

The background of the slide features a close-up, artistic photograph of interlocking metal gears. The lighting is dramatic, with bright highlights and deep shadows, creating a sense of motion and precision. The gears are arranged in a way that suggests a complex mechanical system.

Reliability & Safety Working Group

Quality of Service

28 June 2012

Outline of topics for today

- Introduction to working group:
 - Arrangements
- Review of previous actions and objectives for the day
- Recap on overall reliability measures
- Interruptions
- Overall resilience
- Guaranteed standards
 - Consumer Focus presentation
- Worst served customers
- Any other business

Working group arrangements

- This meeting will be minuted – views and actions
- We are proposing to attribute views and opinions expressed at the meeting
- The minutes will be published on Ofgem's website, after having been circulated to attendees for comment
- If there are any objections to this, please make this clear when commenting on minutes
- Responses to actions will be published.

Review of previous actions and objectives for the day

28. Circulate slides, target setting written methodology and spreadsheets
29. Should 132kV and EHV have different weights attached? Is the balance of risk in the current incentive scheme appropriate or should exceptional
30. Comment on whether pre-arranged mechanism is appropriate, and if not suggest an alternative
31. Provide views on whether a short interruption incentive mechanism is desired by customers, and feasible to implement, and whether it could be applied to only one DNO
32. Determine what level of data on SIs would be required for an incentive mechanism to work and to provide the required definitions as appropriate.
33. 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.
34. Provide Ofgem with their issues on Smart Meters and the interaction with the IIS.
35. Find paper dealing with E3C work and get update on the progress the ETG has made on this.
36. Provide views on how smart meters are likely to alter interruptions.
37. Provide views on how incentives should be calibrated
38. Update front sheet of IIS returns in order to indicate DNOs' view of exceptional events.
39. Draw up DPCR5 investment table for RIGs v3 and forecast pack

Recap on overall reliability measures

- Interruptions incentive scheme
- Guaranteed standards
- Worst served customers
- Is anything missing?

Interruptions incentive scheme

- Unplanned target setting
- Pre-arranged target setting
- Incentive rates, caps and collars, interaction with IQI
- Opportunities provided by smart meters

Interruptions incentive scheme

Unplanned target setting

- Target setting
 - One DNO would prefer to use an average rather than best average as outlined previously, with a cap built in to ensure targets can't get worse than the 15/16 target and whether the benchmark should be fixed for the entire ED1 period

Interruptions incentive scheme

Unplanned target setting action update

- Different weightings for 132kV & EHV and implications for the IIS mechanism?
 - Two DNOs agree with the principle, and feel it could sit separately to the IIS at a lower weighting, but others do not agree and are inclined to leave it in place
- Appropriateness of the balance of risk in the IIS, or should exceptional event thresholds be amended?
 - Most DNOs feel that the scheme is appropriate as it stands, and that the protection against volatility in the exceptional event process needs to be maintained
 - A DNO felt that it may be possible to leave a residual in the IIS similar to one-off events

Interruptions incentive scheme

Unplanned target setting action update

- **IIS incentive rates interaction with IQI**
 - Two DNOs have suggested using symmetric caps and collars to protect customers from paying twice for improvements and that DNOs should be penalised and rewarded in equal measure
 - One DNO feels that incentives and targets can not be separated from each other, and that targets should be set to reflect the costs incurred already
- **Calibration of incentives**
 - One DNO suggested that stakeholder feedback should be the basis for incentives and weightings, and Ofgem should consider the price control risk level to a DNO due to other incentive schemes
 - One DNO responded that a cap and collar to limit exposure of customers to the unplanned part of IIS might be used
 - Ofgem intend to review and compare transmission value of energy not supplied with the IIS rates
- **Inclusion of all cut-outs in ED1 mechanism?**

Interruptions incentive scheme

- Pre-arranged target setting
 - Most DNOs are comfortable with the Ofgem proposal
 - One respondent suggested that the well justified business plan could include a DNO view on pre-arranged targets, and Ofgem could compare them to Ofgem target numbers and work from this point
 - One DNO felt that it may be appropriate to shorten the four year data collection period
 - One DNO suggested alternative approaches including
 - Setting caps on the max levels of planned CIs and CMLs, or
 - Reduce the weighting to 20 or 10%
 - Overall minded to progress the option presented at the last working group

Interruptions incentive scheme

Opportunities provided by smart meters

- Does not appear to be a major issue from respondents
- The roll-out may highlight defects at the meter which will need remediation work
 - Which aren't IIS reportable e.g. cut-outs, asbestos meter-boards, etc.
- The functionality requirements of smart meters has yet to be decided
 - Frequency of reporting periods
 - Inclusion of last gasp

