


LOW CARBON CONTRACTS COMPANY PERCEPTION STUDY

SUMMER
2015





CONTENTS



1. Summary	1
2. Media and social media snapshot	6
Approach	7
Coverage	8
3. Stakeholder overview	10
4. Stakeholders in depth	12
CFD holders	13
Investment contracts	16
Suppliers and generators	18
Investors	20
Trade Bodies	22
Delivery partners	24
Media	25
Consumer representatives	27
Interested Sectors	28
5. Stakeholder snapshots	30
Awareness	32
Strengths	33
Areas of improvement	34
6. Key recommendations	36
Communications	38
Management	39
Development opportunities	40
7. Conclusion	42
8. About Bell Pottinger	46

+

SUMMARY

BELL POTTINGER
WAS ENGAGED BY
THE LOW CARBON
CONTRACTS COMPANY
(LCCC) TO CONDUCT
AN INDEPENDENT
PERCEPTION STUDY
TO ASSESS ITS
MANAGEMENT OF
ROUND ONE OF THE
CONTRACTS FOR
DIFFERENCE (CFD)
SCHEME.

1

This report summarises the key findings ascertained from this research; highlighting LCCC's strengths, areas for development in its role as CFD Counterparty and potential new business growth areas, as perceived by its stakeholders. Respondents were also given the opportunity to discuss LCCC's role and whether there were other activities the company should be involved in.

To do this, we conducted 30 telephone interviews with organisations that are recognised as LCCC's stakeholders. This included CFD holders, Investment Contract holders, suppliers, investors, trade bodies, media, delivery partners, consumer representatives and other interested parties (such as legal groups and consultants).

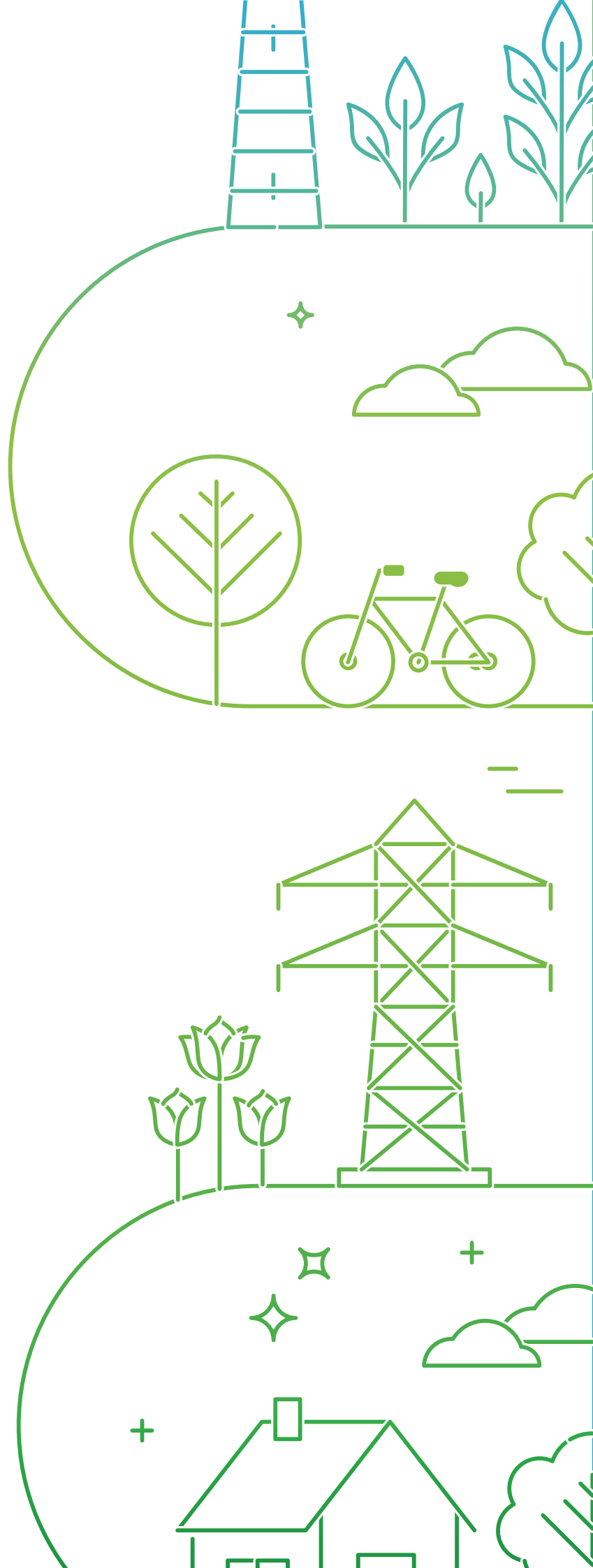
In addition to the interviews, Bell Pottinger also conducted a media and social media audit to understand how LCCC is being represented, and we also analysed the general perception and understanding of CFDs in this sector.

THE LOW CARBON CONTRACTS COMPANY

LCCC is the independent designated counterparty to CFDs and is wholly owned by the Department of Energy & Climate Change (DECC). It was established, along with its sister company, the Electricity Settlements Company (ESC), to implement key elements of the Government's Electricity Market Reform (EMR) programme. The CFD* scheme, a key part of EMR is designed to support much-needed investment in new low-carbon generation (replacing the existing Renewables Obligation) and a Capacity Market scheme to facilitate security of supply.

In April 2015 LCCC launched a public CFD Register, detailing all of the contracts it currently manages. This can be viewed at our website www.lowcarboncontracts.uk

* A CFD is a long term, private law contract, between a low carbon electricity generator and LCCC. More information on CFDs can be found via LCCC's website www.lowcarboncontracts.uk.



CURRENT RESPONSIBILITIES OF LCCC ARE:

Considers requests for Minor and Necessary modifications to the CFD.

Manages the process for entering into CFDs with successful generators notified to it by National Grid (as System Operator).

Manages and monitors CFDs
** (including Investment Contracts
*** transferred from the Secretary of State) throughout their life.

Forecasts CFD payments to generators and sets and collects the Supplier Obligation Levy.

Calculates and settles the amounts payable to generators and suppliers.

Acts as Implementation Coordinator for systems and processes required for CFD implementation.

** LCCC currently manages 27 CFDs across 25 projects.

*** Investment Contracts (ICs) are an earlier version of CFDs entered into by the Secretary of State in early 2014 pending the full establishment of EMR and LCCC. LCCC currently manages 12 ICs relating to six projects.

