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16 February 2005

Dear Colleague,

Information and Incentives Project (IIP): Draft Quality of Service Regulatory Instructions and Guidance (rigs) version 5

Introduction

Please find enclosed a draft of the Quality of Service Regulatory Instructions and Guidance (rigs) version 5. This version of the rigs will take effect on and from 1 April 2005. Ofgem first consulted on version 5 of the rigs in March 2004. Since then 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 16 March 2005. 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

James Hope
Senior Quality of Service Analyst

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.

Paragraph 1.2 has been expanded to make it explicit that the Quality of Service rigs is subordinate to the licence conditions.

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: 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.

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.

Customer (paragraph 2.9)

Ofgem is proposing to add to paragraph 2.9 to make it clear that the definition of a customer in the Quality of Service rigs only applies for the purposes of SLC 49, Special Condition C2 and the Quality of Service rigs.

Further instructions, definitions and guidance – new and disconnected customers (paragraphs 2.11 and 2.13)

Ofgem is proposing to add two new reporting requirements to the rigs in order to capture customer “churn” in the reporting year.

Non-damage and damage incidents (paragraphs 2.19 and 2.20)

Ofgem is proposing to expand upon the definition of a non-damage incident and introduce a definition of a damage incident.

Short interruptions (paragraph 2.22)

Ofgem is proposing an 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.

Incident completion (paragraph 2.49)

Mott-MacDonald-BPI (MM-BPI) has identified some differences in interpretation of re-interruption 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.

Clock stopping (paragraph 2.62 to 2.64)

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 in such cases as well as situations where access to customers' premises necessary to restore supplies is not available and access necessary to restore supplies is explicitly prevented by the emergency services, government authorities or other utilities, it is appropriate to stop the clock, provided an appropriate audit trail is maintained.

Disaggregation of incidents (paragraphs 2.66 to 2.83)

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 DNOs' restoration performance. Information on the number of customers interrupted by frequency of interruptions 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 reporting requirements 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 Appendix 4 to improve presentation.

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

Ofgem is proposing to amend the reporting requirements in respect of the telephony measures. These changes in part reflect the addition of a new question into the customer survey to assess satisfaction with the speed of response by an agent. They also reflect comments from and discussion with DNOs on the usefulness of this measure going forward.

Ofgem is proposing that the number of key measures is rationalised and focused more on collecting information related to the split of calls answered by agents and calls answered by an automated message. This information may be used by Ofgem to assess whether it is practicable to include satisfaction with automated messaging in the main telephony incentive scheme. Nevertheless, Ofgem still considers it important that DNOs report how long customers wait for their calls to be answered but is proposing that reporting the mean time is sufficient. It is proposed that reporting the number of customer calls that are not answered continues on a disaggregated basis. Ofgem is proposing to remove the generic system diagrams, but require DNOs to indicate on the schematic diagram where the statistics are generated.

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 incidents and incident rates each year to avoid having to collect unnecessarily large volumes of data during price control reviews. Ofgem is proposing that the MTP information should be provided in three forms; all incidents, incidents related to one-off exceptional events and incidents attributable to severe weather exceptional events.

Required information (paragraph 5.6)

Given the greater degree of detail Ofgem will be collecting on incidents under medium-term performance reporting, Ofgem proposes to require DNOs to provide 4 years of historical data on the new classifications (except for plant quantities) in addition to the 2005/06 data. For 2006/07 onwards DNOs 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, 5.17 to 5.20, 5.25 to 5.27, 5.33 to 5.35)

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 incident rates are calculated.

The number of damage and non-damage unplanned incidents (paragraphs 5.12 to 5.15, 5.21 to 5.24, 5.28 to 5.31)

There was no explicit requirement for provision of the breakdown between damage and non-damage incidents in previous versions of the rigs. Ofgem is proposing to make it mandatory to make this distinction in order to facilitate cost analysis.

Incidents on 132 kV, 66 kV 33 kV and 22 kV circuits and equipment (paragraph 5.12)

The existing version of the rigs asks for incidents 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 incidents associated with switchgear, transformers, circuit breakers or other asset classes. It also aggregates together incidents 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 incidents that more accurately reflects differences in asset types.

Incidents on HV circuits and equipment (paragraph 5.21)

The existing version of the rigs asks for incidents on HV circuits and equipment to be reported in total and split between overhead lines underground cables. This does not make clear the volume of incidents associated with switchgear, transformers, circuit breakers or other asset classes. It also aggregates together incidents 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 incidents that more accurately reflects differences in asset types.

Incidents at LV (paragraphs 5.28)

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

Incidents by cause at 132 kV, 66 kV, 33 kV, 22 kV, HV and LV (paragraphs 5.14, 5.23, 5.30)

During the next price control period Ofgem is intending to collect additional evidence on the impact of exceptional events, including the causes of incidents. Ofgem is therefore proposing to introduce a more detailed disaggregation of HV incident causes, separating out incidents due to:

- ◆ lightning;
- ◆ rain, snow, sleet, blizzard, freezing fog, frost and ice;
- ◆ wind, gale, growing trees, falling trees and windborne materials;
- ◆ all other due to weather and environment causes plus birds, animals and insects;
- ◆ company and manufacturer causes;
- ◆ third party; and
- ◆ any other causes (including unknown and unclassified).

Reporting of asset quantities (paragraphs 5.33 to 5.35)

In order to support the work on disaggregation Ofgem is proposing to require DNOs to report the number of services in commission for the low voltage network and an estimate of the split between overhead and underground services.

Instructions and guidance for reporting the number of unplanned incidents (paragraph 5.38)

Ofgem is proposing additional wording to make it clear that, where incidents are raised simply to record supply interruptions which occur as the result of manual switching more than 3/18 hours after all customers are restored, these incidents should be excluded from the MTP report.

Counting 132 kV, 66 kV, 33 kV, 22 kV, HV switchgear and LV switchgear/fusegear (paragraphs 5.40 to 5.51)

Ofgem is proposing the above paragraphs to set out how DNOs should determine quantities of switchgear/fusegear.

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: Required level of accuracy for reporting and Reporting arrangements

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

Appendix 1: Purpose of SLC 49 information

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

Appendix 4: SLC 49 Voltage boundaries

Ofgem is proposing that for IIP purposes only, 22kV is treated as being EHV.

Appendix 5: Auditing and estimating accuracy of interruptions reporting

Ofgem is adding this appendix in order to set out the methodology it intends to apply for the IIP accuracy audits.