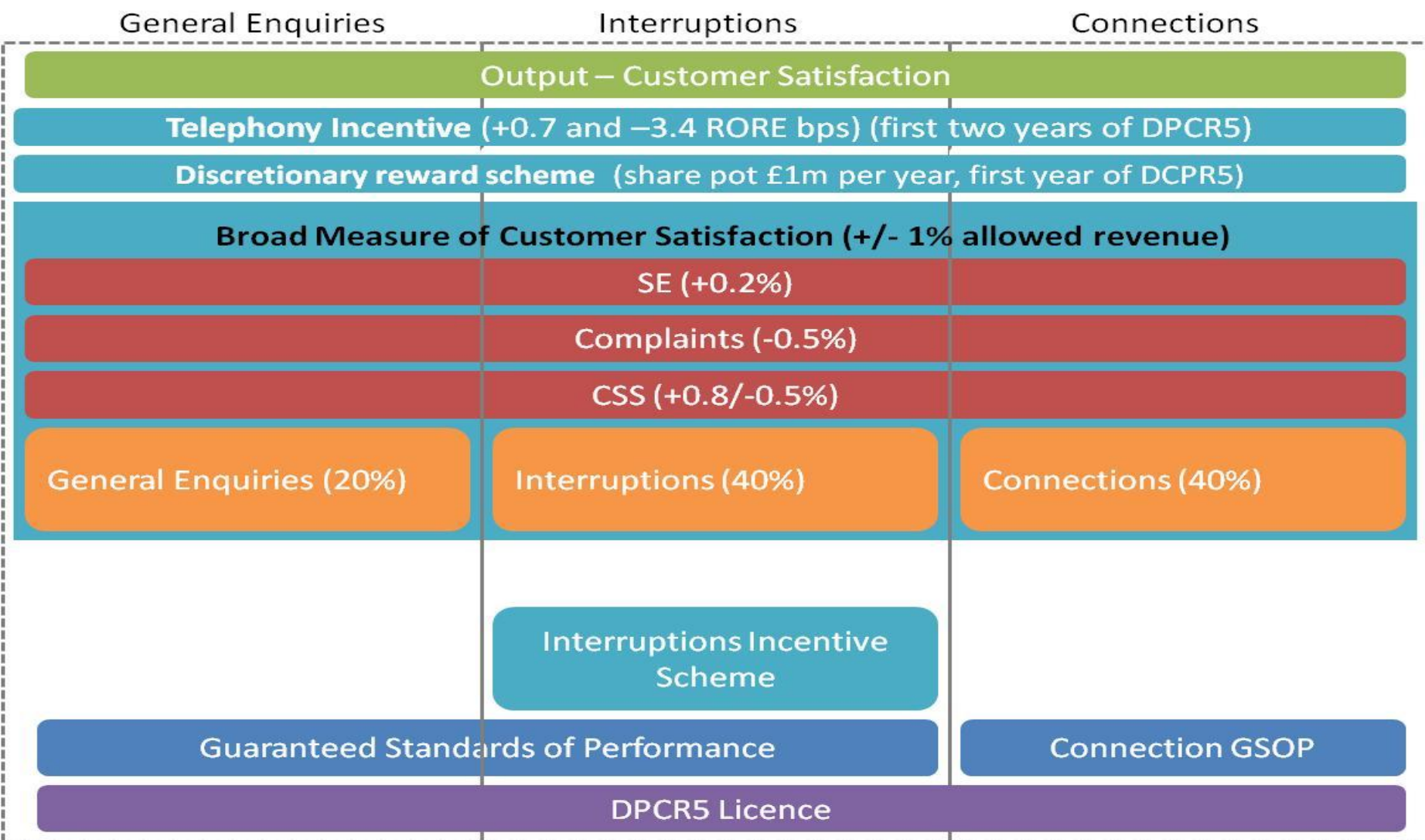


The background features a large, stylized white arrow pointing right, overlaid on a blurred image of a modern building with a glass facade and a large, glowing, multi-layered circular structure resembling a stylized sun or a light fixture. The overall color palette is dominated by blues, oranges, and whites.

