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Statutory consultation on the RIIO-ED2 licence drafting modifications

Dear Joanna,

I am writing on behalf of ESP Electricity, a licensed Independent Distribution Network Operator (“IDNO”) operating in Great Britain. We welcome the opportunity to respond to Ofgem’s statutory consultation on the RIIO-ED2 licence drafting modifications, dated 14th December 2023.

We are broadly supportive of the proposed changes. In particular we welcome those changes which will have a positive impact on end consumers who will be affected by the changes in processes and obligations. Specific comments on select changes are noted below.

Amended Licence Condition 8 – Safety and Security of Supplies Services

We note that the proposed change will require distributors to update the service with supply outages that last three minutes or longer which have arisen to a severe weather event or other exceptional event. We recognise that implementation options are still being considered to maintain a uniform approach across distributors and welcome DNO engagement to date.

However, we would question whether the detail provided in the proposed legal text will deliver a positive impact on customers. For example, where an outage lasts for 5-10 minutes and is immediately restored, there would be little benefit to informing customers as they would have little to no time to take preparatory action. While we would recognise the benefit of recording the outage internally for the purpose of network monitoring/potential Guaranteed Standards of Performance calculations, we see little benefit in providing granular updates at such a minute level.

There are also added complexities involved when considering that outages affecting our customers may stem from faults in the upstream network. Where communication from the upstream network is delayed, the challenge of providing relevant, up-to-date, and actionable information for consumers is exacerbated.

We are aware that BEIS has commenced work which seeks to develop and run a distribution-wide fault map and look forward to engaging with the incumbent distributors to develop this. Regardless, we believe there is merit in scrutinising the low threshold for updating the service/notifying consumers as identified above.

New Licence Condition 10A: Treating Domestic Customers Fairly

We welcome this change and believe this will go a long way to improving the service received by domestic customers who are in most need of additional support. We look forward to working with industry to develop and implement best practices, building on the guidance already provided by Ofgem. We also think there is scope to share lessons learnt from the gas and water industry for a consistent approach to treating customers in a fair manner.

Special Condition 4: Major Connections Output Delivery Incentive

We support the introduction of the Major Connections Incentive in replacement of the Incentive on Connections Engagement. The methodology introducing the Major Connection Customer Satisfaction Survey and requiring annual public reporting of performance in relation to it, will provide Ofgem and Customers with a clear view of where good service is being provided and where further improvements are required.

We consider that the approach to issuing surveys and ensuring that the responses represent a fair reflection of the service being provided from those most impacted will be critical to ensuring this measure had the intended effect of improving service levels for all service users.

We note that the incentive does not apply to connection segments that have previously passed the competition test and therefore, where no regulated margin is applied to the DNO for that segment. We understand that Ofgem does not wish to introduce any distortion in areas of the market where it has previously determined that competition is effective. However, we continue to consider that effective competition does not remain static in any given segment and monitoring of service levels remains necessary to ensure competitive conditions are not eroded over time.

If you wish to discuss any of the comments raised in our response or have any queries, you can contact us at Regulation@espug.com or on 01372 587507.

Yours sincerely,

Brandon Rodrigues
Regulatory Analyst