

Customer Satisfaction & Stakeholder Engagement Measures

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As set out in our July Business Plan, SHETL is committed to early and effective engagement and consultation with our customers and stakeholders and using this to inform our plans and activities. Service is one of our core values and we strive to deliver the best possible service to all of our customers and stakeholders at all times. Our Business Plan proposed to introduce new measures to improve and monitor our customer service, based on customer feedback.

We therefore welcome and support Ofgem's intentions to ensure customers and stakeholders are at the centre of the development and delivery of the Transmission Owners' (TOs') Business Plans for the RIIO-T1 period and beyond.

This document sets out Ofgem's strategy position from March 2011, the proposals in our July Business Plan and the further work we have done since then.

Ofgem's Strategy Position

In its Strategy for the next transmission price control - RIIO-T1 Outputs and incentives document (published in March 2011), Ofgem set out its proposed Customer Satisfaction and Stakeholder Engagement Mechanisms as summarised below. For the first time, transmission licensees will have Primary Outputs that

are directly connected to customer and stakeholder views.

In its March paper, Ofgem recognised that our customer base is different from other TOs. We welcome this and set out in our July Business Plan how we intend to introduce measures that meet the needs of you, our customers and stakeholders. This also provides valuable opportunities for you to provide your feedback on what we do well and where you would like to see improvement, as well as updating you on our thinking and major developments.

Ofgem is intending to use the following mechanisms to measure our performance:

Customer Satisfaction

"We expect network companies to develop and further refine customer satisfaction surveys that will be used to set the level of performance for the primary output....We have increased the level of the financial incentive attached to the survey to an equivalent of +/- 1% of allowed base revenue per annum. This is because of the:

- *need to create a step-change in network company behaviour with respect to their performance in monitoring and driving customer satisfaction*



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- *way it reflects a range of elements of outcomes that are otherwise difficult to define through output measures*
- *way the incentive (particularly in the case of the Scottish TOs) will reflect the quality of their performance in developing connections.”*

Stakeholder Engagement

“We will attach a discretionary financial incentive to performance in this area worth up to 0.5% of allowed base revenue. The size of this reward reflects the importance we place on the TOs being able to anticipate and respond to the needs of stakeholders throughout RIIO-T1.”

We support these mechanisms, although our July Business Plan included proposals to go further, and we have set out the development of our thinking below.

Ofgem have convened a series of working group meetings to discuss the development of the Customer Satisfaction Survey with representatives from all of the TOs. These have been supported by TO meetings to progress activity in this area and SHETL has actively participated in all of these meetings. To date, there has been no further development of the discretionary award for stakeholder engagement from Ofgem, although we anticipate this early in 2012.

Proposals in our July Business Plan

In our Business Plan, we set out our support for the introduction of a customer service output, reflecting a very important aspect of our business activities. We recognised the wide range of parties that are affected by our activities and the different interests that these parties have.

Through the Stakeholder Engagement process that we undertook to assist the development and refinement of our Business Plan, it became apparent that not all stakeholders were clear on the activities of SHETL and what they could expect us to deliver. We therefore committed to develop a set of customer service standards, our Customer Charter, which will set out what customers and stakeholders can expect from SHETL and allow for a transparent assessment of our performance.

The connections process was highlighted as an area of great importance to a number of our customers and stakeholders and we recognise the complexity it can present to those less familiar with industry codes. Our Business Plan committed us to do more to provide a simple, customer-facing explanation of the process and to work with other industry parties to facilitate this.

Our Business Plan also set out our proposals for the customer satisfaction survey proposed by Ofgem. However, given the small number of customers

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directly connected to our network and taking on board stakeholder views, we noted the potential challenges in finding a statistically meaningful outcome.

We also set out the types of questions that we expect to form the basis of our customer satisfaction survey and our proposed approach to tailoring the survey to meet the needs of respondents. We identified 9 customer and stakeholder groups, based on the nature and degree of interaction with SHETL, and proposed indicative questions for each group. Given the potentially small sample size, we suggested that stakeholders should also be able to participate in the satisfaction survey, with appropriately targeted questions.

In our cost forecasts provided to Ofgem, we did not include the incremental cost associated with the survey or increasing stakeholder engagement as we anticipated these being funded through the incentive mechanism.

SHETL's updated view

Since publishing our Business Plan in July, we have continued to develop and refine our thinking on customer and stakeholder measures. The feedback provided in response to our consultation on Energy Not Supplied and meetings with consumer representatives have been very helpful in increasing our understanding of what our stakeholders require

from us. In particular, we recognise the time pressures facing many of our customers and stakeholders and the challenges presented by tight deadlines.

