Annex 3A
Quality of Engagement Assessment Framework

Last updated August 2019

Purpose

- This framework was used by the independent Cadent CEG to inform our assessment of the quality of Cadent's engagement activity
- We shared it with the company

Context

- Ofgem's RIIO-2 Sector Specific Methodology outlines that "**the aim of the enhanced engagement process is to give consumers a stronger voice** both in the price control settlement process and in the day-to-day business of the network companies."

- Ofgem is seeking views from the CEG on the **quality of Cadent's engagement** including whether robust *and high-quality engagement* **has contributed** to the development of **the business plan** and on the quality and robustness of its *ongoing* engagement approach. This should include providing views on the quality of the network company's engagement with the CEG

- If Cadent's engagement is deemed unsatisfactory it may be penalised. If the company fails to engage adequately with the RIIO 2 Challenge Group, or the CEG it "may face a penalty as part of the Business Plan incentive."

- The regulator expects companies to submit a **clear strategy and plan for stakeholder engagement** during the price control period. This strategy should be informed by the CEG and describe how the companies will incorporate best practice from RIIO-1 into their activities. "It could also list the specific activities, deliverables, and targets the companies are aiming for."

- The regulator expects the Business Plan to "demonstrate the **range of activities that companies will undertake to achieve this**, including how they will **report on the delivery** of the Business Plan commitments and what ongoing role the groups could play in holding them to account". (p.22)

- The regulator has outlined **eight minimum principles for engagement –** this is not an exclusive list. **In addition they are seeking CEG views on the quality of network company's engagement.** There is not an agreed engagement assessment framework across CEG chairs.

In developing this framework we have considered the following good practice engagement guidance documents:

- The AccountAbility AA1000 Stakeholder Engagement Standard

- Citizens Advice's, 'Strengthening the voice of consumers in energy networks' business planning' report

- The UK Regulators Networks' 'making better use of data report'

- Ofwat's 'seven principles of good customer engagement' and their Corporate Culture's 'Tapped In' report.

In addition we have considered National Grid User Group's principles for good quality engagement as they were kindly shared.

Criteria 1 – Strategic & proportionate

Including how the company's approach reflects the particular circumstances of the company's geographic regions and its various network users, both domestic and industrial

Key areas of consideration	Evidence
Vision	Does the company have a clear ambition for its engagement, where appropriate, a consistent narrative that takes forward the approach in RIIO1 or links to its wider strategy?
Mapping	Has the company mapped and appropriately segmented its customers and key stakeholders? Did the approach consider current and future consumers, individual customers and the public and community interest alongside harder-to-reach groups?
Gap analysis	Has the company carried out a gap analysis, to understand where it most needs to engage, with whom and on what issues? Did the company review its strengths and weaknesses in terms of engagement?
Forward planning	Did the company clearly plan its engagement activity, building in opportunities for review, iteration, and ability to respond to emerging views and CEG input? Did it consider how it would vary its approach to ensure it was inclusive of different types of network users, both domestic and industrial and its different regions?
Proportionality	Was/is the overall scale and approach to engagement proportionate to the company's size, needs, role and stakeholder expectations?
Resourcing	Is engagement appropriately resourced and planned, e.g. skills, time, financially – allowing sufficient time for input and challenge?
Targeting	Does the company have clear engagement aims and research questions clearly identifying who it needs to engage with to address which questions? Is the company engaging on issues where customers' views can genuinely make a difference and on issues that matter most to customers and communities, including on contentious issues/areas?
Approach selection	Is the company using an appropriate range of approaches including best practice - consider the "spectrum of participation" and difference between each part of that spectrum – inform, listen, understand, consult, involve, collaborate, participate, co-create and empower? – has it considered the best approach for its aims including on risk, resilience and future consumer issues.
Partnerships	Has the company considered from the outset where engagement can best be done in partnership or collaboration with other organisations?
Lessons learned	Has the company reviewed and applied lessons learnt from its RIIO1 engagement and the stakeholder incentives? If so what?