Interruptions incentive scheme

Opportunities provided by smart meters

- **Impact on IIS reporting post installation**
 - Accuracy checks may be needed in the initial stages of using this data until it's bedded in
 - As in current RIGs notification time is expected to be the incident start time
 - Fault location may enable quicker restoration
 - Potential for increase in reporting over night-time period
 - Response time to incident is in the DNOs control however
- **Guaranteed Standards (SI 698 of 2010)**
 - Possibility of moving all standards to automatic compensation when smart meters are in place?
 - Ofgem will look to further explore this, over the consultations
- **DNO - Data Control Centre Interaction**
 - Sharing of data
 - Potential for time lag in delivery of data
 - Cost of this service

Resilience

- Definition of resilience
 - “Resilience is the ability of assets, networks and systems to anticipate absorb, adapt to and / or rapidly recover from a disruptive event”
Cabinet Office, October 2011, Natural Hazards and Infrastructure
- In its broader sense, it is more than an ability to bounce back and recover from adversity and extends to the broader adaptive capacity gained from an understanding of the risks and uncertainties in our environment. (Cabinet Office)
- Various participants are involved in monitoring, enforcing, advising, carrying out the work and funding
 - DECC, HSE, Environment Agency, DNOs, Ofgem
- Ofgem’s role
 - Measuring progress,
 - Protecting customers interests
 - Incentivising?
- Possible to develop a specific metric for this or use a hybrid?

Resilience

- In DR5, the following were considered as part of non-core expenditure, and the focus was on major system risks:
 - Flooding (£111.9m),
 - High Impact Low Probability Events (£6.1m and logging up costs),
 - Black start capabilities and emergency batteries (logging up costs), and
 - Critical national infrastructure (CNI) (logging up costs).
- These were largely new areas of expenditure for DR5, in many cases driven by external stakeholders.
- Other areas can be more widely viewed as part of resilience as well:
 - Funding provided to cut trees on the network to maintain clearances required under ESQCR,
 - Inspections and maintenance of network assets,
 - Network design is specified in the licence to be to P2/6 standards, and
 - Network investments under IIS can lead to improved performance.
- CNI and Black start capabilities and emergency batteries are the first re-opener due in July.

Flooding – DPCR5

- For DPCR5 our proposals for the expenditure on flood protection were derived from analysis of the following cost categories:
 - forecast expenditure on super grid, bulk supply points and primary substations,
 - forecast expenditure on site surveys, and
 - forecast expenditure for non site specific costs, such as portable flood defences.
- We analysed the forecast change in risk exposure to flooding. We calculated the change in risk by combining the likelihood of flooding (1/100, 1/200 and 1/1000) with the number of customers at risk at each site.
- We also factored in “critical customers” (such as hospitals) by applying a higher weighting to them, where they have been identified.
- Given the range of sites and factors involved we used the upper quartile £ per risk reduction as the benchmark, which was 20 per cent higher than the average.
- Where the DNO’s forecast was above the upper quartile £ per risk reduced, we scaled back their forecast by the percentage they are above the upper quartile £ per risk reduced. Where DNOs were below the upper quartile £ per risk reduced we gave them their own forecast.

Developing a flood resilience metric

- Believe we can build on the DPCR5 work
- Utilising the flooding risk at the start of the period and the reduction to be delivered by the proposed programme we can derive a “delta” or flood risk points which can then be tracked during the RIIO-ED1 period
- For RIIO-ED1 we could then monitor progress on this secondary deliverable annually and potentially evaluate at the mid-period review and/or end of RIIO-ED1
- Welcome views on:
 - Whether this is a proportionate approach
 - Whether this metric be subject to any financial incentive/penalty during the period

Deriving the delta – DR5

Guaranteed standards of performance

SI 698 of 2010

Understanding consumer issues

Duncan Carter, Policy Manager

Background

- Consumer Focus is statutory champion for energy consumers across Great Britain
- Duty to report on the performance of DNOs
- Commissioned market research
 - Awareness of DNOs
 - Guaranteed Standards
 - Compensation
- Analysis of Consumer Direct call data
- Helpful although imperfect picture

Quality of data

- Payment discrepancies between DNOs for GSs
 - some report 1000s of payments
 - others report zero
- Is the difference in DNO performance so marked?
...or are there
 - data issues or
 - failures to make justified compensation payments to consumers?
- review the GS data returns and improve guidance to DNOs to make sure reporting in a consistent manner

Guaranteed Standard 5 – voltage complaints

- Only 5 payments logged against GS5 (2010/11) across all DNOs
- but...CD receive on average 11 calls per month related to power surges/fluctuating voltage
- GS standard: “Visit customer’s premises within 5 working day OR
- “Dispatch a written explanation of the probable reason with 5 working days”
- Is this incentive driving improvement?

