



Making a positive difference
for energy consumers

Northern Powergrid and
interested connections
stakeholders

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Dear all,

RIIO Incentive on Connections Engagement: Open letter explaining our decision not to apply a penalty against Northern Powergrid

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 July and August this year, we collected stakeholders' views on the performance and plans of all the DNOs. Based on the responses, in September, we consulted on Northern Powergrid's delivery of one of its commitments under the ICE. This consultation closed on 5 October 2016.

After reviewing the information submitted together with the other available evidence, we have decided that Northern Powergrid has satisfied the minimum criteria for the ICE in 2015-16. We will therefore not apply a penalty. This letter provides our reasons.

Why we consulted on Northern Powergrid's delivery of its commitment

In its 2015-16 work plan, Northern Powergrid committed to expanding its trial allowing independent connections providers (ICPs) to self-determine points of connection to include high voltage (HV) work between 250kVA and 315kVA. This action was supported by ICPs. To achieve this, 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 points of connection (POC) and design approval. This would apply across both of Northern Powergrid's distribution networks.

¹ Introduced as part of the RIIO 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.

In its Looking Back report for 2015-16, 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.

However, two responses to our stakeholder consultation in July³ indicated that there had been delays in the roll-out of Northern Powergrid's new geographic information system (GIS). One in particular indicated that this had delayed the ability of ICPs to self-determine HV points of connection. It appeared, therefore, that Northern Powergrid might have not fully delivered on its commitment and that this may have had an adverse impact on customers in the relevant market segments.

We requested further information from relevant stakeholders, including Northern Powergrid, to help inform our understanding of the issue and consideration of whether there was a case for penalties.

What stakeholders and Northern Powergrid said in response

We received responses from two connections stakeholders and from Northern Powergrid. There are published on our website.⁴

Both stakeholders confirmed that they did not consider that Northern Powergrid delivered the systems required to facilitate effective self-determination of points of connection at HV. From the responses, it is apparent that both stakeholders consider the rollout of the GIS to be necessary for *effective* self-determination. It is also clear that at least one of the stakeholders understood the new IT system to be a part of Northern Powergrid's ICE commitment.

Despite this, both stakeholders consider the impact on connections customers to have been limited. Both also state that Northern Powergrid was able to provide a solution to allow customers to self-determine their point of connection. They also noted that Northern Powergrid was willing to work closely with customers to meet their needs.

In its response, Northern Powergrid told us that it did not consider the delivery of the new GIS to be relevant to the delivery of the commitment to enable self-determination of HV points of connection. To justify this, Northern Powergrid provided evidence that (from the outset) the expected delivery date of the new GIS was December 2015 – after the promised delivery date for the self-determination commitment on September 2015. This appears to be supported by Northern Powergrid's Looking Forward submission of May 2015, which does not refer to a new GIS – either generally or specifically for the delivery of self-determination of HV POC.

In its response, Northern Powergrid reports that the actions it described in the ICE plan to enable self-determination of POC at high voltage were delivered, as planned, by September 2015:

"We plan to provide access to all relevant data and standards required by independent connections providers (ICPs) by September 2015 and develop and implement an audit process to assess and maintain standards for ICP derived POC and design approval." (p.25 Northern Powergrid 2015 Looking Forward ICE submission).

This documentation is published on Northern Powergrid's website.⁵

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

⁴ <https://www.ofgem.gov.uk/publications-and-updates/incentive-connections-engagement-open-letter-consulting-northern-powergrid-s-delivery-one-its-commitments-2015-16>

⁵ <http://www.northernpowergrid.com/downloads/2063>

Finally, Northern Powergrid highlight that the data and standards made available from September 2015 are the same as those used by Northern Powergrid's own design teams.

Our views

On the basis of our assessment of the responses from stakeholders and Northern Powergrid, we have concluded that Northern Powergrid has delivered the commitment in its plan to enable self-determination of POC at high voltage.

The information specified in the plan – namely the relevant data and standards and design approval process – appears to have been made available on Northern Powergrid's website within the planned timescales. Stakeholder responses indicate that interested stakeholders were able to self-determine on the basis of the information made available, particularly when provided with additional assistance by Northern Powergrid

We accept that Northern Powergrid had not committed to delivering the new GIS system to support the self-determination of point of connection. It is, however, clear that for some stakeholders the two activities were closely related, and that the implementation of the new GIS would improve the effectiveness of self-determination of POC. Therefore, the expectations of at least these stakeholders were not fully met.

We expect that all DNOs should specify their commitments - and the actions they expect to undertake in order to deliver them - sufficiently for stakeholders (and us) to clearly understand what will be delivered. This is necessary to ensure that stakeholders are able to credibly endorse the DNOs' work plans at the start of the year and hold them to account for its delivery at the end of the year.

Our decision

In the light of the evidence available and our statutory and other duties, we do not consider we should apply a penalty against Northern Powergrid under the ICE for 2015-16. We consider that Northern Powergrid delivered its commitment to enable self-determination of POC at high voltage and, consequently, that it has met the minimum criteria.

Alongside this decision, we have also published a Qualitative Assessment document setting out our views on the first year of the ICE and highlighting for DNOs where we consider improvements may be made to future submissions.⁶ Among the feedback we provide, we note the need for clearly specified and explained commitments that ensure stakeholders can understand what they should expect from DNOs.

Yours sincerely,



James Veaney

Head of Electricity Connections and Constraint Management

⁶ <https://www.ofgem.gov.uk/publications-and-updates/consultation-distribution-network-operators-2016-submissions-under-incentive-connections-engagement>