



Making a positive difference
for energy consumers

DNOs and connections
stakeholders

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Dear all,

Incentive on Connections Engagement: Qualitative Assessment of the distribution network operators' (DNOs) performance in 2015-2016

As our assessment of the first year of the Incentive on Connections Engagement (ICE) comes to a close, we are pleased at the progress of DNOs towards good engagement with their stakeholders. This is, in turn, helping DNOs to deliver services that better meet the needs of their customers. We can see this improvement directly in the generally good quality of the ICE plans and reports. It is also evident in the largely positive response to our consultation on the ICE submissions.¹

This year we have determined that all DNOs met the minimum criteria. We will not, therefore, apply any penalties. We consulted separately on Northern Powergrid's delivery of one of its commitments. Following this consultation, Northern Powergrid was able to provide additional information to satisfy us that it had delivered its commitment. We considered that this evidence was sufficient to demonstrate that Northern Powergrid has met the minimum criteria. We therefore determined that no penalties should apply. This decision and our reasons are explained in full in our decision document which you can find [here](#).

While we are pleased with the progress made by the DNOs since the introduction of the ICE, it is vital that they carry on engaging with their stakeholders on a continuous basis, adapting their practices and services to meet the evolving needs of their customers. This means the DNOs will need to set stretching targets for themselves to ensure they continue to meet the reasonable needs and expectations of their stakeholders.

Because of this onus on the DNOs to continue to improve and because the ICE submissions are central to the assessment of the DNOs' performance under the ICE – and because this is the first year we have carried out a complete assessment of the DNOs' performance – the purpose of this document is to highlight to the DNOs how their submissions could be improved.

This document also takes the opportunity to highlight themes we noted in the responses of stakeholders. The DNOs should, as a matter of course, review the feedback and update their plans for the coming year accordingly. However, we consider it may be useful to draw out some of the outstanding points from the stakeholders' views.

¹ <https://www.ofgem.gov.uk/publications-and-updates/consultation-distribution-network-operators-2016-submissions-under-incentive-connections-engagement>

We do not intend to repeat this in the future. We expect the DNOs to learn lessons from this year (and each future year). In future years, we expect the DNOs to address any deficiencies in the submissions and to ensure that all feedback in the stakeholder responses have been addressed – or reasons for not doing so explained and fully justified.

We are not providing feedback on the DNOs' Looking Forward plans. The DNOs have had access to stakeholders' responses to our consultation since August 2016. On the basis of their own review of these responses, the DNOs may update their Looking Forward plans by 31 October 2016. Our ICE assessment next year will capture how well DNOs have responded to stakeholders' views.

Background

Helping new customers connect to the electricity network is one of the most critical services provided by 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 that are seeking a connection. To encourage this, we have introduced the ICE. Under the ICE, DNOs must provide evidence that they have engaged with their larger connection stakeholders and responded to their needs.

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.

If DNOs fail to provide sufficient evidence that they have engaged effectively with customers and responded to their needs, we can apply a penalty.²

This year we determined that all DNOs had met the minimum criteria, and therefore that no penalties would be applied. We recognise, however, that there is still room for improvement, both in relation to the quality of the DNOs' submissions and in terms of the activities the DNOs need to take to improve their connections service to meet stakeholders' expectations. The nature of these expectations may change over time as the energy sector changes and different parties and challenge arise. We expect DNOs to respond positively to these challenges.

Overall view of the ICE in 2015-16

Overall we were pleased with quality and detail of ICE submissions. All DNOs submitted generally well sign-posted documents covering the core requirements of the incentive – distinguishing between the different parts of the connections market and drawing out the stakeholder engagement strategies, work plans and outcomes and key performance indicators (KPIs). More importantly we were pleased that stakeholders considered this engagement is generally – but not yet always – leading to improvements in the connections service they receive.

