

# Connections Incentives

For discussion at CONWG

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- Equal split across all market segments
  - Each segment not passing Competition Test would be exposed to  $1/9^{\text{th}}$
- Split across market segments but combine some
  - Eg combine UMS segments
  - Each segment not passing Competition Test would be exposed to  $1/7^{\text{th}}$
- Split based on relative size of the market segments
  - Could allocate a weighting based on estimated size of the markets
- Split based on number of customers/projects
  - Could allocate based on estimated number of customers and/or projects in each market segment

- Three companies have already passed some market segments and three others have applied
- Size of segments based on relative number of customers/projects or relative value are only valid at one point in time. These could be considerably different by the end of the RIIO ED1 period
- Likely that segment sizes vary between DNOs so would these need to be bespoke for each?
- Some segments are relative small in terms of number of customers for a DNO and the customers vary year on year
- An equal split for the nine market segments is clearly the simplest.

## Is an incentive required for non contestable services?

- DNOs consider that there are adequate existing incentives to maintain good performance
- Existing SLC 15 standards have absolute targets and DNOs all pay voluntary payments if fail
- SLC 15 requirement to meet 90% for each standard
- Average SLC 15 performance reported in Annual Report
- SLC 19 requirement to not discriminate between ICPs and own affiliates
- Competition Test process drives behaviour, services that are non-contestable have reduced over the last few years
  - POC – trials across DNOs in making contestable
  - Design Approval – arrangements for standard solutions
  - Final connections – now contestable activity for all at LV and most at HV
- Complaints incentive also incentivises DNOs to provide good levels of service