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Distribution Network Operators,
Developers (Generators, Demand
Customers) and interested
parties

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Dear Colleague

Long Term Development Statements for Electricity Distribution Networks – Consultation on the Form of Statement

On 8 June this year, we published an open letter¹ consultation regarding the Form of Statement (“FoS”) for the Long Term Development Statements (“LTDS”) that are published annually by the Distribution Network Operators (“DNOs”). This met a commitment we made in the Final Proposals of the fifth Distribution Price Control Review (“DPCR5”) process to consult with stakeholders on potential improvements to the consistency, clarity and availability of the current LTDS and FoS with a view to making revisions if appropriate.

The consultation period closed on 20 July and on 22 July we held an open workshop to allow stakeholders the chance to discuss the LTDS and FoS with licensees. We received 18 responses to the consultation, 16 of which have been published on our website². Two respondents requested that their responses should be treated as confidential. Twelve people attended the workshop including two Ofgem representatives. The notes of the workshop have also been published on our website³.

Our letter of 8 June set out the background to the development of the LTDS and FoS and so this is not repeated here.

LTDS and FoS Consultation Responses

We raised a number of specific issues in our consultation letter and also gave stakeholders the opportunity to raise other concerns and make suggestions for changes to the LTDS. The specific issues we raised were as follows:

- The actual data (geographic and electrical) that the FoS requires the LTDS to contain, its scope and level of detail;
- The format of the data and its usability;
- The consistency of approach between DNOs in meeting the requirements of the FoS;
- The structure of the LTDS that is required by the FoS; and
- The means of publication and frequency of updates.

The responses we received on each of these are summarised here.

¹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=7&refer=Networks/Techn/NetwrkSupp/LongTermDS>

² <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=7&refer=Networks/Techn/NetwrkSupp/LongTermDS>

³ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=14&refer=Networks/Techn/NetwrkSupp/LongTermDS>

The actual data that the FoS requires the LTDS to contain, its scope and level of detail

Users of the LTDSs appear to be reasonably content that the EHV network data that the DNOs are required to provide is sufficiently comprehensive with one exception. The FoS does not currently require a DNO to provide details of generators connected to its network. Some DNOs have been proactive in this area and are already providing this information but there would seem to be a strong case for the FoS to require this. There is general agreement that generators below a certain capacity would not need to be explicitly identified but there are different views as to the appropriate deminimis limit.

A number of respondents have expressed the view that the scope of the LTDS should be extended to include high voltage ("HV") network data. They considered that the case for this is strengthened by the connection activity being generated by the recently introduced feed in tariffs ("FIT"). We fully recognise this issue and we have recently placed new obligations on distribution licensees: to publish a DG Connection Guide; and to develop Information Strategies for DG connections. The directions for these two initiatives were issued on 24 August. Nevertheless, we understand the challenge that the connection of FITs generators will bring. We comment further on this point later in this letter.

On a point of detail, two respondents have requested that the normal network running arrangements, including normal circuit open points, should be provided in the LTDS.

The further point that LTDS users have raised is one of the quality of data provided by DNOs. It appears that this is somewhat variable between DNOs and in some cases within a single DNO's LTDS. Users have identified examples of best practice and we would expect the DNOs to exchange ideas so that the overall quality level rises to the benefit of all users. We have already asked the LTDS users that attended our recent workshop to feedback examples of best practice to us and the DNOs and we would extend this to all users of the statements.

The format of the data and its usability

Users agree that the LTDS data should be made available electronically and ideally in a common format adopted by all DNOs. This would make it much easier to access and use. A number of DNOs already make data available electronically but this is not a requirement of the current FoS. Encouragingly, there is support for this from a number of DNOs although several state that it would be difficult to achieve this for the 2010 statements.

There were also some comments about data quality here although again this varies between DNOs. An example here would be that there can be inconsistencies between the naming conventions used for circuit addresses/nodes.

The consistency of approach between DNOs in meeting the requirements of the FoS

This issue overlaps with the two issues discussed above. It is clear that the adoption of a common approach across the DNOs would be welcomed.

The structure of the LTDS that is required by the FoS

This question did not generate very much comment. Most users of the LTDS require access to both Parts 1 and 2 and so the distinction between the two parts of the FoS is not considered to be significant.

The means of publication and frequency of updates

The majority of DNOs already make their LTDS available at no charge and several offer web access. There is a strong consensus amongst users that this approach should be adopted by all DNOs. The majority of respondents would be happy to register their details to facilitate secure access, provided it was simple to use and did not unnecessarily delay access to the LTDS.

