

RIIO-ED1 Connections Working Group

Working group established to discuss connections issues related to outputs and incentives for the next price control (RIIO-ED1)	From Date and time of Meeting Location	Perrys 10am-1pm on 27 April 2011 Energy Networks Association, 52 Horseferry Road London SW1P 2AF	2 May 2012
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1. Present

James Veaney (Ofgem)
Stephen Perry (Ofgem)
Colette Schrier (Ofgem)
Steve Wood (UKPN)
Graham Campbell (SP)
Hannah Lewis (DECC)
Bob Weaver (Powercon)
Diana Chklar (RWE Renewables)
Alex Spreadbury (Large Users Group)
Phil Swift (WPD)
Stephen Bolland (Amey)
Mike Harding (GTC)
Brian Hoy (ENWL)
Ray Farrow (HBF)
Gareth Shields (SSE)
Cathy Falconer (SSE)
Pete Thompson (Northern Powergrid) (by phone)

2. Introduction to RIIO-ED1 Connection Working Group

2.1. James Veaney (JV) provided an overview of Ofgem's new regulatory framework (RIIO) and the timeline for the next electricity distribution price control (RIIO-ED1). JV highlighted the importance of these working groups in establishing the strategy for RIIO-ED1 and urged all stakeholders to contribute to these initial discussions.

2.2. Diana Chklar (DC) asked for clarification on how long the RIIO-ED1 price control will be. JV stated that Ofgem will confirm the length of RIIO-ED1 as part of our response to the recent RIIO-ED1 open letter (published 6 February 2012).

2.3. JV outlined the key RIIO-ED1 policy challenges and highlighted those that he considered relevant to the connections working group (eg ensuring that all new technologies are connected by the networks in a timely and cost-effective manner). JV also indicated that uncertainty around the characteristics, rate and location of take-up of new technologies will accentuate many of the challenges faced during RIIO-ED1.

2.4. Ray Farrow (RF) believed that the transition to low carbon homes would have significant implications on load and capacity. Mike Harding (MH) agreed that uncertainty around the required level of connection capacity will be a key challenge for RIIO-ED1

2.5. JV explained that the Flexibility and Capacity working group will lead on how we can facilitate customer access to timely and cost effective connections in the face of a high degree of uncertainty around the connection of low carbon technologies, and accommodate an uncertain volume of these technologies via existing connections without degrading network performance.

2.6. Alex Spreadbury (AS) questioned whether there was still a legislative difference between demand and generation connections. JV confirmed that demand and generation connections still have different legislative definitions and he expected the working group to be cognisant of this during these initial discussions.

Action: Ofgem to circulate the terms of reference for the RIIO-ED1 Flexibility and Capacity Working Group and the RIIO-ED1 Customer and Social Issues Working Group to the group as soon as possible.

3. RIIO-ED1 Connections Working Group Terms of Reference (ToR)

3.1. JV outlined the objectives, role, scope and deliverables of the RIIO-ED1 Connection Working Group. JV believed that the working group's role would be mainly focused on improving the quality of connection services and removing barriers to competition within the price control framework.

3.2. JV reminded the working group that much of the DNOs' DPCR5 work on competition in connections is on-going and that several fora to discuss competition issues already exist. JV considered that the ConWG should therefore be focused on barriers to competition that are related to the price control only.

3.3. JV noted that the Guaranteed Standards of Performance are enshrined in primary legislation and advised the group that it would be difficult to make substantive changes to the GSOPs as part of the development of RIIO-ED1.

3.4. Brian Hoy (BH) noted that the ToR state that "changes to connection boundaries should not be proposed by this working group" and asked for clarification from Ofgem where this issue would be discussed. JV stated that this topic might be discussed as part of this forum, but that the group's focus should be on developing policy (with associated outputs and incentives) that encourages improvements in the quality of connection service.

3.5. Several members of the working group raised concerns about the transparency of connection costs. JV noted that there is not anything in the current price control preventing DNOs from providing transparency of connection costs and he encouraged all parties to consider how we can incentivise the DNOs to provide more transparency in their connection charges.

