Dear Distribution Network Operators[1],

Direction to set new electricity Time to Connect Incentive targets for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23

We expect distribution networks operators (DNOs) to connect customers in a timely and efficient way. This includes responding to different customers' specific needs whilst enabling competition. It is a key output under the RIIO-ED1[2] price control – measured under a package of connections incentives.

For smaller connections customers (connections at the lower voltages), the Time to Connect Incentive pushes the Distribution Network Operators to reduce connection times. Connection time is measured in two ways. The "time to quote" is the time from the DNO receiving the initial application to issuing a quotation. The "time to connect" is the time from the customer accepting the quotation the connection being completed.

For the first four years of RIIO-ED1, the minimum reward score level was based on the upper quartile performance across the DNOs, at the time the target was set. The maximum reward score was set at performance 30% below the average at the time the target was set.

Parts B to E of Special Licence Condition CRC 2F (Time to Connect Incentive) requires us to notify DNOs of the new values set for the Time to Quote and Time to Connect minimum reward score and incentive rate for Regulatory years 2019/20, 2020/21, 2021/22 and 2022/23.

In March 2019, we consulted on our proposed Time to Quote and Time to Connect incentive target rate terms for the remaining four years of the RIIO-ED1 price control. Our consultation letter[3] set out how we proposed to change the methodology and what the new targets will be.

We have published the responses to our consultation on our website, alongside this Decision and Direction outlining the new targets.

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[1] There are 14 licensed distribution network operators (DNOs) in Britain and each is responsible for a regional distribution service area. The 14 DNOs are owned by six different groups.
[2] https://www.ofgem.gov.uk/system/files/docs/2017/01/guide_to_riioed1.pdf
[3] https://www.ofgem.gov.uk/system/files/docs/2019/03/ttc_incentive_consultation_letter.pdf

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Issues raised

Several DNOs commented that a fundamental review of the incentive was necessary and that there are a number of scenarios outside their control that can occur which can have an adverse effect their Time to Connect score. They consider this is not appropriate as it isn't entirely reflective of their performance.

From the evidence available, we think that the incentive has worked well during this price control in reducing connection times for customers and driven good improvement in the service DNOs provide. The incentive package was balanced to ensure DNOs are not over-incentivised to chase speed alone – but to also understand the individual needs of their customers and provide quality customer service.

We do, however, think that there is an opportunity to revisit the fundamental design of the whole connections incentive package under the next price control; RIIO-ED2 – to ensure that the improvements already made are maintained and further improvements encouraged.

Our Decision

Overall, respondents agreed with our overall approach to the methodology and underlying principle of the target change.

Our Decision on the methodology is to use DNO performance data to set the minimum reward score and keep the previous method of setting the maximum reward score at 30% below the average. This means:

- the targets get tougher and harder to reach;
- there is less risk of the minimum score being considered out of reach for a number of DNOs; and
- we maintain a good range between the minimum reward score and the maximum reward score.

We have outlined the new targets below in table 1.1.

Table 1.1: Time to Quote and Time to Connect Targets for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23

Connection process	Connection size	Minimum score reward(working days)	Maximum score reward (working days)	Range
Time to Quote	LVSSA	4.84	3.39	1.45
	LVSSB	7.84	5.49	2.35
Time to Connect	LVSSA	39.28	27.50	11.79
	LVSSB	47.94	33.56	14.38

Attached as an Annex to this letter is a formal Direction setting the new Time to Quote and Time to Connect incentive rate term and target rate term for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23 for the following terms:

- $TQAI_t$ in Table 1.2;
- $TQBI_t$ in Table 1.3;
- $TCAI_t$ in Table 1.4; and
- $TCBI_t$ in Table 1.5.

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We have calculated these new targets in line with the new methodology described above.

This decision and the attached Direction constitute notice pursuant to section 49A of the Electricity Act 1989.

Yours sincerely,

Andrew Burgess
Deputy Director, Charging and Access
Systems & Networks

For and on behalf of the Gas and Electricity Markets Authority

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Annex

To: All Electricity Distribution Licence holders who are Distribution Services Providers

DIRECTION ISSUED PURSUANT TO PARTS B TO E OF SPECIAL LICENCE CONDITION CRC 2F (TIME TO CONNECT INCENTIVE)

The parties to which this Direction is addressed are the holders of an electricity distribution licence issued under section 6(c) of the Electricity Act 1989. Special licence condition CRC 2F (Time to Connect Incentive) sets out the mechanism for the Time to Connect Incentive.

The Authority is required to notify licensees, under Parts B to E of CRC 2F , of the values set for the Time to Quote and Time to Connect incentive rate term and target rate term for Regulatory years 2019/20 to 2022/23.

In accordance with Parts B to E of CRC 2F, we hereby direct the incentive Rates for the Regulatory Years 2019/20 to 2022/23 for the following terms:

- $TQAI_t$ in Table 1.2;
- $TQBI_t$ in Table 1.3;
- $TCAI_t$ in Table 1.4; and
- $TCBI_t$ in Table 1.5.

