

## *Northern Powergrid's response to Ofgem's Time to Connect Incentive Targets consultation for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23.*

### KEY POINTS

**We support Ofgem's minded to position which proposes to use average performance to set the new Time to Connect (TTC) targets for the remainder of the RIIO-ED1 period while maintaining the maximum reward score at 30% below the average level.**

- Maintaining a good range between the minimum and maximum reward scores continues to provide a strong incentive for DNOs to continue to improve and recognises that there has been an overall improvement in performance to date.
- A narrower range between the minimum and maximum reward scores risks making the incentive unachievable and ineffective.
- The implementation of tighter targets risks dividing DNOs into:
  - Those who may inadvertently drive improvements to provide faster quotations and connections at the expense of quality and accuracy for the customer; and
  - Those who may not feel able to achieve any incentive and will seek to improve customer service via other means as opposed to driving quicker quotation and connection performance.
- We believe that a fundamental review of this incentive mechanism would be worthwhile for ED2 because:
  - The current arrangements focus only on the speed of quotation and delivery of the connection.
- Our experience has shown that customers do not always want, or are ready for, a quicker connection.
  - Our customers tell us that their key requirement is for us to provide their connection at a time that is convenient to them in order to fit into a wider programme of work.
  - In ED2 we need to capture this satisfaction driver better.

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## Responses to Ofgem's consultation questions

### ***Question 1: Do you agree with the methodology we propose to use to set the new targets?***

- 1) We agree with the methodology that Ofgem proposes to use to set the new TTC targets for the remainder of the RIIO-ED1 period. This approach uses the average performance to set the targets and retains the previous method of setting the maximum reward score at 30% below the average level.

### ***Question 2: Do you agree that it is beneficial to maintain a good range between the minimum and maximum reward scores to ensure the incentive is effective?***

- 2) The benefit of maintaining a good range between the minimum and maximum reward scores continues to provide a strong incentive for DNOs to continue to improve and recognises that there has been an overall improvement in performance to date. A narrower range between the minimum and maximum reward scores increases the risk that the incentive range is reduced to an extent that makes it unachievable and, therefore, ineffective.
- 3) Continuing with the previous method reduces the incentive for DNOs to continue to improve performance, if they do not feel they would be able to achieve the new minimum reward score. We recognise that it will be harder for DNOs to continue to make the same level of improvements beyond the value that they would provide for customers.
- 4) One aspect of continuing with the previous method is that, if the scores are too low, it risks encouraging DNOs to drive improvements in time at the cost of quality, for example in providing a less accurate quotation to customers. Another aspect is that the range between meeting the minimum score and the maximum score is squeezed.

### ***Question 3: Do you agree with our minded-to position in setting these targets?***

- 5) We agree with Ofgem's minded-to position and, through collaborative working with other DNOs via the ENA, are happy to support the targets proposed.
- 6) The proposed targets will continue to provide a good incentive for DNOs to drive improvement in connecting customers in a timely manner.
- 7) The implementation of tighter targets risks dividing DNOs into:
  - a. Those who may inadvertently drive improvements to provide faster quotations and connections at the expense of quality and accuracy for customer; and

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- b. Those who may not feel able to achieve any incentive and will seek to improve customer service via other means as opposed driving quicker quotation and connection performance.
- 8) This does not mean that the approach is moving the wrong direction at this time. Rather, it signals a need for a fuller discussion at ED2 to understand how an incentive for connections satisfaction may be best linked to what customers actually value.

### **Conclusion**

- 9) We believe that a fundamental review of this incentive mechanism would be worthwhile for ED2, as the current arrangements focus only on the speed of quotation and delivery of the connection. Good customer service calls for an appropriate balance of speed of delivery, quality of conversations with customers and a fair price for the service provided.
- 10) We think incentives should be based on objective measurements that reflect what customers actually value. Our experience has shown that customers do not always want, or are ready for, a quicker connection. Our customers tell us that their key requirement is for us to provide their connection at a time that is convenient to them in order to fit into a wider programme of work. Customers want the certainty of an accepted connection offer that fulfils their requirements and, although they may not be ready for a quick connection, they may have a clear series of actions to complete on their critical path. We look forward to working with Ofgem at ED2 to review the range of incentives for connections services.