KEY FINDINGS

Most stakeholders believe that, to date, LCCC has performed well within the parameters of the task it was set. While a few commented that they felt it was slightly too early to give an informed view on how LCCC has performed as Implementation Coordinator, the majority were very positive about the employees at LCCC, commenting on their deep knowledge, responsiveness and enthusiastic approach.

The level of awareness and knowledge about LCCC varied across the stakeholder groups – as is expected for a new organisation. This influenced the depth of feedback stakeholders were able to provide and their opinion on strengths and areas of improvement. Stakeholders with lower levels of knowledge were less likely to have a strong opinion in either area; however, they were keen to learn more about LCCC and to receive more communications from it. There was a sense of confusion around how LCCC's role differs from that of the Department of Energy & Climate Change (DECC) and National Grid. This suggests stakeholders could benefit from further education to distinguish the organisations and clarify roles and responsibilities. Similarly, our conversations with the media point to a wider lack of awareness of LCCC and its objectives, due to the fact that LCCC currently has no independent media profile outside of the CFD process.

Communication and information provision was well received. The events were highlighted as a particularly useful way of providing the information needed, though some would like to see more of these hosted outside London. However, many felt that the website could be improved. The need to register to get the information required seemed to be an issue for those who needed less detailed information, while others felt document control could be better.

A number of areas were suggested as potential development opportunities for LCCC, including: data and reporting; supporting CFD logistical implementation; and providing additional resource for small businesses, such as basic guides on the process, more detailed information on timelines and additional administrative support. It was also suggested that LCCC could provide targeted information for investors. It is worth noting that a number of stakeholders did feel the current focus should be on the task in hand – i.e. as its role as CFD Implementation Coordinator.

Stakeholders recommended a number of areas of improvement that are not actually part of LCCC's remit – again suggesting confusion regarding LCCC's role in comparison to that of DECC and National Grid. As these are areas where stakeholders felt there was room for improvement, they could be seen as potential development areas for LCCC. These areas include consumer engagement – where LCCC could play a role in directly informing the public about the process. Stakeholders also felt more information was needed on the budget allocation process.

THIS REPORT DETAILS THE IN-DEPTH OPINIONS OF EACH STAKEHOLDER GROUP, FOCUSING ON THEIR AWARENESS, WHAT THEY UNDERSTAND AS LCCC'S STRENGTHS AND AREAS FOR IMPROVEMENT. AS A RESULT, WE HAVE ALSO DEVELOPED A SET OF PROPOSED RECOMMENDATIONS FOR LCCC TO CONSIDER GOING FORWARD.

2



**MEDIA
AND
SOCIAL
MEDIA
SNAPSHOT**

APPROACH

WE CONDUCTED A BASIC REVIEW TO ASSESS LCCC'S MEDIA AND DIGITAL PROFILE AND IDENTIFY THE EXTENT TO WHICH LCCC HAS BEEN COVERED AND IS PERCEIVED IN THE PUBLIC DOMAIN.

We included coverage of CFDs in the review to assess how these are perceived alongside LCCC, and the extent to which LCCC is included in discussions of CFDs.

The timeframe focused on 2015 coverage to provide a current snapshot of media sentiment.

COVERAGE

MEDIA

The level of coverage about both LCCC and CFDs is relatively limited, with approximately 20 articles about both LCCC and CFDs being published in the last three months, the majority of which were online. Coverage is equally balanced across national and trade media, with articles featuring in the FT, The Times, The Guardian and Business Green. Sentiment is also balanced with an equal share of positive and negative commentary on the CFD process and its impact on the renewable energy market.

LCCC SPECIFIC

As LCCC does not have a Twitter page or Facebook profile, communication channels are limited to its own website and third party mentions in the press and on social media. A small number of articles include information on LCCC, highlighting its role as the organisation to administer CFDs on behalf of the government. However, in the majority of articles, LCCC is referenced in the broader context of CFDs. Articles focus on the renewable energy market and the financial support available for development projects. Commentary is provided on topics such as the disadvantages of using wind power instead of cheaper options like solar, and the advantages of wind power over less green and more expensive sources like nuclear power.

CFD SPECIFIC

A higher number of articles discuss CFDs without any reference to LCCC. There is an equal balance of negative and positive sentiment about the CFD process. On the negative side discussion focuses on the auction process, the lack of solar investment and a view that CFDs won't lead to more efficient energy projects. Positive coverage focuses on the impact CFDs have had on growing and securing the renewable energy market, both in terms of actual investment received and positioning the market as an attractive investment opportunity. This highlights the need for more proactive communication from LCCC so that its role in the CFD process is included in future coverage.

SOCIAL MEDIA

In terms of social media engagement, a Twitter search for 'Low Carbon Contracts Company' or 'LCCC' demonstrates a lack of engagement on this channel. In the last three months, there has only been one tweet mentioning LCCC that hasn't been posted by recruiters. A Twitter search for 'Contracts for Difference' or 'CFDs' nets a wider number of tweets. A number of individuals, as well as organisations, are expressing opinions on Twitter over CFDs which reflects the higher-level presence of CFDs in the media. There was a flurry of activity on Twitter around the end of February and into the first ten days of March around the CFD allocation process and the results released by DECC. It is clear from Twitter that these results received mixed reactions, with successful CFD holders commending the success of the scheme and others questioning the future of energy policy.

OPPORTUNITY

There are a number of energy bodies which are active on social media, sharing news stories and blogs from trade and government organisations. There is therefore a press and social media audience who would be open to receiving more output from LCCC directly. Bearing this in mind, and the largely neutral feeling that has come out of the press from third parties towards LCCC, there is the opportunity for LCCC to use media briefings and social media to engage its stakeholders and the energy community.





3

STAKEHOLDER OVERVIEW

TO CONDUCT THE RESEARCH WE SPOKE TO 30 OF LCCC'S KEY STAKEHOLDERS AS DEFINED BY THE ORGANISATION. THESE BROKE DOWN AS FOLLOWS:

1. *CFDs*

2. *Investment Contracts*

3. *Electricity Suppliers*

4. *Investors*

5. *Trade Bodies*

6. *Delivery Partners*

7. *Media*

8. *Consumer
Representatives*

9. *Interested Sectors**

We reached out to stakeholders by phone call and email and found the majority of stakeholder groups to be engaged and receptive to sharing their views on LCCC. A number of stakeholders did feedback that they felt it was too early to be conducting a detailed stakeholder analysis

as the relationship with LCCC was a relatively new one. Stakeholders were still open to participating but felt they would have more insight to share further down the line.

* Interested Sectors in this report relates to legal groups and consultancies with an interest in the CFD scheme.



