

RIIO-ED1 Connections Working Group

Working group established to discuss connections issues related to outputs and incentives for the next price control (RIIO-ED1)	From	29 June 2012
	Date and time of Meeting	09:30-11:00 on 29 August 2012
	Location	Teleconference

1. Present

James Veaney (Ofgem)	Brian Hoy (ENWL)
Stephen Perry (Ofgem)	Gareth Shields (SSE)
Olivia Powis (Ofgem)	Cathy Falconer (SSE)
Steve Wood (UKPN)	Pete Thompson (Northern Powergrid)
Graham Campbell (SP)	Paul Gardiner (CHPA)
Bob Weaver (Powercon)	
Fruszina Kemenes (RWE Renewables)	
Alex Spreadbury (Major Energy Users Council)	
Mike Smith (WPD)	

2. Introduction to RIIO-ED1 Connection Working Group

2.1. James Veaney (JV) welcomed everyone to the latest RIIO-ED1 Connections Working Group. JV noted that, from Ofgem's perspective, that the primary purpose of this meeting was to give stakeholders a overview of the likely RIIO-ED1 proposals, in advance of our Strategy consultation being published. It was noted that these proposals were still subject to review within Ofgem and may subsequently change.

3. Working Group discussion on RIIO-ED1 proposals

3.1. Olivia Powis (OP) provided an overview of the slides circulated to the group.

3.2. Brian Hoy (BH) questioned which incentive was driving the upfront provision of information. JV noted that there were already incentives on the DNOs to provide information to customers earlier in the connections process (ie reduce number of spurious connection quotations and improve customer satisfaction survey score). JV suggested that the customer satisfaction survey could be adapted to place more focus on the timely provision of information. JV noted that Ofgem were likely to seek stakeholders' views as part of the RIIO-ED1 September Strategy Consultation, on whether additional incentives were needed to drive improved information provision

3.3. Mike Harding (MH) questioned what information Ofgem wanted the DNOs to provide. Ofgem do not intend to prescribe what information the DNOs should provide, but encouraged all DNOs to provide the information sought by customers early in the connection process, so they can ensure that their plans are viable and adapt their proposals if necessary.

3.4. Cathy Falconer (CF) questioned whether the scope of RIIO-ED1 incentives would capture large value connection customers. JV stated that the majority of large value connections fall within the Relevant Market Segments and that the outcome the DPCR5 Competition Test would influence the scope of the RIIO-ED1 incentives. For those relevant market segments that pass the Competition Test, the customer satisfaction survey and time to connect incentive may not apply. For those market segments that did not pass the Competition Test, the additional customer satisfaction survey and time to connect incentives may apply, but on a penalty only basis. JV made it clear that the exact

arrangements for market segments that did not pass the Competition Test by Dec 2013, would be dependent upon the any Ofgem review and potential referral to the Competition Commission..

3.5. The working group discussed the size of the revenue exposure across all the RIIO-ED1 connection incentives relative to DPCR5 incentives.

Action: Ofgem to circulate a slide clarifying the revenue exposure as soon as reasonably practicable.

3.6. CF questioned how we planned to treat non-contestable work in market segments that have passed the Competition Test. AS stated that the quality and timeliness of the non-contestable work can have a large impact on a connection project.

3.7. JV stated that Ofgem would be seeking views on this issue as part of the September Strategy document. It was noted that the Electricity Distribution licence already prescribes standards of performance for non-contestable work and that the Competition Test process should deliver improvements in the provision of non-contestable services. JV noted that the arrangements may be dependent upon the outcome of the DPCR5 Competition Test.

3.8. For relevant market segments that do not pass the Competition Test. BH questioned whether the exposure would be scaled to the number of market segments that have not passed the Competition Test or the number of connection customers in these market segments. Ofgem confirmed that the incentive exposure would be scaled to the number of market segments that have passed the Competition Test, but hadn't decided how the scaling should work.

3.9. The working group asked the rationale for increasing the weighting on connection customers in the customer satisfaction survey. JV stated overall we were increasing the revenue exposure for customer satisfaction. JV noted that we were specifically increasing the size of revenue exposure on the connection category of the customer satisfaction survey, as we want an increased focus on the quality of service provided to these customers.

3.10. CF was concerned that under the Average Time to Connect incentive DNOs may be penalised for accommodating customers seeking longer connection timescales. Stephen Perry (SP) noted that the target would take this into account as these type of customers currently existed. CF noted that changes in the economic climate can impact the number of customers that want to delay connection timescales. The working group discussed applying exemptions to customers that seek timescales that are considerably longer than the average (these cases would also be excluded from the target).

3.11. Bob Weaver (BW) questioned whether the average time to connect is actually an issue for stakeholders. JV confirmed that we have undertaken their own research into delays in the connections process and that we have received feedback from stakeholders to believe a reduction in overall time to connect would benefit all customers.

3.12. FK suggested that for larger customers, deviation from the preferred date is a bigger issue than the time taken to connect and suggested that measuring this could be a better method of assessing the DNOs' performance. BH noted that under these arrangements a DNO would be heavily penalised if a customer stated that they wanted the connection the next day. BH suggested that the September Strategy document could alleviate the DNOs concerns if it acknowledged that the DNOs were not to be unduly penalised for meeting customers' requirements.

3.13. MH questioned whether the Average Time to Connect Incentive might incentivise the DNOs to cancel quotations for customers that ask for their connection to be delayed half way through the process.

3.14. Graham Campbell asked JV to confirm whether the incentive would be split into time taken to deliver quotation and time taken from quotation acceptance to completed connection. Ofgem confirmed that this was likely, but they would seek views as part of the Strategy consultation.

3.15. BH questioned whether the September Strategy consultation would ask detailed or high-level questions on our proposals. JV confirmed that the majority of questions would be fairly high-level, but that the text would provide further details on our strategy proposals.

3.16. JV stated that part funded connections and flexible connection arrangements were not being addressed as part of RIIO-ED1, as they weren't necessarily price control issues. BW questioned where the flexible connection arrangements were being discussed. JV stated that the DNOs should contact Ofgem to highlight their concerns.