



Making a positive difference  
for energy consumers

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Date: 18 December 2018

**Dear GDNs and TOs,**

**Gas Distribution networks**

**Cadent Gas Ltd  
Northern Gas Networks Limited  
Wales & West Utilities Limited  
SGN**

**Direction under paragraph 1E.29 of Special Condition 1E (Incentive adjustment in respect of the Broad Measure of Customer Satisfaction) of the Gas Transporter Licence (the "Licence") to issue the modified Stakeholder Engagement Incentive Guidance (SEI) Document.**

1. Each of the companies listed above is the holder of a Gas Transporter Licence (the Licence) granted or treated as granted under section 7 of the Gas Act 1986 (the Act).
2. Pursuant to paragraph 1E.27 of Special Condition 1E of the Licence, the Gas and Electricity Markets Authority (the Authority) gave notice on 5 November 2018 (the Notice) that it proposed to modify the Stakeholder Engagement Incentive (SEI) Guidance Document. The Notice invited any representations to the modifications to be made on or before 3 December 2018.
3. The Authority received 11 responses to the Notice.<sup>1</sup> All non-confidential responses have been placed on the Ofgem website.
4. The Authority has carefully considered all representations received. Some respondents proposed further minor amendments, linked to the changes consulted on, which we have incorporated into the Guidance. These amendments are listed in

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<sup>1</sup> The Notice also invited representations to be made on the proposed modifications to the Stakeholder Engagement and Consumer Vulnerability Incentive (SECV) Guidance Document, which applies to the Electricity Distribution Network Operators (DNOS). The 11 responses were the total number of representations received in response to the changes proposed to both the SEI and SECV Guidance Documents.

Annex 1 to this direction. Some other comments were more substantive and we have summarised these comments and set out our responses in a table in Annex 1 to this direction.

#### **Now therefore**

5. In accordance with paragraph 1E.29 of Special Condition 1E of the Licence, the Authority hereby issues the modified SEI Guidance Document as contained in Annex 2. This decision will take effect immediately.
6. This document constitutes a direction issued by the Authority under paragraph 1E.29 of Special Condition 1E.

#### **Gas Transmission networks** **National Grid Gas plc (NGGT)**

#### **Direction under paragraph 2C.9 Part C of Special Condition 2C (Stakeholder Satisfaction Output) of the Gas Transporter Licence (“the Licence”) to issue the Stakeholder Engagement Incentive Guidance (SEI) Document.**

1. The company listed above is the holder of a Gas Transporter Licence (the Licence) granted or treated as granted under section 7 of the Gas Act 1986 (the Act).
2. Pursuant to paragraph 2C.10 Part C of Special Condition 2C of the Licence, the Gas and Electricity Markets Authority (the Authority) gave notice on 5 November (the Notice) that it proposed to modify the Stakeholder Engagement Incentive (SEI) Guidance Document. The Notice invited any representations on the proposed modifications to made on or before 3 December 2018.
3. The Authority received 11 responses to the Notice.<sup>2</sup> All non-confidential responses have been placed on the Ofgem website.
4. The Authority has carefully considered all representations received. Some respondents proposed further minor amendments, linked to the changes consulted on, which we have incorporated into the Guidance. These amendments are listed in Annex 1 to this direction. Some other comments were more substantive and we have summarised these comments and set out our responses in a table in Annex 1 to this direction.

#### **Now therefore**

5. In accordance with Part C of Special Condition 2C of the Licence, the Authority hereby issues the modified SEI Guidance Document as contained in Annex 2. This decision will take effect immediately.
6. This document constitutes a direction issued by the Authority under paragraph 2C.10 of Special Condition 2C.

#### **Electricity Transmission networks** **Scottish Power Transmission Limited** **Scottish Hydro Electric Transmission plc** **National Grid Electricity Transmission plc (NGET)**

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<sup>2</sup> The Notice also invited representations to be made on the proposed modifications to the Stakeholder Engagement and Consumer Vulnerability Incentive (SECV) Guidance Document, which applies to the Electricity Distribution Network Operators (DNOS). The 11 responses were the total number of representations received in response to the changes proposed to both the SEI and SECV Guidance Documents.

**Direction under paragraph 3D.9 Part C of Special Condition 3D (Stakeholder Satisfaction Output) of the Electricity Transmission Licence (“the Licence”) to issue the Stakeholder Engagement Incentive Guidance (SEI) Document.**

1. Each of the companies listed above is the holder of a Electricity Transmission Licence (the licence) granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (the Act).
2. Pursuant to paragraph 3D.10 part C of Special Condition 3D of the Licence, the Gas and Electricity Markets Authority (the Authority) gave notice on 5 November 2018 (the Notice) that it proposed to modify the Stakeholder Engagement Incentive (SEI) Guidance Document. The Notice invited any representations on the proposed modifications to made on or before 3 December 2018.
3. The Authority received 11 responses to the Notice.<sup>3</sup> All non-confidential responses have been placed on the Ofgem website.
4. The Authority has carefully considered all representations received. Some respondents proposed further minor amendments, linked to the changes consulted on, which we have incorporated into the Guidance. These amendments are listed in Annex 1 to this direction. Some other comments were more substantive and we have summarised these comments and set out our responses in a table in Annex 1 to this direction.

**Now therefore**

5. In accordance with the powers under Part C of Special Condition 3D of the Licence, the Authority hereby issues the modified SEI Guidance Document as contained in Annex 2. This decision will take effect immediately.
6. This document constitutes a direction issued by the Authority under paragraph 3D.9 of Special Condition 3D.