4

STAKEHOLDERS IN DEPTH

CFDs

AWARENESS

The majority of individuals we spoke to were key players in the CFD process, and often the project manager and key point of contact for LCCC. Awareness was therefore high across this community. The timeframe of awareness ranged significantly from those aware of LCCC since it was formed, to those only aware of it due to the recent awarding of a contract.

EXPERIENCE

Overall, CFD holders had a positive experience of LCCC. However, the majority commented that they found the CFD process to be complicated and difficult to understand. They felt there was a lot of information to take in that took a long time to digest. The frequent changes in DECC policy and tight deadlines made it a **“brutal process for CFD holders”**; however the group acknowledged that LCCC had “done well in its role under the circumstances”.

“It’s been quite a brutal process from the point of view of the developers that, if you’re out with anything, there hasn’t been necessarily the slack to take account for all the problems that people might face. But if you give too much slack it’ll just go on forever – so I understand why they did it the way they did it.”

Anonymous

COMMUNICATION

LCCC was seen to be strong in its delivery of communication, with stakeholders identifying it as clear and comprehensive. LCCC was also found to be knowledgeable and able to explain complicated information. The dedicated Contract Managers were seen to be enthusiastic and helpful.

“We have had very clear, well-written emails explaining the process. The seminars have been extremely thorough, some inevitable repetition but we understand that is necessary. Overall they were run very well, brilliantly well done”

Phil Whyman, Banks Renewable

The workshops (or seminars) run by LCCC were seen to be very effective in providing information and enabling people to ask questions. Trade bodies were also highlighted as a good channel from which to gain information.



There were minimal negative comments in the communication space, the exception being LCCC's website. It was found to be 'frustrating' and difficult to navigate. Adding a search function to the website was recommended. It was also suggested that the website could be more user friendly, with information and guidance grouped together.

A number of organisations commented that better provision of legal information would have been useful and called for LCCC to give a more direct interpretation of legislation, as it was not always clear whether advice from Contract Managers had a legal basis.

“As a small developer generator, the workshop was enormously helpful because we don't have huge resources to be able to apply to this. So it was very helpful in terms of bringing us up to speed in terms of what the important issues were and where we needed to look... In actual fact I would say that seminar I went to was invaluable.”

Anonymous

STRENGTHS

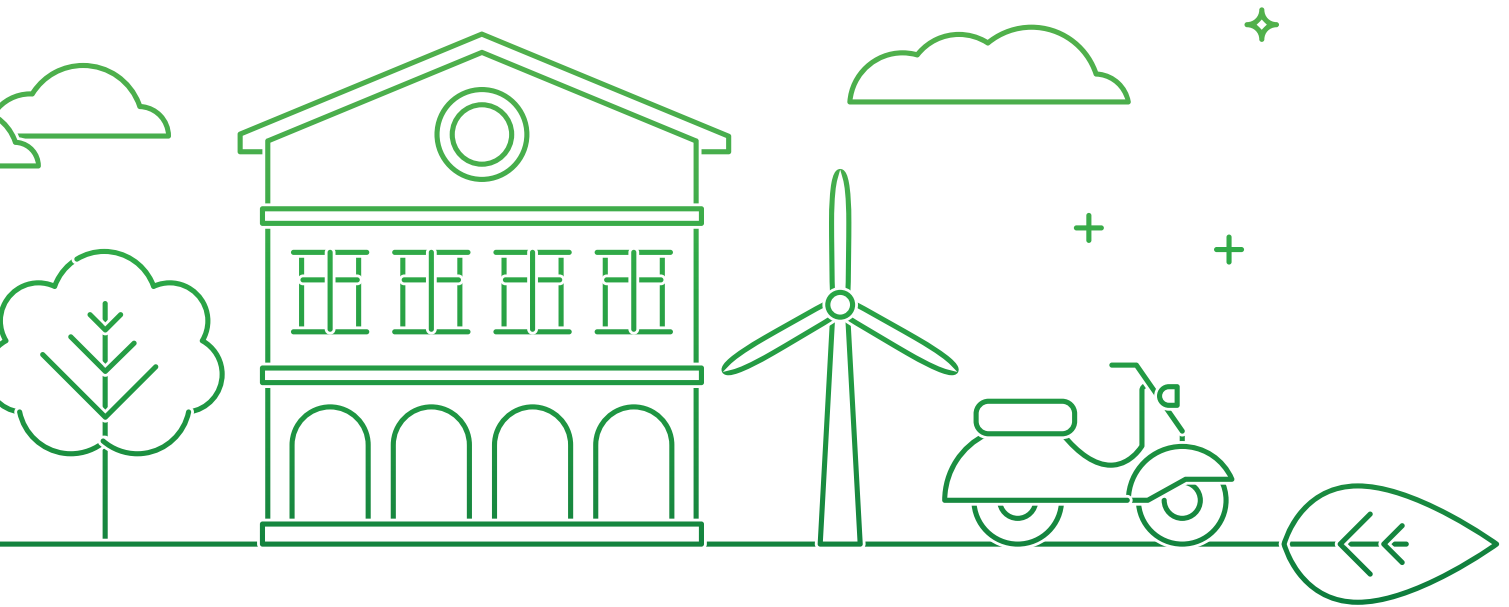
This group highlighted that having dedicated Contract Managers (which were sometimes referred to as Project Managers or Area Managers – highlighting a level of confusion around terms) was incredibly useful and effective. Having this specific point of contact really helped to guide organisations; this “**hand holding**” was seen to be crucial for supporting people through a difficult process. One stakeholder commented that they felt the CFD Welcome Ceremony for awarding the contracts was a good way of establishing a working relationship with their Contract Manager.

Overall LCCC employees, both the Contract Managers and wider team, were seen to be knowledgeable and approachable and on the same side as the CFD holders. LCCC was identified as being very responsive and able to provide quick feedback.

“LCCC have recruited some very professional people with extensive knowledge of the industry which is very valuable to us.”

Alex Murley, RWE Innogy Ltd

As highlighted in the above section, communication was consistently highlighted as one of LCCC's strengths – with organisations referring to it as “**brilliant**”, “**excellent**” and “**helpful**”.



AREAS OF IMPROVEMENT

Provision of documents – the level of documents and constant updating was flagged as overwhelming and a challenge to keep on top of. It was requested that LCCC makes it clearer when changes are made to documents and that there are clear master documents.

Clarity of role – confusion exists between the roles of LCCC, DECC and National Grid – this group would like the distinction between the roles to be clearer so organisations know responsibilities and where to direct questions. One organisation felt there was a disconnection between LCCC and National Grid and felt the two organisations should work more closely together.