Guaranteed Standard 2 (a/b/c)

- Accounts for the majority of payments
 - CD data shows many customers not receiving payments
 - Our omnibus research suggests that 8.7% of consumers experienced outage in past 2 years
 - ...but GS data shows only 2.6% of customers received compensation
- are 6.1% of consumers out of pocket?

Guaranteed Standard 4

- 1057 payments made in 2010/11
- ...but 22.4% of those surveyed who had experienced planned interruptions had not received payment
- This would equate to over 300,000 payments as proportion of total planned interruptions
- Why the discrepancy?
 - Failure to notify?
 - Notification method not working?

Independent DNOs

- Very limited data collection
 - GS returns sparse
 - No Ofgem customer numbers
- = difficult to assess consumer detriment
- Improve information collected from IDNOs

Competition in connections

- CD receives an average of 69 calls each month from consumers about a new connection or an alteration in their electricity supply
 - Consumers find it difficult to find information on connections and it is often of poor quality
 - CD data suggest consumers would value opportunity to obtain multiple quotes
- audit and minimum standards for information?

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Consultation on IIS & GS

- Ofgem published an open letter consultation on the review of the Interruption Incentive Scheme (IIS) and non-connections related Guaranteed Standards of Performance (GSOP) post the 2009 Dartford exceptional event and recent storms in Scotland
- We asked about the changes we'd made to the arrangements post the Dartford incident in 2009 and additional measures we might take in light of the storms in Scotland in late December 2011 and January 2012
- Responses received from 6 DNO company groups

Summary of responses

- Most DNOs supportive of the work done to date and the proposals outlined in the letter
- Questions over the detail
 - Are we suggesting to remove all exemptions?
 - Will the thresholds be uniform across companies?
 - How will an ex-post assessment work?
- Desire for an overall cap on exposure (currently exists in DPCR5) and/or a specific one-off event cap

Next steps

- Ofgem will publish a detailed summary of the responses on its website
- Ofgem will circulate to the RSWG an update on what it may include in the September document
- Have a further discussion over this (and any other outstanding QoS issues) at either the last RSWG meeting in July or via teleconference

Guaranteed standards (SI 698)

- Movement from 18 hour to 12 hour standard
- Majority of DNOs have improved performance from 09/10, and 10/11 to 11/12

Guaranteed Standards

- This outlines the difference in 18 hour compensation levels to a movement to a 12 hour standard
 - It compares each DNOs average 09/10 and 10/11 performance to 11/12 performance
 - It is based on:
 - Ofgem calculated cost (£million)
 - No exemptions, and £54 payments
- Comparing the difference in 09/10 and 10/11 two year average compensation amount to 11/12's highlights the need to be aware of the potential for over funding (in red) if Ofgem/customers solely fund the difference in moving to a 12 hour standard rather than shareholders

Guaranteed standards (SI 698)

- If moving to a 12 hour standard, should there be a move from the current payment level?
- Adjust compensation levels for inflation
 - Compare values to IIS
- Hydro – Highlands and Islands customers carve out
 - Ofgem are in favour of uniform treatment of customers across GB
 - We intend to progress this following Dartford consultation
- Severe weather time periods
- Severe weather thresholds
- Caps on payments

Short Interruption Target Setting

- Ofgem are minded not to advance an incentive mechanism for Short Interruptions at this time due to:
 - As discussed previously, if CI incentive not sufficient to eradicate fault, then how could a lower strength SI incentive achieve this outcome?
 - Feedback from DNOs based on their stakeholder engagement
 - DNOs have noted robustness issues with the data
 - Outcomes due to incentivising SIs and the IIS
- Inclined to suggest this as part of September document and invite views as to whether this is appropriate

Worst served customers

- Ofgem are minded to keep this scheme
- Ofgem are minded to consider the potential amendments
 - set some general parameters e.g. overall size of scheme
 - to relax some of the DR5 criteria on the basis of DNO justifications
- Onus will be on DNOs to engage with their stakeholders to discover their preferences for this scheme and use this to justify their proposals

Any other business

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.

ofgem

Promoting choice and value
for all gas and electricity customers