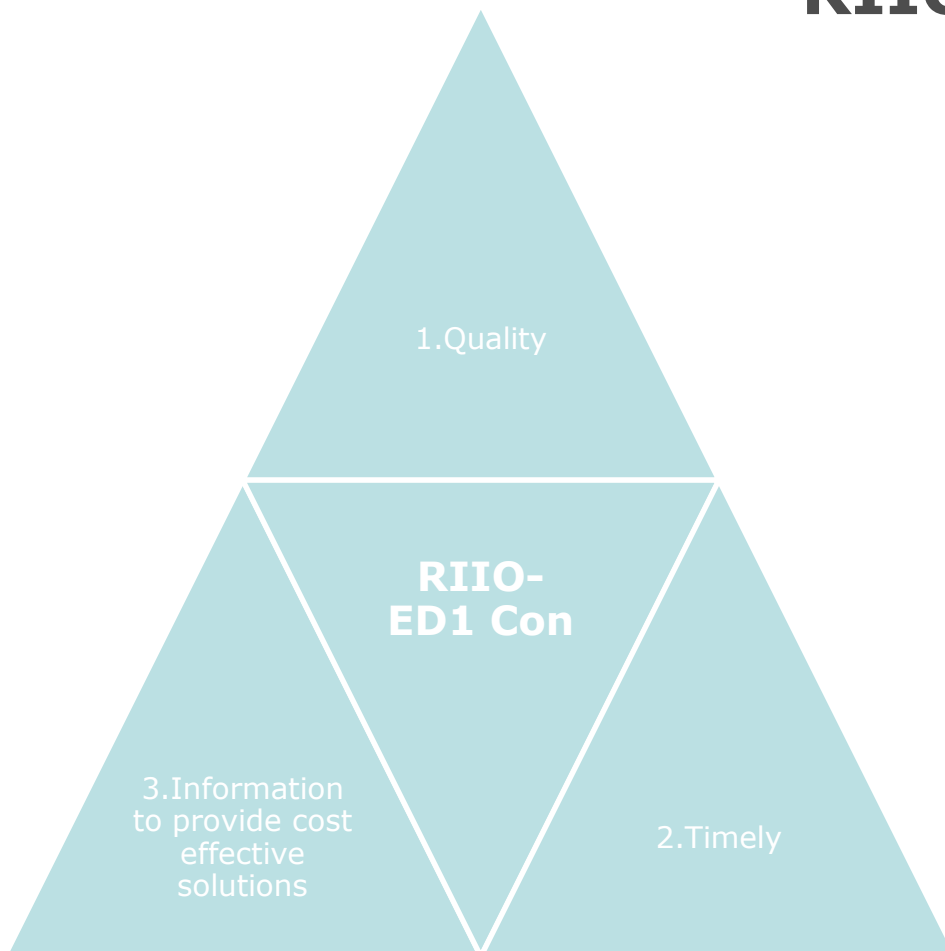


The background features a composite image. On the left, there are rows of solar panels under a bright sky. On the right, there is a glowing incandescent lightbulb. A large, semi-transparent white arrow points from the left towards the center, overlapping the solar panels and the text.

RIIO-ED1 Connections: Outputs and Incentives

RIIO –ED1 Connections



1. Quality

Retain Broad Measure, with some improvements.

2. Timeliness of Connections

New 'Average Time to Connect Incentive' to incentivise DNOs to improve beyond min standards.

3. Provision of information to provide cost effective solutions

Incentivise DNOs to find innovative (cost effective) connection solutions that optimise network utilisation OR DNOs provide more information upfront that allow customers to make cost effective decisions.

