the Panel may ask additional supplementary questions to inform their assessment.~~ We will perform a secretariat role at the Panel Session.

4.9. The Panel will assess the companies against the **Panel Assessment Criteria**:

- a) initiatives are part of a holistic approach embedded in their business
- b) initiatives reflect innovative thinking that may be recognised as smart/best practice and could be replicated across the industry
- c) initiatives which best serve specific interests of challenging groups or hard to reach stakeholders
- d) initiatives result in measurable benefits for stakeholders
- e) the quality of the network company's strategy to address consumer vulnerability and the quality of the outcomes delivered:
 - A strategic understanding of and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers;
 - Engagement with stakeholders to improve the data and information that they hold on vulnerable consumers and what they do with it;
 - Network companies' approach to management and use of the Priority Services Register (PSR) and associated services;
 - Network companies' approach to develop and utilise partnerships (eg referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers; and
 - Embedding of consumer vulnerability strategy in network companies' systems, processes and in how they manage consumer interactions.

4.11.4.10. The Panel will score the network company out of 10. The score out of 10 will be given the reference points below:

Score	<i>Below 5</i>	<i>5</i>	<i>6-7</i>	<i>8</i>	<i>9-10</i>
Description	Weak	Average	Fair	Good	Excellent

4.12.4.11. The score for each criterion will be weighted using the weightings below, to calculate an Overall Panel Score. The Overall Panel Score will determine the allocation of a financial reward (if any) under the incentive mechanism, as outlined in Chapter 6.

Panel Assessment Criteria	Weighting
•a) initiatives are part of a holistic approach embedded in their business	15%
•b) initiatives reflect innovative thinking that may be recognised as smart/best practice and could be replicated across the industry	25%
•c) initiatives which best serve specific interests of challenging groups or hard to reach stakeholders	10%
•d) initiatives result in measurable benefits for stakeholders	25%
•e) The quality of the network company's strategy to address consumer vulnerability and the quality of the outcomes delivered	25%

~~4.13. After the Panel has made its decision it will provide general feedback on Submissions to each network company on the day of the Panel Session.~~

~~4.14. Following the Panel Session, we will provide detailed feedback to each network company to explain the Overall Panel Score received, highlight best practice and identify key areas for improvement. This will take the form of written feedback, setting out the score for each category and explanation as to how this value was decided. It will include points the Panel liked (that could, in future, be shared as best practice with other network companies), as well as areas for improvement. We will also provide individual oral feedback to each network company that requests it.~~

~~4.12. Following completion of the feedback sessions, we will provide all network companies with the breakdown of each network company's scores for all criteria. Each year the Panel will publish a **Panel Report** after the Panel assessment has taken place. The Panel Report will be published by 30 November, the year following the Regulatory Year in question.¹⁵ The Panel Report will set out:~~

- ~~• An Executive Summary, including:

 - ~~○ An explanation of the decision-making process undertaken by the Panel.~~
 - ~~○ Examples of best-practice identified by the Panel, broken down by criteria where appropriate.~~
 - ~~○ Areas for improvement identified by the Panel, broken down by criteria where appropriate.~~~~

¹⁵ ie the Panel Report for the 2018-19 Regulatory Year will be published no later than 30 November 2019.

- Details of all network company activities that the Panel deemed were appropriately incentivised by another primary driver, and which were excluded from consideration during scoring.
- An Appendix for each network company, including:
 - The Overall Panel Score awarded, as well as criteria specific scores ie against the Panel Assessment Criteria outlined in 4.11; and
 - Detailed feedback to explain how the scores were decided, subject to redactions of confidential information.

The Panel Members

4.15-4.13. The Panel will be comprised of at least four scoring members and a non-scoring chair (who will be an Ofgem employee). All members will be drawn from organisations with expertise in stakeholder and consumer engagement. At least one member of the Panel will also have consumer vulnerability expertise. Tenure on the Panel will be time-limited, with a proportion changed from time to time to allow for a diversity of views, regions and organisations to be represented. We will publish the biographies for each of the Panel Members in advance of the Panel Session. Panel members must declare any potential conflict of interest to Ofgem in advance of the Panel Session.

4.16-4.14. We will provide guidance to the Panel and brief them before the Panel Session (eg on the role of energy network companies, the regulatory framework, the purpose of this incentive and the Panel's role). We will also provide the Panel with a copy of the Panel Assessment Criteria to undertake an initial assessment of the network company's Submission ahead of the Panel Session.

~~Consultant assessment against the Consumer Vulnerability Criteria~~

~~6.0.— Before the Panel Session, Consultants (appointed by Ofgem in advance, but funded by the network companies) will critically assess the network companies against our high-level **Consumer Vulnerability Criteria:**~~

- ~~● Strategic understanding and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers.~~
- ~~● Engagement with stakeholders to improve the data and information that they hold on vulnerable consumers and what they do with it.~~
- ~~● Approach taken to management and use of the Priority Service Register (PSR) and associated services.~~
- ~~● Approach taken to develop and utilise partnerships (eg referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers.~~
- ~~● Embedding their strategy for addressing consumer vulnerability in their systems, processes and how they manage consumer interactions.~~

~~12.0.— The high-level Consumer Vulnerability Criteria are underpinned by Detailed Consumer Vulnerability Sub-Criteria; these are given in Appendix 2.~~

~~13.0.— The Consultants will focus on assessing the company's Part 3 Submission, but will also receive the company's Part 1 and Part 2 Submissions for context. In their Submissions, the network companies need to justify why activities undertaken and the outputs delivered are appropriate for the consumers they serve.~~

~~14.0.—The Consultants will critically assess the network company’s activities and outputs against the Detailed Consumer Vulnerability Sub-Criteria. Their report on the assessment of performance should not be a repetition of the activities a network company has undertaken, nor a summary of the information provided to the Consultants.~~

~~15.0.—The Consultants used to assess performance will be the same for all the network companies. The Consultants’ team will contain at least one individual with direct expertise in relation to stakeholder engagement and consumer vulnerability issues to critically assess the network company’s activities, and this team will be the same for all network company assessments (other than due to exceptional circumstances).~~

~~16.0.—To help assess performance, the Consultants will conduct a site visit to each network company. The purpose of the site visit is to challenge and probe the Consultants’ initial assessment of each network company’s Submission.~~

~~17.0.—The Consultants will carry out an initial assessment of each network company’s Submission in advance of the site visit. The site visits will be conducted after the Submissions have been made and will be prearranged between the Consultant and the network company, and can only be delayed in exceptional circumstances.~~

~~18.0.—The Consultant will provide the network company with a list of key topic areas that they wish to discuss prior to the visit. Information such as slides or notes may be given to the Consultant on the visit but this should not contain any new information. If the Consultant asks the network company to explain or clarify any aspects of their Submission, the network company is allowed to provide information to clarify or explain those aspects.~~

~~19.0.—The Consultants will produce a report outlining their results (“the Consultants’ Report”). The Consultants’ Report will score each network company out of 10 against each Consumer Vulnerability Criteria. Each of the Detailed Consumer Vulnerability Sub-Criteria will have the same weighting in the Consultants’ assessment. The score out of 10 will be given using the reference points below.~~

Score	<i>Below 6</i>	<i>6–7</i>	<i>8</i>	<i>9–10</i>
Description	Weak	Fair	Good	Excellent

~~32.0.—The Consultants’ Report will provide a written narrative to explain the score given. The Consultants’ assessment will be based on the activities undertaken and outputs delivered in that Regulatory Year; it will not consider future activities and/or proposed outcomes. The Consultants’ Report will be written to assist both the Panel in determining a score for each network company, and each network company in improving their services.~~

~~33.0.—The network companies will get the opportunity to check a draft version of the Consultant’s Report for a short period, to highlight any factual inaccuracies and information they wish to be redacted.¹⁶ This is not an opportunity for network companies to comment on the views stated by the Consultant.~~

~~34.0.—The Panel will use the Consultants’ Report to help assess network company performance against the Panel Assessment Criteria. The network companies’ performance addressing consumer vulnerability issues is relevant to all of the Panel Assessment Criteria, most notably criterion five (“the quality of the network company’s strategy to address consumer vulnerability and the quality of the outcomes delivered”). The Panel will use the~~

¹⁶ Any debate regarding redactions will be referred to Ofgem for arbitration.

