



Making a positive difference
for energy consumers

All connection stakeholders

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Date: 20 July 2016

Dear stakeholders,

Open letter consultation on the Incentive on Connections Engagement: Looking Back reports 2015-16 and Looking Forward plans 2016-17

Helping new customers connect to the electricity network is one of the most critical services provided by distribution network operators (DNOs). It enables new homes to be built and occupied, new businesses to start trading and new forms of generation to produce energy.

We have been active in exploring ways to improve the connections process. Through our work on 'Quicker, more efficient connections' we have identified various measures that could help to speed up the time it takes to provide a connection.¹ We have also recently asked for customer views on how effective DNOs have been at helping people to connect to 'constrained' parts of the network (ie where there may be limited spare network capacity to accommodate new connections.²)

Alongside this work, we expect DNOs to provide good service to customers that are seeking a connection. To encourage this we have introduced a new incentive – the Incentive on Connections Engagement (ICE)³. Under the ICE, DNOs must provide evidence that they have engaged with their larger connection stakeholders and responded to their needs. If they fail to do this, they could incur a penalty.

The ICE works by requiring DNOs to submit evidence to us (by 31 May each year) that they engaged effectively with connection customers to develop and deliver plans that improve their service. This evidence is provided in two parts: a **Looking Back** report on their activities during the previous year demonstrating how they have met the needs of large connection customers; and a **Looking Forward** plan for the coming year describing the activities the DNO plans to undertake.

We are seeking your views separately on *both* the 'Looking Back' and the 'Looking Forward' sections of the submissions from each DNO. Your responses to this open letter will inform our assessment of each DNO's submissions. In **section 1**, we ask about specific areas of the DNOs' performance in 2015-16. In **section 2**, we seek your views on the plans the DNOs have developed for 2016-17.

The closing date for responses is 17 August 2016. Responses should be sent to connections@ofgem.gov.uk. When responding, please ensure that you clearly indicate the

¹ www.ofgem.gov.uk/publications-and-updates/quicker-and-more-efficient-connections-update-industry-progress

² www.ofgem.gov.uk/publications-and-updates/consultation-getting-electricity-connection-when-network-constrained

³ Electricity Distribution Licence – Charge Restriction Condition 2E (Incentive on Connections Engagement)
<https://epr.ofgem.gov.uk/document>

type of connection you generally require and which of the DNO's submissions you are commenting on.

A template is provided to help structure your response. You can complete this template either for an individual licence area or for a DNO as a whole. If you wish to provide comments on the submissions of more than one DNO, please use a separate document for each.

Background

Connecting customers to the electricity network is a DNO activity that delivers benefits both to individual customers and to society more broadly.

The requirements of large, commercial connection customers are sometimes very different from the needs of customers who require smaller connections, such as for a single domestic property. As part of the current price control, RII0-ED1, we introduced a specific incentive for larger or more complex connection customers - the ICE.⁴

The ICE aims to drive DNOs to understand and meet the needs of major connections customers, such as new generators, or larger demand customers like new housing developments or local authorities. We assess each DNO's performance in meeting the needs of different types of customer.⁵

Under the ICE, DNOs are required to submit annually a Looking Back report providing evidence of how they engaged with their stakeholders and the actions they have taken to meet customer needs **and** a Looking Forward plan that sets out their plans for future engagement and further actions to better facilitate new connections. The requirements (and potential financial penalties) of the ICE apply to each licence area individually. However, DNOs may make submissions on a company-wide basis or for each of their licence areas separately.

In developing their submissions, we expect DNOs to have consulted extensively with a wide range of stakeholders and to use this to put in place and deliver a plan of activities (along with the relevant timescales and key outputs) that meet their customers' reasonable expectations. To assess if DNOs have done this, we need the views of stakeholders on the DNO plans. More information on how the ICE works is available on our website [here](#).

ICE submission publications

The six DNO groups have published their latest Looking Back and Looking Forward submissions at the links below -

- Electricity North West: [LINK](#)
- Northern Powergrid: [LINK](#)
- Scottish Power Energy Networks: [LINK](#)
- Scottish and Southern Power Distribution: [LINK](#)
- UK Power Networks: [LINK](#)
- Western Power Distribution: [LINK](#)

⁴ For customers requiring a smaller connection there are separate incentives on DNOs to improve customer satisfaction and the time it takes the DNOs to issue quotes and make connections

⁵ The exact scope of the Incentive is confirmed in Table 2 of the [ICE Guidance Document](#).

Section 1: Looking Back reports 2015-16

We want your views on how well the DNOs have performed over the last year

In May last year, DNOs submitted "Looking Forward" plans for 2015-16. We asked stakeholders for their views on these plans and we shared the responses we received with the DNOs.⁶ Three DNOs subsequently chose to update their plans after taking this feedback into account.

In May this year, each DNO submitted a "Looking Back" report describing how they delivered their strategies, work plans and key performance outputs (as set out in their plans last year). We now seek your views on how well they each delivered what they promised.