RIIO-ED1 Connections Working Group

31/07/2012

DPCR5 arrangements

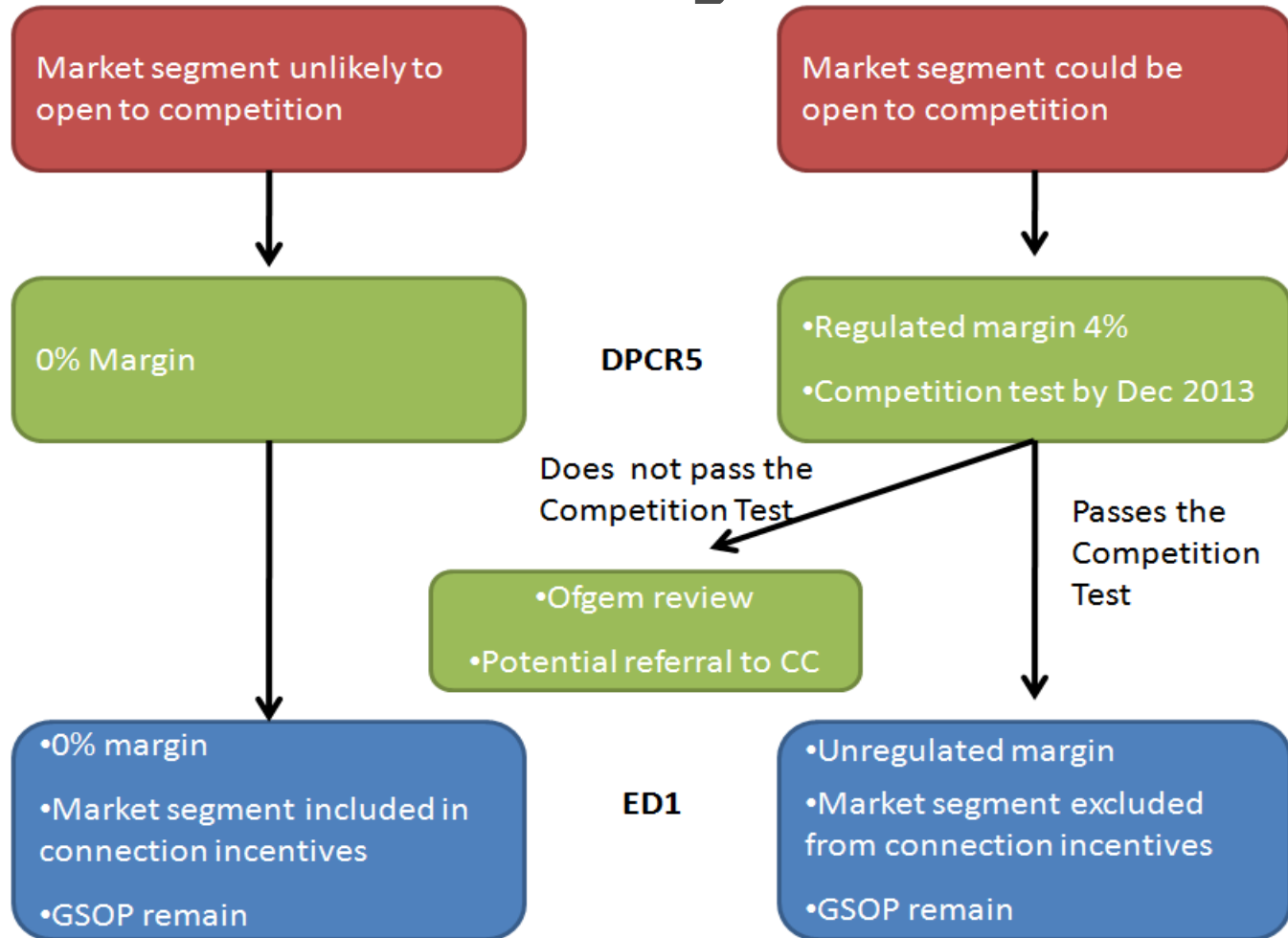


DPCR5

- Major connection customers are not well represented in Customer Satisfaction Survey.
- Stakeholders have stated that the average time to connect is an issue, especially for minor customers.
- Stakeholders would like more information available upfront (before they ask for a quotation).
- The impact of DPCR5 “Competition in Connections”
 - How should we regulate/incentivise DNOs in market segments that have/haven’t passed the competition test?

- **Major connection customers** – Develop separate qualitative survey for major customers as part of the BM Customer Satisfaction Survey. **Linking a financial incentive to a small survey sample provides a challenge (as per transmission).**
- **Average time to connect** - Introduce small financial incentive for minor connection customers. Targets set for time to quote and time from connection acceptance to connection complete, with rewards/penalties attached.
 - **Potential duplication of rewards/penalties with customer satisfaction survey, however we believe ensuring that delivering connections quicker provides additional benefits to customers (eg increased network efficiency, increased network resilience, facilitating the transition to a low carbon economy quicker).**
- **Provision of connection information**– DNOs to continue reporting on connection quotation acceptance rates, providing information on reasons. This will be supplemented with customer satisfaction survey data to identify why connection offers are not being progressed. Potential focus within stakeholder engagement incentive on the provision of information.
- **Customers in market segments that are open to competition** will not be included in any connection incentive. We will ensure that the value of our connection incentives does not distort competition in markets that are not yet open to competition. Connection GSOPs to remain for DNOs in all market segments, as DNOs are the connection provider of last resort.

