



Promoting choice and value  
for all gas and electricity customers

# **Ofgem update to the ECSG**

**12 September 2012**

## Update on Ofgem's work since the last ECSG

- RIIO ED1
- The Competition Test
- Open Governance
- DG Forum
- Extension of Contestability to jointing to existing mains
- Out of Area and IDNO Connections margins
- Determinations guidance

## 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.

Incentive		RIIO-ED1 Reward/Penalty max exposure (% of allowed revenue)	DPCR5 Reward/Penalty max exposure (% of allowed revenue)
Customer Satisfaction Survey**	Minor connection customers	+0.5/-0.5	+0.32/-0.2
	Major connection customers	-0.5*	
	Interruptions	+0.3/-0.3	+0.32/-0.2
	General enquiries	+0.2/-0.2	+0.16/-0.1
Complaints Metric		-0.5	-0.5
Stakeholder Engagement		+0.5	+0.2
Average Time to Connect		+0.4/-0.4*	-
<b>Total</b>		<b>+1.9/-1.5 to 2.4*</b>	<b>+1/-1</b>

\*Additional penalty exposure applicable only for relevant market segments that have not passed the Competition Test. The size of penalty will be scaled to the number of the market segments that haven't passed the Competition Test.

\*\*The DPCR5 customer satisfaction survey revenue exposure was +0.8/-0.5% of allowed revenue, with overall performance weighted 40% interruptions, 40% connections and 20% general enquiries.

## Broad Measure for Connections Customers

### BMCS:

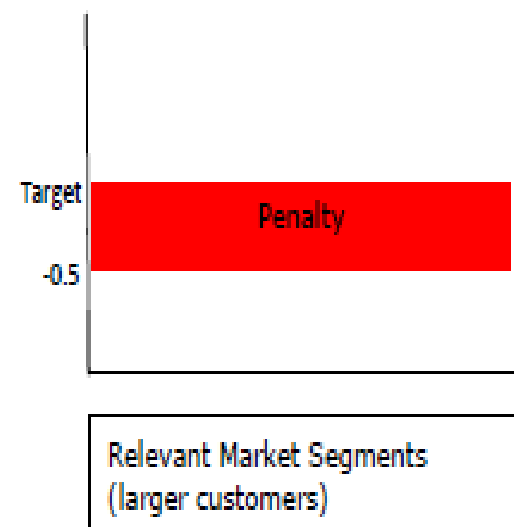
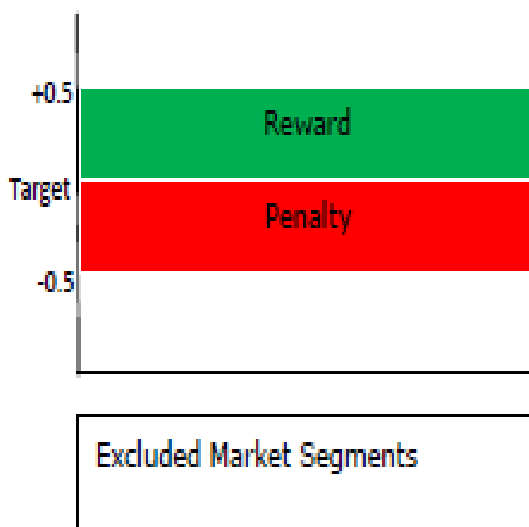
Tool to encourage DNOs to satisfy connection customers

