

Minutes of RIIO-ED1 Connections Working Group (ConWG)

Minutes of RIIO-ED1 ConWG meeting held at Ofgem on Tuesday 26 th March 2013	From Date and time of Meeting Location	Stephen Perry 26 th March 2013 13:00 to 15:00 Mary Sumner House, 24 Tufton St, Westminster, SW1P 3RB	26 March 2013
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1. Present

Ofgem

James Veaney
Olivia Powis
Stephen Perry

Stakeholders

Ray Farrow (House Builders Federation)
Tim Russell (Renewable Energy Association)
Alex Spreadbury (by telecon)

DNOs

Phil Swift (WPD)
John Barnett (Northern Powergrid)
Keith Noble Nesbitt (Northern Powergrid)
Ian Cobley (Northern Powergrid)
Brian Hoy (ENWL)
Jenny Smith (SSE)
Paul McGimpsey (Scottish Power)
Steve Wood (UKPN)

2. Introduction (slides attached)

2.1. Olivia Powis (OP) welcomed everyone to the latest RIIO-ED1 ConWG.

2.2. OP presented an overview of our RIIO-ED1 proposals for delivering connections. OP noted that there were some elements of the incentive mechanism that were left undetermined in the ED1 Strategy Decision (eg the approach used to calculate the time to connect targets) and invited stakeholder views.

3. DNO presentation (slides attached)

3.1. The DNOs agreed that there should be separate targets for LVSSA time to quote, LVSSA time to connect, LVSSB time to quote, LVSSB time to connect. This falls in line with the current split for LVSSA and LVSSB in the GSoP. Brian Hoy (BH) stated that DNOs agreed these scores should be based on upper quartile scores.

3.2. The DNOs proposed that the time to quote could be measured from when the customer provides basic connection application information to the DNO (customer name and address, site address, a description of the premises and whether electric space and water heating is to be installed).

3.3. The three DNOs that do not have historic "application received" data (WPD, NPG and SSE) stated that they were prepared for to use the other DNOs' data to set the RIIO-ED1 target.

3.4. The working group discussed the various methods of splitting the incentive between the different components of the Time to Connect incentive. One suggestion was to split the incentive equally between the four components. It was highlighted that the volume of work in each category varied across the DNO regions, and an equal split may therefore provide a stronger incentive to improve performance for some customers than others.

Action: Phil Swift (PS) and Brian Hoy (BH) to consider and assess the various options of splitting the reward and report back to the working group by the end of May.

4. Northern Powergrid presentation (slides attached)

4.1. Keith Noble Nesbitt (KNN) provided an overview on Northern Powergrid's views on how the Incentive on Connections Engagement (ICE) penalty could be split across the nine relevant market segments. KNN considered that splitting the penalty based on market value would provide the most proportionate incentive. James Veaney (JV) emphasised that any incentive needs to be set at a level where it is likely to be effective. JV suggested that linking the penalty size solely to market value, may result in incentives of negligible value. KNN considered that if we split the penalty equally across the nine market segments the rewards/penalties may be disproportionate to the value of the work completed. BH raised the issue that the penalty will also relate to 'reputational risk', not just market value.

4.2. JV stated that he would always want there to be penalty incentive, even if the value of the works completed in that year was zero, as this would encourage the DNOs to engage with potential connection customers. KNN stated that there could be minimum penalty attached to each market segment and the remaining penalty amount could be split between the nine market segments based on value of the works completed.

4.3. The working group also discussed the practical challenge of assessing market value on an annual basis in order to recalibrate the penalty or whether this could be done after four years.

Action: JV encouraged the working groups to consider and assess the various options of splitting the penalty and present this analysis at the next meeting.

5. Next Working Group

5.1. The next working group will be held on 5th June at Ofgem, Millbank, London, SWIP 3GE.