

The background features a large, semi-transparent white arrow pointing to the right, overlaid on a blurred image of a gas meter and a solar panel array. The text is centered over the arrow.

Gas CSI: Initial Proposals discussion

10 Sept 2012

Structure of incentive

- Three components: connections, unplanned interruptions and planned interruptions.
- The survey asks all customers a series of introductory questions. The killer question ‘Overall how satisfied are you’ will be used to indicate performance.
- The target is based on upper quartile performance during the 2011-12 trial.

Consulted on	GDN proposed	Ofgem Proposed
Weighting applied to each component of CSS	Equal weightings. With separate targets and financial outputs.	Agree with GDN approach.
Score when GDN incurs max penalty/ reward	<ul style="list-style-type: none"> •Max reward incurred closer to the target than max penalty. •Based on fixed scores. •Using trial data, considered numerous statistical approaches, proposed simple numbers. 	<ul style="list-style-type: none"> •Agree with GDN approach (industry already performing well). •Slight difference in the simple numbers proposed for connection category (7.5-8.5 rather than 7.4-8.4).
Incentive rate applied to GDN scores	-	Divide total revenue exposure by the difference between max penalty /reward score and industry target.

Question 1: Welcome views on proposed weightings for different customer interactions, and scores associated with maximum penalty, targets and max reward.

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Consulted on	GDN proposed	Ofgem Proposed
Weightings of the relative complaints metric components	<ul style="list-style-type: none"> •Remove EO indicator or reduce weighting to 5% and place additional weighting on complaints outstanding after 31 days. •Exemptions to some EO decisions (eg if EO decision is not materially different to GDN proposals). 	<ul style="list-style-type: none"> •We consider that EO decisions still useful indicator. Reduce weighting attached to EO decisions to 10%, increase weighting on percentage of complaints outstanding after 31 days to 30%. •No exemptions on EO decisions. Plenty of opportunities to engage with EO before they make final decision.
The maximum penalty score	Based on 1.75sd from the mean using 2011-12 trial data.	Agree with GDN approach.
The incentive rate term	-	Dividing total revenue exposure by different between max penalty score and industry target.

Question 1 (b): Welcome views on proposed weightings for each complaint element (including whether to include EO findings) and score associated with target and maximum penalty.

GDN concerns

- GDN concerns that SE is too subjective.

Ofgem proposals

- Developing SE proposals for gas distribution alongside electricity distribution.
- GDNs assessed against minimum requirements by Ofgem. Those that meet minimum requirements will be invited to attend a session with our independent panel of experts.
- The panel will assign a score to each network's submission based on assessment against a number of criteria, this will equate to a financial reward.
- We will undertake a trial stakeholder engagement session in Summer 2013.

Revenue associated with Broad Measure

- Ofgem March Strategy document outlined that the Broad Measure would be +/-1 per cent of allowed revenue.
- GDNs proposed that BM exposure could be +1.5/-1% of allowed revenue. We do not believe that there is sufficient evidence has been provided to lead us to reconsider our position
- Proposed relative exposure of the three BMCS elements below. NGN believed that +0.8% on CSS offered appropriate incentive to improve QoS to all customers. Other GDNs and Ofgem believed that +0.2% was not enough incentive to improve SE.

INCENTIVE	Ofgem March 2011 proposals	NGN proposal
Customer satisfaction survey	+0.5% to -0.5%	+0.8% to -0.5%
Complaints metric	0% to -0.5%	0% to -0.5%
Stakeholder engagement	Up to 0.5%	Up to +0.2%

Question 1 (c): We welcome your views on one GDN's proposed changes to the weightings of the different elements of the broad measure

- Continue with FP network extension scheme. We will conduct a review whether justified in context of DECC heat strategy.
- GDN business plans outline projected GD1 output (in terms of no. of households connected).
- DRS provides financial incentive on DNOs to develop non-network solutions in partnership with other organisations.

GDN proposals

- Second business plan submissions provided greater detail on number of connections and assoc costs.
- GDNs acknowledged constraints to increasing the number of connections.

Our Proposals

- Propose to fund connections to approx 75,000 households over GD1. We will adjust GDN allowances if they fail to meet prescribed output levels.
- GDNs should work with other parties to identify least cost solutions for customers (including off-grid solutions). Stakeholder Engagement should incentivise this.

Question 1: We would welcome your views on the proposed number of fuel poor connections

GDN Proposals

- In business plans, all GDNs have set out proposed activities and output measures in relation to CO.
- SGN propose financial incentive in relation to CO awareness of up to 0.5% of annual allowed revenue. (with survey measuring public awareness).

Our Proposals

- All GDNs are implementing activities to address CO. We welcome the range of activities proposed by GDNs and don't intend to be prescriptive.
- Propose to set common output measure to assess CO awareness (eg survey). We consider that it is not appropriate to attach financial exposure – levels of CO awareness not just attributable to GDN (other parties also involved).
Reputational incentive only.
- Fund specific activities where activity will complement CO awareness activities, where requested by GDNs.
- DRS to reward sharing of best practice activities.
- Stakeholder Engagement incentives the GDNs to work collaboratively and strategically with different stakeholders to ensure right solution is implemented (including off-gas grid solutions).

Question 2: We would welcome your views on the proposed approach to CO issues, including setting an output measure based on improving CO awareness.

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Gas CSI: RIGs and Licence Drafting

10 Sept 2012

Broad Measure: Regulatory Instructions and Guidance (RIGs)

- We produced draft RIGs for the CSS trial. We will need to update RIGs to take into account learning from trial period.
- We seek feedback from stakeholders on possible changes to draft RIGs.
- Taking on board feedback from DNOs, we have made some changes to reporting templates. Again, we seek feedback.

Gas Distribution Licence

- Alongside the Initial Proposals consultation, we have also informally consulted on the Broad Measure licence condition (GD24 in the current consultation).
- We encourage all stakeholders (in particular the GDNs) to review/test the licence drafting.
- Consultation closes 21/09/12.