

Proposal 6 - Business Plan Incentive Early Proposal: New Connections Incentives

Section	Submission
<i>Licensee name</i>	UK Power Networks Ltd. including three distribution license holding companies: Eastern Power Networks plc (EPN), London Power Networks plc (LPN), and South Eastern Power Networks plc (SPN).
<i>Proposal name</i>	New Connections Incentives
<i>Type of proposal</i>	New or enhanced service Stretching commitment Delivery accountability mechanism
<i>Proposal summary (max 200 words)</i>	<p>Situation: DNOs are a critical enabler of the Net Zero transition. Rapid growth in low-carbon technologies, including distributed generation, electric vehicles and heat pumps, depends on timely and high-quality connections to distribution networks. Ofgem, government and the National Infrastructure Commission have highlighted that effective connections are strategically vital to delivering clean power and wider economic growth.</p> <p>Complication: Issues with capacity at transmission, connection delays, uncertainty over costs and timelines, and inconsistent customer experiences all present as issues. Without sufficiently strong incentives, there is a risk that some DNOs prioritise cost control or risk minimisation over proactive, customer-focused delivery. Poor connections performance could act as a bottle neck for deployment of low-carbon assets, undermine investor confidence, and cause reputational damage to the industry, Ofgem and government.</p> <p>What is the question we are trying to answer? How can the ED3 incentive framework be designed to ensure DNOs consistently deliver timely, high-quality connections that meet customer needs to support net zero objectives?</p> <p>Proposal: Introduce highly powered, outcome-focused incentives for connections in ED3 that reward excellent performance and penalise under-delivery. Incentives should focus on speed, service offerings and customer satisfaction, ensuring DNO behaviour is fully aligned with the long-term interests of customers and society.</p>
<i>Which ED3 outcomes does the proposal support?</i>	Investing for the energy transition Responsible and sustainable business Smarter networks Resilient networks
<i>Which Consumer Interest Pillars does the proposal support?</i>	Low cost transition Fair prices Quality and standards Resilience
<i>Summary of key reason(s)/driver(s) for the proposal (Max 200 words)</i>	<p>Accelerating connections is the critical challenge of ED3, with the key drivers outlined below:</p> <ol style="list-style-type: none"> The Net Zero agenda, Clean Power 2030 and the introduction of the RESP has brought with it a shift in requirements to invest ahead of time and in increased volume. This increase is expected at all points on the network, at LV as more customers require works associated with adopting LCTs, at HV to support housing growth and at EHV/132kV to enable industrial growth. Issues on the transmission system with existing capacity not utilised and long lead times for those who want to connect has brought about connections reform. It has been reactive and not proactive.

	<p>4. New emerging strategic investment, and recent announcements around growth in data centres and AI enabling infrastructure will present further significant point load connection requirements.</p> <p>5. Ofgem’s End to End review highlights perceived issues with the connections process and proposals for improvements / significantly more GSOP requirements are to be delivered in similar timescales to ED3.</p> <p>Given this importance of connections as a driver of Great Britain’s Net Zero objectives, this should be enabled through high quality service accompanied by a coherent set of highly powered incentives.</p>
<p><i>Summary of supporting evidence</i></p> <p><i>(Examples could include references to sector specific intelligence, innovation projects, ISG engagement, wider consumer research, endorsement from third parties)</i></p> <p><i>(Max 200 words)</i></p>	<p>1. Ofgem — Reforming grid connections is vital for net zero “Building new networks capacity, in the right place, at the right time is the key to getting to net zero.” — Jonathan Brearley, Ofgem CEO</p> <p>2. Ofgem — Network operators must deliver timely connections “We must ensure that customers seeking to connect these projects that the country needs for clean power...receive the standards of service that enable speedy connections...” — Akshay Kaul</p> <p>3. DESNZ — Connections reforms as enablers “Facilitating timely and needed grid connections is vital if we are to achieve clean power by 2030, as well as being crucial for stimulating economic growth and reducing costs for consumers.” —DESNZ open letter on connections reform</p> <p>4. NIC — Strategic and proactive investment needed “We must learn the lessons from playing catch-up on transmission grid expansion... ensure network operators do more to make connections easier and faster for more businesses.” — Sir John Armitt & Commissioner Nick Winser</p> <p>We believe that high-powered incentives are the answer to remove inconsistencies in processes and performance. By introducing them, it will work to drive up standards and consistent high-performance across the industry, e.g. as Ofgem’s Broad Measure of Customer Service has demonstrated, with the sector average now over 90%.</p>
<p><i>Summary of potential benefits</i></p> <p><i>(Max 200 words)</i></p>	<p>Benefits to each incentive highlighted below:</p> <p>1. <u>Minor Non-LCT Connections</u> - Incentivising accuracy, timeliness and customer satisfaction surrounding quotations and connections for non-LCT LV works through: - <u>ATTQ/C</u> – Operating as it does today but with the inclusion of LVAL customers; and - <u>CSAT</u> – Taking the RIIO-ED2 Connections BMCS element and adding to this incentive.</p> <p>2. <u>Minor LCT Connections</u> - incentivising speed, simplicity and experience of customers wanting to connect LCTs at their homes/developments or installers working on their behalf, covering all LV market segments, through: - <u>ATTA/Q/C</u> – A new average time to approve, quote and connect measure; - <u>CSAT</u> – Taking the RIIO-ED2 General Enquiries LCT work from BMCS and</p>

