

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		25 May 2012
	Date and time of Meeting	2pm-5pm on 24 May 2011	
	Location	Ofgem, 9 Millbank, London SW1P 3GE	

1. Present

James Veaney (Ofgem)
Stephen Perry (Ofgem)
Steve Wood (UKPN)
Graham Campbell (SP)
Bob Weaver (Powercon)
Fruszina Kemenes (RWE Renewables)
Alex Spreadbury (Large Users Group)
Phil Swift (WPD)
Mike Harding (GTC)
Brian Hoy (ENWL)
Ray Farrow (HBF)
Gareth Shields (SSE)
Cathy Falconer (SSE)
Pete Thompson (Northern Powergrid)
Keith Benson (Wigan County Council)
Steven Bage (City of London)

2. Introduction to RIIO-ED1 Connection Working Group

2.1. James Veaney (JV) welcomed everyone to the second RIIO-ED1 Connections Working Group. JV stated that this meeting would be focused on improving the quality of service provided to connection customers (specifically the time taken to connect) and DG related issues.

2.2. Stephen Perry (SP) outlined the status of the actions from the last meeting and subsequent correspondence. Only one action was left outstanding.

Action: All DNOs to investigate the percentage of connection quotations accepted (per connection type) and provide explanations.

2.3. The group agreed the updated RIIO-ED1 Connections Working Group Terms of Reference.

2.4. Steven Bage (SB) provided an overview of the City of London's study into securing a connection in London (slides attached). SB stated that stakeholders were concerned about several components of the connection process, including the timeliness of connections, confidence developers had that connections would be provided within agreed timescales and the lack of connection capacity for future developments. Cathy Falconer (CF) noted that issues are also applicable to other parts of GB.

2.5. SB provided several recommendations to improve the current connection process and posed several questions for the working group to consider (see slides attached).

2.6. Mike Harding (MH) commented that the trade off between providing additional capacity ahead of time and ensuring optimum utilisation of the existing network should be

a key issue for RIIO-ED1. MH was concerned that providing additional capacity ahead of time could potentially result in cross subsidisation. Bob Weaver (BW) stated that the Long Term Development Statement is already in existence for anyone interested in connecting generation or load (demand) and stated that DNOs should be engaging with stakeholders to help them identify future opportunities or constraints on the network.

2.7. JV stated that this trade off was the key concern for Ofgem as part of the RIIO-ED1 price control and is primarily being addressed through the RIIO-ED1 Flexibility and Capacity Working Group. JV reminded the group that today's RIIO-ED1 ConWG meeting was focused on improving the quality of service provided to connection customers (specifically the time taken to connect).

2.8. Fruzsina Kemenes (FK) asked SB how long stakeholders in London were waiting to receive a connection. SB stated that it varied between stakeholders (due to other factors involved), but on average was "months, rather than years".

2.9. In response to a question posed to the working group ("whether relying on DNOs to demonstrate effective stakeholder engagement is the right approach"), JV reminded the working group that the DNOs have a new Stakeholder Engagement incentive that was introduced as part of the Broad Measure of Customer Satisfaction. This incentive should encourage innovation and the adoption of best practice by the DNOs in their approach to stakeholder engagement.

2.10. Alex Spreadbury (AS) considered that there needs to be more dialogue between large users and the network operators. AS encouraged Ofgem to consider providing more guidance to the DNOs, to ensure that customers seeking a connection receive a standardised service across the Great Britain. JV did not believe that Ofgem was well placed to be offering prescriptive guidance to network operators on how they should be engaging with their customers and stated that if we design the incentives correctly then the DNOs should be incentivised to consider the requirements of the stakeholders and respond accordingly.

3. DNO initial thoughts on a "Time to Connect" incentive

3.1. Brian Hoy (BH) noted that the intent of the RIIO-ED1 Connection Working was to improve the quality of service provided to connection customers. BH stated that the DNOs had discussed this collectively and had further developed the idea of an "Average Time to Connect" incentive. BH highlighted that the presentation represented the DNOs' initial thoughts and that there were divergent views on some issues.

3.2. BH outlined the potential scope of the incentive (see slides attached). The DNOs believed that any new incentive should seek to use the existing categories of connections as used in Guaranteed Standards of Performance and special licence condition CRC12 and outlined those connection customers that they initially believe to be within scope of an "average time" connection incentive.

3.3. FK stated that, for her organisation, other factors (eg achieving an ongoing dialogue with the DNOs and receiving high-quality quotations) were more important than shortening connection timescales. AS agreed that the DNOs should improve communication with major connection customers. The DNOs agreed that major connections should be outside the scope of an average time to connect incentive and suggested that an alternative incentive might be needed for larger connections.

3.4. BH set out how the time to connect could be measured. BH noted that the time taken from connection application to connection completion is subject to delays that are outside the DNOs control (eg the time taken for the customer to accept the quote). BH

suggested measuring the time taken produce a quotation and the time taken from quotation acceptance to connection completion individually.