Developing our Customer Charter

We also acknowledge the need for greater communication to some stakeholders on the activities of SHETL and our relationships with other industry parties. We are in the process of developing our Customer Charter and are currently expecting to publish a draft for consultation in the summer of 2012. In this Customer Charter, we will set out our activities and the standards that we believe are transparent and easy for stakeholders to measure our performance against, and we are keen to receive feedback on our approach.

We will develop a basket of standards based on areas that matter to our customers and stakeholders. Examples that we anticipate forming part of this basket include:

- Our telephone response time, i.e. a commitment to answer calls within a specified time;
- Customers seeking a direct connection to our network will receive confirmation of receipt of their application and a letter setting out next steps within a specified time of us receiving their application from the SO;

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- Customers seeking a direct connection to our network will receive their connection offer within ninety days; and
- In non-emergency situations, landowners will be given at least 5 working days notice of any requirement to access equipment on their land.

As part of our consultation process, we will check the relevance of our approach with our customers and stakeholders to ensure we focus on the right areas.

Progressing our Customer Satisfaction Survey

Since July, we have continued to develop our thinking on how we will introduce our Customer Satisfaction Survey, liaising with Ofgem and other TOs. Two issues are very important to us in developing this, namely:

- Gathering customers' and stakeholders' views on our performance in a way that best suits them; and
- Ensuring this results in a meaningful measure that helps focus us to improve our performance.

1. Gathering customers' and stakeholders' views on our performance in a way that best suits them

We believe this is a key element of our stakeholder engagement as it provides an opportunity for customers and stakeholders to provide direct

feedback on our activities. In order for the Survey to deliver real value, we believe it is essential that it is delivered in a way that suits the respondent's requirements and does not follow a 'one size fits all approach'.

In particular, we recognise the time pressures facing our stakeholders and the feedback provided in relation to the volume of consultations, information requests and surveys that they are faced with, and the limits on the time available for completion of surveys of this nature. It is therefore our priority to ensure that our survey is concise and relevant, with scope for stakeholders to expand on their answers if they wish.

To assist with keeping the time requirement to a minimum for participants, we have been discussing with Ofgem the potential for using the results of the performance standards from our Customer Charter to support and inform the Customer Satisfaction Survey. We believe this is particularly valuable for those of our stakeholders who are happy with our performance and perhaps are not aware of where there are opportunities for us to improve or have limited time to respond.

Ultimately, we believe that the Survey must meet customers' and stakeholders' needs in an efficient and valuable manner that furthers ongoing relationships between parties.



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2. Ensuring this results in a meaningful measure that helps focus us to improve our performance

As outlined in our Business Plan, we believe that it is essential that the introduction of a financial incentive associated with the survey element is dependent on the confidence that we have in the outturn data. We have been discussing how this can be achieved with Ofgem.

We have a relatively small number of directly connected customers and a wide range of stakeholders with interests in our activities. In ensuring that this is a meaningful measure, we believe it is important to reflect this diversity in our customers and stakeholders.

We recognise that, as interested parties, all of our stakeholders have valuable opinions on our activities and we are keen to hear these. Some of these are subjective and some relate to wider energy policy that it is outside of our control. There are a also number of sensitivities that we believe it is essential to handle carefully in relation to our interaction with the System Operator. While we are interested to understand all of the views that our stakeholders wish to share with us, the opportunities for us to act upon some of this feedback is limited. We therefore need to ensure that such views can be treated appropriately within the measure, without diluting the opportunity for feedback on our performance.

A broad approach that encompasses the Customer Satisfaction Survey, seeking feedback from customers and stakeholders alongside transparent performance standards and recognition of quality stakeholder engagement, appears to us to be a sensible approach to ensuring this is a meaningful measure.

We expect to continue developing our Customer Satisfaction Survey over the coming months and intend to be in a position to start trials in April 2012. As we do so, we will be grateful for separate feedback from our stakeholders on the survey process and its suitability for capturing your views.

Ongoing Stakeholder Engagement

As stated above, meaningful stakeholder engagement that adds value to our stakeholders and to us is very important to SHETL, and we are looking at how this can be achieved on an ongoing basis. We believe that genuine stakeholder engagement requires interactive and participative communication. We are therefore very keen to understand more fully what works for different groups of stakeholders and how we can respond to differing needs effectively and efficiently. We recognise that there are many opportunities to develop this area of our activity, in line with best practice, and are considering how we can continually improve this element of our activity. We anticipate providing a draft strategy alongside our Customer Charter and would appreciate our

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stakeholders' thoughts on the suitability of our approach.

In relation to the Stakeholder Engagement Discretionary Award, we are looking for clarity from Ofgem on how this will operate and will review our thinking further once this is available.

Next Steps

We will be finalising our thinking over the next couple of months, seeking to further understand best practice in this area. In light of this, we anticipate introducing a trial survey in April 2012.

We will also continue to refine our Customer Charter and will publish this in draft format for consultation in the summer of 2012, along with our draft stakeholder engagement strategy.

