

Reliability and Safety Working Group (RSWG) meeting 17 May 2012

Initial meeting to discuss Quality of Service areas of focus for RIIO-ED1	From Date and time of Meeting Location	Karl Hurley 17 May 2012, 10:00 Ofgem, Millbank, London	17 May 2012
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1. Present

Jonathan Booth (JB)	Electricity North West (ENWL)
Adam O'Hara (AO)	Scottish & Southern Electricity Distribution (SSE)
Paul Hemsley (PH)	Scottish & Southern Electricity Distribution (SSE)
Bill D'Albertanson (BD)	UK Power Networks (UKPN)
Rob Friel (RF)	UK Power Networks (UKPN)
Mark Nicholson (MN)	Northern Powergrid (NPG)
Mark Marshall (MM)	Northern Powergrid (NPG)
Stephen Murray (SM)	Scottish Power (SP)
Alan Macgregor (AM)	Scottish Power (SP)
David Tighe (DT)	Western Power Distribution (WPD)
Bob Parker (BP)	Western Power Distribution (WPD)
James Hope (JH)	Ofgem
Karl Hurley (KH)	Ofgem
Thomas Johns (TJ)	Ofgem
Martin Hughes (MH)	Ofgem

2. Introductions and Working Arrangements

2.1. KH introduced the meeting and the group did introductions around the room. KH then ran through the arrangements for minute taking and Ofgem's preference for attributing points made to specific individuals within the published minute on Ofgem's website.

3. Target Setting for RIIO-ED1

3.1. Unplanned Target Setting. KH ran through the methodology used to establish annual Customer Interruption (CI) and Customer Minutes Lost (CML) targets for unplanned interruptions, including the use of a four year rolling average. The methodology is set out in the presentation slides accompanying these minutes.

3.2. BP pointed out that rolling targets, which will emerge whilst the new price control period is underway, would not be known to DNOs prior to the submission of their well justified business plans. MN felt that this should not be an issue as DNOs would be in a position to make informed assumptions as to what their targets would be when putting together their business plans. JB saw this as an example of an issue which made RIIO-ED1 more risky for DNOs than previous price controls. JH emphasised that targets developed from the benchmarking process gave an indication of the performance that a DNO should already be providing, rather than a future view of required performance that will result from specific, identified investment in a well-justified business plan for RIIO-ED1. Several of the DNO representatives felt it would be beneficial for Ofgem to share their written

methodology as well as the data that had been used to set targets. It was felt that this could improve transparency for stakeholders and enable DNOs to better explain the targets to others within their business.

3.3. For 132kV and EHV interruptions the one way ratchet nature of the target was discussed. JH suggested that an alternative would be to reduce the weighting of both for incorporation into the target and that he would welcome DNOs' views on this.

3.4. MM raised a concern that there was a possibility that a DNO may experience four benign years in terms of interruptions and then be locked into an almost permanent penalty.

3.5. The use of upper quartile average restoration times to determine CML targets was discussed, RF felt that when determining CML targets (using this approach), there is a need to ensure that those DNOs that outperform the industry benchmark for CIs are not unduly penalised with their CML target. He expressed a concern that technological changes, in particular further automation could change the nature of CI targets by reducing the length of many interruptions to less than three minutes. KH confirmed that 2016/17 targets and beyond would be set using the same methodology as that used for 2015/16.

Action points:

Circulate slides, and minutes

**Person –
Ofgem by 25th
May**

Circulate target setting written methodology and spreadsheets

**Ofgem by 14th
June**

Provide views on whether different weightings should be applied to 132kV/EHV, if so what weightings would be appropriate and what implications this would have for the IIS mechanism. Also: is the balance of risk in the current incentive scheme appropriate i.e. are exceptional event thresholds reflective of this?

**DNOs by 14th
June**

3.6. Pre-arranged Allowances/Targets. TJ outlined Ofgem's proposed unplanned targets for 2015/16. These are set out in the accompanying slide pack. JH stated that if the smart meter roll out caused large numbers of pre-arranged interruptions, the pre-arranged targets would go up as a result of this. Pre-arranged targets would however then begin to come down as the roll out was completed.

Action point: Comment on whether pre-arranged mechanism proposed is appropriate and if not, make suggestions for a new mechanism.

**Person – DNOs
by 14th June**

3.7. Short Interruptions. RF presented UKPN's thoughts on Short Interruptions (SIs), outlining why these were increasingly becoming an issue for their customers. Some suggestions were also made regarding possible ways to incentivise SIs. BP and MN both felt that their stakeholder engagement work had indicated SIs were not an important issue for their customers. It was also suggested that an incentive on SIs could conflict with existing incentives on CIs and that the level of data currently collected on SIs was insufficiently detailed to enable development of an incentive mechanism.

3.8. RF outlined two potential approaches to an SI incentive.

3.8.1. Short Interruptions dealt with within a similar regulatory structure as the Worst Served Customer Scheme for DPCR5.

3.8.2. Short Interruptions dealt with through a sub 3 minute CI incentive

3.9. JH asked whether the DNOs felt an incentive mechanism could be applied to only the DNOs whose customers considered SIs to be an issue. BD suggested there might be an opportunity for alternative approaches other than an incentive scheme to be employed, for example by raising awareness amongst customers on how to avoid problems caused by SIs.

Action points: Provide views on whether an SI incentive mechanism is desired by customers and feasible to implement, and whether this could be applied to only one DNO. Determine what level of data on SIs would be required for an incentive mechanism to work and to provide the required definitions as appropriate.