National events – although the workshops were identified as being incredibly useful, a number of stakeholders requested that they were held in regions beyond London and that LCCC considers site visits to further build relationships.

Timings – stakeholders would like more information on deadlines and for information to be provided earlier.

Website – as highlighted above, stakeholders would like the LCCC website functionality to improve and the ability to find information to improve.

DEVELOPMENT OPPORTUNITIES

The majority of this group of stakeholders felt it was too early to comment on development opportunities or further areas that LCCC could expand into. A number of stakeholders also felt it was important that LCCC focuses on its role as CFD counterparty rather than going beyond this.

- One organisation felt there could be opportunities for a similar built-for-purpose counterparty in other areas of the EMR. For example in future, when Power Purchase Agreements (PPA) are debated, LCCC will be a necessary part of the process to discuss how CFDs fit in. An opportunity could also be to move beyond the theoretical process management to support the actual implementation of CFDs.
- When asked about areas of improvement, a number of stakeholders commented that they would have liked to receive more information about the funding available for CFDs at an earlier date. In addition to this, CFD holders would have appreciated knowing how many projects were going to be funded. This does not currently sit with LCCC as it sits within DECC's remit, suggesting that more clarity is needed on who is responsible for this. However, as this is an area where stakeholders are seeking more guidance, it could be a development opportunity for LCCC.

INVESTMENT CONTRACTS

AWARENESS

On the whole, awareness of LCCC is high among the Investment Contract holders as they are currently undergoing the transition of their contracts between DECC and LCCC. One organisation commented that they understand that LCCC is the counterparty to CFDs but that there is confusion over its specific role.

EXPERIENCE

When they were interviewed, each of the organisations seemed to be at different stages in their relationship and engagement with LCCC. This ranged from organisations who felt they had a strong working relationship with LCCC, including having held face-to-face meetings, to those who had experienced minimal contact during the transition process.

However stakeholders did feel that interaction had been positive and that LCCC has a practical approach.

COMMUNICATIONS

The level of communications received was lower than the CFD holders group and in some cases the majority of information was still being received from DECC. However where stakeholders have engaged with LCCC they have found LCCC to be proactive, responsive and good at answering questions.

Again the website was flagged as being challenging and the requirement to have to log in was seen to be frustrating. A more user-friendly site is required.

“ We have regular meetings with them and I have a close working relationship with LCCC. I think the meetings are very pragmatic and have gone well to date, I think that the straightforward contractual side is OK, we’re both feeling our way through the process about having these milestone delivery days and I feel we’re both actively working together to meet it. ”

Anonymous

STRENGTHS

Once again the workshops, communication and LCCC's knowledge were all highlighted as strengths. LCCC was seen to be pragmatic and meeting expectations.

AREAS OF IMPROVEMENT

Clarity of role – confusion exists over what LCCC's role is. Stakeholders interviewed said that the differences between LCCC, DECC and National Grid should be clarified and the organisations should work better together.

Supporting smaller businesses – it is highlighted that LCCC should make sure it considers small businesses in the level of resources it provides and the location of events i.e. not all in London.

Website – a more user-friendly interface and with a search function is recommended.

Provision of documents – the majority of stakeholders were still in transition stage, at the time of interview, so hadn't received communication directly from LCCC. However one stakeholder commented that LCCC could use some information from documents already in existence, rather than asking for new documents and updates frequently. It was also suggested that more detailed and digestible timelines and guidelines that clearly state what is required and when, would be useful.

DEVELOPMENT OPPORTUNITIES

The majority of organisations felt unable to comment in this space. However one organisation discouraged LCCC from expanding its role:

“ I think that there's a danger of them becoming confused about their role and trying to do more than they're supposed to do – in my mind they're simply LCCC and my expectation is they were going to be the CFD Counterparty and administer that. ”

Anonymous

SUPPLIERS AND GENERATORS

AWARENESS

All the stakeholders we spoke to in this space had a role in their organisation that was directly related to EMR and, therefore, awareness of CFDs and LCCC was high. A number of those interviewed commented that they had worked in the energy sector for a long time and watched the development of CFDs.

EXPERIENCE

Overall the supplier and generator community have had a positive experience of LCCC. They felt that considering the context, LCCC had performed well. Half the stakeholders in this group commented that the CFD implementation process could have gone more smoothly, and been handled more efficiently, however it was recognised that LCCC is a new organisation and was given credit for establishing itself and managing the process to the level that it did.

“ I think it has gone well given the recent nature of the scheme, and in the last year there has been a lot of progress in handing this over from DECC to LCCC. I think it could have gone a little bit smoother. ”

Anonymous

COMMUNICATION

Overall, LCCC’s delivery of information was seen to be well communicated and the workshops/seminars were highlighted as very useful – especially when information was recorded and put online. However this stakeholder group proposed a number of areas where communication could be improved. These are outlined in the section below.

A number of stakeholders highlighted the transparency tool as being very helpful and a key instrument in the process. It was suggested that this tool should be expanded beyond the immediate term to look past the first year.

STRENGTHS

LCCC’s events, communication and employees were highlighted as the main strengths.

“ We thought they were generally informative and particularly good for our new starters to get to grips with the new CFD process. ”

Anonymous

AREAS OF IMPROVEMENT

Clarity of role – clear information needs to be provided regarding roles, responsibilities and who to contact. Ideally this information should be provided on the website.

Publication of timelines – more information on timelines was requested.

Foresight of budget – the majority of this group felt that LCCC should provide more detail around budgets available and improve forecasting, although this is not currently within LCCC's remit.

Support smaller businesses – LCCC should do more for smaller suppliers who have limited resources such as supporting them in obtaining information.

DEVELOPMENT OPPORTUNITIES

There were limited comments in this space. However a number of stakeholders felt that LCCC should maintain its focus on CFDs and “stick to what they know”, though one organisation did comment that LCCC should be able to raise its own funds.

- Foresight of budget – as per the comment above. This does not currently sit within LCCC's remit although LCCC has now prepared longer term forecasts of the CFD Supplier Obligation in response to industry feedback. The lack of clarity in this area does point to the need for more education around which delivery partner is responsible for which element. It also offers a potential development opportunity, as the LCCC could look to provide information and support to DECC in this area.
- Consumer engagement – one stakeholder commented that the suppliers had been left to educate consumers on CFDs and that LCCC should provide updates in more consumer-friendly language. Educating consumers is not LCCC's remit, highlighting confusion regarding roles; however as it is an area that stakeholders feel needs more attention, it offers a potential development opportunity for LCCC.

