

**All Distribution Network  
Operators and interested  
connection stakeholders**

Email: [connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk)

Date: 16 April 2024

Dear all,

**Outcome of our assessment under the 2023 RIIO-ED1 Incentive on Connections  
Engagement**

The Incentive on Connections Engagement (ICE) was an annual process in the electricity distribution price control (RIIO-ED1) which encouraged Distribution Network Operators (DNOs) to identify, engage and deliver on the needs of larger connection customers.<sup>1</sup> If they failed to do so, DNOs could face a financial penalty.<sup>2</sup> Following the conclusion of this year's process (the final year of RIIO-ED1, so the final ICE process), we<sup>3</sup> believe the DNOs met the ICE minimum criteria and as such we have decided not to consult on potential penalties. This letter sets out the reasons for our decision and next steps.

The scope of ICE is DNO connections engagement. This decision letter is limited to the scope of ICE and does not draw conclusions on DNO performance in relation to their role in connections reform more broadly. We set out our position on connections reform in our May 2023 Open Letter<sup>4</sup> and November 2023 Connections Action Plan (CAP)<sup>5</sup> (joint with the Department for Energy Security and Net Zero).

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<sup>1</sup> <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/finding-your-energy-supplier-or-network-operator>

<sup>2</sup> See the ICE Guidance Document at:

[https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/ice\\_guidance\\_doc\\_010415\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/ice_guidance_doc_010415_0.pdf)

<sup>3</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

<sup>4</sup> [Open letter on future reform to the electricity connections process | Ofgem](#)

<sup>5</sup> [Ofgem and DESNZ announce joint Connections Action Plan | Ofgem](#)

## Background on the ICE process

Connecting new customers to the electricity network is one of the most important services provided by DNOs. We expect DNOs to provide a consistently high-quality service to all their customers.

The RIIO-ED1 price control contained a package of connection outputs and incentives to ensure DNOs focus on continuously improving the connection experience for all customers. As part of this, the ICE specifically focuses on larger connections customers and drives DNOs to identify, engage and deliver on the particular needs of these customers. If they fail to do so, DNOs can face a penalty. We can apply penalties where a DNO has failed to meet the assessment criteria in the market segments where competition was judged not to be effective, which varies between DNO regions.<sup>6</sup>

The ICE required DNOs to submit evidence to us (by 31 May each year) that demonstrates how they have improved their service, including by:

1. engaging effectively with larger connection customers
2. developing plans which adequately address all reasonable requests, and
3. delivering on these plans.

Until this year, evidence of such actions was provided in two parts:

- a Looking Back report on their activities during the previous year demonstrating how they have met the needs of larger connection customers, and
- a Looking Forward plan for the coming year describing the activities they plan to undertake.

On 30 May 2023 we issued a Direction<sup>7</sup> to relieve DNOs of the obligation to submit a Looking Forward plan for year 2023-24, following the removal of ICE from 1 April 2023. In our RIIO-ED2 final determinations, published on 30 November 2022, we confirmed that we would remove the ICE and replace it with a Major Connections Incentive (MCI), effective from 1 April 2023.

Therefore, for 2023 DNOs only submitted a Looking Back report and the relevant assessment criteria are as follows:

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<sup>6</sup> <https://www.ofgem.gov.uk/publications/decision-review-competition-electricity-distribution-connections-market>

<sup>7</sup> [Direction to modify the Incentive on Connections Engagement \(ICE\) Guidance Document | Ofgem](#)

1. the licensee published a Looking Forward section in its previous ICE submission, in accordance with paragraph 3.4 of the ICE guidance document
2. the licensee has implemented its comprehensive and robust strategy for engaging with connection stakeholders; if not, then the reasons provided are reasonable and well justified
3. the licensee has undertaken a comprehensive work plan of activities (with associated delivery dates) to meet the requirements of its connection stakeholders and, if not, the reasons provided are reasonable and well justified
4. the licensee has delivered its relevant outputs (eg, key performance indicators, targets, etc) and, if not, the reasons provided are reasonable and well justified; and
5. the licensee's strategy, activities and outputs have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders and, if not, the reasons provided are reasonable and well justified.

More information on how the ICE worked is available in our ICE Guidance Document<sup>8</sup>.

