

# Time to Connect Incentive

Discussion at CONWG

Brian Hoy

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- Number of targets
- Consistency of data and use for target setting
  - Benefit in setting target now
- How to set the target
  - Number of targets
  - Target
  - Max reward
- How to reset the target

- *“This new incentive will measure the time taken from initial application received to the issue of a quotation and the time taken from quotation acceptance to connection completion. The incentive will capture minor connections customers. No exemptions will apply.*
- *The Time to Connect incentive targets will be based on performance data captured in DPCR5. We will set the target values in advance of RII0-ED1 and we have decided that they will decrease across the period (so that quotes will be issued and connections will be completed in increasingly shorter timescales for DNOs to be eligible for a reward). We will consult upon the approach used to determine the target and subsequent target values, prior to the start of RII0-ED1.*
- *The incentive will apply on a reward only basis. The maximum reward is 0.4 per cent of base revenue per annum, per distribution licensee.”*

- DNOs shared some initial data at the 11 December 2012 meeting
- Following that meeting DNOs agreed a data return specification with Ofgem based on
  - Initial application received to quote issued
  - Quote acceptance to “connection made”
- DNOs then reported against this specification
- Data was only provided for the Excluded Market Segments ie
  - LVSSA
    - providing exit point(s) at LV a one off domestic or commercial premise commercial premise by means of a single phase service connection only
  - LVSSB
    - providing a single three phase exit point or up to 4 single phase domestic exit points at LV where the highest voltage of works is at LV.

- There are two options
  - Set the two targets based separately for LVSSA and LVSSB
  - Set combined targets
- DNOs consider that it is more appropriate to set separate targets for LVSSA & LVSSB

# Number of targets

6. Volumes mix	Volume mix %													
	WPD East Midlands	WPD West Midlands	WPD South Wales	WPD South West	UK Power Network s plc (EPN)	UK Power Network s plc (LPN)	UK Power Network s plc (SPN)	SSE Hydro	SSE Southern	Northern Powergrid Yorkshire	Northern Powergrid Northeast	Electricity North West	SP Manweb	SP Dist
LVSSA	71%	74%	79%	81%	66%	50%	63%	54%	64%	74%	65%	52%	69%	65%
LVSSB	29%	26%	21%	19%	34%	50%	37%	46%	36%	26%	35%	48%	31%	35%

- The mix of LVSSA & LVSSA varies considerably between DNOs
- Timescales to quote and deliver LVSSA are shorter than LVSSB
- Combining them would result in different incentive rewards for the same performance
- Separate targets incentivises improvements for all customers rather than focusing on the larger category
- Separate targets means no undue affect if different mixes between the categories in the future
- This is a average target incentive and not essential that it is explained in detail to each customer

- Delivery timescales to measure time from acceptance to completion
  - Eg if customer not ready then that would be included in the average times calculated
  - Would be measured based on accepted jobs actually completed in the regulatory year
- Definitions consistent with definitions applied to GSoP
  - Acceptance
    - customer's written acceptance of a quotation within the requisite timescale specified by the electricity distributor in that quotation;
    - payment of any amount due to be paid to the electricity distributor in accordance with the accepted quotation
  - Completion
    - the completion of electrical works to the point that, subject only to the fitting of an appropriate meter where necessary, energisation would be possible;

# Average Time to Connect - Targets

1. Acceptance to connection	Average (Working Days)													
	WPD East Midlands	WPD West Midlands	WPD South Wales	WPD South West	UK Power Networks plc (EPN)	UK Power Networks plc (LPN)	UK Power Networks plc (SPN)	SSE Hydro	SSE Southern	Northern Powergrid Yorkshire	Northern Powergrid Northeast	Electricity North West	SP Manweb	SP Dist
LVSSA	44	52	42	44	42	49	49	35	39	48	52	74	37	42
LVSSB	55	57	56	57	54	70	64	53	47	60	53	83	46	45
<i>Combined LVSSA &amp; B</i>	47	53	45	46	45	56	53	42	42	52	52	78	39	43