~~Consultants' Report to form a basis for the score for the fifth Panel Assessment Criteria in paragraph 4.11. The Panel may revise this score based on other evidence presented, and will provide justification for doing so.~~

35.5. Format of the application and timescales for reporting

Chapter summary

This chapter outlines the format of the application and the timescales for reporting.

Format of application

35.1.5.1. Applications should consist of the following -

Application Checklist	Length of Submissions
Part 1 Submission: <ol style="list-style-type: none"> Entry form (template outlined in Appendix 1) providing evidence that the network company has met the Minimum Requirements; and 2.1. Overview of evidence. 	Entry Form (template outlined in Appendix 1) — maximum of four A4 pages. Overview of evidence — m Maximum of ten A4 pages (excluding covers pages, content pages and blank pages).
Part 2 Submission: <ol style="list-style-type: none"> Summary of outcomes/activities/action plans resulting from stakeholder engagement activities carried out during the Regulatory Year in question. 	Maximum of ten A4 pages (excluding covers pages, content pages and blank pages) plus a combined appendix on industry-wide collaboration on SECV work if desired.
Part 3 Submission: <ol style="list-style-type: none"> Summary of the outcomes, activities and actions plans resulting from its activities carried out during the Regulatory Year in question to address consumer vulnerability. 	Maximum of ten A4 pages (excluding covers pages, content pages and blank pages).
Redacted versions (as relevant) of Parts 1, 2 and 3 for Ofgem to publish accordingly.	

35.2.5.2. The Submissions should clearly identify the driver for activities where that driver has come from an Ofgem, ~~DECC BEIS~~ or other statutory body incentive (eg activities that form part of a Low Carbon Network Fund, Network Innovation Competition or Network Innovation Allowance project) or intervention. Such activities are not necessarily out of scope, but highlighting them is intended to increase transparency for the Panel and stakeholders. The Panel will assess whether it is appropriate to reward these activities (and/or the way they are delivered) under the SECV, or whether they are appropriately incentivised by their primary driver. Where the Panel decides that an activity is appropriately incentivised by its primary driver, it will be included in the ~~Panel Report detailed feedback~~ provided to the network company.

35.3.5.3. The format of the application and the use of graphics are flexible and there is no restriction on the font sizes used in Submissions (however Submissions must be legible). Embedded URLs are acceptable.

~~35.4.5.4.~~ The network companies should not provide any supplementary information as part of the Submission, unless requested by the Internal Team, ~~the Consultants~~, or the Panel Members.

Timescales for reporting

~~35.5.5.5.~~ This guidance document applies to Submissions made from April ~~2016-2019~~ onwards. From this date, electronic copies of the Submissions should be received by us **on the final Friday in April, the year following the Regulatory Year in question. Six hard copies of the Submissions (excluding redacted versions) should be received by us by the Friday of the first week in May** (the hard copies should be prepared so that they can be easily placed in an A4 ring binder file). All Submissions should be sent to our office in London for the attention of RIIO Electricity Distribution, Networks and emailed to RIIO.ED1@ofgem.gov.uk.

~~35.6.5.6.~~ We will not consider any Submissions that are received after the deadline dates, unless the network company has consent from us for late submission. We will only consider requests for late submission in exceptional circumstances.

~~35.7.5.7.~~ The network companies' Submissions ~~and the Panel Report and the Consultants' Reports~~ will be published on our website. We will also publish any supplementary questions asked by the Internal Team as well as the answers provided by the network companies subject to redactions of confidential information. The network companies should highlight any information that they consider to be confidential. If a network company's Submission includes information that the network company considers to be confidential, then the network company should provide an alternative redacted version of their Submission for us to publish.

Ofgem confirmation of arrangements

~~35.8.~~ ~~We will confirm the name of the Consultants appointed by us to critically assess the network companies against our high level Consumer Vulnerability Criteria and the date range of their site visit by the final Friday in April.~~

~~35.9.5.8.~~ We will confirm the name of the Panel Members and Chair, and the date of the Panel Session by the final Friday in May.

36.6. Converting the Overall Panel Score into a financial reward

Chapter summary

This section outlines how the overall panel score is converted into a financial reward.

36.1.6.1. Under this incentive, a network company may receive a financial reward depending on the quality of its stakeholder engagement and consumer vulnerability activities. The value of any financial reward is directed by us, pursuant to CRC 2C [Broad Measure of Customer Service Adjustment] of the electricity distribution licence (in 2012/2013 prices).

36.2.6.2. Performance is assessed by an independent panel of consumer and stakeholder engagement experts (the Panel) as set out in paragraphs 4.7 to 4.14. In making its assessment, the Panel awards an Overall Panel Score out of 10 for each network company group. We convert the Overall Panel Score, into a financial reward for each licensee, as per the following formula:

If $OPS \geq 9$, then $SE_t = MSER$

If $OPS \leq 4$, then $SE_t = 0$

If $OPS > 4$ and < 9 , then $SE_t = MSER \times ((OPS - 4) \times 0.2)$

Where:

SE_t the positive adjustment (if any) to Allowed Distribution Network Revenue in Regulatory Year t in relation to stakeholder engagement performance, pursuant to the provisions of Part G of CRC 2C [Broad Measure of Customer Service Adjustment] of the electricity distribution licence.

$MSER$ Maximum stakeholder engagement reward (£m, in 2012/13 prices) outlined in Table 16 of CRC 2C of the electricity distribution special licence conditions.

OPS The Overall Panel Score calculated in accordance with paragraph 4.7 to 4.13 of this document.

36.3.6.3. As outlined in the formula above the formula states that any network company that scores 4 out of 10 or less will not receive a financial reward. Any network company that scores 9 out of 10 or above will receive all of their financial reward. There is a straight line incentive rate between these two values.

36.4.6.4. This approach rewards good performers, does not reward weaker performers, and ensures that excellent performers are able to realise 100 per cent of their incentive.

37.7. Glossary

Broad Measure of Customer Service

The RIIO-ED1 Broad Measure of Customer Service incentive drives network companies to deliver good customer service, engage with stakeholders and address consumer vulnerability issues. It comprises of a customer satisfaction survey, a complaints metric and the SECV incentive. For more information on the Broad Measure of Customer Service please see Chapter 6 of the Strategy decision for the RIIO-ED1 electricity distribution price control - Outputs, incentives and innovation.¹⁷

Business As Usual

Activities which the network company undertakes that go beyond the requirements of the licence conditions will be considered beyond Business As Usual where it is clear to the Panel that this does not constitute the normal execution of standard operations involved with running an electricity distribution business.

~~**Consultants**~~

~~An independent third party appointed by Ofgem (but funded by the network companies) that will critically assess the network companies against our Consumer Vulnerability Criteria, in accordance with paragraphs 4.17 to 4.28 of this document.~~

~~**Consultants' Report**~~

~~A report produced by the Consultants to outline the result of their assessment of the network companies against the Consumer Vulnerability Criteria.~~

Consumer Vulnerability Criteria

The Consumer Vulnerability Criteria are the criteria that the ~~Consultants Panel~~ will use to assess the network companies performance addressing consumer vulnerability issues. The Consumer Vulnerability Criteria are outlined in paragraph ~~4.17~~ 4.9(e) of this document.

Consumer Vulnerability Sub-Criteria

The Consumer Vulnerability Sub-Criteria are the Sub-Criteria that the Panel will have reference to when assessing the network companies' performance and are stated in Appendix 1 of this document. ~~The Consumer Vulnerability Sub-Criteria are stated in Appendix 2 of this document.~~

Internal Team

A team of Ofgem employees that will critically assess network companies against the Minimum Requirements, in accordance with paragraphs 4.2 to 4.6 of this document.

¹⁷ https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/riioed1decoutputsincentives_0.pdf

Minimum Requirements

The Minimum Requirements are the basic requirements that a network company must meet to be eligible for a reward. The Minimum Requirements are outlined in paragraph 4.2 of this document.

