

RIIO-ED2 Customer Service, Vulnerability and Connections (CSVC) Working Group – Session 3

From: Ofgem

Date: 04 February 2020
Time: 10:00- 14:00

Location: Ofgem
10 S Colonnade, London

1. Present

Ofgem

BEIS

UK Power Networks (UKPN)

Western Power Distribution (WPD)

Northern Powergrid (NPG)

Scottish Power Energy Networks (SPEN)

Electricity North West (ENWL)

Scottish and Southern Energy Networks (SSEN)

National Energy Action (NEA)

Utility Customer Service Management Limited (UCSM Ltd)

Greater London Authority

2. Challenges for connections policy in ED2 (Ofgem)

- 2.1. Ofgem presented an overview of the challenges the group had identified in relation to connections policy and the necessary considerations for change. Ofgem highlighted that key considerations should be the behaviours current arrangements have driven in RIIO-ED1 as well as behaviours companies might display in response to the challenges identified, with particular focus on access and charging reform.
- 2.2. UKPN noted that decarbonisation is not in the list of challenges set out in the slides and that there is a strong relationship between decarbonisation efforts and DNO performance with regards to connections. Ofgem noted that this is being addressed in more detail in another working group, but will ensure feedback loops allow for a joined up approach between groups.
- 2.3. The group discussed the implications of the current arrangements and how they could be adapted in response to emerging issues, with particular focus on how this may drive strategic investment.

3. Recap of current arrangements and performance drivers in ED1 (ENWL)

- 3.1. ENWL presented its perspective on the current connections arrangements and how they have driven DNO performance in ED1.

- 3.2. The group discussed the impact of the Broad Measure of Customer Satisfaction (BMCS) on performance and if the group, in particular DNOs, knew the value customers would attribute to continued improvements in performance in ED2. The group discussed the value of willingness to pay (WTP) in this area and the DNOs agreed to bring forward WTP research regarding service quality improvement related to the BMCS.
- 3.3. SPEN highlighted that any changes to outputs and incentives would need to consider RIIO arrangements in the round, for example the Time to Connect (TTC) incentive should not incentivise speed above overall satisfaction. Ofgem noted that the TTC is currently weighted less than the BMCS.
- 3.4. While TTC covers small connections customers, the group noted that some domestic customers could fall outside of the customers covered by arrangements eg if domestic customers have a generator. DNOs agreed to carry out gap analysis into what services and customers the current ED1 arrangements currently cover and what ED2 customers' needs will be. This is to get an understanding of how the scope of current output arrangements may need to flex in ED2 to meet changing customer needs.
- 3.5. NPg noted that domestic customer expectations will likely differ from larger connection customers such as developers. Customer expectations and preferences should also be captured in any ED2 arrangements.

4. Potential impact of access and charging reform on expected DNO behaviours (Ofgem, followed by ENWL)

- 4.1. Ofgem provided an overview of access and charging reform workstreams, and set out the potential impact on DNO behaviours.
- 4.2. ENWL presented the options under considerations with regards to a change to the connections boundary and set out some of the challenges that a change could bring.
- 4.3. To mitigate some of these potential challenges, such as a lack of strategic investment and a consequential delay getting customers connected, ENWL set out that a capacity mechanism could be a solution. The group discussed the merits and drawbacks of a capacity mechanism.

5. Roundtable discussion on output and incentive arrangements that could be appropriate to address these challenges

- 5.1. The group discussed existing output and incentive arrangements that could be reformed to address the challenges identified, such as an expanded BMCS and TTC incentive.

- 5.2. Ofgem invited members to reflect on the challenges identified throughout the day and to propose alternative solutions they think would be good options. Ofgem also invited members to set out what they think would not be a good option and what the consequences could be. These suggestions should be brought to Ofgem ahead of the next working group focusing on connections on 19 March.
- 5.3. ENWL raised the issue of competition in connections, noting that it should be considered (including consideration of regulatory approach to IDNOs) by the working group. Ofgem agreed this could be an agenda item for a future meeting, but noted that competition in connections is not specifically a RIIO issue and can be considered at a later date.

6. Actions

- 6.1. DNOs to bring forward WTP research looking into the value customers attribute to continued service quality improvements (through the BMCS)- All DNOs - Update on 19 March
- 6.2. DNOs to carry out gap analysis into what services and customers the current ED1 arrangements currently cover (namely BMCS for connections and TTC) and what ED2 customers' needs will be. This is to get an understanding of how the scope of current output arrangements may need to flex in ED2 to meet changing customer needs. - All DNOs - For presentation and discussion on 19 March, material to be shared with Ofgem by 13 March
- 6.3. Propose options for consideration by the group to address challenges identified (also welcome what members think would not be a good option and why) - All members - For presentation and discussion on 19 March, material to be shared with Ofgem by 13 March