Person – DNOs

**Bob Parker and
Rob Friel by
14th June**

4. Incentive Rates

4.1. JH explained that Ofgem had engaged the consultants Reckon to carry out a desktop review which included an examination of different incentive rates. This will be published either alongside or prior to the September paper. Ofgem's present view is that DPCR5 incentive rates can be rolled over and updated for use in RIIO-ED1 as they fell within Reckon's advocated range of suitable rates.

4.2. JH asked the DNOs if they felt that investment in automation, effectively funded by customers through the Information Quality Incentive, overly rewarded them. DT suggested that this was only relevant to specific network investments to improve IIS performance, rather than operational changes. BP suggested that Ofgem may need to differentiate how a DNO has achieved improvements through investment. JH explained that the equivalent interruptions scheme developed for transmission in RIIO-T1 had incentive rates that were balanced off against IQI.

Action points: Present thoughts on whether IQI should be applied to incentive rates and if so the conditions that should be attached at next QoS working group.

Person – Each DNO at a minimum, DNO rep to present at meeting on 28th June

5. Managing Network Risks and Compensation

5.1. PH presented SSE's view on the effectiveness of the IIS which included their proposals for changes and thoughts on the likelihood of a 12 hour standard being achievable. Slides of the presentation are included in the accompanying pack.

5.2. BP recalled that previous working groups had agreed that an 18 hour standard was required due to limitations on operating practices. JH reaffirmed that Ofgem was most concerned about failures where compensation payments had not been made by DNOs. He felt that there was a need for transparency to show where customers had been receiving payments, including ex-gratia, and that any exemptions had to be fully justified. Ofgem will therefore be examining exemptions in this year's submissions and may have further questions arising from these for the DNOs.

5.3. PH explained that a move from an 18 hour standard to a 12 hour standard would constitute a move from an incentive that would drive improved performance, to a mechanism primarily providing compensation for non-delivery.

5.4. JH and KH used the data from the Midlands networks, recently acquired by WPD as an example of how operational changes had hugely reduced the number of 18 hour failures, and reflected that this demonstrated that to some degree the frequency of these failures was within the control of the DNO. JH went on to explain that, whilst any movement from an 18 to 12 hour standard may receive some funding but the full cost of the movement would not be covered by customers or shareholders.

6. Metal Theft and Smart Meters

6.1. Metal theft was discussed and it was noted by Ofgem that in the current version of the RIGs, DNOs are now able to separate out metal theft as a cause in the reporting of interruptions.

6.2. JH discussed Ofgem's views on the impact of smart meters, BD suggested waiting until the customer data on which feeders they were on percolated through their systems and updated the connectivity models. MN noted that the functionality specifications had yet to be determined. JH invited all attendees to provide Ofgem their thoughts on this matter.

Action points: Provide Ofgem with their issues on Smart Meters and the interaction with the IIS. Person – DNOs to respond by 14th of June

7. Overall Resilience

7.1. JB presented his thoughts on potential measures of resilience that could be employed in RIIO-ED1 as a prompt for further discussion amongst the group on this issue. He explained that within the DPCR5 package, resilience tended to focus on large/ one-off/ low probability rather than covering the wider issue. In his view there are two factors making up resilience: the actual robustness of the network and the preparedness of a DNO to respond to exceptional events. ED-1 would need to cover the whole spectrum of events and networks' resilience to these. JB also set out the significance of the "4 Rs" of resilience (robustness, redundancy, response and risk). More detail of this can be found in the presentation slides.

7.2. RF felt that the scale of consequences resulting from failures or exceptional events had to be considered and whether or not these justified a large deployment of resources to correct them. JH stated that all aspects of resilience needed to be examined and that DNOs needed to engage with customers and determine what they considered to be acceptable interruptions to supply. JH also wondered whether a holistic measure of resilience could be developed or if the continued use of a series of individual measures would be more realistic and if so what potential there was to interlink these.

7.3. BP felt that a broad measure of current resilience would not be easily comparable across DNOs and SM suggested that a measure of resilience improvement might be more appropriate for this purpose. MN stated that some resilience areas needed to be better defined and possibly set more prescriptive guidance, for example Blackstart. There was also some discussion about what had been learnt from the E3C group that could be applied to the ongoing work on resilience.

8. Guaranteed Standards (SI 698 of 2010)

8.1. JH outlined Ofgem's plans for amendments to the Guaranteed Standards. BD commented that the use of the word "Guaranteed" in describing the standards may need to be reconsidered to avoid confusion amongst customers.

9. Worst Served Customers (WSC)

9.1. KH asked the group what courses of action were available to increase utilisation of the WSC allowance. BD felt that initially it had been difficult to find suitable schemes to invest in and that a slight loosening of the criteria would make a lot of potential investments viable. BP sought clarification on whether the scheme was ultimately designed to address the customers that receive the very worst service, or reduce the number of customers that are on the threshold. He also questioned whether stakeholder engagement could lead to different classifications for different DNOs and whether there was a possibility that the allowance might now be ex-ante. JH indicated that he would be happy with this and confirmed that there was the potential for an ex-ante allowance for WSC. JH also recommended that DNOs should engage with their customers in their region on the WSC schemes to discover their opinions.

10. AOB

10.1. BP noted that there is space for DNOs to outline QoS investment plans in their Cost and Volume RIGs reporting pack.

Action points: Provide views on how smart meters are likely to alter interruptions.

Provide views on how incentives should be calibrated

Update front sheet of IIS returns in order to indicate DNOs' view of exceptional events.

Draw up DPCR5 investment table for RIGs v3 and forecast pack

Person – All DNOs by 14th June

All DNOs by 14th June

Ofgem by 14th June

BP by 14th June

11. Date of next meetings

11.1. The next Reliability and Safety Working group will take place on 31st May 2012 and cover Health Indices.

11.2. The next Reliability and Safety Working group that will cover the Quality of Service work covered by this meeting will take place on 28th June 2012.