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James Veaney
Head of Distribution Policy
Ofgem
By email

26 January 2015

Dear Mr Veaney

Stakeholder Engagement and Consumer Vulnerability Incentive

Thank you for the opportunity to comment on this consultation about the incentive for electricity distribution networks (networks) to engage with their stakeholders under the RIIO-ED1 price control.

The role that networks can play in addressing issues of consumer vulnerability is often overlooked in debates about energy costs and services, being characterised as essentially a problem for the retail part of the supply chain. But with network costs (transmission and distribution) accounting for approximately 20 per cent of the average dual fuel bill and electricity distribution networks providing a critical role in supporting people during power outages, a broader view is needed if vulnerability is to be addressed in a meaningful way.

Citizens Advice therefore supports Ofgem's proposals to strengthen the renamed Stakeholder Engagement and Consumer Vulnerability Incentive, in particular by making issues of consumer vulnerability more explicit in the governance arrangements that support this element of the RIIO-ED1 framework. We do however believe it is important to make it clear that these proposals, if implemented, do not introduce new obligations on networks: obligations to develop and implement plans to support vulnerable consumers are a key feature of the RIIO-ED1 Strategy Decision that was issued in March 2013.¹ The updated governance arrangements that are proposed in the consultation document should however increase the level of confidence that these commitments will be delivered.

This is important because we have expressed concerns that the link between the performance of the networks, and the payment of incentives was not as clear as it should be

¹ See p 28, Strategy Decision for the RIIO-ED1 Price Control Determination, Ofgem, 4 March 2013, <http://tinyurl.com/pxwt4ue>

in previous price controls, contributing to a situation where financial 'outperformance' appeared to become the default outcome.²

The appointment of an independent party to assess and report on the networks' stakeholder engagement performance will strengthen the link for this particular incentive, while the introduction of a set of "Consumer Vulnerability" criteria, as well as a revised scorecard, will also provide a more objective and consistent framework about how the DNOs are applying solutions for vulnerable consumers, and embedding these into their business as usual practices.

The other aspect of the link between performance and revenue that must be considered is the need for transparency. Citizens Advice is currently examining how well served consumers are by the reporting arrangements under the RIIO price controls and this work has highlighted the importance of communicating information about the payment of incentives in an open and accessible way. One thing that is not clear from the consultation document or the draft guidance is whether these reports will be made publicly available. Our strong recommendation is for this information to be published so that in addition to informing the assessment by the Stakeholder Engagement Board, it will also provide consumers and organisations like Citizens Advice with an accessible point of reference to help them draw their own conclusions about the performance of the networks.

Please do not hesitate to contact me if you would like to discuss this submission further.

Yours sincerely



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² See Citizens Advice submission on Draft Determination for RIIO-ED1 Slow Track companies, 23 September 2014, <http://tinyurl.com/pdca15g>