3.5. BH stated that common targets could be set for the time taken to produce a quotation (using existing data sets). However the DNOs believed that licensee specific targets should be used to assess the time taken from quotation acceptance to connection completion (recognising regional differences in the type of connection delivered).

3.6. The DNOs believed that there were several issues requiring further consideration. For example the DNOs stated that this incentive might penalise DNOs for delivering the customer requirements (eg a long lag period between quotation acceptance and connection completion). JV reminded the group that any incentive would be applied to average connection annually, rather than per connection customer.

3.7. MH questioned the definition of a "connection complete". BH responded that this incentive could use the same definition for "connection complete" that is already described in the guaranteed standards of performance.

3.8. BH warned that although the DNOs should all have historic data on connection dates (as part of the systems and processes set up for the GSOPs), this data may not be available in a consistent manner.

3.9. Ray Farrow (RF) asked where the DNOs would recover penalties/rewards from. BH noted that rewards and penalties would not be recovered from individual connection customers (based on how their project progressed) but would applied annually to either all GB distribution use of system (DUoS) customers, a DNO's own DUoS customers or a DNO's connection customers. BH acknowledged that there were divergent views across the DNOs about the most appropriate method of recovery. JV noted that connection customers are included as part of the Broad Measure and that rewards/penalties from this incentive are recovered from a DNO's UoS customers.

3.10. MH questioned whether both contestable and non-contestable connections were within scope of this incentive. MH stated that as a competitor he was concerned that DNOs might be able to recover rewards for connections that are open to competition. JV agreed that this should be a key discussion point for the working group. JV also noted that if a DNO passes the competition test then the need for other connections incentives in that market segment might be reviewed.

3.11. RF questioned whether there would a review of assessment and design connection charges as part of the RIIO-ED1 process. JV confirmed that this was not a price control issue and would therefore not be discussed as part of the RIIO-ED1 ConWG.

3.12. The DNOs proposed that as part of the average time to connect incentive all DNOs should be able to receive a reward or penalty based on their performance against their own target.

3.13. AS questioned whether customers would be able to see any reduction in charges as a result of the penalties received by the DNOs. BH stated that for existing incentive regimes penalty/rewards are applied to the amount of the revenue that the DNOs can recover through UoS charges; however supplier discretion would dictate whether this is reflected in customers' energy bills.

3.14. BH explained that an average time to connect incentive would have interactions with other incentives (eg the Broad Measure of Customer Satisfaction, Distributed Generation Incentive, Network Utilisation Incentive and Individual Connection Cost Incentive).

4. Discussion of alternative connection incentives

4.1. The DNOs noted that Ofgem wanted to balance connection incentive regimes so that DNOs are incentivised to provide timely, high-quality and cost efficient connections. The DNOs noted that the timely component could be covered by an average time incentive but queried whether "quote acceptance rates" was a good proxy for quality. The DNOs believed that other incentives were already in place to ensure that they produced high-quality connections (customer satisfaction survey, etc). JV was concerned that incentives in place may only focus on connections that are progressed and that we currently do not understand why some connection quotation customers are not progressing with their connection. CF explained that there many reasons why connection quotations are not progressed and that she was concerned about implementing an incentive that could produce perverse outcomes (eg hindering the development of competition).

4.2. BH expressed the DNOs' view that the existing DG incentive could be simplified. CF stated that DNOs are not currently incentivised to connect DG without further reinforcement. The DNOs suggested retaining the existing £ per MW connected incentive, but removing the reinforcement investment cap and collar and moving the cost recovery mechanism. CF also suggested that the incentive could also be split by voltage type.

4.3. The DNOs also believed that another incentive might be needed to capture the quality of service provided to major connections customers (including Distributed Generation connections (DG). It was noted that major connection customers are captured as part of the Customer Satisfaction Survey, however due to relatively few number of major connections undertaken, the views of these respondents are not necessary reflected in the overall customer satisfaction scores.

4.4. JV stated that any major connection quality of service incentive would need to be focused on outputs. JV asked the customer representatives present what outputs they would like to see from the DNOs.

4.5. FK stated that she has two main concerns about the connection service provided by the DNOs; the lack of transparency provided in connections quotations and the length of time that connections quotations are valid for (as they do not take into account the length of time needed to complete the planning process). CF was sympathetic to FK's frustrations, but stated that any connection quotation offer was a commercial agreement and that it would be it would be impossible to set an unlimited timescales to this agreement.

4.6. JV encouraged all parties to develop the initial incentive proposals discussed as part of this working group. JV reported that part of the next working group will be set aside to discuss these proposals further.

Action: All stakeholders to develop the incentive proposals put forward in this meeting in advance of our next meeting.

Date of next meeting

4.7. JV reminded the working group that the next meeting will be focused on RIIO-ED1 competition in connection issues.

Action: All stakeholders to consider any competition connection issues related to the price control process. Those stakeholders that would like to present at the next working group meeting please contact Stephen Perry (SP).

4.8. The next RIIO ConWG will be held between 12:00-16:00 on 21 June 2012 at Ofgem, 9 Millbank, London, SW1P 3GE.