

# DNO Losses Incentive

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Andy Manning- British Gas

# We believe it is important for customers that we have an effective Losses Incentive scheme

- There are significant potential benefits from reducing distribution losses
- Lower losses will lead to:
  - Lower quantities of electricity being required
  - Environmental benefits from reduced carbon savings
  - Reduction in the need for network investment, reinforcement and maintenance
- DNOs should face robust incentives to reduce controllable losses on their networks

# Any scheme must be transparent and only offer a reward when customers have received a benefit

The *Data Quality* aspect of the current incentive means the scheme is not cost-neutral for customers. DNOs receive a benefit for increasing settlements volume, without any corresponding energy decrease for customers

Targets should be robust. Targets could be adjusted for approved capital expenditure plans.

Any rewards for losses improvements need to be correlated against actions taken by the DNO. DNOs should be able to explain the drivers behind losses performance

All data and calculations underpinning any losses incentive should be transparent. Under DPCR5 methodology, calculations could potentially be done centrally

- In a fuller 'SMART' world the current scheme will broadly work, with robust targets, and ensure 'real' benefits
- In the shorter term, this approach needs to be augmented by a consideration of the actual DNO activity