Overall Panel Score

The overall score awarded to each network company by the Panel, in accordance with paragraphs 4.7 to 4.134 of this document.

Panel Report

Each year, a Panel Report will be published after the panel assessment has taken place. The Panel Report will set out the Overall Panel Score awarded to each network company and will include detailed feedback on network companies' performance. More information on the Panel Report can be found in Chapter 4 of this document.

Part 1 Submission

The Part 1 Submission is aimed at demonstrating that the network company meets the Minimum Requirements. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Part 2 Submission

The Part 2 Submission is aimed at demonstrating the network company's performance against the Panel Assessment Criteria. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Part 3 Submission

Part 3 Submission is aimed at demonstrating the network company's performance against the Panel Assessment Criteria~~Consumer Vulnerability Criteria~~. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Panel

The Panel Members and Panel Chair that will assess the network companies' Submissions against the Panel Assessment Criteria.

Panel Chair

A non-scoring Ofgem employee that is appointed to chair the Panel. The Panel Chair will oversee the Panel's assessment and will lead the Panel Session.

Panel Member

An individual with stakeholder engagement and consumer vulnerability expertise appointed by Ofgem to sit on the Panel.

Panel Assessment Criteria

The Panel Assessment Criteria are the criteria that the Panel will use to assess and score the network companies' performance engaging with stakeholders and consumer vulnerability issues. The Panel Assessment Criteria are outlined in paragraph 4.911 of this document.

Panel Session

A meeting of the Panel to discuss the Submissions, assess performance against the Panel Assessment Criteria through a [presentation and](#) question-and-answer session, and determine an Overall Panel Score for each network company.

Priority Service Register

Means the register containing details of Priority Services Register consumers that must be established and maintained by the licensee in accordance with standard condition 10 (Special services ~~and complaints procedure~~) of the electricity distribution licence.

Regulatory Year

Means a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the following calendar year.

Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive

The SECV Incentive drives network companies to engage with stakeholders and address consumer vulnerability.

Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive Guidance

The SECV Incentive Guidance sets out the regulation, governance and administration of the SECV Incentive. This document is issued by the Authority under Part H of the relevant licence condition (Charge Restriction Condition (CRC) 2C. [Broad Measure of Customer Service Adjustment]). This document may be revised and reissued in accordance with Part H of CRC 2C.

Submission

The network company's combined Part 1 Submission, Part 2 Submission and Part 3 Submission.

Vulnerable consumers

As defined in our Consumer Vulnerability Strategy,¹⁸ a vulnerable consumer is a consumer whose personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or
- Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.

¹⁸ Our Consumer Vulnerability Strategy; https://www.ofgem.gov.uk/sites/default/files/docs/2013/07/consumer-vulnerability-strategy_0.pdf


8. Appendices

Index

<u>Appendix</u>	<u>Name of Appendix</u>	<u>Page No.</u>
<u>1</u>	<u>Detailed Consumer Vulnerability Sub-Criteria</u>	<u>XX</u>

~~38. Appendix 1: Part 1 Entry Form~~

Please complete the following Entry Form alongside your Part 1 Submission.

STAKEHOLDER ENGAGEMENT AND CONSUMER VULNERABILITY INCENTIVE SCHEME	
 Making a positive difference for energy consumers	
PART 1 SUBMISSION ENTRY FORM	
COMPANY DETAILS: (please complete)	CONTACT DETAILS: (please complete)
Company: _____ Licensee(s): _____ _____ _____	Name: _____ Title: _____ Telephone: _____ Email: _____

MINIMUM REQUIREMENTS		
Please provide supporting evidence and high-level overview of how your company has met the Minimum Requirements set out below:	Evidence referred to within application (ie, evaluation, assurance report, survey, etc.)	Overview of your arguments demonstrating compliance with requirement. Clearly signpost as to additional relevant evidence/ information within Submission
The network company has comprehensive and up-to-date stakeholder engagement and consumer vulnerability strategies.		
A broad and inclusive range of relevant stakeholders have been engaged. This specifically includes engaging with challenging or hard-to-reach stakeholders (eg community energy).		
The network company has used a variety of appropriate mechanisms to inform and engage their stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.		
The network company can demonstrate it is acting on input / feedback from stakeholders.		

The network company can demonstrate that stakeholder engagement has led to positive outcomes for stakeholders.

39.9. Appendix 12: Detailed Consumer Vulnerability Sub-Criteria

These are the scoring requirements to be used for each of the sub-criteria.

A: Strategic understanding and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers				
	Weak	Fair	Good	Excellent
Understanding of the definition of a vulnerable consumer and awareness of the range of social issues	<p>Understanding of vulnerability restricted to a general definition of vulnerability. Little or no knowledge of what vulnerability looks like for the network company's consumer base.</p> <p>General poor awareness of the social issues that vulnerable consumers face.</p>	<p>Basic understanding of vulnerability across its consumer base. Largely focussed on the key vulnerability characteristics</p> <p>Good awareness of the range of social issues associated with the industry relevant to vulnerable consumers in general. For example, the network company's focus is not restricted solely to 'fuel poverty', but takes other issues such as 'vulnerability to a power cut' into account.</p>	<p>Network company aware that there isn't a 'one-size fits all' approach to vulnerable consumers. Good understanding of the main 'vulnerability issues' facing its consumers</p> <p>Good awareness of the social issues associated with the industry that are most prevalent across its vulnerable consumer base.</p>	<p>Enough flexibility to adapt to differences in vulnerability and changing needs of vulnerable consumers.</p> <p>Network company also thinking about issues external to the energy industry which could affect the vulnerability of consumers to energy issues or the utilisation of partner organisations.</p>
Recognition and integration of role in relation to social issues	<p>Recognition of social role confined to generalised statements. Limited integration into overall business strategy.</p>	<p>References to social role within strategy but tendency to treat as 'add on' aspects of business strategy and practices rather than integral aspect of service development and delivery. Limited use of targets to basic targets to improve performance and increase impact.</p>	<p>Fully integrated understanding of social role with clear plans for developing systems and consumer facing services to reflect role with targets for improved performance and increased impact.</p>	<p>Delivering on social role a key business driver underpinning design, planning and delivery of all services with core objective to 'make the most of what network company does' to tackle relevant social issues. Network company has challenging targets to improve performance and increase impact.</p>

B: Engagement with stakeholders to improve the data¹⁹ and information that they hold on vulnerable consumers and what they do with it				
	Weak	Fair	Good	Excellent
Acquisition and Management	<p>No clear link between network company's stakeholder engagement programme and data acquisition strategy. Latter largely based on existing PSR and associated PSR 'recruitment' systems.</p> <p>Basic data and information management strategy in place, but not always implemented.</p>	<p>Clear link between Stakeholder Engagement programme and the network company's data acquisition strategy, but the former is not fully utilised in the development of the latter.</p> <p>Data and information management strategy an integral part of network company's wider data and information strategies.</p> <p>Evidence of good progress in keeping records up-to-date. Awareness of data gaps and processes in place to address these. Some consistency between data sources still exists.</p>	<p>Stakeholder engagement programme is fully utilised in developing the network company's data acquisition strategy. Broad and inclusive range of stakeholders are engaged using a variety of appropriate mechanisms. Data acquisition carried out by the network company in a timely and systematic way.</p> <p>Data and information updating strategies working very well. Good progress in closing previously identified data gaps.</p> <p>No data source consistency issues.</p>	<p>As 'Good', plus Stakeholder Engagement programme includes challenging and hard-to-reach stakeholders, using mechanisms fully tailored to meet the needs of various stakeholder groups.</p>
Use	<p>Ad hoc use of data to enhance insight but no strategic approach to consumer insight to enable targeting work to address vulnerability and support social role.</p>	<p>As 'Weak', plus basic systems in place to keep track of data use and some feedback to data acquisition and management strategies.</p>	<p>Clear evidence of how data use is influencing and improving service development and delivery. Extensive system of use checks across all data and information with evidence of a feedback loop to data acquisition and management strategies.</p>	<p>As 'good' plus using data to assess future risk of vulnerability and shape partnerships with other relevant organisations. Clear strategy underlying the feedback loop</p> <p>to data acquisition and management strategies.</p>

¹⁹ In accordance with the requirements of the Data Protection Act.