The headline message is, therefore, that the DNOs have engaged well. This is leading to the kinds of improvements in connections service that we expect. Nevertheless, there are areas that require further work. We highlight some of these below, using examples to illustrate approaches we found to be clear and helpful. However, this document reflects *our*

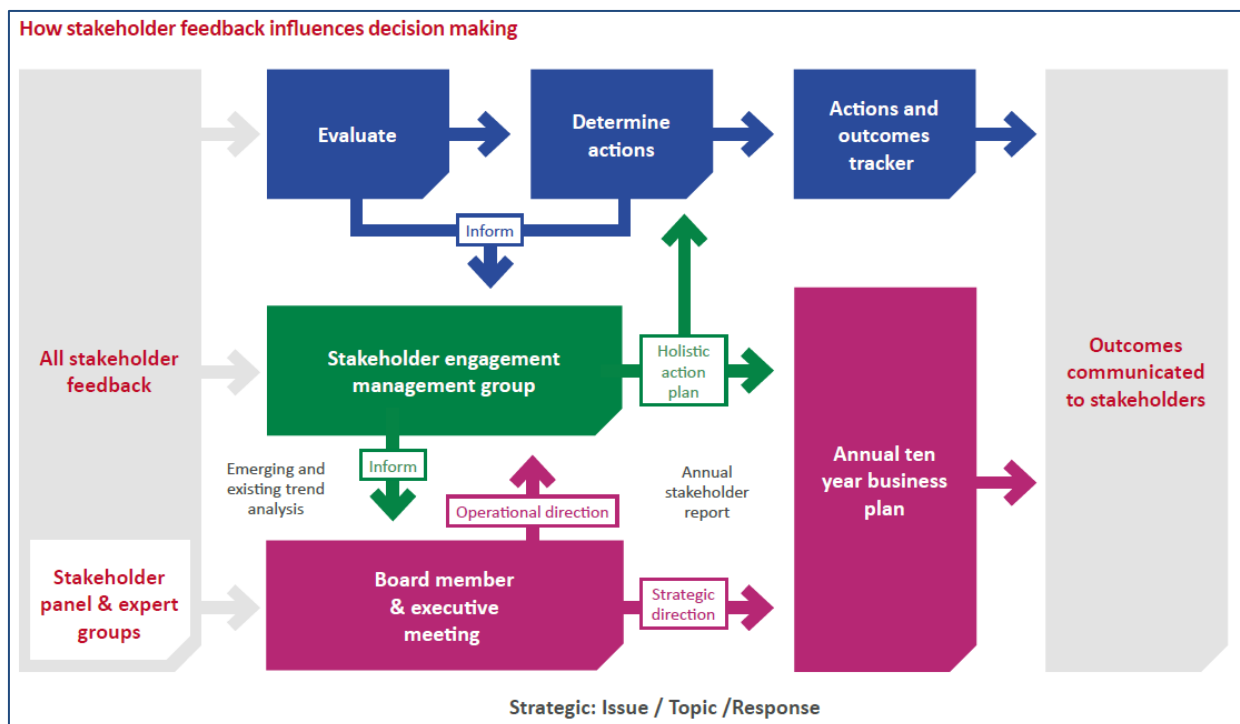
² Under CRC 2E of the Electricity Distribution licence. A penalty under this licence condition is a negative adjustment to a DNO's allowed revenue.

view and we still expect to see that the DNOs consider closely the feedback raised by stakeholders in our consultation and to find evidence in next year’s submissions that it has been addressed.

Improving the ICE submissions

Internal processes for ensuring feedback informs decision making and ensuring that stakeholders are updated on actions taken to address feedback

In some submissions, it was not clear how feedback and input from stakeholders had informed DNO decision-making. This was either because the processes through which this would occur were not clearly explained, or because the process described appeared only to apply to the endorsement of the ICE plans. Some submissions used diagrams to illustrate their processes. This was an effective method. An example of good practice in this regard is Northern Powergrid (see Figure 1).



