

## Minutes of RIIO-ED1 Connections Working Group (ConWG)

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Minutes of RIIO-ED1 ConWG meeting on Wednesday 16 <sup>th</sup> January 2013	From	Stephen Perry	16 January 2013
	Date and time of Meeting	16 <sup>th</sup> January 2013	13:30 to 16:00
	Location	Mary Sumner House, 24 Tufton Street, London, SW1P 3RB	

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### 1. Present

#### **Ofgem**

James Veaney  
Olivia Powis  
Stephen Perry

#### **Stakeholder representatives**

Fruszina Kemenes (by telecon)  
Bob Weaver  
Tim Russell  
Alex Spreadbury  
Steve Bolland (by telecon)

#### **DNOs**

Alison Sleightholm (WPD)  
Ian Cobley (Northern Powergrid)  
John Barnett (Northern Powergrid) (by telecon)  
Brian Hoy (ENWL)  
Cathie Falconer (SSE)  
Jenny Smith (SSE)  
Graham Campbell (SP) (by telecon)  
Neil McGrath (UKPN)

### 2. Introduction

2.1. James Veaney (JV) welcomed everyone to the latest RIIO-ED1 ConWG meeting and ran through the actions from the last meeting.

### 3. Ofgem presentation on Incentive on Connection Engagement (ICE)

3.1. Olivia Powis (OP) provided an overview of our revised proposals for major connection customers (slides attached). Our proposals included a new Incentive on Connection Engagement (ICE).

3.2. Cathie Falconer (CF) questioned whether there would be opportunities to redefine market segments or submit additional competition notices during ED1. CF suggested that the dynamics of some market segments may change significantly during ED1. Brian Hoy (BH) noted that if a DNO passes the competition test, they are required to provide annual updates on that market segment to Ofgem. JV stated that it should be assumed that any market segments that have not passed the Competition Test by December 2013 will be subject to the same incentive regime over the whole of RIIO-ED1. JV felt that there was little point speculating about what may happen to these market segments post-2013.

3.3. JV wanted to ensure that DNOs' are incentivised to improve the quality of their non-contestable services. JV proposed that for market segments that pass the competition test the ICE may focus on the non-contestable activities only. BH questioned whether additional reporting requirements are needed for non-contestable services over and above those already in place.

3.4. The working group discussed the timing of the ICE assessment. The working group considered that a biennial assessment may be preferable, to allow DNOs to complete meaningful engagement and develop a bespoke long-term work plan for each market segment. CF asked if this would mean that two years worth on incentive would therefore be based on this biennial assessment.

## **4. Time to Connect incentive**

4.1. SP provided an overview of Ofgem's latest thinking on the time to connect incentive (slide attached).

4.2. SP noted that the incentive would operate for minor connection customers only. To ensure that the DNOs are helping customers gather the necessary information required, SP suggested that the incentive could measure the total time taken from initial application to connection complete. Several DNOs suggested that this approach could be problematic (eg only 40 per cent of connection quotes are accepted and the measure would capture non-DNO related delays) and may incentivise the DNOs to reduce the quote acceptance period. The DNOs suggested that an alternative approach would be a composite measure of the time taken from initial application to quote issued and the time taken from quote acceptance to completion as previously discussed.

## **5. DNO presentation on ED1 connection proposals**

5.1. The DNOs considered that there were potentially several different methods of splitting the maximum ICE penalty (-0.9 per cent of allowed revenue per annum) across the nine relevant market segments (eg based on value of works, number of works completed etc). Several stakeholders considered that there was no optimum approach. Some DNOs therefore suggested that a simple approach could be preferable (ie 0.1 per cent of allowed revenue per annum for each market segment that has not passed). Ian Cobley (IC) was concerned that a simple approach was unlikely to be proportionate to the number of customers or value of connections in a particular RMS. IC therefore supported some form of market value scaling.

5.2. BH suggested that there were already safeguards in place to ensure that the DNOs provide good quality non-contestable work (eg Standard Licence Conditions 15 and 19) and therefore considered that additional incentives were not required.

## **6. Other stakeholder presentations**

6.1. Jenny Smith (JS) provided an overview of SSE's views on our ED1 proposals (slides attached). JS questioned whether the ICE assessment would take into account improvements in performance prior to ED1. OP confirmed that ICE would not take this into account but that the DNOs would benefit from having good relationships with relevant stakeholders.

6.2. SB provided an overview of his slides on RIIO-ED1 and unmetered connections. The DNOs considered that they would be incentivised to address SB's concerns for unmetered customers under the ICE. JV noted that each DNO will be required to develop a bespoke work plan for each market segment that does not pass the competition test (including unmetered customers). JV expects each DNO to validate performance and noted that, for unmetered customers, repair performance monitoring and service improvement data may be included within DNO's connections ICE submission, if appropriate.

6.3. Bob Weaver (BW) provided an overview of a letter that he wrote to Ofgem. BW highlighted the importance of anticipatory investment in the network. JV noted that this letter had been forwarded onto the Flexibility and Capacity Working Group and that they were leading with this aspect of RIIO-ED1.

## **7. Next meeting**

7.1. JV confirmed that there we currently no further meeting scheduled but that a short telecon may be arranged before the final strategy publication at the end of February.