C: Approach taken to management and use of PSR and associated services				
	Weak	Fair	Good	Excellent
Eligibility and take up of the PSR	<p>Eligibility for the PSR is largely confined to the "core" eligible groups defined by Ofgem.</p> <p>Basic reactive PSR recruitment programme by the consumer-facing services team when contact with a consumer is made who displays possible vulnerable circumstances.</p>	<p>Well-managed PSR list with some evidence of strategic approach to eligibility outside of the "core" groups.</p> <p>Basic advertising of the PSR and the services offered, e.g. posters and leaflets, in key locations linked to vulnerable consumers, e.g. doctors' surgeries.</p>	<p>Informed by good data analysis, network company is proactively identifying vulnerable consumers outside of the "core" groups, fully reflecting fact that vulnerability can be complex and multidimensional.</p> <p>Targeted advertising of the PSR and the services offered to vulnerable consumer groups.</p>	<p>As 'good' plus approach reflects fact that vulnerability may be transitory, providing options for temporary access to PSR and ensuring that those consumers who are no longer eligible (due to temporary nature of their vulnerability) are taken off the PSR list.</p> <p>Extensive PSR recruitment programme, drawing on data and information sources to proactively identify and contact eligible consumers.</p>
Services offered to consumers on the PSR	<p>PSR services are restricted to the minimum list of services defined by Ofgem.</p>	<p>Limited additional services offered with some links to the needs of the "core" eligible groups of consumers that have been defined by Ofgem. Network company able to provide basic justification of the practicality of offering these services and how they 'add value' for these groups of consumers.</p>	<p>A wide range of additional services offered that clearly reflect the specific needs of the "core" eligible groups of consumers. Detailed analysis of need undertaken which demonstrates how these services reflect the complex and multidimensional nature of vulnerability. Some additional services also offered for PSR consumers outside of these "core" eligible groups.</p>	<p>A full range of additional services developed according to detailed needs analysis of all PSR consumers and the nature of their vulnerability. Approach also reflects the fact that vulnerability may be transitory. Full justification for how these services add value to the associated group of PSR consumers.</p>

D: Approach taken to develop and utilise partnerships (e.g. referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers				
	Weak	Fair	Good	Excellent
Overall partnership strategy	Some links with other services for vulnerable consumers and partnerships to improve cross-referrals, and some participation in referral networks in area when invited. However, no clear strategy.	Clear strategy towards developing partnerships with relevant organisations, including ideas about what can be achieved from these partnerships in relation to the identification of vulnerable consumers, and identification and delivery of solutions.	Clear strategy towards both developing partnerships with relevant organisations and how to utilise these partnerships when they are in place. Strategy informed by evidence of benefits of existing partnerships on vulnerable consumers.	As good, plus fully utilising existing partnerships with other organisations. Network company aware of the limitations of existing partnerships and the wider limitations on the network company in relation to expanding those partnerships. Partnership strategy includes plans to overcome these limitations, where possible.
Developing partnerships	Participation in partnerships with a limited range of organisation types, largely within the utility sector. Partnerships provided limited support for the "core" groups of vulnerable consumers.	Wide range of partnerships extending beyond the utility sector. Partnerships provide some support to most groups of vulnerable consumers.	Extensive range of partnerships, with a wide variety of organisation types. Partnerships provide full and effective support for all groups of vulnerable consumers.	
Utilising partnerships	Partnerships largely restricted to referral and signposting.	Partnerships utilise data and information flows where appropriate, but these flows are largely one-sided and can be infrequent.	Network company has leading role in the partnerships that it has developed, with the organisations working together to identify vulnerable consumers and identify solutions.	As 'good', but network company is utilising these partnerships in an effective way to not only identify solutions, but also deliver solutions without creating unnecessary work for the network company.

E: Embedding their strategy for addressing consumer vulnerability in their systems, processes and how they manage consumer interactions

	Weak	Fair	Good	Excellent
Embedding strategy in managing consumer interactions	Consumer-facing services and associated processes show only a basic reflection of the network company's social role. They do not focus on capturing information to identify vulnerabilities beyond basic PSR recruitment.	Consumer-facing services routinely capturing information on consumer needs and vulnerabilities to support tailoring of PSR services and work with partners for further support to limited range of services delivered by others.	Consumer service staff trained in identifying and responding to consumer vulnerabilities with a range of network company and partner services, selected to meet wide range of consumer needs and circumstances.	As 'good' with social role a key aspect of consumer services and front-line staff training and service design, with all front-line staff trained to identify and record consumer vulnerability with access to a wide range of responses developed and available to support consumers. Evidence that staff have the flexibility available to 'do right thing' for any consumer (to meet evident need) and are empowered to focus on areas where they can be most effective.

E: Embedding their strategy for addressing consumer vulnerability in their systems, processes and how they manage consumer interactions (continued)

	Weak	Fair	Good	Excellent
Embedding strategy general systems and processes and awareness of impact and effectiveness of actions.	<p>Basic reflection of network company's role into general systems and processes throughout the business. Very little information therefore provided from consumer facing services to other business systems and processes.</p> <p>Network company able to provide little justification as to why its chosen actions address social issues relevant to vulnerable consumers.</p>	<p>Clear feedback loop, with the information captured on consumer needs and vulnerabilities being reflected in network company's stakeholder engagement strategy, work around the PSR, and its partnership strategy.</p> <p>Network company able to provide basic justification as to why its chosen actions address social issues relevant to vulnerable consumers. Basic understanding of any areas where it is currently falling short and could improve its performance. Lack of clarity around plans to address shortcoming and/or barriers to performance improvement.</p>	<p>As 'fair', plus services routinely monitored and evaluated to test extent to which they are meeting consumer needs. Feeds into wider service design and other general systems and processes throughout the business. Full senior management buy-in to the network company's strategy in this area.</p> <p>Network company provides more justification than "Fair", but is not able to fully justify why its chosen actions address social issues relevant to vulnerable consumers. Network company has clear plans to address shortcomings and/or barriers to performance improvement it is currently facing.</p>	<p>High level of integration of the network company's role into general systems and processes throughout the business. Very clear feedback loop between the monitoring and evaluation of services by the consumer-facing teams to the overall strategy in relation to social issues relevant to vulnerable consumers. Evaluation not restricted to retrospective assessment of activities or quantitative assessment of activities.</p> <p>As 'Good', plus network company able to fully justify why its chosen actions address social issues relevant to vulnerable consumers and demonstrate why these 'add value' and are more effective over alternatives.</p>

Annex 2 – Modified Stakeholder Engagement and Consumer Vulnerability Incentive Guidance (clean copy)

Electricity Distribution Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive Guidance

Publication date: TBC

Contact: Grant McEachran

Team: RIIO Electricity Distribution

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Overview:

To ensure the ongoing delivery of an efficient network that embraces wider social and environmental objectives, electricity distribution network operators need to engage with a range of stakeholders. Key stakeholders will include parties that are affected by, or represent those affected by, decisions made by the network companies.

In particular, network companies have an important role to play in helping consumers in vulnerable situations. Our Consumer Vulnerability Strategy and Priority Service Register Review highlighted the need for network companies to maximise their role in this respect.

The Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive drives network companies to engage with stakeholders and address consumer vulnerability issues. The SECV Incentive Guidance outlines the scope of the incentive, the application process, the assessment process and the reporting requirements.

Associated Documents

Electricity Distribution Licence – Charge Restriction Condition 2C (Broad Measure of Customer Service Adjustment)

<https://epr.ofgem.gov.uk/Document>

Strategy decision for RII0-ED1 - Outputs, incentives and innovation

<https://www.ofgem.gov.uk/ofgem-publications/47068/riioed1decoutputsincentives.pdf>

Consumer Vulnerability Strategy

<https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

Priority Services Register – Final Proposals

<https://www.ofgem.gov.uk/publications-and-updates/priority-services-register-review-final-proposals>

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1. Introduction

Chapter summary

This chapter outlines the purpose of the incentive, the purpose of this document and the status of this document from a compliance perspective.