Criteria 2 – Inclusive

Of all stakeholders, including consideration of hard to reach groups as well as the needs of both existing and future consumers

Key areas of consideration	Evidence
Inclusive of all stakeholders	Has the company effectively engaged with and understood the needs and requirements of its different customers and stakeholders (as appropriate) including: • Circumstances that make them vulnerable? • Views across the whole of its geographic regions? • Different types of businesses • Younger people/future consumers? • Its staff? • Its board, including shareholders? • Community and public interest groups?
Accessible engagement	Did the Company make business plan engagement as accessible as possible? For example, in consideration of: the tasks and timelines; contact persons; technologies; ground rules; comfort requirements; accessibility of locations and materials; resource requirements; budgets; channels of communication; monitoring and evaluation; neutrality of locations; need for anonymity; religion; family and other responsibilities; time; language barriers; disability. • Are the company's communications clear and inclusively designed (easy to read, understand, in plain English)? • Was the engagement approach appropriate to the group's level of knowledge, interests, and nature of its relationship with Cadent?

Criteria 3 – Responsive to stakeholder needs

Including how the company will maintain up to date understanding of stakeholders needs as well as how it will ensure views are captured and incorporated into day to day operation of the business

Key areas of consideration	Evidence
Customer & consumer mapping	Across the business, does the company have a clear understanding of who its customers and consumers are? Has it mapped and segmented them across the region as appropriate? Is there a mechanism to keep this up to date?
Stakeholder mapping	Does the company have a mechanism to map and keep up to date its stakeholders, so as to ensure the views of all relevant stakeholders are heard as appropriate? In practice is stakeholder mapping applied across Cadent?
Horizon scanning	Across the business does the company have processes in place to systematically horizon scan new research, innovation and approaches? Does the company consider the wider strategic context in which it is operating and how this will impact its customers, their priorities and needs, e.g. attitudinal trends, political, strategic, technological, economic, legal changes, etc?
From data to insight	Does the company have a mechanism to capture data and turn this into insight and learning in a timely way?
Resourcing	Is engagement appropriately resourced - time, money, skills, training etc.?
Monitoring & evaluation	Does the company have in place mechanisms to monitor, review, and evaluate the effectiveness of engagement approaches?

Criteria 4: Ambitious and well-evidenced PCs

- Including how the company has established performance commitments which are appropriate, well-evidenced and stretching

Three levels of output category

1. Licence obligations (LOs)

2. Price control deliverables (PCDs)

3. Output and Delivery Incentives (ODIs)

"Companies have the opportunity to **propose bespoke outputs in collaboration with their stakeholders and customer engagement groups…** This could be bespoke PCDs or ODIs"

Overview – Ofgem guidance says

"The business plan must set out the **outputs the company will deliver** in RIIO2 price control period and **how it will do this**… including **planning** and **resourcing** requirements especially where activities increase"

Ofgem questions	Sub questions/evidence
1. Stakeholders views - Do the commitments reflect the network services that current and *future* customers and wider stakeholders require?	Who has been engaged with/going to be engaged with on what issues? What are their views? Wider customer insight and horizon scanning? Do they understand needs of current & future customers?
2. Evidence base - Are outputs backed by robust evidence and justification (such as cost benefit analyses)	Beyond stakeholder insight – are they backed by wider evidence base used - quality? Is it clear why this output and not another has been selected?
3. **Measures - Are they measurable and reportable? Do they allow comparison across companies? How reflect long-term nature of outputs?**	What is the measure/why has it been selected/what other measures were considered? Stakeholder views on measure? Any unintended consequences?
4. Targets - Do they deliver stretching targets?	Consider **historic** and current performance, **comparative** performance (in and out of sector where applicable); **measures adopting** – are they good practice? Benchmarking? **Cross-checked against CBA**
5. Deliverability - How are they planning to deliver this? What activities are they proposing	What measures are they proposing to meet the target? How do they compare to good practice/benchmarking? Are any innovative? Are the skills and resource sufficient given the commitment? What's the deliverability curve? Willingness to pay?
6. **Value for money - Do they demonstrate value for money for current and future customers?**	What are the proposed costs/bill impact? Is it best dealt with through the price control rather than a government body or other? The extent to which the new measure represents and improvement in service? Is there any double counting with other outputs?
7. **Incentive** selected – what kind of incentive has been selected and why? Reputational v financial?	Is the value that consumers will receive from the proposed new service level and by extension any penalty?

