

# **Reliability & Safety Working Group**

## **Quality of Service**

25 October 2012

## Working group arrangements

- This meeting will be minuted – views and actions
- The minutes will be published on Ofgem's website, after having been circulated to attendees for comment
- We are proposing to attribute views and opinions expressed at the meeting
- If there are any objections this, please make this clear when commenting on minutes.

## Outline of topics for today

- Introductions
- Incentive rates
- Revenue exposure
- Separating planned and unplanned targets
- Planned target setting
- Unplanned target setting
- Guaranteed standards of performance
- Worst served customers
- Any other business

## Incentive Rates

- Reckon report looked at GB incentive rates, and international ones
- Apply the efficiency mechanism to incentive rates?
- Use of a rolling incentive mechanism?

## Revenue exposure

- Upside cap removed, and downside set at 139 bp for DR5
  - Separate CI and CML collars
- Considering move to a symmetric cap and collar for ED1
- Proposed to extend the range to 250 – 300 bps

## **Separating planned and unplanned targets**

- Proposed to use two different methods to calculate targets
- Proposal allows clear identification of the different targets for stakeholders

## Planned target setting

- Outlined proposals as discussed at the working groups
  - Rolling average targets
    - Improvement on DR5 approach
  - DNO set own targets

## Unplanned target setting

- Data quality

- Three companies 2011/12 HV disagg data had to be adjusted
- Two of these used metres instead of kilometres
- The other DNO submitted data that was significantly outside of what had been submitted as part of their severe weather claims
  - Ofgem wrote out to all affected DNO's regarding the alignment of HV disagg submission with the agreed SWEE outcome
  - Correction factors of 1.60 and 0.26 were applied to the CI and CML data respectively for the data reported post exceptional events for this DNO due to the difference in submitted numbers



## Unplanned target setting

- Discussed four options for target setting
  - Up-front set by Ofgem
  - Rolling targets
  - Capped rolled targets
  - DNO's set own targets
- Preferred option in Ofgem is to set targets up-front
  - Builds on DR5 approach
  - Presented indicative targets under this approach
  - Update targets once 2012/13 performance is known
  - Use of improvement factors for CI and CML
  - Use of a starting point for CML

## Unplanned target setting

### CI Targets for ED1

	Current average performance *	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
ENWL	48.1	47.9	47.6	47.4	47.2	46.9	46.7	46.5	46.2
NPgN	63.6	62.7	61.7	60.8	60.5	60.2	59.9	59.6	59.3
NPgY	70.1	69.1	68.1	67.0	66.0	65.0	64.1	63.1	62.2
WMID	93.6	92.2	90.9	89.5	88.2	86.8	85.5	84.2	83.0
EMID	59.2	58.3	57.4	56.6	55.7	54.9	54.1	53.8	53.5
SWALES	55.6	55.3	55.0	54.7	54.4	54.2	53.9	53.6	53.4
SWEST	57.3	57.0	56.7	56.5	56.2	55.9	55.6	55.3	55.1
LPN	29.3	29.1	29.0	28.8	28.7	28.5	28.4	28.3	28.1
SPN	73.2	72.1	71.0	69.9	68.9	67.8	66.8	65.8	65.5
EPN	75.0	73.9	72.8	71.7	70.6	69.6	69.2	68.9	68.5
SPD	51.8	51.5	51.3	51.0	50.8	50.5	50.3	50.0	49.8
SPMW	37.6	37.4	37.2	37.0	36.9	36.7	36.5	36.3	36.1
SSEH	70.2	69.9	69.5	69.2	68.8	68.5	68.1	67.8	67.5
SSSES	64.8	63.9	62.9	62.0	61.0	60.7	60.4	60.1	59.8

\* Current average performance (LV, HV, NGC, DG, OCS 08/09 - 11/12) (EHV, 132kV 02/03 - 11/12)

## Unplanned target setting

### CML Targets for ED1

	Current average performance *	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
ENWL	43.4	44.3	43.7	42.8	41.9	41.1	40.3	39.5	38.7
NPgN	63.1	58.0	56.8	55.7	54.6	53.5	52.5	51.5	50.5
NPgY	63.2	62.8	61.5	60.2	59.0	57.9	56.7	55.6	54.5
WMID	67.3	65.9	64.4	63.0	61.6	60.3	59.0	57.7	56.5
EMID	45.5	45.7	44.7	43.7	42.7	41.7	40.8	39.9	39.0
SWALES	28.7	41.6	41.6	41.6	41.6	41.6	40.8	39.9	38.9
SWEST	35.0	49.7	49.7	49.7	49.7	49.7	48.9	47.8	46.8
LPN	41.4	42.1	41.6	41.0	40.4	39.8	39.2	38.6	38.0
SPN	70.3	54.7	53.4	52.2	51.0	49.9	48.8	47.7	46.6
EPN	64.7	55.9	54.7	53.5	52.3	51.1	50.0	48.9	47.8
SPD	47.8	46.8	45.8	44.9	44.0	43.1	42.2	41.4	40.6
SPMW	41.0	40.0	39.1	38.2	37.3	36.5	35.6	34.8	34.0
SSEH	63.4	60.4	59.1	57.8	56.6	55.3	54.1	53.0	51.8
SSSES	59.4	53.5	52.4	51.4	50.3	49.3	48.3	47.4	46.5

\* Current average performance (LV, HV, NGC, DG, OCS 08/09 - 11/12) (EHV, 132kV 02/03 - 11/12)

## Guaranteed standards of performance

- Outlined proposals as discussed at the working groups
  - Reducing 18 hours standard to 12
  - Remove Highlands and Islands exemption
  - Remove DNO exemption from paying out in case of OOOE
  - Introduce penalties for failing to make payments to eligible customers
  - Exploring potential for automatic payments to PSR customers
  - Up-rating payments for inflation

## Worst served customers

- Outlined three potential options as per the working groups
  - Retain and improve
    - Alter spending cap, performance improvements
  - Incentive scheme
    - Target approach based on HV interruptions frequency
  - Guaranteed standards
    - Move away from investment based approach



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