RIIO-ED1 Proposals and Incentives for Connections Customers

Incentive/Measure		Reward	Penalty	Issues to address	
Guaranteed standards of performance (GSOP) (minimum service level)				<ul style="list-style-type: none"> - Service quality - Information - Timeliness of connection 	
Broad measure of customer satisfaction (BMCS) (50% for Connections Customers)	Customer satisfaction survey	Minor connections	+0.5%	- 0.5%	<ul style="list-style-type: none"> - Service quality - Information
		Major connections (new)		0 - (-0.5%)*	<ul style="list-style-type: none"> - Service quality - Information
Time to connect incentive (new incentive)		+0.5%	0 - (-0.4%)*	-Timeliness of connections	
Total Penalties/Rewards		+1%	-0.5 to -1.4%*		

*for market segments that have not passed the competition test

* (dependent upon number of relevant market segments that have not passed the CT)

Broad Measure for Connections Customers

BMCS:

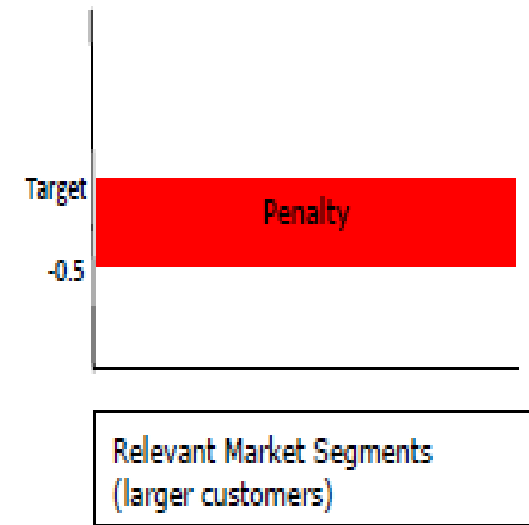
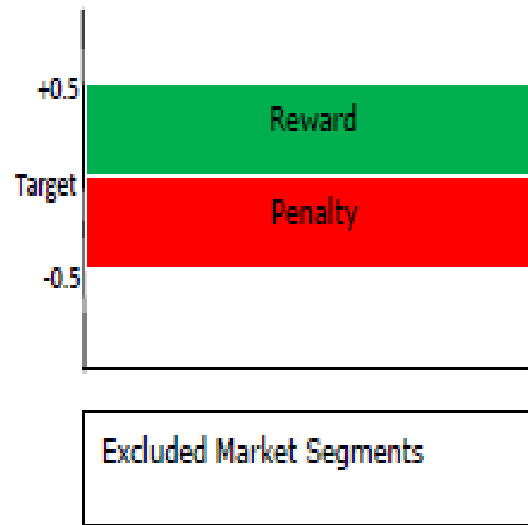
Tool to encourage DNOs to satisfy connection customers

ED1 proposal:

- Retain the existing arrangements for smaller connections

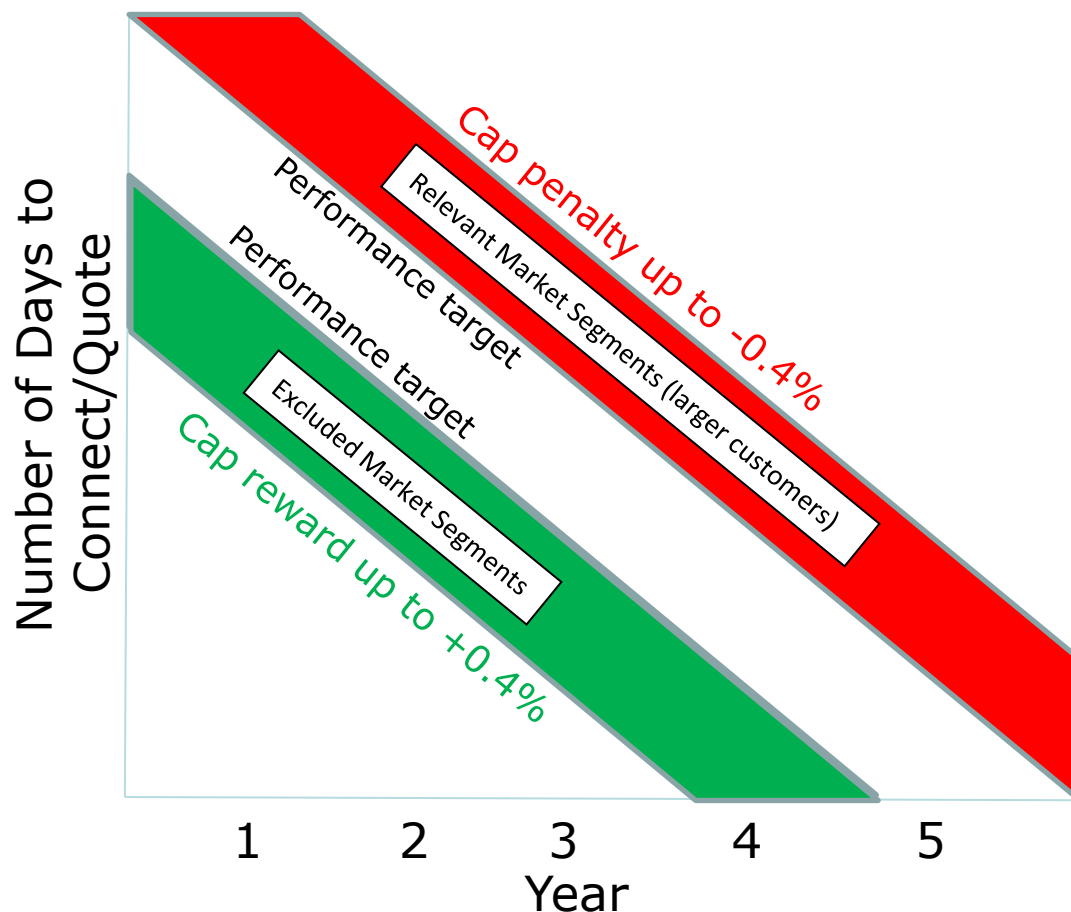
- Develop new arrangements (eg survey structure, targets, penalty/rewards) for the larger customers

- New survey more qualitative in nature



Average time to connect

- **Reward only**
for excluded market segment
- **Penalty only** for Relevant Market Segments that have not passed Competition Test
- **Size of the reward** will operate on a sliding scale between the target and maximum reward score



Other issues being progressed outside ED1

- Flexible connection arrangements (eg pay more for quicker service, greater flexibility of design arrangements)
 - DNOs identified potential barriers in the licence and want clarity from Ofgem on licence interpretation. Not necessarily a price control issue, but any changes to licence progressed as part of RIIO-ED1.
- Extension of contestability: Part funded connections
 - Business plans should outline areas that might become contestable. Cost assessment working group discussing approach to cost allocation.

Impact of DPCR5 competition in connections

- Competition Test ongoing until end 2013.

- We will review relevant market segments that have not passed the competition test in 2014 and consider alternative regulatory remedies

	Excluded Market Segments (metered and demand only)	Market Segments where we consider that competition is unlikely to develop
Minor		LV connection activities relating to no more than four domestic premises or one-off industrial and commercial work (ie, one to four houses)
		Connection activities in respect of a connection involving three-phase whole current metering at premises other than Domestic Premises. (ie, one off LV connections)
	Relevant Market Segments	Market Segments where we consider that competition is likely to develop
Major	Metered Demand Connections	Low Voltage (LV) Work - LV connection activities involving only LV work, other than in respect of the Excluded Market Segments.
		High Voltage (HV) Work: LV or HV connection activities involving HV work (including where that work is required in respect of connection activities within an Excluded Market Segment).
		HV and Extra High Voltage (EHV) Work: LV or HV connection activities involving EHV work.
		EHV work and above: extra high voltage and 132kV connection activities.
	Metered Distributed Generation (DG)	LV work: low voltage connection activities involving only low voltage work.
		HV and EHV work: any connection activities involving work at HV or above.
	Unmetered Connections	Local Authority (LA) work: new connection activities in respect of LA premises.
Private finance initiatives (PFI) Work: new connection activities under PFIs.		
Other work: all other non-LA and non-PFI unmetered connections work		

Potential impact of Competition Test on ED1

If passed Competition Test

- No Incentives for customer satisfaction survey or time to connect

If not passed Competition Test

- Incentive is penalty only

In all instances GSOP will be maintained

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