### ED1 proposal:

- Retain the existing arrangements for smaller connections

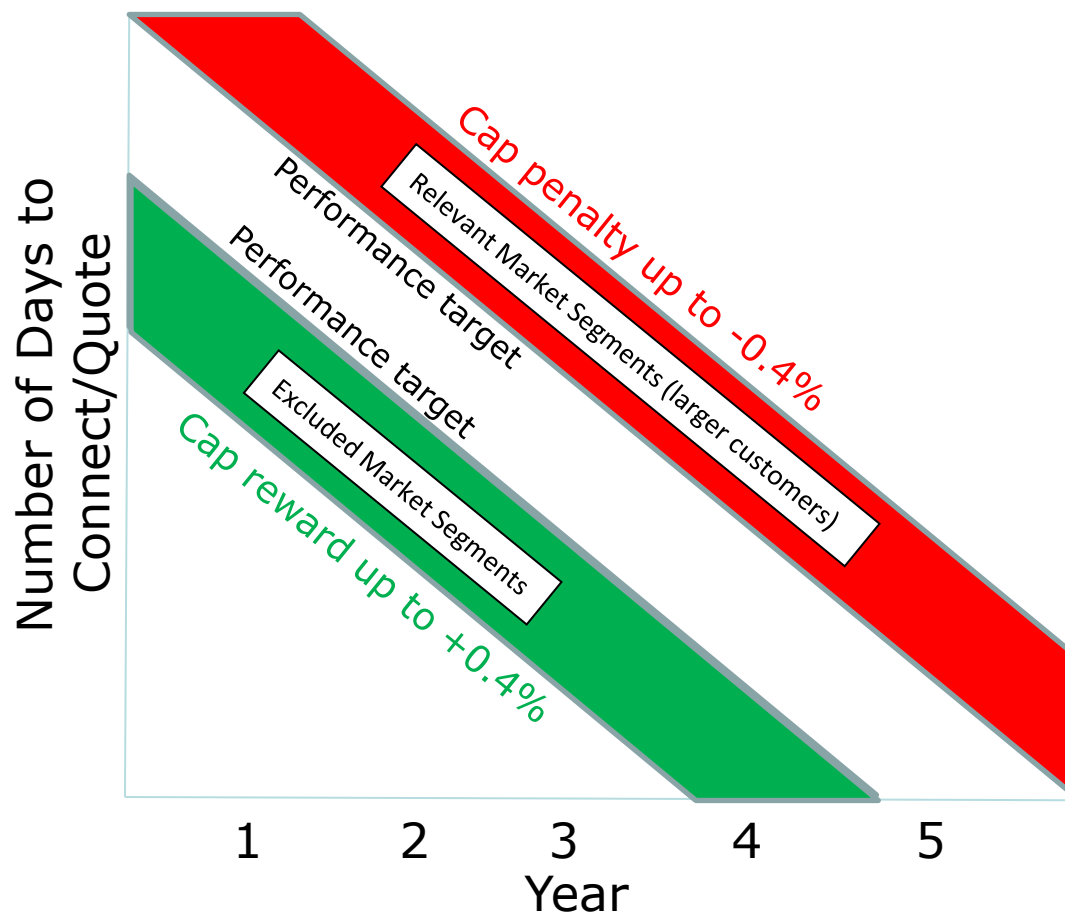
- Develop new arrangements (eg survey structure, targets, penalty/rewards) for the larger customers

- 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



## **The Competition Test**

- Our consultation on Northern Powergrid and UKPN applications closed on 31 August.
- We are currently considering responses and intend to issue our decision in October 2012.

## **Open Governance of the CCCM**

- Will mean that changes to the CCCM will use the DCUSA change process.
- It will allow non-DNO parties to table change proposals (with the Authority's approval).
- DNOs' change proposal to include the CCCM in DCUSA has been issued for DCUSA parties voting.
- The Authority will issue its decision within a month of receiving the DCUSA parties recommendation.

## **Out of area and IDNO connections margins**

- We recognise that there may be a disparity between the margin arrangements for DNOs operating within their distribution service area and those for DNOs operating outside of their DSA and IDNOs.
- Interested parties are currently preparing a proposal to address this (recommending changes be made to the Electricity Distribution Licence).
- Once we have received this proposal we will be in a position to consider next steps.

## **Extension of contestability to jointing to mains**

- Following our decision ENWL, Northern Powergrid and WPD have updated their charging methodologies to extend contestability.
- We have also received modification requests from SP, SSE and UKPN.
- DNOs have agreed to voluntarily apply standards of service associated with the provision of final connections.



## **DG Forum**

- We previously had concerns that DG customers were having difficulties negotiating the connections process.
- Last year we held 3 DG Forum events to discuss these issues
- We will repeat these events in Autumn and have requested feedback from the DG community on the progress made to date in improving the experience of getting connected.
- Closing date for responses is 28 September 2012.

## **Determinations guidance**

- We have issued detailed guidance on the determinations process – this is relevant to all connections determinations.
- This guidance includes details of the circumstances in which we may seek to recover the costs we incur in making determinations.

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