

By email to: Mohamed.Khalif@ofgem.gov.uk

Date:

5th April 2019

Contact / Extension:

Caroline Ainslie
0141 614 4802

Dear Mohamed,

Electricity Time to Connect Incentive Targets Consultation for Regulatory Years 2019/20, 2020/21, 2021/22 and 2022/23

SP Energy Networks (SPEN) represents the distribution licensees of SP Distribution plc and SP Manweb plc. We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) which serves two million customers, and Merseyside and North Wales (SP Manweb) which serves one and a half million customers. We also own and maintain the electricity transmission network in the Central Belt and South of Scotland (SP Transmission).

We welcome the opportunity to respond to this consultation and welcome Ofgem's movement on use of the upper quartile to set the minimum standards. However, using the average fails to take consideration of significant outliers or variances between DNOs' processes. We are also concerned that the TTC issues that have been raised during working group discussions do not appear to have been taken into consideration. In particular, when DNOs are negatively impacted in circumstances out with their control; where a customer does not want to agree to a connection date, we believe that the clock should be allowed to be paused for a period of time until the customer agrees to a date.

Our responses to the consultation questions can be found in the appendix. If you would like to discuss any of the points raised, please do not hesitate to contact me further.

Yours sincerely,



Caroline Ainslie

Distribution Policy and Licence Manager
SP Energy Networks

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk

SP Transmission plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189126 Vat No. GB 659 3720 08
SP Manweb plc, Registered Office: 3 Prenton Way, Prenton, CH43 3ET Registered in England and Wales No. 2366937 Vat No. GB659 3720 08
SP Distribution plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189125 Vat No. GB 659 3720 08

Appendix- SPEN response to the consultation on Electricity Time to Connect Incentive Targets

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

Whilst we recognise that Ofgem's proposal to use average DNO performance data to set the minimum reward score has more merit than moving to an upper quartile benchmark, using the average takes no consideration of significant outliers or the variances of process across the DNOs.

DNOs with a larger number of jobs and procedures which facilitate delayed payment or prompt cancellation are less likely to have outliers, so using an average minimum target will unfairly favour them. It is inequitable to have an incentive which is unfairly biased towards those DNOs with fewer jobs in this area; this does not drive the types of behaviours that Ofgem are looking for. If the average is to be used then we would ask that Ofgem allows the TTC days to be paused at the point where a customer indicates they are not ready to progress with the connections works until such time that the customer confirms that they are ready. We believe there is precedent for adopting this process as something similar is already in place when reporting under SLC 15a.

If Ofgem is unwilling to 'pause the clock' in the circumstances outlined above, then the impact would at least be reduced if the median was used to calculate the minimum reward score in place of the average.

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?

We acknowledge the use of a good range as allows for varying performances.

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

While we recognise that Ofgem's proposal has more merit than moving to an upper quartile benchmark, using the average takes no consideration of significant outliers or the variances of process across the DNOs. We would urge Ofgem to either allow certain jobs to be paused as outlined in our response to Q2 or move to the use of the median.

We also believe that reducing targets further when there are currently limited options for improvement, due to the open jobs with excessive timescales already within the process, is unrealistic. We believe it would be more appropriate to review the measure itself and welcome a more comprehensive review of this incentive during the ED2 consultation process.