

Minutes of RIIO-ED1 Connections Working Group (ConWG)

Minutes of RIIO-ED1 ConWG meeting held at the Energy Network Association (ENA), Floor 6, Dean Bradley House, 52 Horseferry Road, London, SW1P 2AF	From Date and time of Meeting Location	Stephen Perry 20 th November 2013 13:30 to 16:00 Energy Network Association (ENA), Floor 6, Dean Bradley House, 52 Horseferry Road, London, SW1P 2AF	21 November 2013
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1. Present

Ofgem

James Veaney
Stephen Perry

Stakeholders

Louisa Coursey (Renewable UK)
John Christie (DECC)
Alex Spreadbury (MEUC) (by telecon)

DNOs

Alison Sleightholm (WPD)
Sam Risdale (SSEPD)
John Davies (SPEN)
Susan Bradshaw (SPEN)
Steph Rogan (SPEN)
Brian Hoy (ENWL)
Paul Measday (UKPN)
Steve Wood (UKPN)
Ian Cobley (NPg)
Cathy Falconer (SSEPD) (by telecon)
Keith Noble-Nesbitt (NPg) (by telecon)

2. Introduction

2.1. James Veaney (JV) welcomed everyone to the latest RIIO-ED1 ConWG meeting. JV noted that this session would be primarily focused on responses to our consultation on RIIO-ED1 Connection Incentives and our proposed approach to assessing DNO performance under the Incentive on Connection Engagement.

3. Responses to our RIIO-ED1 Connection incentives consultation

3.1. Stephen Perry (SP) presented an overview of responses to the RIIO-ED1 Customer Service and Connections Incentive consultation (see slides attached)

3.2. The working group discussed whether to add a mechanism into the licence that could the financial reward placed on each element of the Time to Connect Incentive to be reallocated. Some DNOs considered that this may add additional uncertainty to the incentive arrangements.

3.3. The working group discussed using data from the first few years of RIIO-ED1 to reset the Time to Connect targets at the mid-point period. The group disagreed about whether the methodology used to reset the target should be stated in the licence. The group discussed the data that would be used to inform the target (eg whether it should be reset based on one or three years' worth of data) and the method used to calculate the value of the target/maximum reward score. SP considered that it may be inappropriate to fix the methodology to calculate the target without a better understanding of data volatility and the potential level of DNO improvement. Brian Hoy (BH) considered that not committing to how the revised target would be calculated, could add uncertainty to this element of the price control.

3.4. The DNOs questioned when the RIGs process would be completed. JV stated that the development of the RIGs would take place next year but that there was nothing stopping the DNOs from developing time to connect definitions ahead of that process.

3.5. SP also provided an overview of consultation responses about our Incentive on Connections Engagement and an update on our current thinking.

3.6. The working group discussed how our decision on the RIIO-ED1 Connection incentives would be incorporated into the RIIO-ED1 fast track licence. The DNOs encouraged Ofgem to confirm these incentive arrangements as soon as possible so that they can be incorporated into the fast-track licence drafting.

4. Incentive on Connections Engagement (ICE)

4.1. James Veaney (JV) noted that several stakeholders had requested greater clarity on how the ICE assessment would operate and JV hoped that this session would provide this (see slides attached).

4.2. The working group discussed whether the ICE requirement for DNOs to demonstrate how they meet the needs of non-contestable customers (for market segments where they had passed the Competition Test) could be incorporated into existing Competition Test reporting requirements. BH suggested that the ICE reporting could remove the need for separate Competition Test reporting requirements. Ian Cobley (IC) questioned whether the timing of the ICE and Competition Test reporting would align. JV noted that he was keen to minimise regulatory burdens and, if possible, he would be supportive of an approach that combines both ICE and Competition Test reporting.

4.3. The working group discussed whether the ICE assessment should operate on an annual or biennial basis. The working group noted the issues associated with a biennial assessment and were generally supportive of assessing submissions on an annual basis. Alex Spreadbury (AS) acknowledged that an annual assessment may cause some stakeholder fatigue, but considered it more important for issues to be recognised and dealt with immediately.

4.4. JV provided an overview of our proposed assessment criteria. Cathy Falconer (CF) questioned how much evidence a DNO would be able to submit in market segments where they have passed the Competition Test or where there was very little activity. The working group also discussed whether it would always be possible to get stakeholder "endorsement" of the plan. JV noted that the proposed approach allowed DNOs several opportunities to justify that their process, activities and outputs were appropriate, and that we would take a range of factors into account when deciding whether to apply the penalty.

4.5. JV provided an overview of the assessment and submission timelines. The DNOs considered that the timescales could be quite tight and suggested several solutions to overcome this (eg submitting the plans on a calendar year basis or lagging the penalty by an additional year to allow sufficient time to make a decision).

4.6. The working group discussed whether submissions would be made on a company or licensee basis. James considered that submissions should be made on a company basis, but recognised that some processes, activities and outputs may need to be licence specific. Paul Measday (PM) noted some aspects of the submission may need to be licensee specific, as a result of the Competition Test.

4.7. The working group were supportive of trialling the ICE assessment in Summer 2014.

5. Date of the next meeting

5.1. The next meeting will be held in early 2014. The objective of the next meeting will be to further discuss the ICE assessment.

Action – DNOs to provide feedback on our proposals at the next meeting (date to be arranged).