Bespoke outputs – information required

- **Plus+**
- Customer and stakeholder views and how they have been responded to
- Views on the measure, the proposals that underpin it and from experts on the ambition level/'stretch'
- Benchmarking
- Value

Output	Measure	Incentive	Performance end RIIO1	Target end RIIO2	Total % & number Change	Annual rate of change	Target to 2030	Reward potential	Penalty	Projected cost & bill impact
Fuel poor gas connections only scheme										
Enhanced fuel poor interventions										

Criteria 5 – Transparent

Including how the company will measure progress against its commitments as well as any consequences for non-delivery of commitments

Key areas of consideration	Evidence and commentary
Performance information	Does the company make performance information, especially on issues that matter to stakeholders, easy to access including good and bad performance? This should include not just service performance but more widely e.g. gender pay gap, diversity figures, executive pay etc.
Feeding back to stakeholders	Has the company been transparent about its decisions feeding back to stakeholders why it has taken the decisions it has/how it has incorporated their views?
Framing of engagement	Was research appropriately framed – providing customers with the right kind and balance of information needed to give informed views without leading them?
Openness	If appropriate, did the company effectively inform and engage customers on its current levels of performance and how this compares to other companies in a way customers could be expected to understand? Also making clear what is mandatory and where Cadent is genuinely going above and beyond?
Costs and activities	Is the company transparent about costs and activities where appropriate? E.g. what makes up the customer bill? Tax arrangements?

Criteria 6 – Outcomes value (want/need) at price willing to pay

Deliver outcomes that network users and society value at a price they are willing to pay. The plan should provide evidence that costs associated with the delivery of commitments are efficient and provide value for money. This should include resource commitments to support engagement.

Key areas of consideration	Evidence and commentary
Quality of insight	Does the CEG have confidence in the quality of the stakeholder feedback and insight in the evidence base – if not where and why not? Does Cadent have a robust evidence base on the issues that matter most to stakeholders and where engagement can realistically influence the outcome? Is it an accurate reflection of the views of current and future customer and stakeholder?
Quality of evidence base	Has Cadent used a good range of available relevant sources of information to identify customer priorities and views, e.g. operational data, bespoke research, wider third party insight? Has the company been objective in how it has interpreted customers' views rather than seeking to endorse its own priorities?
Golden thread	Is there a clear and transparent link between what current and future stakeholders and the public interest want, need and prioritise and the proposals, commitments and end bill outlined in the business plan?
Trade-offs	Is its triangulation and cross-referencing process robust and transparent, e.g. including the weighting of evidence and how any potential conflicts and trade-offs may have been made? E.g. between current and future consumers, different types of business customer etc. Has the company thought about the distributional impacts of its decisions?
Willingness to pay research /Business Options Testing	Is the WTP research robust? Do the proposals appropriately consider different customer segments willingness to pay? Where certain segments are negatively impacted has the company considered how they will address this?
Engaging to deliver efficiency	Has the company considered how engagement can help it to deliver each of its commitments more effectively and efficiently?
Acceptability testing	Is the overall acceptability testing robust? Is the overall acceptability of the plan good? Where certain segments are identified as not supportive of the plan, has action been taken to address their concerns?
Consumer value proposition	Does the plan clearly demonstrate how it delivers value to current and future customers and wider society?