INVESTORS

AWARENESS

The majority of investors, with the exception of one organisation, had limited experience of LCCC. The organisations were knowledgeable about the UK energy sector and have had some exposure to CFDs.

EXPERIENCE

Overall LCCC was seen to have been successful in managing its element of the CFD process. However due to a lack of direct interaction the majority of investors were unable to comment in detail. One stakeholder commented that the process was more drawn out than they would have liked and that the situation was seen to be a demanding one. It was noted that LCCC was still acknowledged as doing its job competently and was not responsible for the length of the CFD allocation process.

COMMUNICATION

The investors received little communication from LCCC, although a number had received information from DECC. One investor felt it would be useful to receive information from, and have engagement with, LCCC directly.

LCCC was seen to have a limited profile with these stakeholders, and one stakeholder remarked that LCCC was not as prominent and visible as it might need to be.

“ I expect there’s something of a profile building that LCCC could well do given the increasingly prominent role they are going to have and I don’t necessarily see that they have that visibility right now. ”

Anonymous

STRENGTHS

The resounding strength from this group was that LCCC succeeded in managing the CFD process within the allocated timeframe and budget. It is recognised that the process is complex and the investors give credit to LCCC for getting the job done.

“*The program was delivered without any major hiccups; I think that’s a good result. It’s been a difficult, and to some extent a politicised process in a complex market; I think they should take credit for getting us to where we are without having any major pitfalls on the way, I say that’s a positive.*”

Anonymous

AREAS OF IMPROVEMENT

Clarity of roles – confusion exists between the roles of key delivery partners – this needs to be better defined.

Communication – more information should be made available to the investor community, especially timetables.

Stakeholder engagement – it is recommended that LCCC works to raise its institutional profile and build relationships with stakeholders. This is flagged as being key in the financial space with banks seen to be poorly prepared.

Foresight of budget – a number of investors felt that the budget was poorly managed and communicated and estimates should be improved in the future. Though LCCC is not responsible for this, the association again points to the need for more clarity around the fact that LCCC is not responsible and has no influence over this.

DEVELOPMENT OPPORTUNITIES

The majority of investors felt that LCCC should provide a facility to bring transparency to the market due to its apolitical, stable position. This could include information and data on projects that have been successful and unsuccessful.

LCCC could also support the investor community through the provision of investor-friendly presentations.

One stakeholder felt that the more simplified the process and organisations related to the energy space the better. LCCC consolidating with other organisations could therefore help reduce confusion and improve efficiency.

One stakeholder commented that they didn’t think LCCC should be branching out from its purpose.

TRADE BODIES

AWARENESS

Trade bodies have been actively following the CFD process, so awareness of LCCC is therefore high. Understanding the process and being able to communicate this to their members, and support them through it, was seen as a key part of their role as a trade body.

EXPERIENCE

The trade bodies' experiences of LCCC varied across the group. A number of the trade bodies had not had direct experience with LCCC but had observed the process closely. One trade organisation felt that its members had a level of uncertainty around the process and that it could have been managed more efficiently. However, most stated that they did have a direct relationship with LCCC and felt it to be good and open. LCCC was seen to be proactive in providing information and keeping trade bodies informed.

COMMUNICATION

It was acknowledged that the CFD process is complicated and educating the industry about the process is a huge task. LCCC was seen to have done a good job in communicating the CFD process with information described as to the point and specific. The events were highlighted as being very good and praised by the delegates.

“ The event was praised by our delegates, which reflects a wider stakeholder engagement process from LCCC. We feel it has been very good in its level of pro-activeness and its engagement with interested CFD participants. ”

Alex Coulton, Renewable UK

STRENGTHS

LCCC's employees were highlighted as being open, approachable and knowledgeable – it was felt the quality of the staff was a huge strength. LCCC was also seen to do a good job at proactively engaging the trade bodies' members and working collaboratively.

“ Their main strength is their knowledge of the CFD contract itself and the role of the counterparty body, yes very knowledgeable in that. I think in my view their main strength is as the knowledge hub for the CFD contract. ”

Anonymous

One trade body commented that LCCC’s strength is the fact that it had been set up as a separate body and private company, making it fit for purpose.

AREAS OF IMPROVEMENT

Provision of documents – a better process is required for the updating and communication of documents.

Supporting smaller businesses – LCCC should play a stronger role in helping smaller businesses have a clear understanding of what is required and in ensuring that different types of organisations can apply with confidence and understanding.

National events – LCCC should hold more events beyond London.

Budgets – LCCC should take a more active role in the financial process across CFD programme providing detailed information to stakeholders as needed. It should be noted that allocation round budget control is not within LCCC’s remit.

DEVELOPMENT OPPORTUNITIES

A number of trade bodies suggested that LCCC could take on a more operational role to help organisations through the logistical elements of CFD delivery. This was specifically flagged in relation to smaller businesses in terms of helping them with the National Grid led application process.

However one trade body felt moving into new areas wasn’t appropriate as the focus should be on the job in hand.

- Information regarding budget – it is evident that stakeholders found the financial process very complex and greater education is needed regarding which organisations manage each element of the process. Although the setting of budget is not currently within LCCC’s remit, it is an area of confusion for stakeholders. LCCC could take a more active role in supporting the communication of this.

DELIVERY PARTNERS

AWARENESS

Due to their role as delivery partners, these organisations had a high awareness of LCCC and have been directly involved in the CFD process.

EXPERIENCE

Views were mixed regarding experience of LCCC, with one stakeholder commenting that they felt LCCC largely played an administrative role and was naïve about the complexities of the process. However, LCCC's management of the process was seen to be good overall.

COMMUNICATION

The delivery of communication was seen to be done well, with LCCC identified as being engaging and approachable. The events were highlighted as good.

STRENGTHS

Communication and information sharing was highlighted as a strength, alongside the events and use of video at the events.

“*The persons themselves are very good, very professional, very engaging, very keen and enthusiastic so we've had no problems in having frank and open conversations with them... the relationship between LCCC and ourselves is very positive.*”

Anonymous

AREAS OF IMPROVEMENT

Communication – although communication was seen to be good, one stakeholder felt more could be done to improve communication between delivery partners.

Timing – LCCC needs to be more realistic about the time it takes to conduct things, for example how long CFD holders will take to review and submit documents. It should allow more time for processes to be understood and established.

“*Improvement could be around working more closely with us, letting us know their plans and having a realistic expectation of the time people need to respond to things.*”

Anonymous

DEVELOPMENT OPPORTUNITY

One stakeholder suggested that as EMR grows there will be more data and a potential opportunity for LCCC to support through data validation and reporting.

