

RWE npower renewables

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Submitted via email to: RIIO.ED1@ofgem.co.uk

Swindon, 30th October 2013

RE: RIIO-ED1 customer service and connection incentives

Dear James,

RWE n-power renewables appreciates the opportunity to respond to this consultation. As a developer of major connections projects the section of the consultation relevant to our business is the 'ICE' incentive. A brief view on this is set out below:

Appendix 4: Incentive on connections engagement (ICE)

“Minded to” position
Penalty incentive split

Splitting the penalty equally across all the market segments.

Question Box:

Question 14: Do you agree with splitting the penalty equally across the market segments? If not, please explain why and give details of your preferred alternative.

We see merit in splitting by market segment value and updating annually but the issues highlighted suggest that equal splitting may well be the most practical way forward.

Regardless of the splitting methodology that will be selected:

Our key request is that the market segments that have passed the competition test are also included.

We remain concerned that market segments which pass the competition test will not be subjected to this measure. As this is a penalty only measure there is no risk of over-rewarding the DNO in comparison to ICPs and IDNOs so implementing the measure across the board will not distort the market. Indeed if competition exists and as set out in theory it keeps the quality services of the DNO in check then the DNOs will not have to incur the penalty in any case. There is a risk that the ICE mechanism as currently planned will divert the efforts and resources of DNOs away from delivering high quality services to those customers in the excluded market segments- the threat of the Ofgem penalty being more tangible than the threat from competitors. This would be a perverse outcome and we are keen to hear Ofgem's plans for how this will be avoided.

Best Regards,
Fruzsina