## **Our 2023 assessment**

We consulted in November 2023 to seek feedback on how the DNOs performed in the last regulatory year, i.e. the 'Looking Back' submission from each DNO<sup>9</sup>. In this, we emphasised that we would expect continued improvements from DNOs in delivering a service that meets large connection customers' needs, including (but not limited to) the areas identified in the Annex (reproduced in this letter) on which we were seeking specific views from stakeholders. We encourage DNOs to keep these areas under review and take them into account in delivering their future connection offerings as appropriate.

We assessed DNO performance by reviewing their 'Looking Back' submissions, alongside the one stakeholder response provided following our consultation. The summary of our assessment is shown in Table 1.

*Table 1: Our assessment of ICE 2023 'Looking Back' submissions against assessment criteria*

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<sup>8</sup> [Direction to modify the Incentive on Connections Engagement \(ICE\) Guidance Document | Ofgem](#)

<sup>9</sup> [ICE 2023 stakeholder consultation open letter | Ofgem](#)

<b>Assessment criteria</b>	<b>Our views</b>
1. published a Looking Forward section in its previous ICE submission	All DNOs did.
2. implemented a comprehensive and robust strategy for engaging with connection stakeholders	We consider that the DNO reports contained robust strategies for engaging with connection stakeholders.
3. undertaken a comprehensive work plan of activities to meet the requirements of its connections' stakeholders	We found that DNOs delivered the vast majority of the outputs they set themselves in their work plans. For the small number of missed targets, these had well justified reasons and have either been met since or are on-track to be met where applicable. We welcome the ambitious targets set by the DNOs to outperform minimum standards. We expect DNOs to take all reasonable steps to meet their own targets and where this is not possible to justify why and communicate effectively with customers to manage expectations.
4. delivered relevant outputs	
5. strategy, activities and outputs have taken into account ongoing stakeholder feedback	We note that all DNOs have mechanisms in place to ensure engagement from a wide range of customers and capture a good cross-section of stakeholder needs.

*ICE 2023 consultation response:*

The one stakeholder who responded expressed positive comments about the level and type of DNOs' engagement performance in the context of ICE, as well as acknowledging the improvements made on service level standards and DNO communications relating to domestic electric vehicle (EV) and heat pump connections.

The stakeholder response raised concerns around data provision, customer service and escalation routes, resourcing and skills shortage, transmission interface, curtailment assessments, and a lack of standardisation. We provide further detail on these themes in the 'feedback' section below. While the respondent raised these broad concerns, they did not suggest these meant the DNOs had failed to meet the ICE assessment criteria. Therefore, we see this as useful feedback beyond the ICE scope to inform ambitions of

broader connections reform, and these points align with the consultation feedback we received following our May 2023 Open Letter<sup>10</sup>.

## **Our decision**

Following our assessment, we have concluded that all the DNOs met the assessment criteria in the market segments in which they could face penalties. As such, we will not be consulting further on penalties.

While we have decided not to consult on penalties on DNO ICE performance, we acknowledge that the ICE process has highlighted areas for improvement in the connections process beyond the ICE scope which we discuss below.

## **Feedback**

### Data Provision

The ICE 2023 consultation respondent noted that the quality of data provision varies between DNOs. They welcomed National Grid Electricity Distribution and UK Power Networks launching their ClearViewConnect and Network Operational Data Dashboard reports and described them as “a significant step forward in improving queue visibility at Grid Supply Points”.

We are glad to see in several of the DNOs responses to the respondent that they are putting initiatives in place to improve data provision. However, we still encourage all DNOs to engage with customers to identify further ways to promote increases in service quality.

We also received stakeholder feedback on data provision issues in response to our May 2023 Open Letter. Stakeholders expressed their need for easily accessible, standardised and transparent data to help them identify suitable locations when applying for a connection. This feedback informed action area 3.5 of the CAP, particularly the action on Electricity System Operator (ESO) and network companies to work together to create a single digital view of connections, the associated enabling and reinforcement works and available capacity across transmission and distribution.

### Customer service and escalation routes

The ICE 2023 consultation respondent raised concerns with the clarity of DNO query and complaint escalation routes. This feedback was disputed by the DNOs that responded.