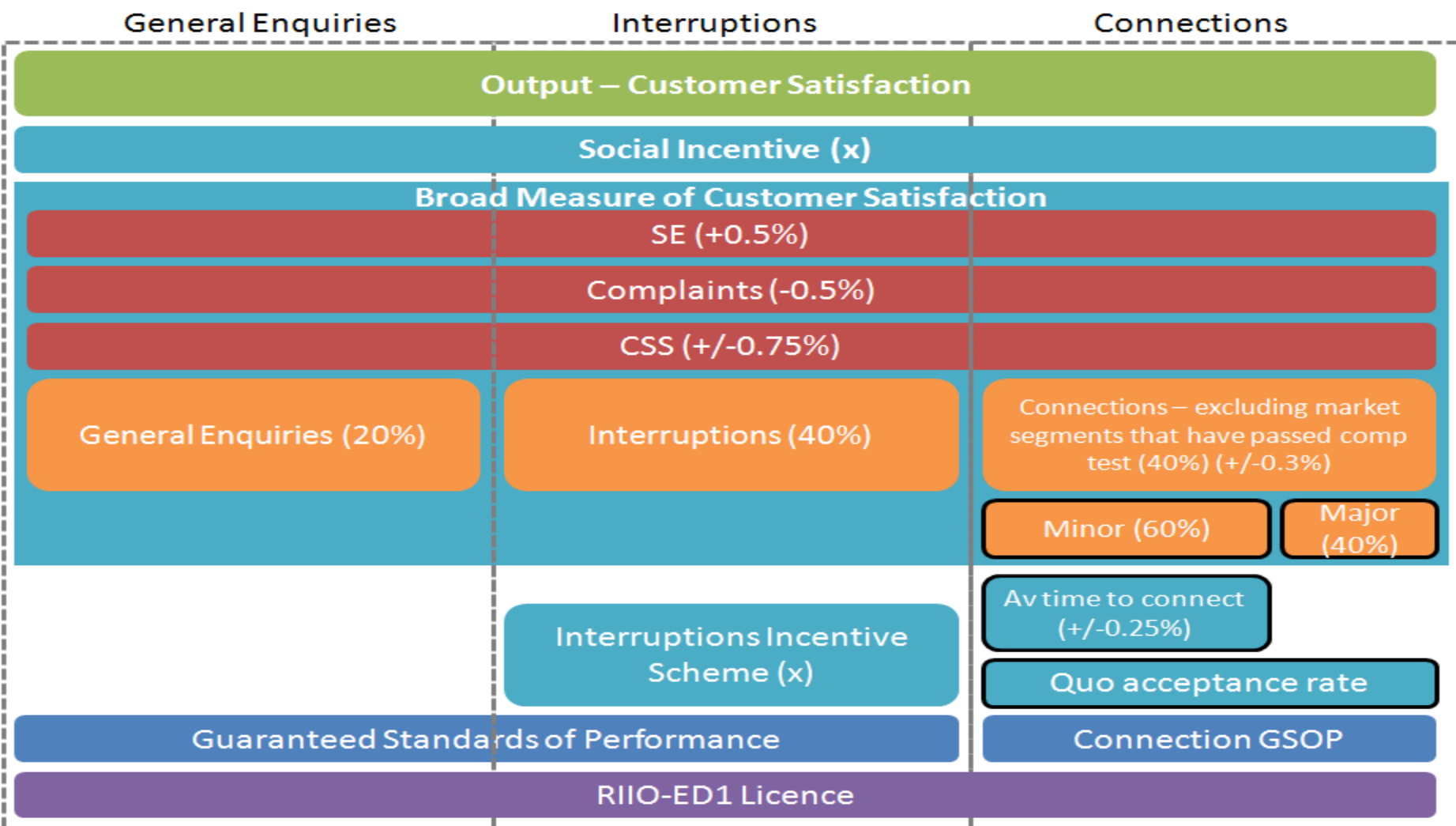
Cost guidance on RIIO-ED1 connection margins



Value of the incentive package

We are considering an **increase of the overall value of customer satisfaction incentives** from +/-1% to +/-1.5% of allowed revenue. Reflecting the maturity of the elec Broad Measure and ensuring DNOs are incentivised to meet the requirements of all customers.

Potential RII0-ED1 arrangements



RIIO-ED1 – Customer Satisfaction (potential design)

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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Promoting choice and value
for all gas and electricity customers

Flexible commercial arrangements

- Need to charge in line with charging methodology
- If market segment has passed the comp test, the DNO should not be restricted on how/what they charge.
- For non-contestable services, DNOs can only recover reasonable expenses associated. Could charge more for enhanced (quicker) services, but this would need to be reflective of the additional costs involved.
- DNOs should not prevent competitors from accessing enhanced level of service for non-contestable works.
- DNOs cant behave in a discriminatory way – the service to other customers should be unaffected.
- If market segment has passed the comp test, DNO could offer reduction in charge. If market segment not passed comp test, DNO cannot offer reduction in charge below costs of expenses and allowed margin.

What will incentivise DNOs to provide better information to customers

	If market segment <u>has</u> passed the comp test	If market segment <u>has not</u> passed the comp test
Incentives to improve customer service	<ul style="list-style-type: none"> •Competitive pressures •Stakeholder Engagement •Quote acceptance rates •GSOP 	<ul style="list-style-type: none"> •Time to connect •Customer Satisfaction Survey •Stakeholder Engagement •Quote acceptance rates •GSOP
Assuming self-POC has not been made contestable, what incentives to enable customers to identify optimum site/scale of development.	<ul style="list-style-type: none"> •Stakeholder Engagement •Quote Acceptance rates 	<ul style="list-style-type: none"> •Time to connect •Customer Satisfaction Survey •Stakeholder Engagement •Quote acceptance rates