3.6. DC questioned whether the ToR captured the concerns of all stakeholders and asked whether all working group members interpreted the ToR consistently. JV stated that if we ensure connection customers receive a good quality of service, wherever possible by being able to choose between competitive connection providers, then this should capture the majority of stakeholder concerns.

3.7. DC commented that the working group deliverables did not seem very tangible and questioned how success could be measured against the working group's objectives. JV commented that the working group's role was purely advisory and would therefore be making recommendations to the Authority, rather than making absolute decisions. JV also noted that the working groups success would largely be based on DNO connection performance during RIIO-ED1.

3.8. The working group discussed several minor changes to the ToR. BH agreed to make these revisions to the ToR and re-circulate for agreement before the next meeting.

4. Overview of DPCR5 arrangements

4.1. JV provided an overview of the DPCR5 connection arrangements (eg competition, guaranteed standards of performance, Broad Measure of Customer Satisfaction, provision of Distributed Generation (DG) information). JV reminded the working group that the DPCR5 connections work is still on-going.

5. RIIO-ED1 context and incentive design

5.1. JV commented that concerns on the quality of service provided to connection customers remain. JV stated that encouraging DNOs to deliver connections in a timely manner was a key focus for RIIO-ED1.

5.2. In response to a question about who would pay for a financial incentive, JV indicated that the performance under any incentive would impact upon charges applied to all customers.

5.3. Cathy Falconer (CF) presented SSE's view on the key challenges for RIIO-ED1. CF reminded the working group that in addition to delivering timely connections, DNOs also need to deliver connections cost effectively for all energy consumers. CF believed that achieving cost effective connections requires the DNOs to identify innovative connection solutions that remove the need for reinforcement. CF felt that DNOs are incentivised to not do this under the DPCR5 arrangements. CF suggested introducing a new incentive for RIIO-ED1 that rewards DNOs for delivering connections without the need for reinforcement.

5.4. RF commented that many parties are interested in ensuring that connections are delivered sustainably and encouraged DNOs to engage with stakeholders to ensure that all parties are aware of the potential benefits that innovative connection solutions could deliver.

5.5. CF was keen to highlight that delivering a "timely connection" does not necessarily mean delivering the connection earlier. Several working group members agreed that delivering a "timely connection" meant delivering a connection in a timescale that has been agreed with the customer. JV agreed with this point, but still believed that reducing the average time required to deliver a connection would be beneficial to customers.

5.6. JV stated that balancing the need for a timely connection and a cost effective connection was the key connections challenge for RIIO-ED1.

5.7. In terms of reducing connection times and increasing cost efficiency, BW was concerned that the low acceptance rate of connection quotations for Distributed Generation (DG) customers could raise concerns about the costs and/or charging methodologies of this customer type. . BW suggested that it may be beneficial to understand why conversion rates are low.

5.8. MH suggested that we need to design an incentive framework that encourages DNOs to meet the need of all customers, encourages the DNOs to deliver efficient network utilisation and can adapt to overall market changes.

5.9. In advance of next meeting, JV encouraged all stakeholders to consider how we can incentivise the DNOs to outperform the GSOPs and asked them to consider whether each licensee should have a different quality of service target (to reflect the differences between licensees).

5.10. JV also encouraged all parties to consider whether there are any features of the price control that could restrict the development of competition. Steve Bolland (SB) questioned IDNOs and ICPs would be subjected to new RIIO-ED1 incentives. JV stated that IDNO and ICPs are not captured as part of the price control process, but that it was necessary to consider the likely impact of any incentive on competition in the connections market.

6. Date of next meeting

6.1. JV proposed that the next three meetings will each concentrate on a different issue; QoS/time to connect/DG specific issues, competition issues and then review of all work streams.

Action: All stakeholders to consider how we could incentivise DNOs to improve service quality to all customers (including DG) in advance of our next meeting. Those stakeholders that would like to present their proposals at the next RIIO-ED1 ConWG please contact Stephen Perry (SP).

6.2. The next RIIO ConWG will be held on 24 May 2012. The location will be confirmed shortly.