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<sup>10</sup> [Responses to the Open Letter on future reform to the electricity connections process | Ofgem](#)

However, National Grid Electricity Distribution additionally committed to reviewing its website to ensure escalation routes are easy to find. We encourage all DNOs to engage with their customers to ensure that their escalation processes are efficient and clear.

We note the need for high quality and consistent customer service in our vision for connections reform in the CAP, and as part of the desired outcome for action 3.5d on Ofgem to undertake an end-to-end review of the incentives, obligations and requirements, relating to transmission and distribution connections.

### Resourcing and skills shortage

The ICE 2023 consultation respondent raised concerns relating to a skills shortage in DNOs impacting the delivery of new infrastructure and connections. They stated that under-resourcing in DNOs is impacting their project development, with impacts occurring at the design stage with delayed Statement of Works and Project Progression and at later stages where a lack of project managers is causing difficulties interacting with DNOs, especially as the project gets closer to connection. They noted that they thought DNOs were aware of the issue and have taken some action to address it such as upskilling graduates, but still believed that more action was needed, specifically referencing recommendations within the Transmission Acceleration Action Plan<sup>11</sup>.

We are happy to see that the DNOs that responded committed to addressing the skills gap and noted actions underway to recruit and train the required professionals to the workforce. We encourage all DNOs to take action to resolve issues such as these that can impact customer service.

We also received stakeholder feedback on network company resourcing issues in response to our May 2023 Open Letter. Stakeholders noted the need for network companies to invest in the necessary resources to resolve the influx of connection requests and provide better customer service. This feedback contributed to the CAP action 3.5d on Ofgem to undertake an end-to-end review with the view that this will ensure that network companies allocate resources more effectively.

### Transmission interface: project progression<sup>12</sup> submission

The ICE 2023 consultation respondent stated that they had numerous projects delayed by late submissions of Project Progressions to the ESO by multiple DNOs. They noted that this can result in distributed generation projects ending up queued behind transmission projects

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<sup>11</sup> [Electricity networks: transmission acceleration action plan - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/115444/electricity-networks-transmission-acceleration-action-plan.pdf)

<sup>12</sup> An application submitted by the DNO to the ESO to alter their bilateral connection agreement (BCA) due to generation/storage/demand seeking connection to the DNO's network

which made applications months later. The respondent also noted that not all DNOs have committed to Project Progressions within set time periods.

The DNOs who replied stated that they recognise the issue and have set timeframes in which they are committed to submit Project Progressions and have taken steps to improve processes in the future. We welcome this and encourage all DNOs to take action to ensure positive customer outcomes.

We also received stakeholder feedback on issues at the transmission/distribution interface in response to our May 2023 Open Letter. It was noted that an increasing number of distribution connections are now triggering the project progression process, which adds time and costs to their applications. Stakeholders told us about delayed submission of project progressions which they understood was because DNOs want to submit a number of projects at once but then failed to communicate this to the customers. This feedback informed actions in action area 3.5 of the CAP to ensure consistency across transmission and distribution.

#### Curtailment assessments

The ICE 2023 consultation respondent quoted the CAP, "Curtailment forecasts for non-firm connections are often not representative of the actual likely operational curtailment that would be implemented, creating significant problems for developers or investors trying to quantify operational risks" (p60) and expressed frustration with:

- A lack of detail on how curtailment is calculated.
- Inconsistency of how Active Network Management schemes are designed between substations causing difficulties in self-service assessments of curtailment risk.
- Inconsistency on how information is provided between DNOs and different teams within DNOs.
- DNOs changing how Active Network Management schemes operate after acceptance of non-firm offers and projects being connected resulting in inaccurate curtailment forecasts.

We note that there are outstanding issues with curtailment forecasts which DNOs should investigate. The approach DNOs take to curtailment varies and we consider that this could be done more consistently and efficiently. We expect all DNOs to improve their services to provide a higher standard of curtailment forecasts to their customers.

Stakeholder feedback on issues with curtailment forecasts contributed to action area 3.3 of the CAP to ask ESO and network companies to review and assess approaches to optimise

use of the existing network, including better supporting alternative connection options by providing appropriate levels of information, for example likely curtailment.

#### Lack of standardisation between DNOs

The ICE 2023 consultation respondent stated that there is a lack of consistency between how DNOs manage parts of the connections process, and a lack of transparency in activities taken to improve this.

