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Minutes

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		25 October 2012
	Date and time of Meeting	09:30-11:00 on 24 October 2012	
	Location	Teleconference	

1. Present

James Veaney (Ofgem)
Stephen Perry (Ofgem)
Olivia Powis (Ofgem)
Thomas Johns (Ofgem)
Mark Askew (Ofgem)
Steve Wood (UKPN)
Graham Campbell (SP) (by telecon)
Bob Weaver (Powercon)
Mike Smith (WPD)
Ray Farrow (House Builders Association)
Phil Swift (WPD)
Brian Hoy (ENWL)
Jenny Smith (SSE)
Cathy Falconer (SSE)
John Barnett (Northern Powergrid)
Ian Cobley (Northern Powergrid)
Mike Harding (WPD)
Keith Benson (Wigan Council)
Steve Bolland (Amey)
Tim Russell (Renewable Energy Association)

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 the primary purpose of this meeting was to give stakeholders an overview of the RIIO-ED1 Strategy Consultation and clarify any questions on our proposals.

3. Working Group discussion on Customer Contributions

3.1. Tom Johns (TJ) provided an overview of our proposals to amend customer contributions. TJ noted our concerns that the current arrangements may incentivise the DNOs to defer reinforcement work. The proposed ED1 arrangements aim to neutralise the incentive on DNOs to defer reinforcement work.

3.2. TJ agreed that the wording in Connections chapter of the RIIO-ED1 Strategy Consultation is unclear. Paragraph 8.42 of the RIIO-ED1 Strategy Consultation 'Outputs, Incentives and Innovation currently states

> "*at present, DNOs' baseline allowance in respect of high cost, low volume connections is based on estimated customer contributions, but their recorded spend is adjusted to take actual customer contributions into consideration*".
>
> TJ noted that the sentence should read;
>
> "*at present, DNOs' baseline allowance in respect of high cost, low volume connections is based on estimated customer contributions, but their recorded spend is <u>not</u> adjusted to take actual customer contributions into consideration*.

3.3. TJ highlighted that the issue is more clearly explained in the 'ED1 Cost Assessment' document. Tim Russell (TR) suggested that Ofgem may want to clarify the wording in the 'ED1 Strategy –Outputs, Incentives and Innovation' document on the website.

4. RIIO-ED1 Strategy Consultation

4.1. JV provided an overview of the ED1 Strategy document and highlighted the three key connection issues that we want to address; quality of service, provision of information and timeliness of connections.

4.2. Ray Farrow questioned the rationale for providing an inflationary uplift to Connection Guaranteed Standards of Performance (GSOP) payments. JV noted that this proposal was to ensure consistency between the approach used for connection and interruption GSOP payments. Brian Hoy (BH) considered that the current payments are simple for customers to understand.

4.3. Several working group members encouraged Ofgem to publish the latest Connection GSOP data.

4.4. JV noted that we weren't looking to change the connection boundary for new connections. CF noted Ofgem were consulting on changing the connection boundary for reinforcement work triggered by load growth at existing domestic connections. JV noted this issue will be discussed in more detail at our Flexibility and Capacity (F&C) Working Group on 19th November 2012. JV reminded the working group that the Connections Working Group was focused on developing policy for new connection customers.

Action: Ofgem to forward details for F&C Working Group on 19th November 2012.

4.5. JV noted that the Competition Test has a large impact on the scope of our RIIO-ED1 proposals.

4.6. Mike Harding stated that the price control should be flexible to deal with potential DUoS/connection charging modifications that are raised via open governance arrangements during ED1.

5. Distributed Generation (DG) proposals

5.1. Mark Askew presented an overview of our RIIO-ED1 proposals for DG customers. MA noted that many of the issues experienced by generation customers also applied to demand customers (quality of service, timeliness of connections and the upfront provision of information). Our proposals therefore applied to both connection types.

5.2. MA stated that we would consider supporting the re-introduction of assessment and design fees (A&D fees), if the DNOs can provide the Department for Energy and Climate Change (DECC) with a well-justified business case for this modification.

5.3. MA noted that we proposed to remove the current "DG Incentive" and replace it with an uncertainty mechanism that would encourage the DNOs to manage uncertainty over volumes of all types of connections efficiently. TR suggested that this uncertainty mechanism could be tweaked to provide DNOs with a positive incentive to connect customers to the network.

6. Average time to connect incentive discussion

6.1. BH presented an overview of the DNOs' latest thinking on the average time to connect incentive. The working group discussed the scope of the incentive and identified several connection types that may be out of the scope (eg self quoted unmetered connections, load growth reinforcement).

6.2. BH believed that it would be useful to retain the GSOP categories of work.

6.3. JV acknowledged customer concerns that the incentive may drive the DNOs to not meet customer timescales, if they are considerably longer than the average. JV reassured customers that the incentive would focus on *average* time to connect and that DNOs would have a larger incentive to deliver customer satisfaction.

6.4. CF considered that if the timeliness of connections is an issue for customers, then it may be better addressed through the customer satisfaction survey.

6.5. The working group suggested that the average time to connect may be more appropriate for high volume, low cost connections than low volume, high cost connections.

6.6. BH questioned whether the incentive should measure the time taken from application to quote/quote acceptance to completed connection or the time taken to complete specific connection tasks. JV noted that a DNO may meet individual task targets, but the customer may still be dissatisfied with the total time taken to complete the connection. MH agreed that simple incentives are often more effective in delivering organisational change than complicated incentives. It was noted that splitting the incentive up into component pieces may create additional issues if the incentive has very small sample sizes.

6.7. The working discussed whether the targets should be fixed at the start of the price control period or relative to annual industry performance. BH considered that absolute targets were preferable because they provided certainty to the DNOs and allowed DNOs to share best practice activities. Olivia Powis (OP) noted that in a competitive environment, organisations strive to lead the industry rather than waiting for competitors to share best practice with them. Steve Bolland (SB) considered that absolute targets are normally set at an "achievable level" and may not challenge the DNOs in the later years of the price control.

6.8. Ofgem confirmed that under current proposals any rewards/penalties from the average time to connect incentive would be funded from use of system charges.

6.9. JV considered that data on connection times would be useful in identifying the next steps needed to resolve the issues discussed

Action: DNOs to develop a workplan of when this data will be available, as soon as possible.

Action: Ofgem to organise upcoming Connection Working Group meetings, linked to the availability of data.