MEDIA

AWARENESS

Both media representatives were familiar with the CFD scheme and auctions, but awareness of the LCCC was low or non-existent.

“*In terms of the company itself, I'm much less familiar with that. I know that it has a key role in orchestrating all of this but I haven't heard a great deal from the company.*”

Anonymous

EXPERIENCE

Each of the journalists we spoke to had covered the auction in terms of the impact on investors, challenges with the process and outcomes of the auction. However, neither publication has published a piece on LCCC or felt they had ever been given a reason to find out more about the organisation.

“*I'd be certainly interested to hear more about it and how it's operating.*”

Anonymous

COMMUNICATION

To date, neither journalist has received any information from LCCC, although both felt this would be useful. There was a strong feeling that LCCC could do more to engage the press through briefings and emails.

“*Receiving information about CFDs from LCCC would have been useful...just let us know what's happening, maybe some briefings on the announcements and press releases when it happens.*”

Anonymous

STRENGTHS

Due to the low level of engagement it was difficult for this group of stakeholders to comment on LCCC's performance, however, as there have been minimal complaints to the media, both felt LCCC must be doing well.

AREAS OF IMPROVEMENT

Communication – increasing the provision of information to media through press releases and briefings is recommended.

Defining role – the lack of understanding around who is responsible for providing more information around budget allocation points to a wider misunderstanding around the roles and responsibilities of LCCC and other delivery partners. More clarity is needed on this.

DEVELOPMENT OPPORTUNITIES

Foresight of budget – media stakeholders felt that overall there was a lack of clarity about the funding available and highlighted this as an area that LCCC could provide more information on this. While it is noted that this is not currently in LCCC's remit, this is potentially an area where LCCC could offer support.



CONSUMER REPRESENTATIVES

AWARENESS

This group had a high awareness of LCCC as it is the consumer representative organisation's job to make sure the CFDs provide value for customers. It is worth noting that this organisation works directly with DECC rather than LCCC.

EXPERIENCE

The organisation we spoke to in this space was pleased with how the first round of CFDs went. However, it had concerns over the allocation of budget. We understand this is not related to LCCC but no further comment was offered suggesting there is confusion regarding roles.

COMMUNICATION

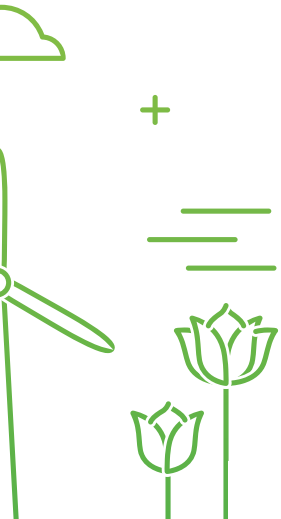
Overall the communications from LCCC were highlighted as good. However some of the information was seen to be technical and overly complicated.

AREAS OF IMPROVEMENT

Supporting small businesses – stakeholders felt LCCC should do more to engage and support smaller CFD holders to ensure all companies have equal opportunities in the National Grid-run auction. Although this is not in LCCC's remit, it is an area that needs improvement in the CFD process. This could be through the provision of a clearer framework.

DEVELOPMENT OPPORTUNITIES

Consumer engagement – this stakeholder felt that the consumer voice should be more widely heard. Consumer engagement is not part of LCCC's remit but there is a potential role for LCCC to play in educating consumers about CFDs.



INTERESTED SECTORS

AWARENESS

In both cases the stakeholders are aware of the CFD process but have limited knowledge or awareness of LCCC, with one stakeholder commenting that they didn't think LCCC has a notable presence yet, due to DECC's position.

EXPERIENCE

Experience of LCCC is minimal and experience of the CFD process limited. However both stakeholders have been indirectly involved in the CFD process through helping clients understand the process and economics of it. Through this engagement the process has been seen to be broadly successful.

“ I think it has broadly succeeded in reaching its original timeline and becoming an operational policy instrument. It's disappointing that there is a lack of clarity around the initial and ongoing budget that will be available for it which diminished the potential impact of it as a policy instrument. ”

Anonymous

COMMUNICATION

From the stakeholder's own experience they have received minimal communications and feel that LCCC has received limited exposure in the press. From feedback from clients, communication was found to be adequate and the events were seen to be useful.

“ Their communication was good, the general feedback in the market is not that there were massive problems with the auction process itself... the process itself had teething issues but broadly worked. ”

Anonymous

One stakeholder felt communication could benefit from being simplified and developed into more digestible formats – this is highlighted in the areas for improvement below.

STRENGTHS

Met expectations – LCCC has met expectations in delivering what was required of them with minimal delay.

AREAS OF IMPROVEMENT

Communication – stakeholders could benefit from more easily digestible communication i.e. ‘dumbed down’ versions with images and bullet points.

Foresight of budget – as per previous notes within this report, discussions with this stakeholder group suggests that more clarity is needed around LCCC’s role within the budget process.

DEVELOPMENT OPPORTUNITIES

Foresight of budget – while it is understood that the budgeting process was not part of LCCC’s remit, this could be something that LCCC is more involved in going forward, particularly in terms of information provision.

One stakeholder commented that LCCC should look to consider how it will provide operational guidance regarding the next stage of the CFD process. However extending beyond the existing scope was not advised and stakeholders felt LCCC should stick to a narrow remit.

“ I think that they should focus on a relatively narrow role... they should just be seen as the reliable, independent, confident administrator of the CFDs. I don’t think they should be going out and trying to expand their role beyond that, they should just stick to what they need to do and do a good job at it. ”

Anonymous

5



STAKEHOLDER SNAPSHOTS

THE FOLLOWING TABLES ARE
DESIGNED TO PRESENT A
'SNAPSHOT' VIEW OF VARIOUS
THEMES THAT WERE EXPLORED
THROUGH THE INTERVIEWS
CONDUCTED BY BELL POTTINGER.

The following results are based on our analysis that involved consolidating the interviews and presenting the majority view.

These tables are based on our qualitative analysis and should be reviewed alongside the detail which is provided in the body of the report.

AWARENESS

The following table shows the overall level of awareness of LCCC within each stakeholder group, where green dictates high, yellow medium and red low awareness. This is in line with LCCC's strategy to work closely with trade associations, and co-ordinate with delivery partners to support Suppliers and Generators for CFD Implementation.

