

9th October 2015

Clothilde Cantegreil
Ofgem
9 Millbank
London
SW1P 3GE

Ref. How we report on electricity distribution company performance.

Dear Clothilde,

Smarter Grid Solutions Ltd (SGS) welcomes the opportunity to respond to Ofgem's open letter consultation on how you report on electricity distribution company performance.

As you will probably be aware, SGS provides a range of Active Network Management (ANM) products, tools and services to help electricity network operators design and deliver 'non-wires' alternatives for the connection of Distributed Generation (DG) – these are sometimes described as Managed Connections. We have worked with many DNOs to implement ANM solutions that have avoided or deferred capital intensive network upgrades while providing more cost effective and faster grid connections for new connection customers. ANM has improved network utilisation, extended network visibility and ultimately reduced customer bills.

At SGS we have a wealth of practical experience from our work on a number of ANM projects in the UK, North America and Europe, which we believe can provide insights to Ofgem's consultation. These include the active management of DG in rural and urban networks, the implementation of trials of domestic demand side management and large-scale electrical storage. Examples of SGS projects relevant to this consultation include the Orkney Registered Power Zone, Northern Isles New Energy Solutions, Low Carbon London, Flexible Plug and Play Low Carbon Networks, Lincolnshire Low Carbon Hub and Accelerating Renewable Connections; all of which use our ANM technology as the enabler.

Despite the array of customer funded demonstration projects described above, the roll-out to all customers of Managed Connections is relatively slow and patchy. We were pleased to see Ofgem recognise this in the 'Quicker and More Efficient Connections' open letter outcome,

which highlighted the expectation that Managed Connections should be offered to all customers by December 2015.

We have not provided specific answers to the questions set out in the consultation letter but have used this opportunity to highlight some practical reporting improvements that could be made to support and monitor progress against this expectation. .

Separately, we believe that Ofgem should consider whether or not the DNOs are sufficiently incentivised to offer Managed Connections.

We have sought to present our contributions objectively and trust they will be helpful in shaping an important piece of work for the sector. If a conversation would be helpful, we would be pleased to meet with Ofgem.

Best regards,



Alan Gooding

*Alan Gooding
Director*

Co-founder and Commercial Director

Managed Connections

Over £150 m of customer money (mainly innovation funding including the Low Carbon Network Fund) has been spent reducing the technical risk and proving the commercial benefits of Managed Connections across a number of projects, including:

- SSEPD: Orkney RPZ and NINES
- UKPN: Flexible Plug and Play and Low Carbon London
- WPD: Lincolnshire Low Carbon Hub
- SPEN: Accelerating Renewable Connections
- ENW: Capacity to Customers
- NPG: Customer Led Network Revolution

Much of this work has yet to be implemented as business as usual, or is currently undergoing the process of moving to business as usual.

In a recent consultation response (Ref: Quicker and more efficient distribution connections), we highlighted the issues with traditional connections, and how Managed Connections can provide a lower cost and more efficient solution for new connection customers.

Due to recent legislative changes in the UK with regard to renewable subsidies, it is now more important than ever for customers wishing to connect to distribution networks can do so within a reasonable time frame. Delays can result in a drop in subsidy payments, which can have a knock on effect to investors in the project.

We note that DNOs have a licence obligation to offer the Least Cost Technically Acceptable connection to their customers (Electricity Act 1989). Managed Connections have now been widely proven and in many cases offer the Least Cost Technically Acceptable option for DG customers. Presently however, DNOs have chosen, using varying methodologies, to only offer Managed Connections in a few regional zones. As a consequence, the vast majority of DG customers are not being provided with any Managed Connection options or information about how they can get one in their network area.

Reporting on connections, can be one of the ways to solve the growing issue of constrained network areas and ensure that customers are provided with Managed Connection options.

In general, Smarter Grid Solutions support the move to share more information between DNO's and stakeholders. We note significant improvements over the last few years to improve the information available on connections engagement (covered by time to quote, time to connect mechanisms in RIIO-ED1, DG Action Plans and the ICE incentive). However, we feel that Ofgem should encourage more reporting on the adoption of Managed Connections to encourage a faster, wider and more transparent roll-out to customers. In a broader context, we believe that additional reporting on the achievement of customer benefits from the roll-out of other smart solutions (proven using innovation funding mechanisms) would also be beneficial.

Reporting on Managed Connections

Given that Managed Connection solutions (including Active Network Management) are often a cheaper and quicker connection solution for new connection customers, Ofgem should require DNOs to report publicly on whether Managed Connections are being offered to all new connection customers.

The recent response from Ofgem to the 'Quicker and More Efficient Connections' consultation has highlighted this issue and we are pleased to see that Ofgem wishes ENA to make information regarding different flexible connection arrangements available. The request from Ofgem to provide this information by December 2015 is one step to help progress the issue. However, we believe that, given the importance of the issue and the timeliness concerns of customers, additional formal reporting should be included as soon as possible in regular DNO reporting requirements.

Below are some suggestions of the enhancements that Ofgem could implement to improve the mandatory reporting requirements through the Regulatory Instructions and Guidance (RIGs) and wider reporting framework:

- Require DNOs to report on the percentage of connection applications where a Managed Connection offer has been offered as the Least Cost Technically Acceptable solution or as a customer option.
- Require DNOs to report on the percentage acceptance of connection applications using conventional approaches and Managed Connections.
- Require DNOs to report on the realisation of benefits accrued to customers (e.g. decreased in time to connection and reduction in the cost of connections) through the adoption of Managed Connections.
- Require an ICE KPI to enhance the strength of the Managed Connections in the DG connections area. This could be augmented by reporting on average connection times, average connection costs and what actions have been taken to try to provide customers with viable connection offers.
- Require that DNOs report on the roll-out of Non-Traditional Business Models to enhance the value of Managed Connections for DNOs and their customers.

The information on Managed Connections can be provided across the three levels of content as proposed by Ofgem.

- High level summary figures to show the total number of Managed Connections (or as a percentage of total connections).
- The main report body could include a cross reference to time to quote, and time to connect with the connection type.
- Detailed metrics could be provided on the type of connection, along with generation type, time to connect and connection cost.

We think that the DNO should be responsible for publishing this information in their July report. Ofgem can then take this information, and present in an infographic style relating to connections. While this is not essential if the information is available elsewhere, it would help to raise the profile of non-traditional connection arrangements within the stakeholder community. This information is important to demonstrate customer benefits being accrued



from the adoption of smart solutions proven with customer-funded innovation projects and in support the wider initiative to provide quicker and more efficient connections to customers.

In Conclusion

We think that enhancing the reporting requirements will increase the pace and breadth of Managed Connection adoption across the DNOs. Now that Managed Connections are widely proven we believe that they should be offered to all customers, at least as an option, as soon as possible. Enhancing the reporting requirements will be one way to help achieve that.