(Figure 1) Northern Powergrid Looking Forward 2016-17³

It is important that DNOs’ decision-making is informed by a thorough understanding of their customers’ requirements. This needs to be embedded within the DNOs’ usual business practices and should not just take place for the development of the ICE plan. Without an appropriate process in place, it is not clear how DNOs can effectively respond to issues that are raised through their continuous stakeholder engagement.

In some submissions, it was also not clear how the DNO updates stakeholders on how their feedback has been addressed beyond the annual ICE submission process. However, we would expect this to be a usual part of their engagement activities.

More clearly defined and measureable KPIs and more detailed reporting of delivery

While all DNOs’ work plans detailed outputs for their activities, these were often not specific, measurable, achievable, relevant and time-bound (SMART). This was noted by a high number of respondents to our consultation. Frequently, the measure against outputs was successful completion or publication of a deliverable by the target date. It is important

³ Links to all the DNOs’ ICE submissions are attached in Annex 1.

for us to know that activities have been completed but, we agree with stakeholders that activities under the ICE should have KPIs that measure the impact and/ or success of particular deliverables.

Based on the feedback of stakeholders, we would expect to see clearer and more measurable KPIs included in future Looking Forward plans. This is particularly important in the context of ensuring that stakeholders have a clear understanding of the outcomes they can expect from DNOs when asked to endorse the ICE plans.

Where actions did not have clearly measurable KPIs, it was in some cases difficult for us to assess whether promised outcomes had been fully or effectively delivered. We consider it important that the targets set within the Looking Forward plan should be clearly reported against in the Looking Back report. This would better facilitate our and stakeholders' assessment of how the DNOs have delivered. Such transparency will better enable DNOs to assess their own performance relative to each other, as well as better facilitate stakeholder feedback on the suitability and effectiveness of actions taken by the DNOs.

SSE Power Distribution provides a good example of clear and measurable KPIs, linked to the impact of actions rather than simply the completion or delivery of a particular policy. These KPIs were also clearly reported against in the Looking Back report.

Work plan summary							
Our work plan		Commitment				KPI Measure	
	Commitment	Page	Q1	Q2	Q3	Q4	
	Assistance with alternative options.	30		✓			Guidance provided as standard
Choice in Connection	Enhancing the alternative providers register	30	10	20	30	40	Number of alternative providers registered on database
	Quote to include alternative provider costs	30		9			Number of market segments with included costs
	Quote with choice for all	31		9			Number of market segments who received quote with choice
	Alternative provider delivering reinforcement	31			✓		Policy published and communicated
	Extension of Contestable Works	31			✓		Review of process and changes communicated

SSEPD Connections Engagement Looking Forward Report 2015/16 11

(Figure 2) SSEPD Looking Forward Plan 2015-16

KPI measure	Q1	Q2	Q3	Q4
Number of alternative providers registered on database	10	20	30	40
78% of stakeholders agree that the changes made to our register has had a positive effect	15	50	62	66