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Andrew Burgess
Deputy Director, Charging and Access
Systems & Networks

For and on behalf of the Gas and Electricity Markets Authority

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Table 1.2 - TQAIt – Incentive rate for the LVSSA Time to Quote term (£m, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.17	0.17	0.17	0.17	0.20690	0.20690	0.20690	0.20690
NPgN	0.13	0.13	0.13	0.13	0.13793	0.13793	0.13793	0.13793
NPgY	0.17	0.17	0.17	0.17	0.20690	0.20690	0.20690	0.20690
WMID	0.22	0.22	0.22	0.22	0.27586	0.27586	0.27586	0.27586
EMID	0.22	0.22	0.22	0.22	0.27586	0.27586	0.27586	0.27586
SWALES	0.10	0.10	0.10	0.10	0.13793	0.13793	0.13793	0.13793
SWEST	0.15	0.15	0.15	0.15	0.20690	0.20690	0.20690	0.20690
LPN	0.17	0.17	0.17	0.17	0.20690	0.20690	0.20690	0.20690
SPN	0.17	0.17	0.17	0.17	0.20690	0.20690	0.20690	0.20690
EPN	0.26	0.26	0.26	0.26	0.34483	0.34483	0.34483	0.34483
SPD	0.17	0.17	0.17	0.17	0.20690	0.20690	0.20690	0.20690
SPMW	0.18	0.18	0.18	0.18	0.20690	0.20690	0.20690	0.20690
SSEH	0.11	0.11	0.11	0.11	0.13793	0.13793	0.13793	0.13793
SSES	0.23	0.23	0.23	0.23	0.27586	0.27586	0.27586	0.27586

Table 1.3 - TQBIt – Incentive rate for the LVSSB Time to Quote term (£m, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.19	0.19	0.19	0.19	0.12766	0.12766	0.12766	0.12766
NPgN	0.14	0.14	0.14	0.14	0.08511	0.08511	0.08511	0.08511
NPgY	0.19	0.19	0.19	0.19	0.12766	0.12766	0.12766	0.12766
WMID	0.25	0.25	0.25	0.25	0.17021	0.17021	0.17021	0.17021
EMID	0.24	0.24	0.24	0.24	0.17021	0.17021	0.17021	0.17021
SWALES	0.12	0.12	0.12	0.12	0.08511	0.08511	0.08511	0.08511
SWEST	0.17	0.17	0.17	0.17	0.12766	0.12766	0.12766	0.12766
LPN	0.19	0.19	0.19	0.19	0.12766	0.12766	0.12766	0.12766
SPN	0.19	0.19	0.19	0.19	0.12766	0.12766	0.12766	0.12766
EPN	0.29	0.29	0.29	0.29	0.21277	0.21277	0.21277	0.21277
SPD	0.19	0.19	0.19	0.19	0.12766	0.12766	0.12766	0.12766
SPMW	0.21	0.21	0.21	0.21	0.12766	0.12766	0.12766	0.12766
SSEH	0.12	0.12	0.12	0.12	0.08511	0.08511	0.08511	0.08511
SSES	0.26	0.26	0.26	0.26	0.17021	0.17021	0.17021	0.17021

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Table 1.4 - TCAIt – Incentive rate for the LVSSA Time to Connect term (£m, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
NPgN	0.02	0.02	0.02	0.02	0.01698	0.01698	0.01698	0.01698
NPgY	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
WMID	0.04	0.04	0.04	0.04	0.03396	0.03396	0.03396	0.03396
EMID	0.04	0.04	0.04	0.04	0.03396	0.03396	0.03396	0.03396
SWALES	0.02	0.02	0.02	0.02	0.01698	0.01698	0.01698	0.01698
SWEST	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
LPN	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
SPN	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
EPN	0.05	0.05	0.05	0.05	0.04244	0.04244	0.04244	0.04244
SPD	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
SPMW	0.03	0.03	0.03	0.03	0.02547	0.02547	0.02547	0.02547
SSEH	0.02	0.02	0.02	0.02	0.01698	0.01698	0.01698	0.01698
SSES	0.04	0.04	0.04	0.04	0.03396	0.03396	0.03396	0.03396

Table 1.5 - TCBIt – Incentive rate for the LVSSB Time to Connect term (£m, in 2012/13 prices) in relation to performance in the Regulatory Years 2015/16 to 2022/23

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.02	0.02	0.02	0.02	0.02086	0.02086	0.02086	0.02086
NPgN	0.02	0.02	0.02	0.02	0.01391	0.01391	0.01391	0.01391
NPgY	0.02	0.02	0.02	0.02	0.02086	0.02086	0.02086	0.02086
WMID	0.03	0.03	0.03	0.03	0.02782	0.02782	0.02782	0.02782
EMID	0.03	0.03	0.03	0.03	0.02782	0.02782	0.02782	0.02782
SWALES	0.01	0.01	0.01	0.01	0.01391	0.01391	0.01391	0.01391
SWEST	0.02	0.02	0.02	0.02	0.02086	0.02086	0.02086	0.02086
LPN	0.02	0.02	0.02	0.02	0.02086	0.02086	0.02086	0.02086
SPN	0.02	0.02	0.02	0.02	0.02086	0.02086	0.02086	0.02086
EPN	0.04	0.04	0.04	0.04	0.03477	0.03477	0.03477	0.03477
SPD	0.02	0.02	0.02	0.02	0.02086	0.02086	0.02086	0.02086
SPMW	0.03	0.03	0.03	0.03	0.02086	0.02086	0.02086	0.02086
SSEH	0.02	0.02	0.02	0.02	0.01391	0.01391	0.01391	0.01391
SSES	0.03	0.03	0.03	0.03	0.02782	0.02782	0.02782	0.02782

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