A range of views were expressed in relation to the frequency of updates. The consensus amongst the DNOs was that the full LTDS should only be updated annually although they could see a case for notifying users of significant network changes more frequently. In contrast, one user proposed that the LTDS could be automatically updated by linking it to a DNO's 'live' network database. Another highlighted the approach taken by National Grid that issues quarterly updates to its Seven Year Statement.

Ofgem's Views

This has proved to be a very useful consultation with strong engagement from the user community. It has largely confirmed Ofgem's views on the key issues and provides a strong case to pursue changes in the LTDS and FoS. Ofgem's views, as a result of this consultation, can be summarised as follows:

Scope of the LTDS – In DPCR5 Final Proposals we concluded that the LTDS should not be extended to include HV data. However, this consultation has highlighted that a number of users would like access to this data, driven by the increasing volume of FITs generator connection opportunities. We want to ensure that the connection application process for generators of all sizes is carried out efficiently and in a timely way. To this end we have directed the distribution licensees to put in place a DG Connection Guide and an Information Strategy. We are also in the process of issuing a direction to the DNOs under paragraph 15A.22 of standard licence condition 15A that will require DNOs to provide budget estimates and connection offers to DG customers in set timescales, depending on the size of the generator and connection voltage. This should take effect on 1 October. This may reduce the need for third parties to carry out independent assessments for HV connections. However, it is possible that the provision of HV data in the LTDS would also benefit the connection process for FITs and other smaller generators.

We recognise the resource implications for DNOs to provide this data using their current systems and we note the DNOs' comments that HV networks are more subject to change than EHV networks making it more difficult to keep data up to date. However, we consider that the greater level of activity (i.e. new connections and more complex operational demands) that is expected for both HV and LV networks is very likely to require the DNOs to significantly improve the way in which they manage and use the data for these networks. We will be monitoring the DNOs' performance with respect to the response timescales for budget estimates and connection offers referred to above and will consider further measures to assist the connection process if this is shown to be necessary. We would encourage users to inform us in the event that constraints are encountered in relation to the connection of generators to HV and LV networks.

We will include a requirement in the revised FoS to provide details of connected generators in the LTDS with a de minimis size for the generators to be listed. DNOs will be required to include generators that are not yet connected but that have received a binding connection offer.

We will highlight examples of best practice in the presentation of LTDS data. Where possible we will use the FoS to require all DNOs to adopt such best practice.

Format and usability – We will require DNOs to make LTDS data electronically available and we will work with them to agree a common format to be adopted by all DNOs. We will also encourage better quality and consistency of the published data and make it easier for users to alert a DNO when problems of this nature are encountered.

Publication and updates – We will require that LTDSs are made available as free downloads from a DNO's website. DNOs should consider the benefits of also establishing a common website giving easy access to all the LTDSs. A registration system should be put in place so that a DNO is aware of the parties that are using the LTDS and can contact them should this be necessary (e.g. to advise of material changes to the data, error correction etc.). The revised FoS will require periodic updates to be published to alert users to material changes to the LTDS data. The DNOs will be required to continue to update the full LTDS dataset annually, clearly showing the year-on-year changes.

IDNOs and the LTDS

When the original direction for the LTDS was issued there were no IDNOs. The IDNOs have therefore never been directed to produce LTDSs. At their current stage of development, we do not consider it appropriate to direct the IDNOs to produce LTDSs although with continued growth this position may change in the next few years. We therefore do not plan to issue the intended direction to the IDNOs. However, we consider that this is an important issue and intend to develop criteria that would determine the stage at which an IDNO would be required to produce an LTDS. We intend to address this issue separately in due course.

Next steps

The next LTDSs are due for publication in November 2010. Whilst we would like the next publications to be in the revised format, we recognise that some of the changes described above (e.g. common data formats for all DNOs, registration system for web access) require further detailed development.

We do not want to delay the publication of the 2010 statements. We will therefore strongly encourage all DNOs to adopt as many of the proposals set out here as possible this year on a voluntary basis and we will consider such voluntary action, over and above the requirements of the existing direction under standard licence condition 25, to be wholly consistent with that direction. We will work with the DNOs to consider how best practice and the commonality of LTDSs can be captured in the FoS. We plan to engage with the DNOs in the next few months and complete our work on the FoS early in the new year. We plan to direct the DNOs to republish their 2010 LTDSs in the format required by the revised FoS in May/June 2011. The 2011 LTDSs will then be published according to the revised FoS in November 2011.

If you have any questions about the contents of this letter please do not hesitate to get in touch with me.

Yours faithfully

Gareth Evans

Head of Profession - Engineering