Purpose of this incentive

1.1. The aim of the Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive is to encourage network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

1.2. Proactive stakeholder engagement is necessary for efficient business practice. The stakeholder engagement element of the Broad Measure of Customer Service incentivises network companies to perform beyond Business As Usual standards (ie beyond the requirements of the licence conditions) and to seek timely input and feedback from stakeholders on relevant issues, business activities and other developments. We expect that each network company will use this feedback to inform their current business operations and in planning for future decision making.

Purpose of this Guidance

1.3. This document sets out the regulation, governance and administration of the SECV Incentive. This document is issued by the Authority²⁰ under Part H of the relevant licence condition (Charge Restriction Condition (CRC) 2C. [Broad Measure of Customer Service Adjustment]). This document may be revised and reissued in accordance with Part H of CRC 2C.

1.4. This Guidance Document is only relevant to the electricity distribution licensees. There are separate guidance documents for the transmission and gas distribution stakeholder engagement incentives.

1.5. To be considered eligible for a reward, a network company must demonstrate that it meets the criteria set out in the SECV Incentive Guidance. We have attempted to make this document accessible and informative to a range of stakeholders, especially those that are interested in understanding how we incentivise and drive network companies to engage with stakeholders and address consumer vulnerability issues.

1.6. For the avoidance of doubt, this document is subordinate to the licence. This document does not change any definition or obligations contained within the electricity distribution licence and if, in the event of any dispute, the licence will take precedence.

²⁰ The terms "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets.

2. Scope of the scheme

Chapter summary

This chapter outlines the scope of the SECV Incentive.

2.1. Stakeholders are individuals or organisations that affect or can be affected by the activities of the network company. They may have a direct or indirect interest in a network company's business, and their contact with the network company may be anything from daily interaction to occasional contact.

2.2. Stakeholders can include consumers, investors, regulatory authorities, local government agencies, non-governmental organisations (NGOs) and any other interested organisations. We expect network companies to pay particular attention to stakeholders that represent the interests of vulnerable consumers, as defined in Ofgem's Consumer Vulnerability Strategy.²¹

2.3. Through the SECV Incentive we aim to reward high quality activities undertaken by the network companies and outcomes these activities deliver. These activities and outcomes must go beyond the network companies' Business As Usual activities.

2.4. We envisage that network companies will build on and highlight progress they have made, and are making, on their activities from previous years. Including activities in subsequent years will require justification in order to be rewarded.

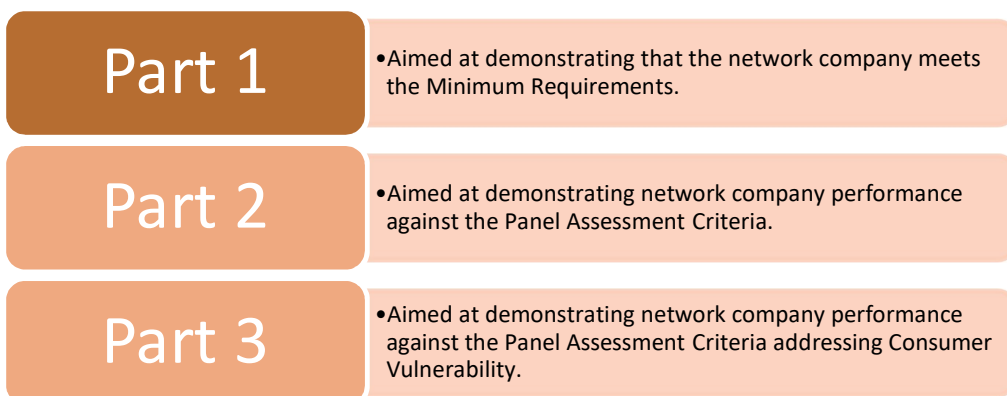
²¹ <https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

3. Application process

Chapter summary

This chapter outlines what needs to be included in the network company's application.

3.1. We are inviting each network company to put forward a Submission in relation to engagement activities carried out during the Regulatory Year in question. We require each network company's Submission to include three parts.



3.2. Network companies will have some flexibility as to how they gather and present relevant evidence to meet the requirements of each stage. In assessing the quality of the network company's activities and the effectiveness of their outcomes, we will need to be satisfied that the evidence presented is robust and verifiable.

Part 1 Submission

3.3. The Part 1 Submission is aimed at demonstrating that the network company has an engagement strategy in place that satisfies the **Minimum Requirements** stated in paragraph 4.2 of this document. Each network company is encouraged to consider the following means of gathering evidence to support Part 1 of their Submissions:

- independent evaluation/audit – to assess the network company's approach to stakeholder engagement and consumer vulnerability covering: process of engagement, quality of engagement, senior management buy-in, governance arrangements, impact on culture, organisational activities and senior decision-making, cost effectiveness, likely outcomes for consumers/communities, etc.;
- relevant accreditation schemes;
- results and feedback from stakeholder engagement surveys;
- evidence of culture change, senior management buy-in, eg as reflected in key strategic documents and decision-making arrangements within the company.

Part 2 Submission

3.4. The Part 2 Submission is aimed at demonstrating performance against the **Panel Assessment Criteria** stated in paragraph 4.9(a)-(d) of this document.

3.5. In Part 2 of their Submission, each network company should submit a summary of the activities and outcomes resulting from its stakeholder engagement activities carried out during the Regulatory Year in question. We recommend that this part of the Submission includes the following information:

- the nature of the stakeholder engagement activities undertaken which led to the showcased outcomes/action plans;
- how these outcomes fit with the organisation's stakeholder engagement strategy;
- any impact the outcomes have had on policies, procedures, business plans and/or organisational culture;
- any impact the outcomes have had on stakeholder groups;
- any mechanisms by which the outcomes are monitored and reported within the organisation; and
- any outcomes/action plans which are considered best in class and/or portray an innovative approach.

Part 3 Submission

3.6. The Part 3 Submission is aimed at demonstrating network company performance against paragraph 4.9(e), with reference to the supporting criteria (a)-(d) of the **Panel Assessment Criteria**.

3.7. In Part 3 of their Submission, each network company should submit a summary of the activities carried out to address consumer vulnerability issues and the outcomes resulting from those activities. We recommend that this part of the Submission includes evidence of the following:

- A strategic understanding of and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers;
- Engagement with stakeholders to improve the data and information that they hold on vulnerable consumers and what they do with it;
- Network companies' approach to management and use of the Priority Service Register (PSR) and associated services;
- Network companies' approach to develop and utilise partnerships (eg referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers; and
- Embedding of consumer vulnerability strategy in network companies' systems, processes and in how they manage consumer interactions.

4. Assessment process

Chapter summary

This chapter outlines the assessment process of the SECV Incentive.

4.1. Our assessment process will involve the following steps –

- Internal assessment against the Minimum Requirements
- Panel assessment against the Panel Assessment Criteria

Internal assessment against the Minimum Requirements

4.2. The SECV Incentive is designed to only reward network companies for high quality activities or outcomes that go beyond Business As Usual. Network companies must therefore have basic processes in place to meet the following **Minimum Requirements** to be eligible for a reward:

- The network company has comprehensive and up-to-date stakeholder engagement and consumer vulnerability strategies.
- A broad and inclusive range of relevant stakeholders have been engaged. This specifically includes engaging with challenging or hard-to-reach stakeholders (eg community energy).
- The network company has used a variety of appropriate mechanisms to inform and engage their stakeholders – these have been tailored to meet the needs of various stakeholder groups, and are fit for purpose in allowing a detailed analysis of a breadth of stakeholder perspectives.
- The network company can demonstrate it is acting on input/feedback from stakeholders.
- The network company can demonstrate that stakeholder engagement has led to positive outcomes for stakeholders.

4.3. An Internal Team will assess each network company's Part 1 Submissions to identify evidence that the network company meets the Minimum Requirements.

4.4. The Internal Team will be comprised of Ofgem staff that have electricity distribution experience. They will consider all information provided in the Part 1 Submission when carrying out their assessment. They will confirm whether each network company has provided evidence that they meet the Minimum Requirements.

4.5. If required, the Internal Team will ask the network company supplementary questions to clarify any aspects of its submission. All supplementary questions and answers will be published, subject to redactions of confidential information.

