



Making a positive difference
for energy consumers

**All connection stakeholders
operating in Northern
Powergrid's distribution areas
and Northern Powergrid**

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Date: 7 September 2016

Dear stakeholders,

Incentive on Connections Engagement: Open letter consulting on Northern Powergrid's delivery of one of its commitments in 2015-16

Helping new customers connect to the electricity network is one of the most important 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 expect DNOs to provide good service to customers who are seeking a connection. To encourage this, we introduced the Incentive on Connections Engagement (ICE).¹ Under the ICE, DNOs must demonstrate that they have engaged and responded to the needs of stakeholders that require a larger connection. If they fail to do so, they could incur a penalty in particular segments of the connections market.²

In May the DNOs submitted evidence for how they had performed in 2015-16 and we issued a consultation in July to seek stakeholders' views.³ We are generally pleased that a majority of responses highlighted significant improvements to the DNOs' connections stakeholder engagement. Broadly we consider that there is good evidence that DNOs are striving to understand and meet the needs of their connections customers. However, having assessed the submissions and stakeholder responses, we have identified a potential issue with an aspect of the performance of one DNO – Northern Powergrid – which we want further information on. The issue is summarised in the table below.

At this stage, we do not consider that there is evidence that the remaining DNOs have not fulfilled the minimum requirements of the ICE and, therefore, we are not consulting further on their performance in 2015-16. However, we have published in full all non-confidential stakeholder responses to our earlier consultation and expect the DNOs to take this feedback into consideration for their activities in 2016-17.

In this letter, **we are seeking your views on whether or not Northern Powergrid delivered on one of its commitments for 2015-16. If you believe the commitment has not been delivered we also want to know whether this adversely affected stakeholders, and if there is any reasonable justification for the commitment not being delivered.** Responses to this consultation will help inform our view on whether Northern Powergrid has met the minimum criteria in certain market segments, and if not, whether we should apply penalties.

¹ Introduced as part of the RII0 ED1 price control. See Electricity Distribution Licence – Charge Restriction Condition 2E (Incentive on Connections Engagement) <https://epr.ofgem.gov.uk/document>

² A penalty under CRC 2E is a negative adjustment to a DNO's allowed revenue

³ <https://www.ofgem.gov.uk/publications-and-updates/consultation-distribution-network-operators-2016-submissions-under-incentive-connections-engagement>

The deadline for responses is **5 October 2016**. Responses should be sent to connections@ofgem.gov.uk. When responding, please ensure that you address the specific questions raised in relation to our concerns with Northern Powergrid's submission.

Summary of issue

The table below summarises the issue we have identified with Northern Powergrid's performance in 2015-16.

Licensee	Relevant Market segment(s) that may have been affected	Summary of reasons	Minimum criterion that may not have been met
Northern Powergrid (Northeast)	Metered DG Connections - HV and EHV works Metered Demand Connections - HV works	Northern Powergrid committed to extending Self-Determination to High Voltage (HV) points of connection. However, stakeholders indicated that delays in rolling out the Geographic Information System (GIS) had caused delays to the HV Self-Determination process. Northern Powergrid's ICE submission reports that the action was delivered and does not explain whether this was affected by the delayed GIS rollout.	The licensee has undertaken its comprehensive work plan of activities (with associated delivery dates) to meet the requirements of its connection stakeholders. If not, the reasons provided are reasonable and well justified.
Northern Powergrid (Yorkshire)	Metered DG Connections - HV and EHV works Metered Demand Connections - HV works		

In a separate section, we provide more detail on this issue, explaining in full our reasons for seeking further information.

Background

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 developers or local authorities. We assess each DNO's performance in meeting the needs of different types of customer. For the purposes of this assessment, these customer types are divided into the nine "relevant market segments" described in Appendix 2.

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.

In developing their submissions, we expect DNOs to consult 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 help us assess if DNOs have done this, we consult stakeholders on the submissions and publish all (non-confidential) responses on our website.

The Guidance Document describes in more detail how the ICE works. It is available [here](#).

ICE assessment 2016

We received the DNOs' ICE submissions on 31 May 2016 and issued a consultation to gather stakeholders' views in July 2016. We received 80 responses from 40 different organisations and have published all of the non-confidential responses on our [website](#). Stakeholders provided their views on both the 'Looking Forward' and 'Looking Back' sections of the submissions.

To determine whether penalties should be applied we assess both the evidence provided by each licensee and the views of stakeholders to decide if the licensee has met the following minimum criteria:

- the licensee published a Looking Forward section in its previous ICE submission;
- the licensee has implemented its comprehensive and robust strategy for engaging with connection stakeholders. If not, then the reasons provided are reasonable and well justified;
- the licensee has undertaken its comprehensive work plan of activities (with associated delivery dates) to meet the requirements of its connection stakeholders. If not, the reasons provided are reasonable and well justified;
- the licensee has delivered its relevant outputs (eg key performance indicators, targets etc). If not, the reasons provided are reasonable and well justified; and
- the licensee's strategy, activities and outputs have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders. If not, the reasons provided are reasonable and well justified.

Northern Powergrid – Northeast and Yorkshire licence areas

The minimum criteria require DNOs to demonstrate that they have undertaken their work plan of activities to meet the requirements of their connection stakeholders or, failing this, to provide an explanation that is reasonable and well justified. Not successfully delivering activities committed to in the work plan does not necessarily mean a licensee cannot still meet the minimum requirements. But the failure must be explained with well-justified reasons.

