

Connections Proposals

RIIO working groups, 16th Jan 2012

Major connection customers: DPCR5-ED1

DPCR5 Structure

Customers included in Customer Satisfaction Survey
Split minor/major to increase proportion of major customers

Licence requirements

Publish Long Term Development Statement (LTDS)
Publish a DG Connections Guide.
Produce a DG Information Strategy

RIIO-ED1 Strategy Consultation Proposals

New Customer Satisfaction Survey for major customers
New average time to connect for major customers

Licence requirements

Publish a LTDS
Publish a DG Connections Guide
Remove licence obligation for DG Info Strategy

Responses to ED1

General support for minor customer approach

Assessment for major customers is more difficult

DNOs: not sure about major customer satisfaction survey due to decreasing sample size (large margin of error)

DNOs and customers: not convinced Time to Connect is critical for large connections

All are relatively supportive:

- retain LTDS
- retain Connections Guide
- remove Information Strategy.

Major connections customers

- Concerns that major connections customers are encountering a number of difficulties in connecting to the network (emphasised by DG Forum/London First/other outputs)
- Where DNOs have passed the Competition Test, we anticipate that they have the necessary incentives to demonstrate customer-facing behaviour and understand and respond to their requirements
- Where DNOs have not passed the Competition Test, we want to simulate this behaviour

Proposed new approach

Strategy

- DNO Business Plan sets out approach for meeting requirements of major customers
- Ofgem publish **minimum criteria** for DNOs to meet

Delivery

- DNO carries out stakeholder engagement and mapping
- DNOs publish a work-plan of commitments
- DNOs deliver against the commitments

Assessment

- DNOs self-assess at end of year against **minimum criteria**
- DNOs obtain independent validation of their performance

Regulation

- Ofgem assess DNO performance against **minimum criteria**
- Ofgem award penalty for each market segment that does not meet minimum requirements

•Small Metered

•Large Metered
•Generation
•Unmetered

Licence Requirements

Guaranteed Standards of Performance

Customer Satisfaction Survey

- Continuation of current survey design.
- Fixed common target based on historical data.
- Rewards and penalties (+/-0.5%)

Time to Connect

- Measure time from acceptance to completion/time from
- Fixed common target based on historical data.
- Rewards only (0.4%)

Incentive on Connection Engagement (ICE)

- Only apply to market segments that x pass the CT and non-con work.
- We set out minimum requirements (eg DNO must engage, respond, develop challenging work plan/targets and demonstrate that they have delivered benefits).
- DNO submit report for each market segment describing how they have met minimum requirements and provide assurance.
- Penalise DNOs that don't meet minimum requirements.
- Penalty only (-0.9%)

+0.5%

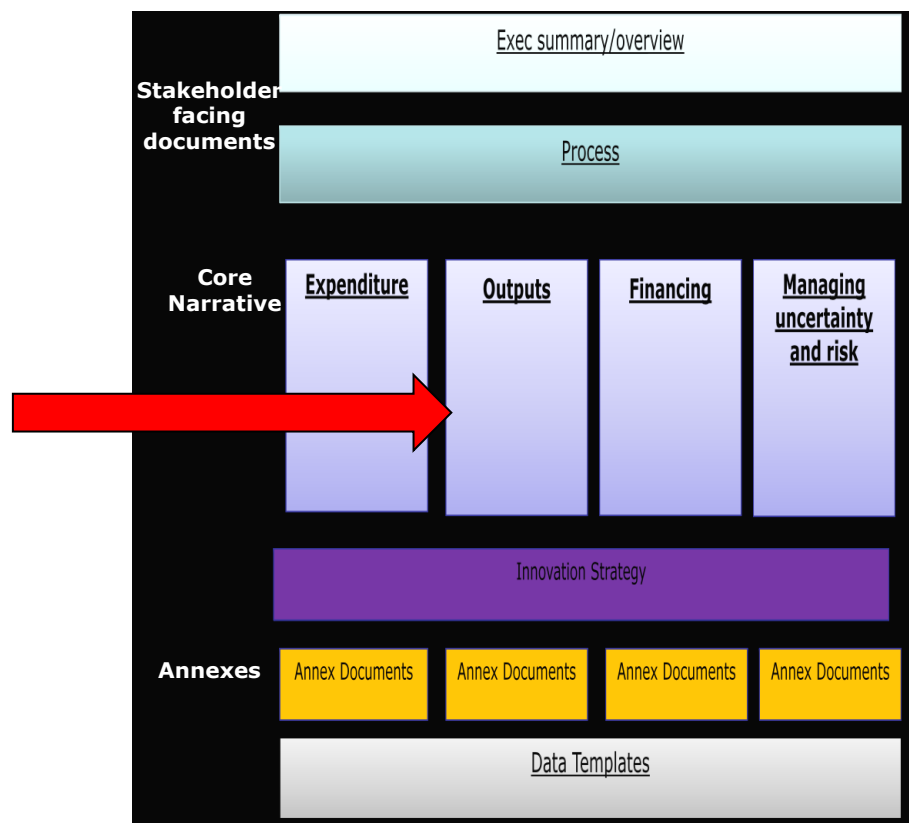
-0.5%

+0.4%

-0.9% (relative to connection market have not passed the CT).