	Interested sector	Consumer reps	Media	Delivery partners	Trade bodies	Investors	Suppliers / generators	Investment Contract holders	CFD holders
Level of awareness of LCCC	Green	Yellow	Red	Green	Green	Red	Green	Green	Green

AREAS OF IMPROVEMENT

Similar to the table above, this table draws together consistent themes that were highlighted as areas where there is room for the LCCC to improve. This does not mean stakeholders felt that LCCC performed badly in these areas, rather that there is the opportunity to do more or do better.

The area of communication is included in both the above strengths table and the area for improvement table. This is because although stakeholders were incredibly complimentary of LCCC’s communication and information provision, a number felt communication could be simplified and more proactively delivered.

	CFD holders	Investment Contract holders	Suppliers / generators	Investors	Trade bodies	Deliver partners	Media	Consumer reps	Interested sector
Clarity of roles	Orange	Orange	Orange	Orange					
Supporting smaller businesses		Orange	Orange		Orange			Orange	
Communication delivered about CFDs				Orange		Orange	Orange		
Provision of documents	Orange	Orange			Orange				
National events	Orange				Orange				
Website usability	Orange	Orange							
Publication of timelines	Orange		Orange			Orange			

6

KEY

RECOMMENDATIONS

BASED ON THE INTERVIEWS WE HAVE CONDUCTED, OUR IN-DEPTH RESEARCH AND SUBSEQUENT ANALYSIS, WE HAVE IDENTIFIED A SERIES OF RECOMMENDATIONS THAT WOULD SUPPORT LCCC IN IMPROVING IN ITS ROLE AS CFD IMPLEMENTATION CO-ORDINATOR.

These recommendations range from those which are easy to implement to longer-term goals that may require further consideration.

COMMUNICATIONS

CLARIFYING AND RAISING LCCC'S PROFILE

Educating stakeholders on LCCC's role: currently there is a level of confusion surrounding LCCC's responsibilities and how its role is different and distinct from National Grid and DECC. LCCC should consider how this can be addressed, including more or separately run events, improved and wider consumer communications and further engagement with key stakeholder groups.

Public relations: it would be beneficial to initiate a more proactive PR programme, including more background briefings for journalists and press release updates. This would also help address the point above – in fact the two points are closely correlated. Delivering more profile-raising activity would help define LCCC and distinguish it from the other organisations and give it an independent voice, as an independent operator.

Stakeholder engagement: it is recommended that LCCC works to raise its institutional profile and proactively builds relationships with key stakeholder groups. This might be in the form of specific briefings or events e.g. amongst investors.

PROVIDING INFORMATION IN A CLEAR AND COHERENT MANNER

Website: there were a number of comments around LCCC website. While many said that it had improved since the earlier version, there were still some frustrations that need to be addressed, including:

- Improved user journey planning and positioning of content
- Where possible, information should be accessible outside of the registration page

- Include a search function so that users can find what they are looking for

- Clearer contact details for people responsible for specific areas

Provision of documents: a better process is required for updating and communicating updates to documents. This could be done through newsletters, email or on the website where LCCC could have a master documents folder to highlight the most recent versions of each. In each instance, it would be beneficial to highlight the updates that have been made to make it easier for readers to understand the changes.

National events: while the workshops were identified as being incredibly useful, a number of stakeholders requested that they were held in regions beyond London.

Tailored information: information tailored to specific stakeholder groups e.g. presentations targeted at the investment community to provide them with information detailed to their needs.

Guides: create shorter 'dummy guides' for different stakeholders involved in the process, providing high-level, digestible information that can be consumed with ease.

Transparency Tool: consider how the transparency tool can be developed moving forward.

MANAGEMENT

- **Provision of information on timelines:** provide clear deadlines for each round of funding and seek to release these as early as possible.
- **Flexibility:** some of the feedback suggested that some stakeholders feel LCCC could be more flexible. To this end, LCCC should provide as much time as possible for CFD holders to review and submit documentation.
- **Relationship building:** some CFD holders requested that LCCC arrange site visits to better understand their projects.
- **Perception Study:** many felt that it was slightly too early for them to give detailed and informed views on how LCCC has performed as CFD Implementation Co-ordinator and suggested that their opinions might develop in the next six months. As a result, it is recommended that LCCC conduct a follow up to this study in six to twelve months' time.
- **Budget:** many stakeholders commented on the management of both budget allocation and forecasting. LCCC only has responsibility for forecasting and not managing allocation budget, but it is apparent that ambiguity exists over roles in this area. More needs to be done to help stakeholders to understand where responsibility lies. Where possible, LCCC should consider how it can help to provide information and clarity in this space.

DEVELOPMENT OPPORTUNITIES

IN ITS ROLE AS IMPLEMENTATION COORDINATOR

Supporting small businesses: support for smaller CFD holders involved in the process was a theme that was mentioned by several interviewees. With this in mind, areas to consider include:

- Although not currently in LCCC's remit, LCCC could play a role in ensuring all companies have equal opportunities in the auction, potentially through the provision of a clearer framework.
- Provide more digestible information for small businesses or pin point information that is specifically relevant for them where resources are limited.

Operational guidance: consider how LCCC might be able to provide operational guidance regarding the next stage of the CFD process and how it can help organisations through the logistical elements of CFD delivery.

Forecasting: provide more information around forecasting of the Supplier Obligation for suppliers and consider providing a similar forecast of the Levy Control Framework, although the latter is currently outside of LCCC's budget.

FURTHER BUSINESS DEVELOPMENT

The most dominant view regarding business development from stakeholders was that LCCC should focus on the job in hand and its role as Implementation Co-ordinator in the near future. However through discussions a number of potential areas of development did emerge:

Reporting and data validation: it was mentioned that the data submitted to LCCC by CFD holders is often the same information that is required for wider industry reporting, such as carbon reporting. To this end, LCCC might consider how it can collate data, which has already been submitted as part of the management of CFDs, and support data validation and reporting for other industry regulations.

Foresight of budget: although the provision of information about budget sits under DECC's remit, a number of stakeholders felt more information would be useful about the funding available and the number of projects that were going to be funded. LCCC could look to support in this space.

Consumer engagement: there is currently little direct engagement with consumers regarding CFDs across the entire delivery of the programme. Although this is not currently part of LCCC's remit, through communication and engagement LCCC could support in this area.



CONCLUSION

ELECTRICITY MARKET REFORM (EMR) IS, ON THE WHOLE, SEEN TO BE HAVING A POSITIVE IMPACT ON THE FUTURE SUSTAINABILITY OF THE UK ENERGY MARKET.

