



Making a positive difference
for energy consumers

All connection stakeholders

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Date: 25 February 2015

Dear stakeholders,

Incentive on Connections Engagement (ICE) Guidance Document decision

Connecting customers to the electricity network is very important. It allows new businesses to open, new housing to be made available and generators to export electricity.

To drive electricity distribution network operators (DNOs) to understand and meet the needs of larger customers we decided to introduce the Incentive on Connections Engagement (ICE).

Consultation

On 4 December 2014, we issued a consultation seeking views on our proposed ICE Guidance Document. The ICE Guidance Document ("guidance document") outlines what information we want the DNOs provide as part of their annual ICE submission. The guidance document also specifies how we will assess the DNOs' annual ICE submissions.

We received five responses to our consultation letter.¹ All the responses were from DNOs.

All DNOs were generally supportive of our proposed guidance document. Some DNOs proposed some minor amendments to the guidance document. For example:

- Adding a reference to customer "premises" in paragraph 1.1 to better reflect the DNOs' relevant duties under Section 16 of the Electricity Act.
- Rewording paragraph 1.3 to clarify that "mutli-utility connections" is just one of many potential solutions that may drive improvements for customers.
- Removing the reference to "DG Forums" in paragraph 5.1 (a) to ensure that the document remains relevant for the whole price control period.
- Changing the definition of the Excluded Market Segments to better align with licence definitions.
- Amending paragraph 5.1, to clarify that any consultation will only seek views on whether we should apply the penalty (not the size of the penalty).

We have incorporated all these changes.

Some other comments were more substantive. Our responses to these comments are outlined below:

¹ All the responses are saved on our website at the following address: <https://www.ofgem.gov.uk/publications-and-updates/incentive-connections-engagement-ice-guidance-document-consultation>

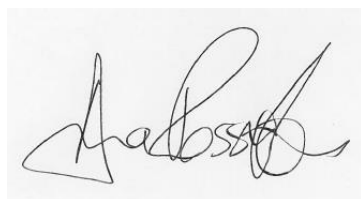
Respondent comment	Our response
One DNO considered that paragraph 5.1 (b) created a situation of double jeopardy for the licensee.	<p>If, based on the information provided by the licensee, we are unsure whether the licensee meets the minimum criteria, we consider it reasonable for us to consider other sources of information.</p> <p>We consider that this may help us address any asymmetry between the DNOs' representation of how well they have performed and our data on how well they have performed.</p>
One DNO supported our proposal for us to be able to extend submission deadlines but sought clarity whether we had the vires to extend submission deadlines. The DNO also sought clarity on how the extension process would work (eg in what circumstances an extension would apply and whether there were any extension application deadlines).	<p>We can confirm that we have the vires to extend submission deadlines.</p> <p>We have clarified in the guidance document that we only expect extensions to be given in exceptional circumstances. In these cases, we will specify the revised deadline.</p> <p>We do not intend to introduce extension application deadlines.</p>
One DNO noted that paragraph 1.7 states that the incentive applies "where the licensee earns a regulated margin". They questioned whether the incentive would apply if we directed the regulated margin to become zero.	We have amended the document to state that in Relevant Market Segments where the licensee earns an unregulated margin, then the incentive does not apply. In all other Relevant Market Segments the incentive applies.

We have also changed the format of this Guidance Document and added an "Introduction" chapter, to improve the consistency of our RIIO-ED1 associated documents.

Alongside this decision letter please find a revised guidance document and a Notice to all licensees outlining our intention to issue the guidance document.

Any representations on the proposed guidance document must be made in writing on or before 25 March 2015 to James Veaney on 0207 901 1861 or at Ofgem, 9 Millbank, Westminster, SW1P 3GE or via email to connections@ofgem.gov.uk.

Yours sincerely,



Anna Rossington
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