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29 March 2004

Dear Colleague,

Information and Incentives Project (IIP): Draft Regulatory Instructions and Guidance (RIGs) version 5

Introduction

Please find enclosed a draft of the Regulatory Instructions and Guidance (RIGs) version 5. This version of the RIGs will take effect on and from 1 April 2005. In drawing up this draft, Ofgem has considered issues raised by the Quality of Supply working group. Ofgem has also addressed a number of areas of ambiguity which were highlighted as part of the IIP audits carried out by Mott MacDonald and British Power International.

Ofgem is proposing to make a number of changes to the RIGs to:

- ◆ improve their style and presentation;
- ◆ provide further guidance in a number of areas where the distribution businesses are seeking further clarification;
- ◆ introduce additional disaggregated reporting for the number and duration of interruptions;
- ◆ introduce 2 new connections outputs to replace the existing overall standards of performance requirements; and
- ◆ introduce environmental reporting and refine the approach to medium-term performance reporting.

This constitutes formal notice, in accordance with paragraph 9 of Standard Licence Condition 49 of the distribution licence of changes to the RIGs. We would welcome comments on the draft version of the revised RIGs by 5 May 2004. They should be sent to:

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Ofgem then intends to publish the final version of the revised RIGs taking these comments into account. This process is consistent with the licence condition and the proposed changes.

The annex to this letter sets out a summary of the key changes to the RIGs that Ofgem is proposing and an explanation of why we believe these are appropriate.

If you have any questions about the content of this letter or the RIGs please contact James Hope on 020 7901 7029 or Chris Watts on 020 7901 7333.

Yours sincerely

Chris Watts
Head of the Quality of Supply Team

APPENDIX 1 Summary of changes to the RIGs

Set out below is a summary of key changes we are proposing to make to the RIGs, with a brief explanation of the reasons for these changes. Also highlighted are some of the other changes that have been made to the RIGs.

Section 1: Introduction

The changes that are being proposed for this section are mainly presentational to reflect the fact that a number of new sections are being proposed and to ensure consistent terminology throughout the document.

Section 2: Detailed definitions, instructions and guidance for reporting the number and duration of interruptions to supply

Ofgem is proposing a number of changes to this section to:

- ◆ improve their style and presentation;
- ◆ provide further guidance in a number of areas where the DNOs are seeking further clarification; and
- ◆ introduce additional disaggregated reporting for the number and duration of interruptions.

Ofgem is also considering introducing an additional section in relation to reporting interruptions information relating to exceptional events. If Ofgem considers this to be appropriate, it will consult distribution companies in due course.

Introduction and definition of output measures (paragraph 2.1 to 2.3)

Ofgem has made a number of minor changes to clarify the terminology and link the abbreviations commonly used for customers interrupted (CI), re-interruptions (RI), short interruptions (SI) and customer minutes lost (CML) to the definitions in the RIGs.

Further instructions, definitions and guidance – customer (paragraph 2.7)

Ofgem is proposing an amendment to the RIGs to reflect the fact that all DNOs have agreed MPAN methodologies with Ofgem. In order to maintain consistency of reporting across DNOs, it is important that DNOs agree any changes to their MPAN methodology with Ofgem in advance.

Incident completion (paragraph 2.23)

Mott-MacDonald-BPI (MM-BPI) has identified some differences in interpretation of re-interruptions across DNOs. Ofgem is proposing an amendment to the RIGs to make clear that if there is a further loss of supply to some or all of the same customers within 3 hours of the initial supply restoration being complete (i.e. when the last customer's supply was restored) this should be counted as a re-interruption.

Short interruptions (paragraph 2.29)

Ofgem is proposing amendment to the RIGs to make clear that any loss of supply of electricity up to but excluding 3 minutes should be treated as a short interruption (SI). e.g. a loss of supply of 2 minutes 40 seconds counts should be counted as an SI rather than being rounded up to 3 minutes and treated as an interruption.

Clock stopping (paragraph 2.51)

A number of DNOs have asked for clarification as to whether they can exclude any break in restoration work, which is at the customer's request, from the overall restoration time. Ofgem considers that this is appropriate, provided an appropriate audit trail is maintained.

Disaggregation of incidents (paragraphs 2.55 to 2.73)

Ofgem is proposing a number of changes to this section to introduce additional disaggregated performance by:

- ◆ duration band (both pre-arranged and unplanned CI);
- ◆ frequency of interruption (higher voltage unplanned CI only); and
- ◆ HV circuit.

As explained in the March price control consultation document, Ofgem is proposing to remove the overall standards of performance on DNOs and introduce some additional reporting requirements in the RIGs so that there is a better understanding of companies' performance.

