



## How the RIIO framework is supporting us to deliver for customers in ED1

RIIO-2 Framework Consultation response – Appendix 1

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ENWL is the DNO covering the north west of England. We serve 5 million domestic customers in 2.4 million premises, across a diverse range of locations, from the very urban Greater Manchester to very rural parts of Cumbria, Lancashire and Cheshire.

Our shareholders are a group of infrastructure funds. Many of the investors in those funds are local authority and public sector pension funds. These funds and authorities in turn represent millions of families and retirees, and to deliver on their promises and obligations, they rely on long-term stable returns and value the RPI-linked basis of returns which aligns with their pension liabilities (often RPI-linked).

ENWL's performance across the board is good, meeting all targets and performing at the upper quartile for interruptions and connections time to quote and connect, with improving customer service and a low cost per customer.

We have recently reviewed our Purpose and Principles to better articulate the vital role we play for the region during this period of radical change in the industry. Our new Purpose: "Together we have the energy to transform our communities", clearly demonstrates ENWL's commitment to its customers and stakeholders and its forward looking approach to the role played by energy networks.

We continue to invest to ensure sustained improvements in reliability. Our Customer Satisfaction performance is improving and we are challenging ourselves to maintain this trajectory. To assist this, we are members of the Institute of Customer Service (ICS) and use this to track our performance and challenge our thinking against a wide range of organisations. Our most recent score from the ICS was 85.4, which compares to Amazon, highest ranked at 86.6; First Direct, second at 86.1; and John Lewis, fifth at 85.0<sup>1</sup>. The highest ranked utility company was OVO Energy at 81.5. We recognise that there is scope for continued improvement in this area to ensure we are able to meet our customers' expectations. As research by the ICS has demonstrated the strong link between an organisation's climate and its ability to deliver high quality customer service, we see investing in our team as an important part of this improvement. We were therefore delighted to win the ICS 2018 Employee Engagement Strategy Award<sup>2</sup> and see this as an important step in our drive for improvement.

We distribute electricity to some of the most socially and economically deprived communities in the UK. It is a key part of our Purpose to support the North West community and in particular those customers who become vulnerable as a result of the operation of our network. In 2017/18, we invested £115k in developing services to support fuel poor customers, facing a range of different circumstances, through partnerships with other agencies in our region. Investment is being targeted to areas of higher levels of deprivation, recognising that the options available to these customers in the event of an interruption are significantly reduced compared to those customers who may be able to take the family out for tea, for example, if their power is interrupted.

In partnership with our Sustainability Advisory Panel, we've improved our operational environmental performance and continue to identify future opportunities. In the RIIO-ED1 plan, we targeted a 10% reduction in carbon footprint by 2023. By 2016/17, a 13.9% reduction in our carbon emissions was achieved compared to the 2014/15 baseline, delivering our business plan commitment early. Outperformance is due to energy reduction in buildings and less vehicle fuel being used. Oil-filled

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<sup>1</sup> Institute of Customer Service, 'Customer Service Satisfaction Index: January 2018', <https://www.instituteofcustomerservice.com/media/pdf/ukcsi-january-2018-state-of-the-nation-report-final-2308.pdf>

<sup>2</sup> <https://www.instituteofcustomerservice.com/events/uk-customer-satisfaction-awards-1>

cables have been replaced with environmentally friendly oil-free alternatives, with 10km being replaced in 2017/18, and we responded quickly to leaks on legacy circuits. We are working with our Sustainability Advisory Panel and other stakeholders to explore how we can prioritise further improvements.

Looking to the future, ENWL is increasingly operating in a dynamic, rapidly changing environment. Customers in the North West rely on us now more than ever before. It is no longer appropriate to say we just ‘keep the lights on’. We keep customers connected with friends, family and the wider world; keep their electric cars running; ensure their house is warm and enable them to work smarter and more flexibly and fully participate in the decarbonisation and innovation in the electricity market. We are actively preparing and have started the transition from being a DNO to becoming a Distribution System Operator (DSO) which will be key to ensuring the changing needs of customers are met whilst ensuring this remains affordable.

Stakeholders have said that the changing energy landscape requires a skilled workforce. We are seeking to address this through an education outreach programme and our apprenticeship and graduate programmes. Our outreach Bright Sparks programme, delivered 140 workshops to 4,000 primary school pupils across the region in 2017/18. 32 new apprentices joined in May 2017, bringing the total number trained to more than 200. Four graduates have also been recruited onto a two year programme benefiting from training and on-the-job experience throughout the organisation, providing a pipeline of talent.

ENWL supports the use of competition within the energy networks where it can be demonstrated to be in the interests of customers, current and future. During the DPCR5 period, ENWL successfully passed the competition test in seven out of the nine segments for delivering connections to its network, demonstrating to Ofgem’s satisfaction that competition is viable in these segments. This year we have published four work plans to set out the steps we are taking to improve the services we offer to connecting customers and to support competition in this activity<sup>3</sup>. Three of these are required under the Incentive for Connections Engagement (ICE). The fourth covers our voluntary commitments for Distributed Generation High Voltage / Extra High Voltage stakeholders and is not subject to ICE. We hope that this fourth plan will make the process clearer for these customers and stakeholders.

We see an increased role for DNOs to facilitate competition as we move forward and have recently launched our Expression of Interest<sup>4</sup>, seeking to use commercial arrangements with providers of flexibility services as an alternative response to specific challenges on our network.

The RIIO-ED1 incentive framework (including Information Quality Incentive (IQI)) encourages us to both invest and search for innovative ways to continuously improve our business throughout the price control period resulting in an improving customer experience. It does this by ensuring both shareholders and customers financially benefit from the improvements secured over ED1. This has resulted in ENWL making additional investments in the business to deliver the first active network management system capable of true merit order pricing; new roles to support the development of Community Energy and the DSO transition; discretionary quality of supply improvements; extensive flood resilience works; increased network capacity (through both traditional and alternative arrangements; and the implementation of our CLASS project (discussed further in Appendix 4). These investments are justified on the basis of improved returns during the ED1 period.

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<sup>3</sup> <https://www.enwl.co.uk/get-connected/incentive-on-connections-engagement/ice-2/>

<sup>4</sup> <https://www.enwl.co.uk/innovation/our-approach/flexible-services/>

The RIIO-ED1 Framework provides a robust foundation for ensuring the ENWL network delivers for customers and stakeholders. In Ofgem's 2016-17 annual report, recognition is given to our investments to deliver network performance; reduction in both number of customer interruptions and duration of these interruptions; improvements in customer service; as well as environmental improvements and consistent adherence to all relevant HSE standards. We therefore believe it is essential that the developments in the application of the RIIO Framework that were capitalised upon in setting the ED1 slow track price control are taken into account as part of establishing the arrangements for the RIIO-2 reviews.