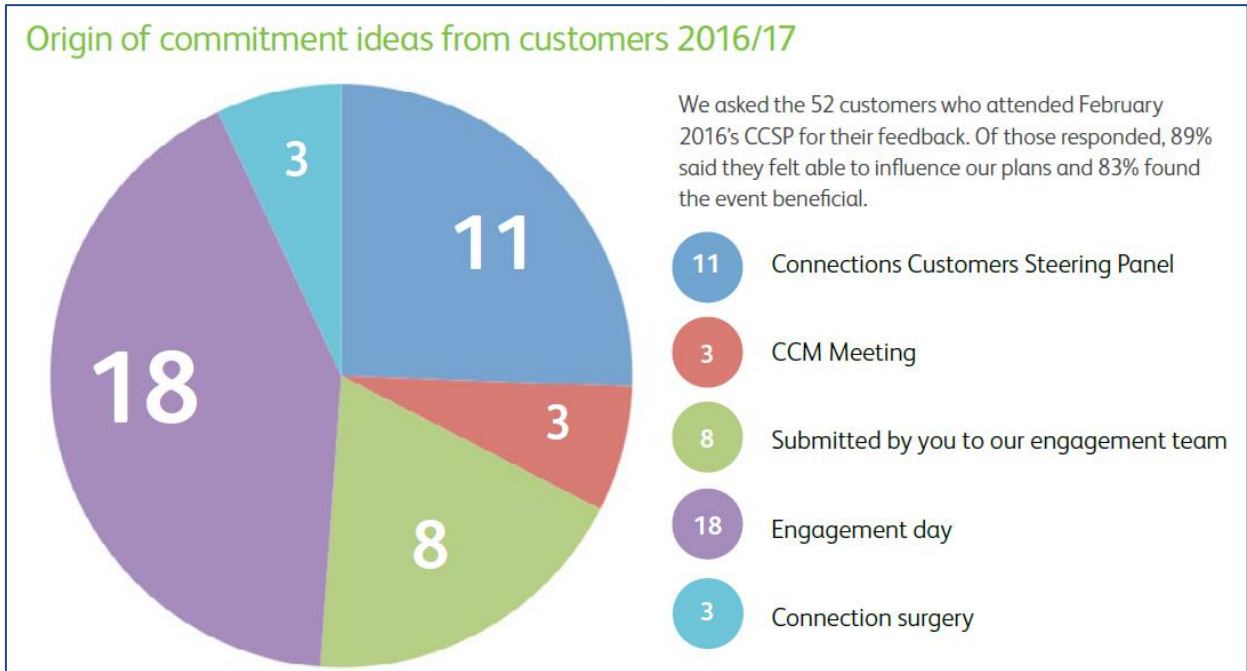
(Figure 3) SSEPD looking back report 2015-16

Clarify origin of commitments included in the work plan – including why other actions were not taken up

From the Looking Back reports, it was often difficult to assess whether and/ or how feedback from the 2015 Ofgem stakeholder consultation had been addressed. While on this occasion there were no examples of stakeholders pointing out where their input from last year's consultation had not been addressed, it was difficult for us to be certain whether the DNOs had or had not considered all of the feedback.

We do not necessarily expect that DNOs should implement every suggestion or request for action from every stakeholder. However, it is important for the DNOs to demonstrate that all suggestions from stakeholders across the different segments are given due consideration. Where the DNO does not take the action requested, it should have good reasons. Where possible, the DNO should also demonstrate that alternative solutions have been considered.

We found it useful that some DNOs include within their work plan of activities clear reference to the origin of each action. In other cases, the DNO usefully summarised in one place how many actions originated from the various engagement platforms they have. An example of the latter is included below (Figure 4). This helps us to see that the work plans are informed by a wide range of customers through broad engagement.



(Figure 4) SSEPD Looking forward 2016-17

Explain reasons for delayed or incomplete actions

We have clearly stated that where the DNO sets itself an ambitious plan, failure to deliver some elements of it does not necessarily mean that the DNO will be considered to have missed the minimum criteria. But the reasons for failure to deliver need to be properly understood and explained – especially where the failure to deliver has had an impact on stakeholders.

However, in some of the small number of cases where actions were delayed or incomplete, reporting on the delivery of activities was less detailed than we would expect. In this year's assessment, the generally positive nature of stakeholder responses (together with the absence of any specific concerns raised against apparently delayed or incomplete actions), allowed us to conclude that the minimum criteria had been met. However, it is important that Looking Back reports contain sufficient detail to allow both us and stakeholders to understand which actions were not completed (or delayed) what the reasons for this were and what actions the DNO took to mitigate the impact of the delay.