Golden thread
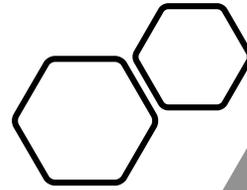
- At every level of your business plan, we are looking to see a clear link between the evidence base, **including stakeholder wants, needs and priorities** and Cadent's proposals, and the end projected costs on the bill

  - High level waterfall type diagram (overview)

  - Link between diagram and detailed explanation
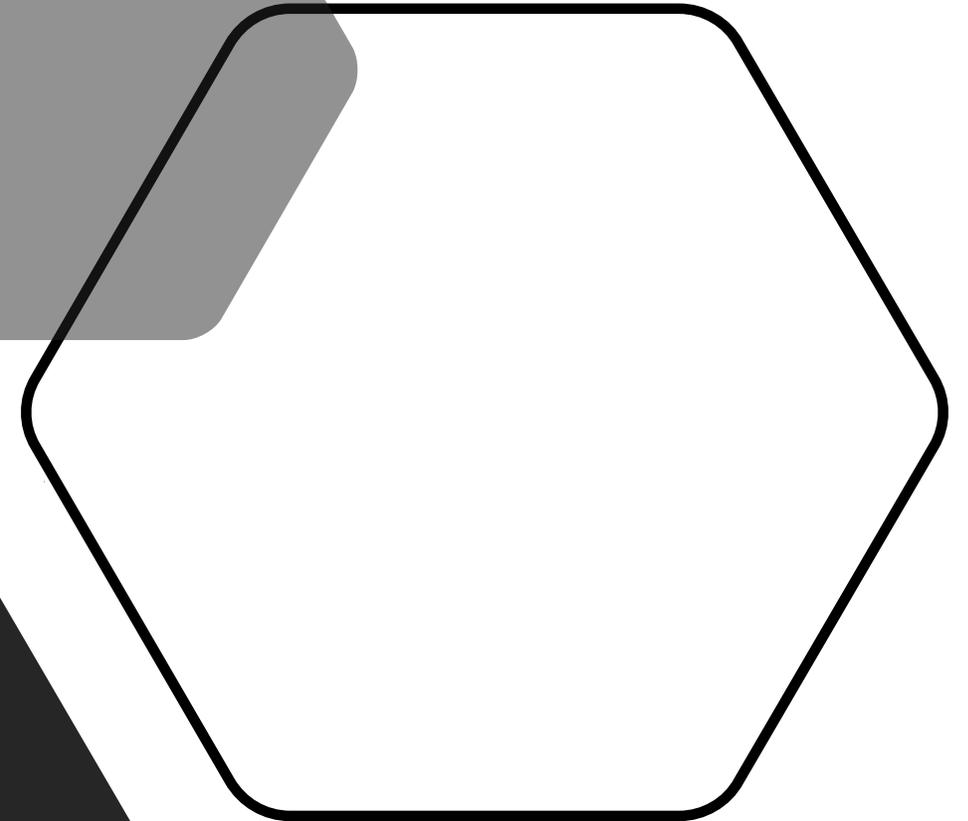
Areas where we would expect to see stakeholder views

- **Overarching** BP **priorities** - commitments e.g. tackling affordability and vulnerability

- **Focus areas** within these commitments e.g. fuel poor connections, enhanced support

- **Performance commitments** e.g. number of fuel poor connections

- **Proposals** - *what* you are doing to deliver on these and how e.g. how you will improve targeting and take-up

- **Willingness to pay –** how this informs the approach

- **Acceptability** of the plan

Not about engaging with all stakeholders and customers on all issues – it's about engaging with the right customers at the right time