Presenting ICE in Business Plans

- DNO Business Plan sets out high level approach for meeting requirements of major customers
- This will be within the 'Core Narrative' section of the BP, specifically in Outputs - Connections
 - Potentially include KPIs or targets that the DNO will use over the next 8 years
 - approach to stakeholder engagement
 - Overall ambition in terms of meeting customer requirements



ICE for Major connection customers

RMS – not passed CT

- Set out in 2-year workplan what DNO is going to do to meet (and exceed) minimum requirements
- Exposed to a penalty up to (-0.9) depending on value/RMS

Assessment

- DNO submits annual submission on progress to date
- If, after first year submission, Ofgem has cause for concern: Ofgem implements/requests external validation e.g.
 - Customer Satisfaction Survey
 - Mystery shopping
 - Commissioned report from representative body
 - Carried out an external audit

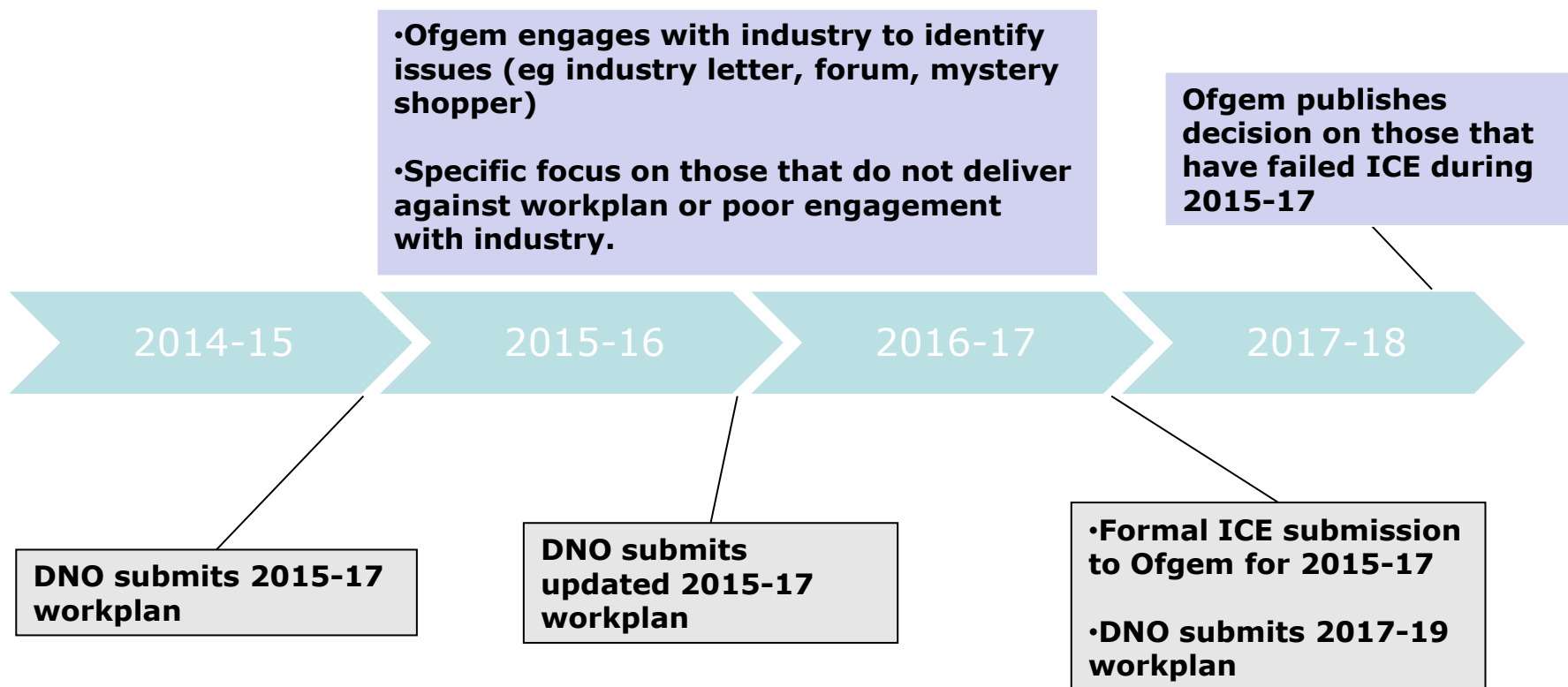
RMS – passed CT

- Set out in 2-year workplan what DNO is going to do to meet (and exceed) minimum requirements
- Highlight non-contestable work
- No penalty attached

Assessment

- SLC15 to meet minimum requirements
- Publish results of workplan
- Reputational risk of not delivering competitive markets and non-contestable services

ICE Timelines



Average Time to Connect Incentive

- We are planning to introduce new Average Time to Connect Incentive.
- Only capture minor connection customers.
- Measure - time to complete connection only (from moment of initial contact or moment that min information provided?). Will have decided not to measure average time to quote.
 - Need to start collecting this data on consistent basis for 2013/14 and 2014/15
- Targets – fixed, industry wide, based on historic DPCR5 performance, ratcheted up across the period.
- Reward only. Maximum potential reward 0.4 per cent of allowed revenue
- No exemptions.



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