The DNOs who responded acknowledged the challenges that arise from a lack of standardisation and noted some differences are necessary to address the different needs of stakeholders. We encourage DNOs to continue to work together and engage with their stakeholders to ensure consistency in service.

We also received stakeholder feedback on lack of standardisation in response to our May 2023 Open Letter. This informed action area 3.5 of the CAP to ensure consistency.

#### DNO support for domestic EV and heat pump connections.

The ICE 2023 consultation respondent commented positively on improvements made by DNOs regarding support for domestic EV and heat pump connections. They also stated that they expect DNOs to prepare for an expected increased rate of uptake. We are pleased to see that DNOs have made improvements since this issue was raised in our 2022 ICE decision.<sup>13</sup>

### **Reforms to the ICE process**

In past ICE consultations, we received feedback that ICE could be more challenging and ambitious in ensuring that DNOs meet their customers' engagement needs and deliver an efficient and effective connections process. Considering this, we decided to:

1. Replace ICE with the Major Connections Incentive (MCI) for the next electricity distribution price control (RIIO-ED2) from 1 April 2023 which will include a more mechanistic approach to assessing DNO engagement with connections customers<sup>14</sup>. We provide more information on MCI in our 2022 ICE decision.
2. Commit to an action in the CAP to undertake a full end-to-end review of the obligations and incentives on DNOs (alongside all regulated parties) relating to connections to ensure improved quality of service and timely connection outcomes.

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<sup>13</sup> [Outcome of our assessment under the 2022 RIIO-ED1 Incentive on Connections Engagement | Ofgem](#)

<sup>14</sup> <https://www.ofgem.gov.uk/publications/riio-ed2-final-determinations#:~:text=Decision%20for&text=The%20current%20electricity%20distribution%20price,29%20June%202022%20for%20consultation>



## **Next steps**

This document concludes our assessment of the DNOs' performance under the ICE in 2022-23. This is the final assessment under the ICE.

We expect DNOs to use this decision letter and associated stakeholder feedback to identify areas for improvement in their approach to connections engagement, and connections reform more broadly.

Yours faithfully,

**Tessa Hall**  
**Head of Electricity Connections**  
**System Planning, Engineering and Technology.**

## ANNEX

We expect DNOs to continue making improvements to the provision of their connection services. Areas of particular interest include:

- Supporting large connections customers prior to application by providing accurate, comprehensive and user-friendly information, including:
  - providing access to transparent, up to date and relevant information on where to connect, including - but not limited to - network capacity and design (eg providing network data to EV connection customers to help tailor location of EV chargepoints and maximum demand capacity requirements).
  - communicating the whole connection process clearly.
  - providing clear explanations of the types of connection products available and the information needed for customers to make an application.
  - supporting the development of local area energy planning through alignment of connection requirements (eg, those of Local Authorities or community energy groups) with own strategic network planning.
- Delivering value for large connection customers by ensuring simplicity and transparency throughout the connection process, including:
  - providing good customer service (eg, handling the application process efficiently and providing prompt feedback to customers).
  - offering sufficiently flexibility to accommodate necessary changes in customers' requirements.
  - ensuring that customers fully understand the implications for their connection offer of any changes that can arise, either because of changes in their requirements or because other customers are also seeking to connect in the same area.
- Engaging with connection customers to provide more clarity on how the rules and processes for connections will evolve as a result of future developments like, for example:
  - increasing volume of connections for new forms of LCTs such as storage and EVs.
  - connections reform and accelerating connection times.
- Engaging appropriately with and responding adequately to the needs of large connection customers who are aiming to connect new LCTs, with particular attention to improving processes to support the increasing demand for connections.
- Facilitating the delivery of timely and economical connections by:
  - helping connection customers identify how they could make changes to their connection requirements, that would meet still their needs.

- promoting certain types of connection customers (such as storage) in a connection queue if doing so will help others connect more quickly and or cheaply
- Ensuring availability of flexible connections for all large customers and providing more clarity around the conditions and circumstances of current and future curtailment associated with a flexible connection offer.
- Identifying where it would be appropriate for network operators to work together to improve the consistency of the connection processes across Great Britain, including collaborating to keep the approach to Assessment & Design (A&D) fees under review and provide a forum for stakeholders to raise issues.