4.6. If the Internal Team identifies evidence to demonstrate that the network company has satisfied all of the Minimum Requirements, then the network company is eligible for a reward. All network companies will be informed of the outcome of the internal assessment against the Minimum Requirement in advance of the Panel Session. Those network companies that meet the Minimum Requirements will be invited to attend a Panel Session. Those network companies that do not meet the Minimum Requirements will not be invited to the Panel Session and will be advised of the reasons for our decision.

Panel assessment against the Panel Assessment Criteria

The Panel Session

4.7. The Panel will only assess those Submissions that have met the Minimum Requirements, as assessed by the Internal Team. The focus of their assessment will be the Part 2 and 3 Submissions (although they will receive the licensee’s complete Submission for information purposes).

4.8. Each invited network company will have the opportunity to take part in a 40 minute Panel Session. To contribute to the Panel’s assessment against the Panel Assessment Criteria, network companies will be asked to give a 10 minute presentation as part of their Panel Session. The presentation will be based on supplementary questions provided by the Panel to the network company, no later than 10 days prior to the Panel Session. The presentation will be followed by a 30 minute question and answer session. During the Panel Session, the Panel may ask additional supplementary questions to inform their assessment.

4.9. The Panel will assess the companies against the **Panel Assessment Criteria**:

- a) initiatives are part of a holistic approach embedded in their business
- b) initiatives reflect innovative thinking that may be recognised as smart/best practice and could be replicated across the industry
- c) initiatives which best serve specific interests of challenging groups or hard to reach stakeholders
- d) initiatives result in measurable benefits for stakeholders
- e) the quality of the network company’s strategy to address consumer vulnerability and the quality of the outcomes delivered:
 - o A strategic understanding of and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers;
 - o Engagement with stakeholders to improve the data and information that they hold on vulnerable consumers and what they do with it;
 - o Network companies’ approach to management and use of the Priority Services Register (PSR) and associated services;
 - o Network companies’ approach to develop and utilise partnerships (eg referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers; and

4.10. Embedding of consumer vulnerability strategy in network companies’ systems, processes and in how they manage consumer interactions. The Panel will score the network company out of 10. The score out of 10 will be given the reference points below:

Score	<i>Below 5</i>	<i>5</i>	<i>6-7</i>	<i>8</i>	<i>9-10</i>
Description	Weak	Average	Fair	Good	Excellent

4.11. The score for each criterion will be weighted using the weightings below, to calculate an Overall Panel Score. The Overall Panel Score will determine the allocation of a financial reward (if any) under the incentive mechanism, as outlined in Chapter 6.

Panel Assessment Criteria	Weighting
a) initiatives are part of a holistic approach embedded in their business	15%
b) initiatives reflect innovative thinking that may be recognised as smart/best practice and could be replicated across the industry	25%
c) initiatives which best serve specific interests of challenging groups or hard to reach stakeholders	10%
d) initiatives result in measurable benefits for stakeholders	25%
e) The quality of the network company's strategy to address consumer vulnerability and the quality of the outcomes delivered	25%

4.12. Each year the Panel will publish a **Panel Report** after the Panel assessment has taken place. The Panel Report will be published by 30 November, the year following the Regulatory Year in question.²² The Panel Report will set out:

- An Executive Summary, including:
 - An explanation of the decision-making process undertaken by the Panel.
 - Examples of best-practice identified by the Panel, broken down by criteria where appropriate.
 - Areas for improvement identified by the Panel, broken down by criteria where appropriate.
 - Details of all network company activities that the Panel deemed were appropriately incentivised by another primary driver, and which were excluded from consideration during scoring.
- An Appendix for each network company, including:
 - The Overall Panel Score awarded, as well as criteria specific scores ie against the Panel Assessment Criteria outlined in 4.11; and

Detailed feedback to explain how the scores were decided, subject to redactions of confidential information.

The Panel Members

4.13. The Panel will be comprised of at least four scoring members and a non-scoring chair (who will be an Ofgem employee). All members will be drawn from organisations with expertise in stakeholder and consumer engagement. At least one member of the Panel will also have consumer vulnerability expertise. Tenure on the Panel will be time-limited, with a proportion changed from time to time to allow for a diversity of views, regions and organisations to be represented. We will publish the biographies for each of the Panel Members in advance of the Panel Session. Panel members must declare any potential conflict of interest to Ofgem in advance of the Panel Session.

4.14. We will provide guidance to the Panel and brief them before the Panel Session (eg on the role of energy network companies, the regulatory framework, the purpose of this incentive and the Panel's role). We will also provide the Panel with a copy of the Panel

²² ie the Panel Report for the 2018-19 Regulatory Year will be published no later than 30 November 2019.

Assessment Criteria to undertake an initial assessment of the network company's Submission ahead of the Panel Session.

5. Format of the application and timescales for reporting

Chapter summary

This chapter outlines the format of the application and the timescales for reporting.

Format of application

5.1. Applications should consist of the following -

Application Checklist	Length of Submissions
Part 1 Submission: Overview of evidence.	Maximum of ten A4 pages (excluding covers pages, content pages and blank pages).
Part 2 Submission: Summary of outcomes/activities/action plans resulting from stakeholder engagement activities carried out during the Regulatory Year in question.	Maximum of ten A4 pages (excluding cover pages, content pages and blank pages) plus a combined appendix on industry-wide collaboration on SECV work if desired.
Part 3 Submission: Summary of the outcomes, activities and actions plans resulting from its activities carried out during the Regulatory Year in question to address consumer vulnerability.	Maximum of ten A4 pages (excluding cover pages, content pages and blank pages).
Redacted versions (as relevant) of Parts 1, 2 and 3 for Ofgem to publish accordingly.	

5.2. The Submissions should clearly identify the driver for activities where that driver has come from an Ofgem, BEIS or other statutory body incentive (eg activities that form part of a Low Carbon Network Fund, Network Innovation Competition or Network Innovation Allowance project) or intervention. Such activities are not necessarily out of scope, but highlighting them is intended to increase transparency for the Panel and stakeholders. The Panel will assess whether it is appropriate to reward these activities (and/or the way they are delivered) under the SECV, or whether they are appropriately incentivised by their primary driver. Where the Panel decides that an activity is appropriately incentivised by its primary driver, it will be included in the Panel Report provided to the network company.

5.3. The format of the application and the use of graphics are flexible and there is no restriction on the font sizes used in Submissions (however Submissions must be legible). Embedded URLs are acceptable.

5.4. The network companies should not provide any supplementary information as part of the Submission, unless requested by the Internal Team or the Panel Members.

Timescales for reporting

5.5. This guidance document applies to Submissions made from April 2019 onwards. From this date, electronic copies of the Submissions should be received by us **on the final Friday in April, the year following the Regulatory Year in question. Six hard copies of the Submissions (excluding redacted versions) should be received by us by the Friday of the first week in May** (the hard copies should be prepared so that they can be easily placed in an A4 ring binder file). All Submissions should be sent to our office in London for the attention of RIIO Electricity Distribution, Networks and emailed to RIIO.FD1@ofgem.gov.uk.

5.6. We will not consider any Submissions that are received after the deadline dates, unless the network company has consent from us for late submission. We will only consider requests for late submission in exceptional circumstances.

5.7. The network companies' Submissions and the Panel Report will be published on our website. We will also publish any supplementary questions asked by the Internal Team as well as the answers provided by the network companies subject to redactions of confidential information. The network companies should highlight any information that they consider to be confidential. If a network company's Submission includes information that the network company considers to be confidential, then the network company should provide an alternative redacted version of their Submission for us to publish.

Ofgem confirmation of arrangements

5.8. We will confirm the name of the Panel Members and Chair, and the date of the Panel Session by the final Friday in May.

6. Converting the Overall Panel Score into a financial reward

Chapter summary

This section outlines how the overall panel score is converted into a financial reward.

6.1. Under this incentive, a network company may receive a financial reward depending on the quality of its stakeholder engagement and consumer vulnerability activities. The value of any financial reward is directed by us, pursuant to CRC 2C [Broad Measure of Customer Service Adjustment] of the electricity distribution licence (in 2012/2013 prices).