There is competition in the market for new connections to the electricity network - customers can choose to use either the host DNO or an independent connections provider (ICP). One way in which conditions for competition can be improved is by enabling suitably qualified ICPs to determine for themselves where to connect to the DNO network.

In its 2015-16 work plan Northern Powergrid committed to expanding its trial allowing ICPs to self-determine points of connection (POC) at Low Voltage up to 60kVA to also allow self-determination of HV work between 250kVA and 315kVA. This action was supported by ICPs. Northern Powergrid committed to providing access to the relevant data and standards required by ICPs by September 2015 and to developing and implementing an assurance process to assess and maintain standards for ICP-derived POC and design approval. This would apply across both of Northern Powergrid's licensee areas.

In its looking back report, Northern Powergrid reported that it had provided access to the relevant data and standards online and in doing so had enabled self-determination of the point of connection by ICPs. The relevant documentation appears to have been published in November 2015.

We note that a response to our consultation indicated that there had been delays in the roll-out of Northern Powergrid's new GIS software and that, because of the way the data are to be accessed currently, this had resulted in delays in the ability of ICPs to self-determine HV points of connection. It appears, therefore, that Northern Powergrid may have not fully delivered on its commitment and that this may have had an adverse impact on customers in the relevant market segments. If this is the case, Northern Powergrid has also not provided an explanation to stakeholders for this delay in its ICE submission.

However, the issue was only reported by one respondent. We are therefore requesting further information from relevant stakeholders and Northern Powergrid to help inform our understanding of the issue and consideration of whether there is a case for penalties.

We welcome your comments and are particularly interested in your views on the following:

- Do you consider that Northern Powergrid delivered its commitment? Do you have any additional evidence to support your view?

If you believe Northern Powergrid did not deliver this commitment:

- What specific actions did you expect Northern Powergrid to complete in order to deliver this commitment? Which of these actions do you believe was not complete?
- Do you consider that Northern Powergrid provided reasonable and justified reasons why the commitment was not delivered?
- Do you consider that the issue affected connection customers in both of Northern Powergrid's licence areas?
- Do you consider that stakeholders in the "Metered Demand – HV" and "Metered DG - HV and EHV" relevant market segment were adversely affected? Were other market segments also affected?
- What impact did this have? Do you consider that the impact warrants a penalty against Northern Powergrid?

Next steps

We will use your responses to this consultation to inform our decision on whether Northern Powergrid has met the minimum criteria and, if not, whether they should face a financial penalty.

If we still consider that penalties are warranted, we will issue notice to Northern Powergrid. Northern Powergrid will then have 28 working days to submit any representations or objections. We will take these into account before issuing the final direction on penalties, including the reasons for our decision, by 30 November 2016.

We are pleased to note that a large number of responses to our consultation highlighted significant improvements to the DNOs' connections stakeholder engagement – across all licence areas and all market segments. Broadly we consider that there is good evidence that DNOs are striving to understand and meet the needs of their connections customers.

However, based on our assessment of stakeholder feedback, there are a number of areas where improvements can be made. These include potential improvements to the structure, content and layout of future submissions themselves as well actions needed to address issues some stakeholders are facing. Later in the year we will provide qualitative feedback elaborating these areas, but we expect DNOs to review the responses (on both the Looking

Back and Looking Forward sections) in order to identify for themselves the areas where improvements or further actions are needed.

The DNOs' may submit updated Looking Forward plans by 31 October.

Please submit any comments on this consultation to connections@ofgem.gov.uk by **5 October 2016**. We will publish responses on our website, unless they are clearly marked as confidential.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Veaney', written in a cursive style.

James Veaney
Head of Electricity Connections and Constraint Management

Appendix 1 – 2016-17 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](#)

Appendix 2 – Summary of ICE Relevant Market Segments

Metered Demand Connections	Low Voltage (LV) work: LV connection activities involving only LV work, other than in respect of the Excluded Market Segment.
	High Voltage (HV) work: LV or HV connection activities involving HV work (including where that work is required in respect of connection activities within an Excluded Market Segment).
	HV and Extra High Voltage (EHV) work: LV or HV connection activities involving EHV work.
	EHV work and above: extra high voltage and 132kV connection activities.
Metered Distributed Generation	LV work: low voltage connection activities involving only low voltage work.
	HV and EHV work: any connection activities involving work at HV or above.
Unmetered Connections	Local Authority (LA) work: new connection activities in respect of LA premises.
	Private finance initiatives (PFI) work: new connection activities under PFIs.
	Other work: all other non-LA and non-PFI unmetered connections work.

The ICE is designed to capture performance in the Relevant Market Segments of the local connections market as outlined in the table above. The local connections market is defined as the market that exists for the procurement and provision of Connection Activities within the Licensee's distribution area.

Appendix 3 - Summary of maximum possible penalties

Licensee	Total maximum penalty (£m)⁴	Max. penalty per market segment (£m)
Electricity Northwest	2.8	0.31
Northern Power Grid (Northeast)	2.1	0.23
Northern Power Grid (Yorkshire)	2.8	0.31
Scottish Power Distribution	2.8	0.31
Scottish Power Manweb	3.0	0.33
Western Power Distribution East Midlands	3.6	0.40
Western Power Distribution South West	2.5	0.28
Western Power Distribution South Wales	1.7	0.19
Western Power Distribution West Midlands	3.7	0.41
London Power Networks	2.7	0.30
South Eastern Power Networks	2.8	0.31
Eastern Power Networks	4.2	0.47
Scottish Hydro Power Distribution	1.8	0.20
Southern Electric Power Distribution	3.8	0.42

⁴ In 2012/13 prices. See Part C of Licence CRC 2E.