	<div>adding to this incentive; and</div> <div><div><div>-</div><div><u>Annual Installer Survey</u> – recognising that 80% of LCT customers are installers and to avoid survey fatigue.</div></div></div>																											
	<div>3. Major Connections - encouraging base level service whilst promoting strong customer journey management with clear communications, simple interactions and strong project management through:</div> <div><div><div>-</div><div><u>Minimum Standards Metrics</u> - using SLAs to maintain base level performance;</div></div><div><div>-</div><div><u>Annual Satisfaction Survey</u> - of customers that are in the process of / have had a connection completed;</div></div><div><div>-</div><div><u>Annual Performance Panel</u> – assessment focused on engagement, support, products and services offerings.</div></div></div>																											
<div>Where the proposal relates to a new or enhanced service or to stretching commitments, explain why the proposal is not already business as usual or incentivised either through the existing RIIO-ED2 framework or under ED3 proposals that we are consulting on (Max 200 words)</div>	<div>Whilst some elements are measured in RIIO-ED2 through CSAT performance, there is a spread of performance across DNOs. Example below:</div> <div><table><tr><th colspan="3">Year 2 BMCS Connections Score</th></tr><tr><th>DNO</th><th>BMCS Connections Score</th><th>Rank</th></tr><tr><td>UKPN</td><td>94.2</td><td>1</td></tr><tr><td>ENWL</td><td>93.9</td><td>2</td></tr><tr><td>SPEN</td><td>92.9</td><td>3</td></tr><tr><td>NPG</td><td>90.7</td><td>4</td></tr><tr><td>NGED</td><td>88.9</td><td>5</td></tr><tr><td>SSEN</td><td>83.3</td><td>6</td></tr><tr><td>Industry Avg</td><td>89.8</td><td></td></tr></table></div> <div><div>We note Ofgem is considering the introduction of a number of additional Guaranteed Standards of Performance (GSOPs). However just GSoPs does not drive or deliver customer service excellence or innovation. We need every DNO to develop annual service improvement plans that have been co-designed and endorsed by their customers to drive continuous improvement. UK Power Networks’ “number 1” position in the customer service league tables in every segment is not driven by GSoP, but by a combination of incentives which help support a performance culture where employees and contractors share in the success of improvements in the service experienced by our customers. We are also now the #1 utility and only utility in the top 20 of the Institute of Customer Service rankings! GSoP is the minimum standard, not what we should aspire to.</div><div>Whilst UKPN prides itself on being at the frontier, it is critical that Ofgem gets this right to ensure all DNOs are incentivised to deliver connections quicker, supporting Net Zero, economic growth and customers’ requirements. The way to achieve this is through a suite of focussed high-performance incentives as outlined in this response.</div></div>	Year 2 BMCS Connections Score			DNO	BMCS Connections Score	Rank	UKPN	94.2	1	ENWL	93.9	2	SPEN	92.9	3	NPG	90.7	4	NGED	88.9	5	SSEN	83.3	6	Industry Avg	89.8	
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<div>Where the proposal relates to a new or enhanced service, explain why DNOs are best placed to undertake the activity described under the proposal (Max 200 words)</div>	<div>The electricity distribution system is a critical enabler of the net zero transition. Rapid growth in low-carbon technologies—including renewable generation, electric vehicles, heat pumps, storage and flexibility—depends on timely and high-quality connections to distribution networks. Ofgem, government and the National Infrastructure Commission have all highlighted that effective connections processes are strategically vital to delivering clean power and wider economic growth.</div>																											

	<p>In ED3, Distribution Network Operators will play a central role in facilitating these connections at scale and therefore Ofgem should introduce highly powered, outcome-focused incentives for connections in ED3 that strongly reward excellent performance and penalise under-delivery.</p> <p>Incentives should focus on speed, certainty, customer satisfaction and strategic alignment with net zero, ensuring DNO behaviour is fully aligned with the long-term interests of customers and society.</p>
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