

## Reliability and Safety Working Group (RSWG) meeting 8 August 2012

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Teleconference to further discuss Quality of Service areas for RIIO-ED1.	From Date and time of Meeting Location	Karl Hurley 8 August 2012, 10:00- 11:00 Teleconference, Ofgem	8 August 2012
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### 1. Present

Bob Parker (BP)	Western Power Distribution (WPD)
Jonathan Booth (JB)	Electricity North West (ENWL)
Steve Cox (SC)	Electricity North West (ENWL)
Dan Randles (DR)	Electricity North West (ENWL)
Mark Walters (MW)	Electricity North West (ENWL)
Mark Nicholson (MN)	Northern Powergrid (NPG)
Mark Marshall (MM)	Northern Powergrid (NPG)
Rob Friel (RF)	UK Power Networks (UKPN)
Bill D'Albertanson (BD)	UK Power Networks (UKPN)
Alan Boardman (AB)	UK Power Networks (UKPN)
Carl Woodman (CW)	Scottish Power (SP)
Gerard Boyd (GB)	Scottish Power (SP)
Mark Smith (MS)	Scottish & Southern Energy Power Distribution (SSE)
David Telford (DT)	Scottish & Southern Energy Power Distribution (SSE)
Michael Cousins (MC)	Department of Energy & Climate Change (DECC)
Ian Mulvaney (IM)	Department of Energy & Climate Change (DECC)
James Hope (JH)	Ofgem
Karl Hurley (KH)	Ofgem

### 2. Introductions and run through of objectives for the day

- 2.1. KH outlined the plan for the teleconference with the group members and the objective for the day, which was to outline some remaining areas not discussed until now.

### 3. Interruptions Incentive Scheme - Unplanned target setting

- 3.1. JH ran through the option that Ofgem had previously proposed at the 17<sup>th</sup> of May 2012 working group meeting, and the alternative capped target approach as suggested by UKPN at the 28<sup>th</sup> of June working group meeting.
- 3.2. Another option which was discussed was to set the targets for ED1 up-front using the benchmarks, in a broadly similar manner to how the targets were set for DR5. BP raised the point that ED1 will last until 2023/24, and it is long period to set targets based on data up to 2011/12. JH responded that Ofgem were aware of this and the targets in RIIO-ED2 would be based on performance in ED1, so this should help to balance the incentive over time.
- 3.3. JH confirmed that for the September document, Ofgem will outline how the targets would be calculated under the different approaches, and Ofgem are currently aiming to have the targets included in the February document.

- 3.4. With regards to the smart meter rollout in the ED1 period, JH outlined Ofgem's current approach for the September document. Ofgem intend to keep the basis of reporting interruptions as it currently stands, but expect DNOs to plan for using the data that will become available from smart meters in the future. One possibility would be for the DNOs to trial the use of smart meter data in the IIS during ED1, with a view to using this data in the ED2 target setting process.
- 3.5. JH also noted that Ofgem will comment on the potential usage of smart meter data in relation to Guaranteed Standards payments. For example, in making payments to Priority Service Register customers without the need for the customer to make a claim to the DNO.

#### **4. Interruptions Incentive Scheme - Planned target setting**

- 4.1. JH summarised the position the working group had reached so far on this topic. The main area still undecided was the length of the lag between DNO performance flowing into targets in this area, Ofgem had originally set this to four years in what was presented to the working group at the 17<sup>th</sup> of May working group meeting. JH outlined Ofgem's view that it could be a two year lag, and how the provision of planned interruptions targets to each DNO could be combined with the exceptional event direction letters on an annual basis. By writing to each DNO, each year, Ofgem would make the process of informing companies of their performance more streamlined for all parties.
- 4.2. RF stated that a lag of two years may still be too long for the targets to respond too. BP felt that a lag of two years is as quick as targets could realistically be issued. SC noted that DNOs would know their targets immediately under the proposed mechanism once their IIS data has been submitted to Ofgem. JH pointed out that Ofgem would issue the targets, but agreed that the DNOs would know their targets under the mechanism, which will be shared with the DNOs.
- 4.3. CW questioned whether, over a period of ten to fifteen years, this proposal would, effectively, remove the planned element from the IIS. JH said that Ofgem are not planning to do so, but are aware that the proposed approach will make the DNO neutral over time. JH also pointed out that Ofgem intend to look into the possibility of using benchmarking for planned targets for the ED2 period during ED1.
- 4.4. CW and RF queried the potential impact of the proposed approach on the use of generators to avoid planned interruptions, as the current planned incentive targets can be used by DNOs to pay for their use. JH stated that a DNO currently using generators would probably continue to use them under the proposed approach, and Ofgem feel that it is an improvement compared to the one used to set the DR5 targets. JH commented that Ofgem are happy to receive feedback on this in the September document.

#### **5. Interruptions Incentive Scheme - Incentive rates**

- 5.1. JH led the discussion onto the IQI and the comparison between IIS and the transmission incentive on 'Energy not Supplied'. The transmission value of lost load is £16k per MWhr pre-IQI (post-IQI is £8k), Ofgem did a rough calculation and the IIS comes in at £8.9k per MWhr. JH noted that in keeping IIS rates at their current level, that improvements are not necessarily investment related, and hence remunerated over 40 years through the Regulatory Asset Value, if they relate to operational improvements. With regards to applying IQI to the IIS, Ofgem will discuss this in the September document.

- 5.2. ENWL mentioned at the last meeting that the group should discuss the balance between the incentive rates on CI and CML. JH confirmed that Ofgem will set this topic out for discussion in the September document.

## **6. Worst served customers**

- 6.1. JH ran through our intentions for the WSC scheme as based on the DR5 approach, as discussed at the working group on the 28<sup>th</sup> of June 2012. Briefly, our intentions amounted to Ofgem setting the parameters for all DNOs to define worst served customers, but allowing DNOs to suggest their own cost per customer rates, and periods over which to measure performance improvements.
- 6.2. JH introduced a potential suggestion for a point based incentive scheme around the frequency of higher voltage interruptions as an alternative to the DR5 approach. Ofgem are contemplating applying different weightings to give a points score average based on actual performance, this would then set a baseline around which the incentive would run.
- 6.3. BP said that a scheme of this type would not necessarily target worst served customers, as those suffering anything up to 10 or more HV interruptions in any one year could be completely random. JH said he was aware of this, but felt that, over time, this approach may improve the experience of those customers who experience unusually poor performance.
- 6.4. CW asked whether exceptional events would be included in the annual performance assessment. JH confirmed that they are in the modelled data which includes storms. JH stated that this is an alternative to the DR5 scheme which Ofgem introduced to improve customers not benefiting from the IIS.
- 6.5. JH indicated that there may be possibility of a third approach based on a hybrid of the DR5 approach and Ofgem's latest suggestion. Ofgem will outline all options in the September document.

**Action point: Ofgem to circulate the WSC points model**

**Person – Ofgem by  
8 August**

**Action point: DNOs to review the proposal and provide feedback**

**Person – All DNOs  
by 7 September**

## **7. Guaranteed standards (SI 698)**

- 7.1. JH ran through the amendments which had previously been discussed at the working group meetings. JH confirmed that Ofgem will raise the possibility of requiring DNOs to make automatic payments to Priority Service Register customers in the September document. MS stated that he had concerns about a DNO being responsible for taking the cost of payments for risks that were outside of their control.
- 7.2. JH said that Ofgem will consult on proposed amendments to the SI closer to 2015.