

Minutes of RIIO-ED1 Connections Working Group (ConWG)

Minutes of RIIO-ED1 ConWG meeting held at Ofgem on Tuesday 24 th July 2012	From Date and time of Meeting Location	Stephen Perry 31 st July 2012 12:00 to 15:00 NEC Birmingham, B40 1NT	31 July 2012
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1. Present

James Veaney (Ofgem)	John Barnett (Northern Powergrid)
Stephen Perry (Ofgem)	Graham Campbell (Scottish Power)
Rebecca Sampins (Ofgem)	Gareth Pritchard (Highway Electrical Association)
Steve Wood (UKPN)	Phil Swift (WPD)
Gareth Shields (SSE)	Alex Spreadbury (Major Energy Users Council)
Cathy Falconer (SSE)	Mike Harding (GTC)
Brian Hoy (ENWL)	Fruszina Kemenes (RWE Npower)
Bob Weaver (Powercon)	

2. Introduction

2.1. James Veaney (JV) welcomed attendees to the latest RIIO-ED1 Connections working group and highlighted the actions from the previous meeting.

3. Ofgem's current view on connection issues

3.1. Stephen Perry (SP) provided an overview of Ofgem's current thinking on connection issues. SP noted that Ofgem will be unable to provide definitive guidance on some aspects of the price control until the DPCR5 "Competition in Connections" process has been completed.

3.2. JV asked working group members whether the potential arrangements for RIIO-ED1 were missing any important elements. Fruszina Kemenes (FK) noted that there was no requirement on the DNOs to provide more information upfront (especially to Distributed Generation (DG) customers). Mike Harding (MH) agreed that providing customers with information was important because it allowed them to make informed, cost effective decisions. JV noted that DNOs would be incentivised to respond to customers' needs as part of the Broad Measure.

4. Major Connections – Customer Satisfaction Survey discussion

4.1. Ofgem suggested that potentially 40% of the connections component of the customer satisfaction survey could be based on major connection customers only. BH questioned whether DNOs that have passed the competition test in all market segments (and thus potentially have no major customers), would lose the ability to earn 40% of their potential reward exposure. JV agreed that RIIO-ED1 policy shouldn't disadvantage those that have met DPCR5 requirements and suggested that the 40% exposure could be penalty only.

4.2. The DNOs highlighted that in a typical month approx 28% of the customer satisfaction score was based on major connection customers (3% connection complete, 25% connection quotation). The working group agreed that this figure is considerably higher than expected. BH suggested that instead of splitting connections component into two categories, we could just use a different survey methodology for major connection customers. Graham Campbell (GC) noted that if the majority of relevant market segments pass the competition test, the number of major customers included in the customer satisfaction survey could be small. JV noted that this could be exacerbated further if the DNOs provide more information upfront and the number of major connections quotations

reduces. JV considered it important that the views of major connections customers are reflected appropriately in the customer satisfaction survey and therefore supported splitting the connections component.

4.3. The working group suggested several different methods of splitting the connections component (number of MPANs, asset cost). JV highlighted that the latest Connections Reporting Pack had recently been submitted to Ofgem and suggested that the volume/value of connections may be used to inform the split.

5. Average time to Connect discussion

5.1. The DNOs considered that an average time to connect incentive complimented the customer satisfaction survey, rather than duplicating or contradicting the customer satisfaction survey. The DNOs believed that absolute targets should be set for each licensee; based on "time to quote" and "time from acceptance to completion". The DNOs considered that this was appropriate since there are licensee-specific factors that affected the timeliness of connections (eg roadwork applications).

5.2. BH noted that DNOs are already performing well under SLC12 and suggested that it may not be appropriate to set targets if timescales are already very small. JV suggested that the targets could be calculated per connection type. MH noted that it was important that the quality of quotes remains unaffected by this incentive. JV noted that the Broad Measure of Customer Satisfaction will ensure that the quality of connection quotes is also incentivised. The DNO suggested that there might be occasions when exemptions are relevant (eg aligned with the exemptions applied for GSOPs).

6. Provision of information discussion

6.1. The DNOs did not believe that quote acceptance rates would not be a good proxy for quality. Ofgem agreed that quote acceptance was not a good indicator of quality. JV suggested that quote acceptance rates could indicate upfront provision of information, but acknowledged that there were other factors that affected quote acceptance rates. JV asked whether the working group to identify any value that could indicate a good provision of information.

Action: Working group to identify any values that could indicate good upfront provision of information.

6.2. Alex Spreadbury (AS) believed that DNOs only provide information to customers when they submit a quote. As an example, AS spoke of a company that needed to build a new data centre. The company was completely flexible on location and wanted to discuss potential arrangements with the DNO. AS stated that despite frequent efforts to engage with the licensee, the company was unable to make an informed decision on the most cost effective location to connect.

6.3. BW questioned whether the DNOs have funding mechanisms available to finance activities that provide information to customers (eg "drop-in connection surgeries"). JV stated that Ofgem does not directly fund specific activities, but allows DNOs to recover revenue to support their operational activities. CF noted that the customer satisfaction survey should incentivise DNOs to invest in customer service activities, if they believe that it will make customers more satisfied. JV stated that Ofgem does not intend to provide prescriptive solutions, as licensees are in a better position to know what will best satisfy their customers.

6.4. JV noted that several DNOs were already introducing innovative ideas to provide information to customers and was keen to understand their motivation. John Barnett (JB) stated that Northern Powergrid have introduced designated "connection surgeries" where customers can discuss their requirements with planners/engineers. JB stated that the main

driver for these activities was cost efficiency, but he hoped that it might also improve their Broad Measure performance.

6.5. JB questioned whether the complaints metric would remain for market segments that have passed the competition test. JV noted that this was a good question and stated that we would like some further time to consider this.

Action: Ofgem to outline in detail the incentive framework for connection customers that have/haven't passed the competition test.

7. Flexible connection arrangements discussion

7.1. The DNOs stated that they are keen to introduce more flexible commercial arrangements, but suggested that they need clarification of several licence conditions before they can introduce this (eg SLC13 cost reflective charging, SLC19 non-discrimination between persons and CRC12 restricting margins and pricing risk). JV encouraged the DNOs to approach Ofgem with their specific questions regarding licence clarification, so that they could address them properly. Based on the DNOs' slides, JV considered that this wasn't currently a price control issue, but agreed that any changes to licence conditions could be incorporated as part of RIIO-ED1.

Action: DNOs to approach Ofgem with their detailed concerns on barriers to flexible connection arrangements.

8. Any other business

8.1. FK asked whether the Connections Working Group was addressing the affect of delays in the production of a Transmission Statement of Work, on DNO connection quotations. The DNOs felt that it was potentially an issue for Flexibility and Capacity.

Action: JV to decide where transmission Statement of Work issues should be addressed.

9. Next Meeting

9.1. JV considered that it would be useful to meet in advance of Ofgem's Strategy document being published in September. The next working group will be held from 10:00-14:00 on 29th August 2012 at Ofgem's London office (9 Millbank, London, SW1P 3GE).