6.2. Performance is assessed by an independent panel of consumer and stakeholder engagement experts (the Panel) as set out in paragraphs 4.7 to 4.14. In making its assessment, the Panel awards an Overall Panel Score out of 10 for each network company group. We convert the Overall Panel Score, into a financial reward for each licensee, as per the following formula:

If $OPS \geq 9$, then $SE_t = MSER$

If $OPS \leq 4$, then $SE_t = 0$

If $OPS > 4$ and < 9 , then $SE_t = MSER \times ((OPS - 4) \times 0.2)$

Where:

SE_t the positive adjustment (if any) to Allowed Distribution Network Revenue in Regulatory Year t in relation to stakeholder engagement performance, pursuant to the provisions of Part G of CRC 2C [Broad Measure of Customer Service Adjustment] of the electricity distribution licence.

$MSER$ Maximum stakeholder engagement reward (£m, in 2012/13 prices) outlined in Table 16 of CRC 2C of the electricity distribution special licence conditions.

OPS The Overall Panel Score calculated in accordance with paragraph 4.7 to 4.13 of this document.

6.3. As outlined in the formula above the formula states that any network company that scores 4 out of 10 or less will not receive a financial reward. Any network company that scores 9 out of 10 or above will receive all of their financial reward. There is a straight line incentive rate between these two values.

6.4. This approach rewards good performers, does not reward weaker performers, and ensures that excellent performers are able to realise 100 per cent of their incentive.

7. Glossary

Broad Measure of Customer Service

The RIIO-ED1 Broad Measure of Customer Service incentive drives network companies to deliver good customer service, engage with stakeholders and address consumer vulnerability issues. It comprises of a customer satisfaction survey, a complaints metric and the SECV incentive. For more information on the Broad Measure of Customer Service please see Chapter 6 of the Strategy decision for the RIIO-ED1 electricity distribution price control - Outputs, incentives and innovation.²³

Business As Usual

Activities which the network company undertakes that go beyond the requirements of the licence conditions will be considered beyond Business As Usual where it is clear to the Panel that this does not constitute the normal execution of standard operations involved with running an electricity distribution business.

Consumer Vulnerability Criteria

The Consumer Vulnerability Criteria are the criteria that the Panel will use to assess the network companies performance addressing consumer vulnerability issues. The Consumer Vulnerability Criteria are outlined in paragraph 4.9(e) of this document.

Consumer Vulnerability Sub-Criteria

The Consumer Vulnerability Sub-Criteria are the Sub-Criteria that the Panel will have reference to when assessing the network companies' performance and are stated in Appendix 1 of this document.

Internal Team

A team of Ofgem employees that will critically assess network companies against the Minimum Requirements, in accordance with paragraphs 4.2 to 4.6 of this document.

Minimum Requirements

The Minimum Requirements are the basic requirements that a network company must meet to be eligible for a reward. The Minimum Requirements are outlined in paragraph 4.2 of this document.

Overall Panel Score

The overall score awarded to each network company by the Panel, in accordance with paragraphs 4.7 to 4.13 of this document.

Panel Report

²³ https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/riioed1decoutputsincentives_0.pdf

Each year, a Panel Report will be published after the panel assessment has taken place. The Panel Report will set out the Overall Panel Score awarded to each network company and will include detailed feedback on network companies' performance. More information on the Panel Report can be found in Chapter 4 of this document.

Part 1 Submission

The Part 1 Submission is aimed at demonstrating that the network company meets the Minimum Requirements. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Part 2 Submission

The Part 2 Submission is aimed at demonstrating the network company's performance against the Panel Assessment Criteria. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Part 3 Submission

Part 3 Submission is aimed at demonstrating the network company's performance against the Panel Assessment Criteria. More information on the contents this document and the assessment process can be found in Chapters 3 and 4 of this document.

Panel

The Panel Members and Panel Chair that will assess the network companies' Submissions against the Panel Assessment Criteria.

Panel Chair

A non-scoring Ofgem employee that is appointed to chair the Panel. The Panel Chair will oversee the Panel's assessment and will lead the Panel Session.

Panel Member

An individual with stakeholder engagement and consumer vulnerability expertise appointed by Ofgem to sit on the Panel.

Panel Assessment Criteria

The Panel Assessment Criteria are the criteria that the Panel will use to assess and score the network companies' performance engaging with stakeholders and consumer vulnerability issues. The Panel Assessment Criteria are outlined in paragraph 4.9 of this document.

Panel Session

A meeting of the Panel to discuss the Submissions, assess performance against the Panel Assessment Criteria through a presentation and question-and-answer session, and determine an Overall Panel Score for each network company.

Priority Service Register

Means the register containing details of Priority Services Register consumers that must be established and maintained by the licensee in accordance with standard condition 10 (Special services) of the electricity distribution licence.

Regulatory Year

Means a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the following calendar year.

Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive

The SECV Incentive drives network companies to engage with stakeholders and address consumer vulnerability.

Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive Guidance

The SECV Incentive Guidance sets out the regulation, governance and administration of the SECV Incentive. This document is issued by the Authority under Part H of the relevant licence condition (Charge Restriction Condition (CRC) 2C. [Broad Measure of Customer Service Adjustment]). This document may be revised and reissued in accordance with Part H of CRC 2C.

Submission

The network company's combined Part 1 Submission, Part 2 Submission and Part 3 Submission.

Vulnerable consumers

As defined in our Consumer Vulnerability Strategy,²⁴ a vulnerable consumer is a consumer whose personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or
- Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.

²⁴ Our Consumer Vulnerability Strategy; https://www.ofgem.gov.uk/sites/default/files/docs/2013/07/consumer-vulnerability-strategy_0.pdf

8. Appendices

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1	Detailed Consumer Vulnerability Sub-Criteria	XX

9. Appendix 1: Detailed Consumer Vulnerability Sub-Criteria

A: Strategic understanding and commitment to the role that network companies can play in tackling social issues relevant to vulnerable consumers				
	Weak	Fair	Good	Excellent
Understanding of the definition of a vulnerable consumer and awareness of the range of social issues	<p>Understanding of vulnerability restricted to a general definition of vulnerability. Little or no knowledge of what vulnerability looks like for the network company's consumer base.</p> <p>General poor awareness of the social issues that vulnerable consumers face.</p>	<p>Basic understanding of vulnerability across its consumer base. Largely focussed on the key vulnerability characteristics</p> <p>Good awareness of the range of social issues associated with the industry relevant to vulnerable consumers in general. For example, the network company's focus is not restricted solely to 'fuel poverty', but takes other issues such as 'vulnerability to a power cut' into account.</p>	<p>Network company aware that there isn't a 'one-size fits all' approach to vulnerable consumers. Good understanding of the main 'vulnerability issues' facing its consumers</p> <p>Good awareness of the social issues associated with the industry that are most prevalent across its vulnerable consumer base.</p>	<p>Enough flexibility to adapt to differences in vulnerability and changing needs of vulnerable consumers.</p> <p>Network company also thinking about issues external to the energy industry which could affect the vulnerability of consumers to energy issues or the utilisation of partner organisations.</p>
Recognition and integration of role in relation to social issues	<p>Recognition of social role confined to generalised statements. Limited integration into overall business strategy.</p>	<p>References to social role within strategy but tendency to treat as 'add on' aspects of business strategy and practices rather than integral aspect of service development and delivery. Limited use of targets to basic targets to improve performance and increase impact.</p>	<p>Fully integrated understanding of social role with clear plans for developing systems and consumer facing services to reflect role with targets for improved performance and increased impact.</p>	<p>Delivering on social role a key business driver underpinning design, planning and delivery of all services with core objective to 'make the most of what network company does' to tackle relevant social issues. Network company has challenging targets to improve performance and increase impact.</p>