We welcome your comments and views on any elements of the Looking Back submissions for 2015-16. However, we are particularly interested in your views on the following -

1. Are you satisfied that the licensee had a comprehensive and robust strategy for engaging with connections stakeholders? Do you consider that the licensee implemented its strategy? If not, are you satisfied that the licensee has provided reasonable and well justified reasons?
2. Are you satisfied that the licensee had a comprehensive work plan of activities (with associated delivery dates) to meet the requirements of its connections stakeholders? Do you consider that the licensee delivered its work plan? If not, are you satisfied that the licensee has provided reasonable and well justified reasons?
3. Do you consider that the licensee's work plan provided relevant outputs (eg key performance indicators, targets etc.)? Are you satisfied that the licensee has delivered these outputs? If not, do you view the reasons provided to be reasonable and well justified?
4. Do you agree that the licensee's strategy, activities and outputs have taken into account ongoing feedback from a broad and inclusive range of connections stakeholders? If not, has the DNO provided reasonable justification?

⁶ Our consultation and all the responses submitted by stakeholders are on our website: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-consultation-incentive-connections-engagement-looking-forward-reports-201516>

Section 2: Looking Forward plans 2016-17

We want your views on what the DNOs aim to achieve in the coming year

In May this year, DNOs also submitted new "Looking Forward" plans for 2016-17. Next year we will assess how well the DNOs delivered these plans. These plans need to address issues that are important to their customers. We want your thoughts on any aspect of the DNOs' Looking Forward submissions and specifically welcome views on the following question areas -

5. Are you satisfied that the licensee has a comprehensive and robust strategy for engaging with connection stakeholders and facilitating joint discussions where appropriate?
6. Do you agree that the licensee has a comprehensive work plan of activities (with associated delivery dates) that will meet the requirements of its connection stakeholders? If not, has the licensee provided reasonable and well-justified reasons? What other activities should the DNOs do?
7. Do you consider that the licensee has set relevant outputs that it will deliver during the regulatory year (eg key performance indicators, targets, etc.)?
8. Would you agree that the licensee's proposed strategy, activities and outputs have been informed and endorsed by a broad and inclusive range of connection stakeholders? If they have not been endorsed, has the licensee provided robust evidence that it has pursued this?

We also want your views on how DNO plans will address issues for new connections in constrained areas

When the network has spare capacity, the connections process should be reasonably straightforward and timescales and costs should be minimised. However, when there is limited capacity on the network, it can be much harder to get connected.

In March 2016, we issued a consultation letter to seek stakeholders' views on their experience of getting an electricity connection in areas where the network is constrained.

The responses to that consultation indicated a range of issues that customers can face.⁷ The responses highlighted that:

- Long term development strategies, heat maps and capacity registers have been developed to varying degrees by DNOs. However, there is need for greater consistency across DNOs and better information to inform how and where customers can connect.
- The level of information included in connections offers is not consistent between DNOs and, in some cases (such as for flexible connections), insufficient for making an investment decision, especially in relation to estimating future levels of curtailment.

In light of these concerns, we would expect the DNOs to have work plans, outputs and key performance indicators for addressing them. We, therefore, also invite you to comment on the extent to which the DNOs' Looking Forward plans for 2016-17 address these issues -

⁷ All the consultation responses are saved here:
https://www.ofgem.gov.uk/system/files/docs/2016/05/replacement_file_for_website.zip

9. Where flexible connection offers are available, do you consider that the DNO's work plan for 2016-17 sufficiently addresses concerns about the uncertainty of curtailment levels? For example, do their plans ensure that stakeholders have access to the data they require for an investment decision?
10. Where consortium connections are available, do you consider that the DNO's work plan for 2016-17 reflect requirements for clear and detailed information about where, how and under what conditions such projects can proceed?
11. Where flexible or alternative connections are not currently available in constrained areas, do you consider that the DNO's work plan for 2016-17 either include steps to provide information about when these types of connection will become available? Or that the DNO has justified why these are not available?
12. Do you consider that the DNO's work plans include appropriate engagement to ensure that network investment plans are well communicated to stakeholders, including when new capacity will become available?
13. Do you consider that the DNOs' plans include appropriate activities to improve, where necessary, the provision of information on constrained areas of the network to provide better data about where connections may be viable?
14. Are there particular additional activities or outputs which you consider should be included in the work plan of activities to better facilitate grid connections?

Next steps

We will use your responses to this consultation to inform our assessment of the two elements of the ICE submissions.

- **Looking Back 2015-16:** We will assess whether the DNOs delivered their plans for 2015-16, meeting the needs and reasonable expectations of their connections customers. Where we do not consider that the DNOs have delivered this plan, we may determine that a penalty should be applied. If we consider that a penalty may be appropriate, then we will issue a further consultation seeking stakeholders' views on this.
- **Looking Forward 2016-17:** We will share your responses to this open letter with the DNOs, who may submit updated Looking Forward plans for 2016-17 by 31 October 2016 to address any issues or concerns you raised. At the end of the year, they will each submit a Looking Back report on how well they have delivered their plan.

Please submit any comments to connections@ofgem.gov.uk by **17 August 2016**. Unless clearly marked as confidential, we will publish responses on our website. When responding, please ensure that you clearly indicate what type of customer you are and which of the DNOs' submissions you are commenting on. **A template is provided to help structure your responses.**

Yours sincerely



James Veaney
Head of Connections and Constraint Management