	Min	UQ	Ave	Max	SD
LVSSA	35	42	46	74	10
LVSSB	45	53	57	83	10
<i>Combined LVSSA &amp; B</i>	39	44	49	78	10

- DNO data provided on consistent basis
- Delivery timescales measure time from acceptance to completion
  - Eg if customer not ready then that would be included in the average times provided
- Proposal is to set target based on Upper Quartile performance



# Average Time to Connect – Maximum reward

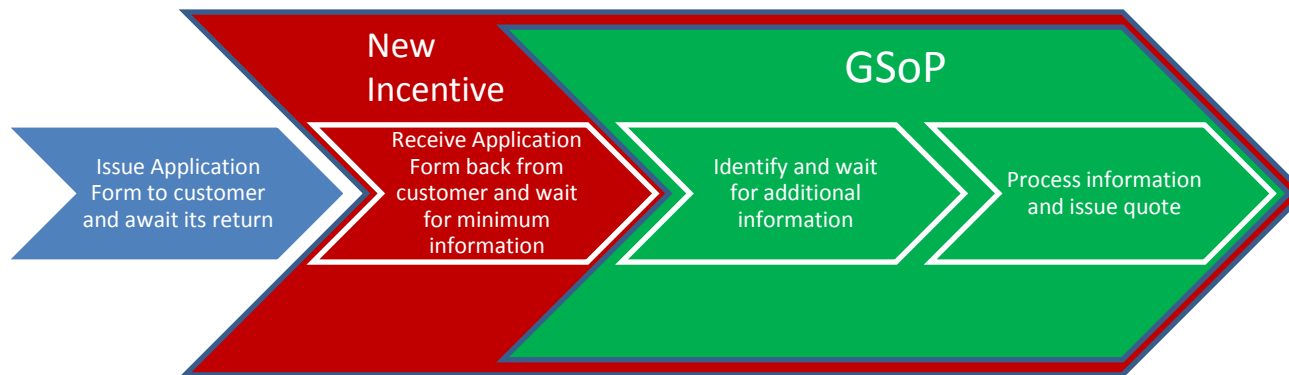
	SD range		SD range		SD range		SD range	
	2		1.75		1.5		1	
	Max Reward	Target	Max Reward	Target	Max Reward	Target	Max Reward	Target
LVSSA	23	42	25	42	28	42	33	42
LVSSB	33	53	35	53	38	53	43	53
<i>Combined LVSSA &amp; B</i>	24	44	27	44	29	44	34	44

- Incentive targets are typically set around a number of standard deviations from the target
- Table above shows the four options that Ofgem consulted on for the Broad Measure of Customer Satisfaction
- Proposal would be to set the maximum reward based on a number of standard deviations from the upper quartile target consistent with other incentives
- This sets an appropriate incentive for all companies to improve

- Quotation timescales to measure time from ‘application received’ until quote issued
  - Eg any delays waiting for additional information are included in the average times
  - Would be measured based on all jobs actually quoted in the regulatory year
- There is currently no definition for ‘application received’ as GSoP measures from ‘Minimum Information’ received
- Some definition for ‘application received’ is needed but could be that key requirement are:
  - customer contact details
  - work site location incl. approx. supply point location (to cover off large plots)
  - total required load/capacity to be connected
- Definitions consistent with definitions applied to GSoP
  - Quote issue
    - The issue date shall be recorded as the working day on which the information was issued to the applicant, either electronically or in hard copy

- Existing definition of minimum information
  - Customer name and address (correspondence address), other contact details and preferred method of contact
  - Site address
  - Site plan at an appropriate scale to indicate the site boundary, the layout of buildings and roads and where the customer expects a substation(s) to be required, the proposed location of the substation(s). The plan should be free of unnecessary detail and be suitable for use as a background layer for the Distributor proposal drawing.
  - Proposed location of each metering point
  - Letter of authority where the applicant is acting as an agent of the customer
  - Date when the customer requires the connection(s) to be made
  - Maximum capacity (kVA) at each metering point to be connected (for domestic premises the Distributor may require a description of the premises and whether electric space and water heating is to be installed)
  - Technical details of any electricity generator that is required to operate in parallel with the supply
  - Technical details of any customer owned equipment that is likely to cause disturbance to the electricity supply (i.e. large motors, welders etc.)
  - Any payment that is required to be made in advance for the service to be provided