B: Engagement with stakeholders to improve the data²⁵ and information that they hold on vulnerable consumers and what they do with it				
	Weak	Fair	Good	Excellent
Acquisition and Management	<p>No clear link between network company's stakeholder engagement programme and data acquisition strategy. Latter largely based on existing PSR and associated PSR 'recruitment' systems.</p> <p>Basic data and information management strategy in place, but not always implemented.</p>	<p>Clear link between Stakeholder Engagement programme and the network company's data acquisition strategy, but the former is not fully utilised in the development of the latter.</p> <p>Data and information management strategy an integral part of network company's wider data and information strategies.</p> <p>Evidence of good progress in keeping records up-to-date. Awareness of data gaps and processes in place to address these. Some consistency between data sources still exists.</p>	<p>Stakeholder engagement programme is fully utilised in developing the network company's data acquisition strategy. Broad and inclusive range of stakeholders are engaged using a variety of appropriate mechanisms. Data acquisition carried out by the network company in a timely and systematic way.</p> <p>Data and information updating strategies working very well.</p> <p>Good progress in closing previously identified data gaps.</p> <p>No data source consistency issues.</p>	<p>As 'Good', plus Stakeholder Engagement programme includes challenging and hard-to-reach stakeholders, using mechanisms fully tailored to meet the needs of various stakeholder groups.</p>
Use	<p>Ad hoc use of data to enhance insight but no strategic approach to consumer insight to enable targeting work to address vulnerability and support social role.</p>	<p>As 'Weak', plus basic systems in place to keep track of data use and some feedback to data acquisition and management strategies.</p>	<p>Clear evidence of how data use is influencing and improving service development and delivery. Extensive system of use checks across all data and information with evidence of a feedback loop to data acquisition and management strategies.</p>	<p>As 'good' plus using data to assess future risk of vulnerability and shape partnerships with other relevant organisations. Clear strategy underlying the feedback loop</p> <p>to data acquisition and management strategies.</p>

²⁵ In accordance with the requirements of the Data Protection Act.

C: Approach taken to management and use of PSR and associated services				
	Weak	Fair	Good	Excellent
Eligibility and take up of the PSR	<p>Eligibility for the PSR is largely confined to the "core" eligible groups defined by Ofgem.</p> <p>Basic reactive PSR recruitment programme by the consumer-facing services team when contact with a consumer is made who displays possible vulnerable circumstances.</p>	<p>Well-managed PSR list with some evidence of strategic approach to eligibility outside of the "core" groups.</p> <p>Basic advertising of the PSR and the services offered, e.g. posters and leaflets, in key locations linked to vulnerable consumers, e.g. doctors' surgeries.</p>	<p>Informed by good data analysis, network company is proactively identifying vulnerable consumers outside of the "core" groups, fully reflecting fact that vulnerability can be complex and multidimensional.</p> <p>Targeted advertising of the PSR and the services offered to vulnerable consumer groups.</p>	<p>As 'good' plus approach reflects fact that vulnerability may be transitory, providing options for temporary access to PSR and ensuring that those consumers who are no longer eligible (due to temporary nature of their vulnerability) are taken off the PSR list.</p> <p>Extensive PSR recruitment programme, drawing on data and information sources to proactively identify and contact eligible consumers.</p>
Services offered to consumers on the PSR	<p>PSR services are restricted to the minimum list of services defined by Ofgem.</p>	<p>Limited additional services offered with some links to the needs of the "core" eligible groups of consumers that have been defined by Ofgem. Network company able to provide basic justification of the practicality of offering these services and how they 'add value' for these groups of consumers.</p>	<p>A wide range of additional services offered that clearly reflect the specific needs of the "core" eligible groups of consumers. Detailed analysis of need undertaken which demonstrates how these services reflect the complex and multidimensional nature of vulnerability. Some additional services also offered for PSR consumers outside of these "core" eligible groups.</p>	<p>A full range of additional services developed according to detailed needs analysis of all PSR consumers and the nature of their vulnerability. Approach also reflects the fact that vulnerability may be transitory. Full justification for how these services add value to the associated group of PSR consumers.</p>

D: Approach taken to develop and utilise partnerships (e.g. referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable consumers				
	Weak	Fair	Good	Excellent
Overall partnership strategy	Some links with other services for vulnerable consumers and partnerships to improve cross-referrals, and some participation in referral networks in area when invited. However, no clear strategy.	Clear strategy towards developing partnerships with relevant organisations, including ideas about what can be achieved from these partnerships in relation to the identification of vulnerable consumers, and identification and delivery of solutions.	Clear strategy towards both developing partnerships with relevant organisations and how to utilise these partnerships when they are in place. Strategy informed by evidence of benefits of existing partnerships on vulnerable consumers.	As good, plus fully utilising existing partnerships with other organisations. Network company aware of the limitations of existing partnerships and the wider limitations on the network company in relation to expanding those partnerships. Partnership strategy includes plans to overcome these limitations, where possible.
Developing partnerships	Participation in partnerships with a limited range of organisation types, largely within the utility sector. Partnerships provided limited support for the "core" groups of vulnerable consumers.	Wide range of partnerships extending beyond the utility sector. Partnerships provide some support to most groups of vulnerable consumers.	Extensive range of partnerships, with a wide variety of organisation types. Partnerships provide full and effective support for all groups of vulnerable consumers.	
Utilising partnerships	Partnerships largely restricted to referral and signposting.	Partnerships utilise data and information flows where appropriate, but these flows are largely one-sided and can be infrequent.	Network company has leading role in the partnerships that it has developed, with the organisations working together to identify vulnerable consumers and identify solutions.	As 'good', but network company is utilising these partnerships in an effective way to not only identify solutions, but also deliver solutions without creating unnecessary work for the network company.

E: Embedding their strategy for addressing consumer vulnerability in their systems, processes and how they manage consumer interactions

	Weak	Fair	Good	Excellent
Embedding strategy in managing consumer interactions	Consumer-facing services and associated processes show only a basic reflection of the network company's social role. They do not focus on capturing information to identify vulnerabilities beyond basic PSR recruitment.	Consumer-facing services routinely capturing information on consumer needs and vulnerabilities to support tailoring of PSR services and work with partners for further support to limited range of services delivered by others.	Consumer service staff trained in identifying and responding to consumer vulnerabilities with a range of network company and partner services, selected to meet wide range of consumer needs and circumstances.	As 'good' with social role a key aspect of consumer services and front-line staff training and service design, with all front-line staff trained to identify and record consumer vulnerability with access to a wide range of responses developed and available to support consumers. Evidence that staff have the flexibility available to 'do right thing' for any consumer (to meet evident need) and are empowered to focus on areas where they can be most effective.

E: Embedding their strategy for addressing consumer vulnerability in their systems, processes and how they manage consumer interactions (continued)

	Weak	Fair	Good	Excellent
Embedding strategy general systems and processes and awareness of impact and effectiveness of actions.	<p>Basic reflection of network company's role into general systems and processes throughout the business. Very little information therefore provided from consumer facing services to other business systems and processes.</p> <p>Network company able to provide little justification as to why its chosen actions address social issues relevant to vulnerable consumers.</p>	<p>Clear feedback loop, with the information captured on consumer needs and vulnerabilities being reflected in network company's stakeholder engagement strategy, work around the PSR, and its partnership strategy.</p> <p>Network company able to provide basic justification as to why its chosen actions address social issues relevant to vulnerable consumers. Basic understanding of any areas where it is currently falling short and could improve its performance. Lack of clarity around plans to address shortcoming and/or barriers to performance improvement.</p>	<p>As 'fair', plus services routinely monitored and evaluated to test extent to which they are meeting consumer needs. Feeds into wider service design and other general systems and processes throughout the business. Full senior management buy-in to the network company's strategy in this area.</p> <p>Network company provides more justification than "Fair", but is not able to fully justify why its chosen actions address social issues relevant to vulnerable consumers. Network company has clear plans to address shortcomings and/or barriers to performance improvement it is currently facing.</p>	<p>High level of integration of the network company's role into general systems and processes throughout the business. Very clear feedback loop between the monitoring and evaluation of services by the consumer-facing teams to the overall strategy in relation to social issues relevant to vulnerable consumers. Evaluation not restricted to retrospective assessment of activities or quantitative assessment of activities.</p> <p>As 'Good', plus network company able to fully justify why its chosen actions address social issues relevant to vulnerable consumers and demonstrate why these 'add value' and are more effective over alternatives.</p>