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

Duly authorised on behalf of the Gas and Electricity Markets Authority  
18 December 2018

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<sup>3</sup> The Notice also invited representations to be made on the proposed modifications to the Stakeholder Engagement and Consumer Vulnerability Incentive (SECV) Guidance Document, which applies to the Electricity Distribution Network Operators (DNOS). The 11 responses were the total number of representations received in response to the changes proposed to both the SEI and SECV Guidance Documents.

## **Annex 1 – Responses to the representations received**

Respondents were generally supportive of our proposed modifications to the SEI Guidance. Some respondents proposed minor amendments, linked to the changes consulted on, which we have incorporated into the Guidance. These amendments are:

- Typographical, aesthetic and grammatical corrections.
- Revision to paragraph 2.4 from 'we envisage that' to 'we expect', to clarify that Ofgem expects network companies to build on and highlight progress they have made from previous years in their Submissions.
- Revision to paragraph 3.5 setting out that the Part 2 Submission should include 'evidence' rather than 'information'. This is to ensure consistency with the SECV Guidance.
- Revisions to paragraph 4.8:
  - o Clarification that the maximum number of supplementary questions that will be asked by the Panel is 6 and that these questions will focus on the Part 2 Submission, as the Part 1 Submission is not scored by the Panel.
  - o Clarification that supplementary questions will be provided to the network company no later than 10 'working' days prior to the Panel Session.
  - o Clarification that additional information regarding the format of the presentations and question and answer sessions will be provided in advance of the supplementary questions being received.
- Addition of new paragraphs 4.12 and 4.13 which give more detailed information regarding the provision of feedback to network companies following the Panel Session.
- Revision to 4.14 (which was previously paragraph 4.12): A number of companies commented that the proposed publication date of the Panel Report by 30<sup>th</sup> November was too late making it difficult for companies to incorporate feedback into their businesses for the following year. We have amended the date by which the Panel Report will be published to the 30<sup>th</sup> September.
- Revision to paragraph 4.15 to add a sentence at the end regarding the publication of biographies of Panel Members in advance of the Panel Session. This is to ensure consistency with the SECV Guidance.
- Revision to paragraph 4.16 clarifying that the Panel will receive a copy of the Panel Assessment Criteria to undertake an initial assessment of the network company's Submission. This is to ensure consistency with the SECV Guidance.

Some other comments were more substantive. We have summarised these comments and set out our responses below:

Summary of responses on specific proposals /issues	Ofgem response
<p><b>Proposal/issue: Information to include in the Part 1 Submission and the minimum requirements check</b></p> <p>One respondent commented that clarification would be welcomed in regards to what should be included in the Part 1 Submission to ensure companies pass the minimum requirements check.</p>	<p>The table in paragraph 3.3 provides information regarding what should be considered when companies are writing their Part 1 Submission. The table is not intended to be an exhaustive list but rather provides guidance on what may be considered as evidence of meeting the minimum requirements. Companies must include sufficient detail in the Part 1 Submission such that they feel they have met all of the minimum requirements.</p>
<p><b>Proposal/issue: Information to include in the Part 1 Submission and the minimum requirements check</b></p> <p>One respondent suggested that it should be made clear that the Part 1 Submission is designed to determine entry to the incentive and for network companies to lay out their stakeholder engagement (and consumer vulnerability) strategies. These strategies therefore should not be repeated in other parts of the submission.</p>	<p>While network companies should avoid duplication in their submissions, they should also ensure that they have provided sufficient information in the other parts of their submissions to demonstrate that they have met the Panel Assessment Criteria.</p>
<p><b>Proposal/issue: Minimum requirements</b></p> <p>One respondent commented that the minimum requirements criteria should be set out clearly and published in the Guidance to ensure transparency and legitimacy.</p>	<p>To confirm, the minimum requirements are set out in paragraph 4.2 of the SEI Guidance.</p>
<p><b>Proposal/issue: Timing of the Panel Session</b></p> <p>Two respondents suggested that the Guidance should set out a date before which the Panel Session must actually take place, ie a backstop of 15 July for the session to be held.</p>	<p>While we do not propose to amend the SEI Guidance to introduce a backstop, as dates will vary from year to year, we endeavour to provide companies with information on timings as early as possible each year.</p>
<p><b>Proposal/issue: Panel Session Presentation</b></p> <p>In relation to introduction of the 10 minute presentation as part of the Panel Session, one respondent noted that the consultation does not articulate the format and whether there is a maximum length as detailed for the submissions. This should be clarified in the final Ofgem decision to provide a standard approach as this will allow Companies to focus on what is most important to their stakeholders.</p>	<p>Additional information regarding the format of the presentations and question and answer sessions will be provided in advance of the supplementary questions being received.</p>

<p><b>Proposal/issue: Panel scores</b></p> <p>One respondent suggested that scores against the Panel Assessment Criteria should be published in two forms – the scores initially given by the Panel prior to the Panel Session and the final score arrived at following the Panel Session. This would both increase transparency and provide greater clarity to networks as to the areas of improvement required to help better serve customers.</p> <p>Two respondents also suggested that if any amendments are made between the initial and final panel score, that this difference should be supported with detailed information on the reasoning, thus giving greater transparency and allowing learning from the process.</p>	<p>Although the Panel conduct an initial assessment of Submissions prior to the Panel Session, each Panel member does this independently. As such, there is no consolidated pre-Panel Session score, and therefore it is not possible to share a score prior to the Panel Session.</p>
<p><b>Proposal/issue: Other</b></p> <p>A number of respondents raised further considerations and suggested amendments to the SEI Guidance and incentive more generally, in particular with regards to the assessment criteria and how rewards are calibrated.</p>	<p>While are not seeking to make further changes to the SEI incentive at this time, and therefore have not made additional changes to the SEI Guidance, we will take these comments into consideration in respect of RIIO-2.</p>

## **Annex 2 – the Stakeholder Engagement and Consumer Vulnerability Guidance Document**

Attached as an associated document.