Information on the number of customers interrupted by duration band will give a clearer understanding of companies' restoration performance. Information on the number of customers interrupted by frequency of interruption will highlight the spread of performance across customers and in particular the performance received by worst-served customers.

DNOs currently report performance by HV circuit to Ofgem on an informal basis. This has been used to develop the work on comparing quality of supply performance and to set quality of supply scenarios for the forecast business plan questionnaire. Ofgem considers that it is important for this reporting requirement to be formalised so that this data can be used to monitor performance between reviews and to inform targets at future price control reviews.

Ofgem is also increasing the number of categories of unplanned incident to enable appropriate audit sampling and avoid multiple requests for data.

The definition of IIP voltage/system boundaries has been moved to the end of Section 2 to improve presentation.

Section 3: Definitions, instructions and guidance for reporting on speed and quality of telephone response

This section is unchanged from the version of the RIGs published on 25 March 2004. However, Ofgem is currently reviewing potential technical constraints to expanding the scope of the quality of telephone response survey to cover customers whose calls are answered by automated

messaging. Subject to this issue being resolved satisfactorily, Ofgem proposes the survey will be expanded to include consumers who have their calls answered by an automated message in the next price control period. Ofgem intends to consult on changes to this section of the RIGs in due course to incorporate provision of information with respect to these customers.

Section 4: Definitions, instructions and guidance for monitoring connections performance

Ofgem is proposing to introduce a new section in the RIGs for monitoring connections performance. Given the proposed removal of the overall standards of performance, Ofgem considers that it is appropriate to transfer the existing reporting requirements for the percentage of domestic (non-domestic) connections provided within 30 (40) working days to the outputs framework.

Section 5: Definitions, instructions and guidance for monitoring medium term performance

Ofgem is proposing a number of changes to this section to refine the approach to medium-term performance reporting based on the experience of gathering information during the current price control period and as part of the Historic Business Plan Questionnaire. Ofgem considers that it is important to gather a robust set of data on faults and faults rate each year to avoid having to collect unnecessarily large volumes of data during price control reviews.

Required information (paragraph 5.7)

Ofgem has already received 6 years' worth of fault data under medium-term performance reporting. As such Ofgem proposes to remove the requirement to provide historic data. Companies will only be required to provide data for the reporting year that has just ended.

Circuit lengths and units of equipment (paragraphs 5.8 to 5.11)

There was no explicit requirement for provision of information on circuit lengths and units of equipment in previous versions of the RIGs. Ofgem is proposing to introduce this requirement to ensure there is transparency in how fault rates are calculated.

Faults on 132 kV, 66 kV and 33 kV circuits and equipment (paragraph 5.12)

The existing version of the RIGs asks for faults on EHV and 132 kV circuits and equipment to be reported in total and split between overhead lines underground cables. This does not make clear the volume of faults associated with switchgear, transformers, protection or other asset classes. It also aggregates together faults on significantly different types of circuit such as standard underground cables and submarine cables.

Ofgem is therefore proposing to introduce a more detailed disaggregation of faults that more accurately reflects differences in asset types.

Faults at HV (paragraphs 5.13 to 5.14)

During the next price control period Ofgem is intending to collect additional evidence on the impact on exceptional events, including the causes of faults. Ofgem is therefore proposing to introduce a more detailed disaggregation of HV fault causes, separating out faults due to weather and environmental factors into the following categories:

- ◆ lightning;
- ◆ rain, snow, sleet, blizzards and ice;
- ◆ wind, gales and windborne materials; and
- ◆ other faults due to weather and environment (including “birds, animals and insects”).

Faults at LV (paragraphs 5.17 to 5.18)

Ofgem is proposing similar changes to those discussed for HV above. In addition Ofgem is proposing that companies should separately state the number of faults and fault rates arising on LV Consac cables. This should ensure that there is an appropriate understanding of the medium-term performance of these assets.

Section 6: Environmental reporting

Ofgem is proposing to introduce a new section in the RIGs for environmental outputs. As discussed in the March price control paper, Ofgem has a statutory duty to have regard to the effect of the generation, transmission, distribution and supply of electricity on the environment. This requires a good understanding of the environmental impacts of these activities and reporting is an important step in managing environmental impacts. As part of the Environmental Action Plan, Ofgem made a commitment to “...develop a small number of Key Performance Indicators (KPIs) for the gas and electricity sector”.

Sections 7 and 8

Ofgem is proposing a number of minor changes to bring the RIGs up-to-date.

Appendix 1: Purpose of IIP information

Ofgem is proposing a number of changes to the table to reflect revised reporting requirements in other sections.