This view has been reflected in this perception study. We found that LCCC's stakeholders feel it has performed well in its management of round one of the CFD process. The clarity of communications, delivery of workshops and knowledge of the staff helped guide stakeholders through what was identified as a complex process.

Awareness of LCCC is high in the groups where LCCC has directly engaged with stakeholders. However, this was lower for several groups who, understandably, have not necessarily been the focus of engagement to date, including media, investors and consumer representatives.

This suggests further stakeholder engagement and dedicated communications would be useful to build LCCC's corporate profile and ensure its role is better understood. We recommend that this includes digestible, relevant insights designed specifically for these groups or workshops set up to inform them.

Media are of particular importance and more needs to be done to engage them. Thus far, coverage of LCCC has been minimal due to the fact that it currently has no external media profile outside the CFD process. However, using media engagement to tell a positive story about the process, and all it is achieving, will help to negate some of the lower levels of awareness amongst other stakeholder groups.

The interview process also highlighted a level of confusion regarding LCCC's role and its distinction from DECC and National Grid. The misperception that exists provides an opportunity for LCCC to truly differentiate itself from other delivery partners and highlight its position as an independent organisation. This could be done through further communication and engagement to ensure stakeholders understand LCCC's role and the value it is bringing to the process.

In fact, we feel the level of media engagement and understanding of the role that each delivery partner plays are closely correlated. Providing more communication and raising LCCC's profile will help combat the current misunderstanding and confusion that exists in the market and ensure LCCC is seen to be an independent, distinct organisation.

While some stakeholders felt that the process could have been smoother, LCCC is seen to have done well under what has been acknowledged as challenging conditions. However, one thing that was consistently highlighted throughout the interview process was the timing of this review, and the fact that many felt it was too early to provide a rounded view of LCCC's management of the CFD process.

THE FOCUS SHOULD NOW BE ON ENGAGING ALL STAKEHOLDERS AND AFFIRMING ITS CRITICAL, INDEPENDENT ROLE IN THE CFD PROCESS.

To that end, we recommend that LCCC would benefit from conducting another review in six months' time to assess how some of these attitudes may have changed. In addition to the qualitative interviews, we propose the perception study includes a quantitative survey that provides an empirical representation of stakeholder perception.

As we move into the second round of the CFD process, there is an opportunity for LCCC to improve on its success to date and raise its profile as an independent organisation. LCCC should celebrate where it has done well and recognise the areas where it can improve. It has succeeded in providing a good level of education and support to priority stakeholders, providing a strong platform for future engagement.

8

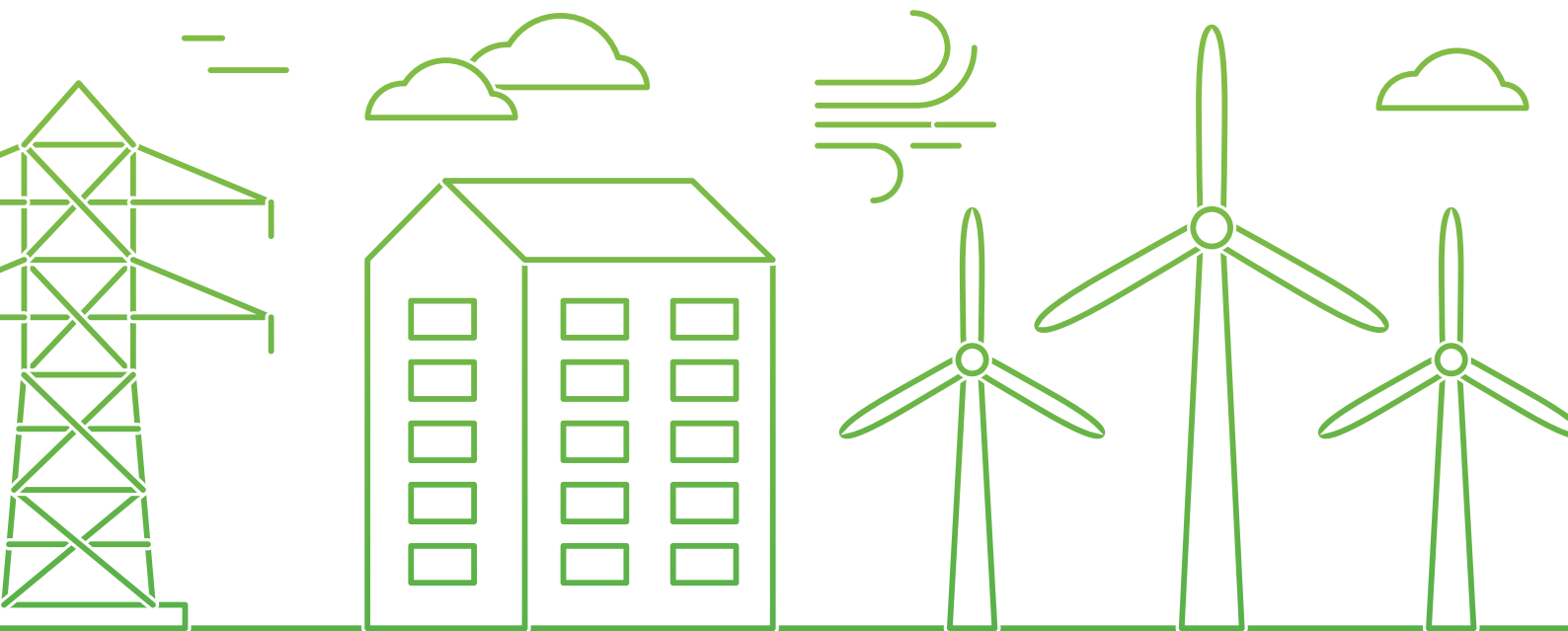
ABOUT BELL POTTINGER

BELL POTTINGER IS AN
INTERNATIONAL FULL SERVICE
COMMUNICATIONS BUSINESS,
SPECIALISING IN CORPORATE,
FINANCIAL AND POLITICAL
COMMUNICATIONS.

Bell Pottinger has extensive experience of conducting stakeholder studies and assessing the attitudes and opinions of people who matter to an organisation.

Bell Pottinger has an integrated energy team which draws together experience from across the communications disciplines. Clients include Centrica, Utilxy, National Grid and Ovo with work ranging from profile building, to Westminster engagement, to stakeholder analysis, to media relations. For example for Centrica, Bell Pottinger conceived a new positioning to underpin its corporate and political stakeholder communications, supporting its objective to move away from the debate around energy bills and prices, while handling all of its investor and political communications.





CONTACT

T: +44 20 3772 2668

E: MKnowles@bellpottinger.com

bellpottinger.com