Stakeholder priority	Improving the experience of all consumers	
	Tackling affordability and fuel poverty	
	Fuel poor connections	**Potential for wider support**
Regulatory & policy considerations		
Key questions to stakeholders		
Who engaged with		
Bespoke research (pull out partnership. Innovative) (at the moment hard to follow the story different types engagement in together) Use an I or something if innovative		
Partnership working		
Stakeholder's said	.	
Inclusivity assessment (regional/representative)		
Key BAU sources		
BAU insight		
Third party sources incl. good practice		
Key third party Insight & horizon scanning		
Key tensions/trade offs including future consumer and regional issues		
What you're not doing that requested/rationale		
How influenced BP/decision making	Spending profit on business plan (community fund) Expand	

Outputs	Tackling affordability and vulnerability		
Performance commitment			
Type (Kpi, odi etc)			
Measure (definition adopted)			
Targets			
Incentive			
Proposals to deliver target			
Cost RIIO 2			
Stakeholders on PCs engaged			
Key stakeholder views on PC, measure and targets (annex)			
Trade offs/tensions – what not doing and why			
Changes made			
Customer WTP (segmented)			
End bill cost			
Consumer benefit			

Criteria 7 – Leadership and embedded

Demonstrate senior level buy-in and that engagement runs through all levels of the organisation

Key areas of consideration	Evidence and commentary
Board commitment	Is there evidence of board commitment to engagement e.g. in vision, governance, remuneration, resourcing?
Customer engagement strategy	Does the company have a robust customer engagement strategy? Has this been developed by staff and are they bought into it?
Engagement in practice	Is there evidence that teams across the business understand the benefits of engagement and regularly carry out engagement activity?
Engaging for efficiency and effectiveness	Has the company outlined how it will use engagement to deliver on its business plan commitments more efficiently and effectively?
Resourcing	Investment in training, resourses

The following is adapted from Corporate Culture's engagement maturity model:

Evidence of	Starting up	Making progress	Leading
Commitment	Evidence of commitment to act e.g. resource commitment, leadership, dedicated team	Evidence of willingness to share	Evidence of willingness to lead inside and outside of the sector
Planning	Evidence of customer participation strategy and alignment to business strategy, plans and objectives. Stakeholder mapping	Evidence of drawing on good practice outside sector. Evidence that stakeholder engagement is seen as key strategy for short, medium and long-term success	Evidence that customer engagement is embedded in the business
Delivery	Evidence of pilots and learning from pilots	Range of engagement activity including across the spectrum of engagement. Mechanisms to systematically capture data and translate into insight	Evidence of predicting and anticipating consumer needs, Evidence of innovation in delivery
Results	Evidence of a measurement framework including baselining customer engagement	Evidence of participation at scale and of an increase in customer participation over time	Evidence that customer participation is significantly contributing to business results

Criteria 8 – Good practice & innovation

Incorporates and builds on best practice methods learned from RIIO1 and considers best practice methods employed in other industries

Key areas of consideration	Evidence
Good practice	To what extent has Cadent incorporated and built on best practice methods learned from RIIO1 and considered best practice methods employed in other industries?
Horizon scanning	How/to what extent does the company seek to identify new ideas that could inform their approaches?
Innovation	As far as the CEG is aware, to what extent has the company been innovative in its approach?
Benchmarking	Has Cadent benchmarked itself against wider good practice/others and considered this in the design of its engagement and proposals? If so how? How has this influenced the approach?

Engagement with the CEG

Key areas of consideration	Evidence and commentary
Access to information	Has the CEG had full and timely access to the information it needs to carry out its role?
Openness	Has the company shared both good and bad information with the CEG? Has there been open and honest dialogue?
Open to challenge	Has the company been responsive to challenge and scrutiny and demonstrated how they have taken on board feedback from the group?
Access	Has the CEG had access to staff at all levels of the organisation including constructive engagement with Executive team, Board members especially sufficiently independent directors?
Independence	Has the CEG been able to be act independently without interference e.g. Chair recruiting own members, setting own agendas?