Consumer Benefit Analysis

External Guide

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nationalgrid

Introduction

Consumers, stakeholders, and customers want a safe, reliable and resilient network that can support the changing energy system of the future, whilst keeping bills low. They don't just care about what we deliver, but how we deliver it.

As an industry we need to:

- Understand our customer, stakeholder, and consumer priorities to understand how our thoughts, behaviours and actions impact them
- Endorse industry change that supports these priorities (or can be explained where it does not)
- Work together to implement changes that support the energy system of the future

Problem	Currently we do not sufficiently evidence that changes we introduce, and modifications we develop, have a positive impact for end consumers
Desired outcome	A Consumer Benefit Analysis that can be used when delivering change to demonstrate impact on end consumers. The opportunity to feed this into the relevant decision makers to reflect how the change will impact end consumers and influence accordingly.
Proposal	To introduce a consumer benefit model, aligning to Ofgem's five consumer outcomes, that reflects consumer value of a change or modification. Use the 5 consumer benefit categories, consistent with Ofgem's definitions, within our consultation responses and within any consultations issued to industry.

Benefits

The benefits of completing a Consumer Benefit Analysis includes:

- Enabling us to identify and evaluate costs vs reward – for example will the cost of implementing a project outweigh any potential benefits from its implementation
- Allows clear decision making by enabling interrogation of both the quantitative and qualitative benefits of a change, and therefore, whether to proceed

Consumer Benefit Analysis Model

Our Consumer Benefit Analysis Model uses 5 categories of potential benefit for end consumers which align to Ofgem's 5 consumer outcomes. These 5 categories, with our current priorities, are:

1. **Lower bills than would otherwise be the case**
    - Lower consumers' bills by controlling, reducing, and optimising spend on balancing and operating the system.
    - Feeding into and implementing a charging review that is to the benefit of end consumers and evaluating proposed changes for any end consumer benefits.
2. **Reduced environmental damage**
    - Support new providers and technologies to enter and compete in the existing and new markets.
    - Work innovatively to design novel solutions which ensure the system can operate safely and securely both now and, in the future.
3. **Improved safety and reliability**
    - Balancing the system, safely, securely and at optimum cost.
    - Flexibility to flow gas at the most efficient profile to lower operational costs and make sure GB consumers can access the cheapest sources of gas
4. **Improved quality of service**
    - Engage deeply across industry, including all stakeholders, listening to what is wanted and needed that may benefit end consumers; if a change is required that will not benefit being able to explain why the change is still required.
    - More of a focus on why and how we can improve quality of service.
    - Improved service quality ultimately benefits the consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.
5. **Benefits for society as a whole**
    - By 2050, energy system decarbonisation efforts could add 19 million jobs and $52trillion of gross domestic product (GDP) to the global economy, increasing the GDP of Northern and Western Europe by 1.25% and 2.5%, respectively.
    - It could also generate a 15% increase in global welfare and reduce negative health effects caused by local air pollution by 60%.

Any change that is developed or introduced throughout the industry or within the team should be measured against the criteria above. A change may impact on all areas or may be limited to only one of the five categories; it is not necessarily expected to impact on all areas.

Qualitative vs quantitative

There are 2 methods which can be used to assess a change against the above categories to complete a Consumer Benefit Analysis:

- Quantitative – A numerical estimate of the positive or negative consequences of the change, with information or data obtained using a quantifiable measurement process. This might relate to consumer bills, costs of potential regulatory risks, or quantifiable environmental impacts.

- Qualitative – An estimate of the positive or negative consequences of the change which cannot currently be quantified. Qualitative information records qualities that are descriptive, subjective or difficult to measure – this can provide more information about a change but does not enable direct comparison for the purposes of prioritisation.

Where applicable, we propose to use both qualitative and quantitative information in our Consumer Benefit Analysis.

Consumer Impact

There are several opportunities to weave Consumer Benefit Analysis into the change process:

- **Populating the 'consumer impacts' section on the modification template.** 'Consumer impacts' is a sub-heading within section 6 'Impacts and other considerations' of the modification template. This can be populated with initial thoughts from the proposer and worked up by the workgroup. Alternatively, this section can be developed by the workgroup.
- **Responding to industry consultations**. Where a modification is issued to Code Administrator Consultation (CAC) or other changes are subject to a consultation we can submit considerations of consumer impacts within our responses.
- **Issuing an industry consultation.** Where we, either collectively or as an organisation, issue a consultation we can ask those responding to provide comments regarding how they feel the change will benefit end consumers

Consumer Benefit Analysis Example Template and Questions

The table below suggests questions that should help form the basis of any qualitative data responses; these can be used for the purposes of contemplating consumer impacts on the modification form or responding to an industry consultation.

Category	Justification	Value (£)
1. Lower bills than would otherwise be the case	*Will your change lower or alter bills for consumers? Are there any associated assumptions e.g. "this is on the assumption that savings will be passed on to the end consumer by all parties…"* *Does your change seek to control, reduce and / or optimise spend on balancing and operating the system?*	
2. Reduced environmental damage	*Will this change support new providers and technologies to enter and compete in existing and new markets e.g. is this enabling new entrants, does this support hydrogen or lower greenhouse gases?*	
3. Improved safety & reliability	*Will this change ensure the system can operate safely and securely both now and in the future?* *Will this change support the balancing of the system, safely, securely and at optimum cost?* *Does this change introduce flexibility across the market to flow gas at the most efficient profile, to lower operational costs and make sure GB consumers can access the cheapest sources of gas?*	
4. Improved quality of service	*Have we engaged across the industry with all our stakeholders, listening to what they want and need? Are we delivering on that where we can, and where we cannot, explaining why?* *Will this change demonstrate why and how we can improve quality of service?* *Improved service quality ultimately benefits the consumer due to interactions in the value chains across the industry becoming more seamless, efficient and effective. Can we show this through this change?*	
5. Benefits for society as a whole	*Does this change support decarbonization?* *Will the change introduce any other benefits e.g. new jobs, less pollution, lower negative health effects?*	

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