# Average Time to Quote - Targets



- Quotation timescales to measure time from ‘application received’ until quote issued
  - Eg any delays waiting for additional information are included in the average times
  - This would include both the GSoP timescales shown in green and the timescales shown in red
- Three DNOs measured consistent with the intended definition
- Three DNOs will have registered a job in their system on the date a customer called in asking for an application. They could not identify this from their recorded data ie it included both red and blue timescales

# Average Time to Quote - Targets

8. Proxy timescales (AVERAGE)	Actual DNO (Min Info to Quote) plus Average (Applic received to Min Info)																	
	WPD			WPD			WPD			UK Power Network			SSE		Northern Powergrid		Electricity SP	
	East	West	South	East	West	South	s plc	s plc	s plc	Hydro	Southern	Yorkshire	Northeast	North West	Manweb	SP	Dist	
	Midlands	Midlands	Wales	West	West	West	(EPN)	(LPN)	(SPN)									
LVSSA	8.2	9.1	7.1	7.5	10.1	9.7	10.4	8.8	8.2	11.1	11.1	7.5	9.3	9.8				
LVSSB	14.4	17.2	9.9	10.1	15.6	16.1	17.9	13.7	12.4	19.3	19.8	11.5	11.0	13.5				
Combined LVSSA & B	10.2	11.3	7.9	8.2	12.0	12.9	13.2	11.0	9.8	13.8	14.7	9.4	9.8	11.1				

	Min	UQ	Ave	Max	SD
LVSSA	7.5	8.5	9.5	11.1	1.5
LVSSB	11.0	11.7	14.6	19.8	3.9
Combined	9.4	9.8	11.4	14.7	2.3

- In order to allow targets to be set it is proposed to use an adjustment to the existing data
- For those companies who could provide data based on the intended definition, their data would be used
- For companies who could not verify their data was consistent with the intended definition then the following approach would be used
  - Their actual data for the GSoP times ie Minimum Information to Quote Issue would be used
  - To this would be added an adjustment to allow for the time delay experienced by the other DNOs between ‘application received’ and Minimum Information received
- Proposal is to set target based on Upper Quartile performance of this adjusted data

## Average Time to Quote – Maximum reward

	SD range		SD range		SD range		SD range	
	2		1.75		1.5		1	
	Max Reward	Target	Max Reward	Target	Max Reward	Target	Max Reward	Target
LVSSA	5	8	6	8	6	8	7	8
LVSSB	4	12	5	12	6	12	8	12
<i>Combined</i>	5	10	6	10	6	10	8	10

- Incentive targets are typically set around a number of standard deviations from the target
- Table above shows the four options that Ofgem consulted on for the Broad Measure of Customer Satisfaction
- Proposal would be to set the maximum reward based on a number of standard deviations from the upper quartile target consistent with other incentives
  - Note for  $SD > 1.5$  max reward would be shorter for LVSSB than LVSSA which is counter intuitive
- This sets an appropriate incentive for all companies to improve

- DNOs propose that targets are set “now” based on the approach outlined.
- This removes any perverse incentive to not seek to improve customer service in the next two years
  - so that “easier” targets would be set
- These targets should apply for the first four years of RIIO
- For the second four years the following approach is proposed
  - Revised targets are set in the fourth year based on the performance data for the first three years
  - This ensures that DNOs have targets set in advance of the period
  - Methodology would take the average performance for the three years for each DNO and set revised targets based on Upper Quartile performance
- This approach balances the desire for certainty from DNOs and acts as a ratchet in terms of the incentive levels

- The maximum reward is 0.4 per cent of base revenue per annum, per distribution licensee
- The allocation of this needs consideration across the constituent elements
- Split
  - Split across Quote and Delivery aspects for each of LVSSA & LVSSB
  - ie four targets each with separate incentive allocation
- Combine
  - Combine the Quote and Delivery aspect for each of LVSSA & LVSSB
  - ie two targets, one each for LVSSA & LVSSB