

Joanna Gaches
Copied to David McCrone and Rachel Franks

Sent via email

17 January 2023

Dear Joanna

Statutory consultation on the RIIO-ED2 licence drafting modifications

I am writing on behalf of the Independent Networks Association who represent the majority of the Independent Distribution Network Operator (IDNO) licence holders. Thank you for the opportunity to respond to this consultation and thank you to David McCrone and Rachel Franks for the meeting prior to submission. This response focusses on areas specific to IDNOs.

General issues

There are substantial areas and volumes of work covered by uncertainty mechanisms in the ED2 proposals. This will need a focussed effort from the IDNOs to monitor and respond to, especially as there are still lingering concerns around knock on or unintended consequences for competition in network provision and for revenue forecasting. INA members appreciate the initial guidance on how Ofgem and the DNOs plan to manage this workload. It would be helpful to periodically republish the workplan and guidance to enable IDNOs and other parts of the industry to plan their own resources accordingly over the ED2 period.

Specific issues

SLC 8 – Safety and security of supplies ensuring services

We note that a requirement under the SLC 8 proposed amendments is for licence holders to operate a website providing ‘up to date information on supply interruptions lasting three minutes or longer that occur as a consequence of a severe weather event or other exceptional event’. As we discussed at our meeting, it was very helpful to have clarity that this was seen to be discharged through text communications with customers. As highlighted



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in our meeting, there remains an issue where faults on downstream networks can be caused by an upstream fault. There will need to be a process put in place to ensure downstream networks are informed promptly of faults caused by severe weather or exceptional events affecting their networks in order to discharge this licence condition. There is text that is capitalised but not defined in the licence condition. This is defined elsewhere so it would be helpful to ensure any definitions are transposed to aid clarity.

We would also welcome any other guidance for this licence conditions, recognising that the expectations from Ofgem and other stakeholders could change over time, for example if BEIS specify their requirements for a distribution-wide fault map and its audience as part of the actions under the Storm Arwen Implementation Group.

New Licence Condition 10AA on treating customers fairly

The INA and its members welcome the new Licence Condition and we hope it will bring collaboration and learning across the industry as we develop best practice for all distribution customers. We welcome the guidance that Ofgem have already circulated. We are also conscious that other regulators are also developing and refining their approach for customers, for example Ofwat is currently going through a process to put in place a customer licence condition in water. As many members of the INA are multi-utility companies, we see benefits in learning from other regulators, utilities and consumer policy bodies as Ofgem develops its guidance in the future.

SpC 4 - Major Connections Output Delivery Incentive

The INA and its members are very supportive of the switch to the Major Connections Incentive and the use of surveys. The scope and methodology of the surveying for this licence condition is reasonable and will provide a good opportunity for connection customers to be able feed directly into the performance of the DNOs day to day and the annual report should supplement the other surveys. There are three specific concerns from the proposals:

- We note that for Relevant Market Segments that have passed the competition tests there will be no financial penalty from the Major Connections incentive (even for the provision of non-contestable work). It was helpful to understand at our meeting why Ofgem have decided not to include non-contestable elements in these Relevant Market Segments in the financial incentive. We will use the feedback mechanisms to highlight areas where issues have occurred on the basis that this could either provide a body of evidence to prompt action from Ofgem or that it allows the DNO to propose changes to their approach in light of the feedback given. As this is an area that is critically important to INA members, we will continue to keep this under



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review and welcome the publication of the annual surveys where we will monitor that issues are being identified and / or addressed.

- The same customer (individual within an organisation) will not be surveyed twice in a month for the same type of work. So, if a connection provider delegates the task of applying for Point of Connection quotes to one individual then that connection provider will only get one opportunity to be surveyed by each DNO each month. We understand this is designed to reduce the burden on connection customers to complete surveys, but this might mean that some connection customers with significant levels of work don't get a voice that is equal to that level of work. We will suggest some practical solutions that give the right balance of weighting versus survey completion, and these will be with you as soon as possible.
- The script for surveys doesn't allow the customer to give an immediate reason for a low score on the 'killer question'. There is potentially an intervening question which can disassociate the score given by the customer and the reasons for that score. The Killer question should be immediately followed up with something along the lines of "How could [company name] improve that score?".

Please let me know if there are any questions on any area of our submission.

Yours sincerely,

Nicola Pitts
Executive Director