Some areas of activity which the DNOs may wish to consider in 2016-17

While we generally consider it to be the responsibility of the DNOs to make sure that they are carefully considering the feedback submitted by stakeholders, we are highlighting some areas that we noted while reviewing the responses to the Looking Back report. We are highlighting these because we want to ensure that the DNOs consider these in relation to their Looking Forward plans.

Account/ stakeholder/ client management and escalation of issues

A number of respondents to our consultation noted issues with account management and/ or the process for escalating service issues as they arise during a project.

We recognise that DNOs structure their connections business differently in order to respond to the specific circumstances of their networks and the needs of their customers. Some have appointed account managers for all works in a particular region, others have committed to provide single points of contact for regular customers across all jobs.

Nevertheless, all DNOs need to ensure that they are considering how they structure their connections business and in particular what this means in terms of how connection customers' accounts are managed and how issues are resolved. It may be that there is no single model to be followed, however DNOs may wish to consider the feedback raised and the approaches stakeholders have cited as best practice.

Local Authority works with connections to independent distribution network operators

More than one respondent noted that there are known problems experienced by those who build assets for adoption by independent distribution network operators (IDNOs), where Local Authorities were required to raise new meter point administration numbers every time they adopt highways that contain connections to an IDNO network. The issue was raised as being relevant across a number of licence areas. One respondent noted that there are examples of best practice (in particular Electricity Northwest Limited) where practical solutions for overcoming the difficulties associated with this type of work have been found.

Given that this is an issue that seems to affect licence areas across GB, we would encourage all DNOs to review the stakeholder comments on best practice in order to identify any lessons that can be applied in their own areas to address the issues being faced.

Other areas raised by multiple stakeholders relevant across licence areas

There were a small number of other topics that were raised repeatedly within the responses. We encourage the DNOs to consider these and, where necessary, to engage with the relevant stakeholders to understand their issues and the actions that may be taken to address them. Examples of these topics are:

- ensuring consideration of the particular needs of ICPs; and,
- emergency response cover.

Grid Constraints

When customers seek a connection in a region where the network has lots of spare capacity, the process should be reasonably straightforward. Where the network has limited capacity it can be more difficult to get connected. In some instances the additional time and cost of connecting in a constrained area can make it virtually impossible to proceed. We expect DNOs to take efficient steps to try to avoid this happening.

In our stakeholder consultation in July 2016, we asked a number of specific questions about the DNOs' plans in relation to connecting customers in constrained areas of the network. These were based on the information we received in March 2016, in response to a call for evidence on grid constraints.⁴

⁴ <https://www.ofgem.gov.uk/publications-and-updates/consultation-getting-electricity-connection-when-network-constrained>

Having published stakeholder's responses to these specific questions, we would now consider that the DNOs are well aware of the issues and have ample input from which to ensure that their stakeholder engagement and work plan of activities for 2016-17 are suitable for meeting the needs of their stakeholders – as well as meeting their obligations.

Next year we would expect to see feedback to this year's consultation clearly reflected in the activities undertaken by the DNOs. For this to be effective it is important that stakeholders continue to engage with DNOs to communicate their needs in terms of information provision, quotation services and commercial arrangements. It will also be important that the same stakeholders continue to engage in our ICE assessment process and consultation, particularly if their concerns or suggestions for improvement have not been addressed.

Next Steps

This qualitative assessment document concludes our assessment of the DNOs' performance under the ICE in 2015-16.

The DNOs may publish revised Looking Forward plans for 2016-17 by 31 October 2016.

By 31 May 2017, DNOs must publish their Looking Back reports on their delivery of their plans for 2016-17. At the same time, they must submit their Looking Forward plans for the following year, 2017-18.

As we did this year, once we receive the submissions from the DNOs we will publish a consultation to seek stakeholders' views on both the Looking Back report and the Looking Forward plans.

Yours sincerely,



James Veaney

Head of Electricity Connections and Constraints Management

Annex 1 - ICE submission publications

The six DNO groups have published their latest Looking Back (2015-16) and Looking Forward (2016-17) 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](#)