

All connection stakeholders

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Dear stakeholders,

Open letter consultation on the Incentive on Connections Engagement: Looking Back Reports 2016-17 and Looking Forward Reports 2017-18

We are seeking your views on how well the distribution network operators (DNOs) engage with their connections stakeholders to ensure they are delivering a service that meets these customers' needs.

Helping new customers connect to the electricity network is one of the most critical services provided by DNOs. It enables new homes to be built and occupied, new businesses to start trading, new forms of generation to produce energy, and new providers to provide services to the energy system.

We expect DNOs to provide good service to all customers that are seeking a connection. The purpose of the Incentive on Connections Engagement (ICE) is to encourage this. Under the ICE, DNOs must provide evidence that they have engaged with their connection stakeholders and responded to their needs¹. If they fail to do this, they could incur a penalty².

The ICE works by requiring DNOs to submit evidence to us (by 31 May each year) that they engaged effectively with connection customers to develop and deliver plans that improve their service³. This evidence is provided in two parts: a **Looking Back** report on their activities during the previous year demonstrating how they have met the needs of large connection customers; and a **Looking Forward** plan for the coming year describing the activities they plan to undertake. More information on how the ICE works is available on our website [here](#).

Tell us what you think

We are seeking your views separately on *both* the 'Looking Back' and the 'Looking Forward' sections of the submissions from each DNO. Your responses to this open letter will inform our assessment of each DNO's submissions. In **section 1**, we ask about specific areas of the DNOs' performance in 2016-17. In **section 2**, we seek your views on the plans the DNOs have developed for 2017-18.

We have provided a template to help structure your response. You can complete this template either for an individual licensee or for a DNO group as a whole. If you wish to provide

¹ For customers requiring a smaller connection there are separate incentives on DNOs to improve customer satisfaction and the time it takes the DNOs to issue quotes and make connections.

² Electricity Distribution Licence – Charge Restriction Condition 2E (Incentive on Connections Engagement)
<https://www.ofgem.gov.uk/ofgem-publications/92964/crcslowtrackmaster.pdf>

³ The exact scope of the Incentive is confirmed in Table 2 of the ICE Guidance Document -
<https://www.ofgem.gov.uk/ofgem-publications/94371/iceguidancedoc010415-pdf>

comments on the submissions of more than one DNO, please use a separate document for each.

The closing date for responses is 27 July 2017. You should send your responses to connections@ofgem.gov.uk. Please ensure that you clearly indicate the type of connection you generally require and which of the DNOs' submissions you are commenting on. Please tell us if you want your response to remain confidential.

We outline below our thoughts on what the DNOs should be doing to improve their connections service in two specific areas – meeting the needs of all types of connections customers, and improving the experience of customers connecting when the network is constrained. When answering the questionnaire, we invite you to include any comments on the DNOs' performance and plans relating to these areas, as well as any other comments. The questionnaire includes specific questions on how the actions and plans reported in the DNOs' ICE submissions address the issues in these two areas.

Meeting the needs of a range of customers

It is important that the connections process enables traditional, demand customers to connect efficiently. Other types of stakeholders also require connections to the network – such as distributed generators or, increasingly, storage operators – to export electricity onto the network or provide energy services. These newer types of customers face new and particular connection challenges. It is crucial that DNOs provide a connections service that meets the needs of these customers too.

Through our ongoing work we have identified the need for improvements to the network connections process that would benefit all customers. Specifically:

- Providing more clarity on the rules and processes for connections,
- Ensuring the connections process is sufficiently flexible to accommodate necessary changes in customers' requirements without requiring them to restart the connections process,
- Ensuring that customers fully understand the implications for their connection offer of any changes that can arise, either as a result of changes to their requirements or because of other customers that are also seeking to connect in the same area,
- Providing more transparency on where to connect (for example by improving heat maps),
- Ensuring availability of flexible connections for all customers, including storage, and
- Better queue management, including promoting certain types of customers (such as storage) in a connection queue if doing so will help others connect more quickly or cheaply.

When responding, we invite you to consider how well the DNOs' actions over the past year and plans for the coming year address these areas. We want to hear from all stakeholders on these issues, and we are particularly keen to hear from storage stakeholders – to whom these issues may be particularly relevant⁴. Please note that we will assess storage within the relevant metered generation market segment.

Connecting when the networks are constrained

As the networks have become more constrained it has become harder to get a connection in some areas. In these parts of the network, connection customers may face high costs and long waiting times. We have encouraged the DNOs⁵ to explore innovative approaches to

⁴ In the Smart, Flexible Energy System document, we addressed a number of issues specifically relevant to storage connections, but we consider these also to be relevant to other connection customers – albeit that the requirements of different customer types is likely to be different. The Smart, Flexible Energy System document - https://www.ofgem.gov.uk/system/files/docs/2016/12/smart_flexible_energy_system_a_call_for_evidence.pdf

⁵ Unlocking the Capacity of the Electricity Networks - <https://www.ofgem.gov.uk/006Eode/111056>

making the most of available capacity in order to reduce the costs and waiting time for connecting. We want them to ensure they use the capacity that is available in the most efficient way, but we also want them to reinforce the network when it is more efficient to do so.

DNOs should consider how they can support improved outcomes for connections stakeholders, wherever they are, over the coming year. We think some key outcomes are likely to be important, ensuring customers can expect:

- Access to appropriate information to make investment decisions, including on where to connect across the networks. For example through:
 - Using heat maps to clarify where capacity is available, where network services may be beneficial, and likely curtailment levels,
 - Providing sufficient visibility of the nature and causes of constraint, and
 - Timely and clear information on how network status across distribution and transmission may affect customers, and how interactions will be managed, including in the connections process.
- Access to an appropriate range of efficient and viable connection options to meet their needs through a streamlined connections process. For example through:
 - Rolling out flexible connections or other approaches to investment ahead of need, such as consortiums, in constrained areas,
 - Providing sufficient clarity around conditions and circumstances of curtailment, including in areas with transmission constraints, and
 - Offering a range of options to suit different circumstances, including where customers are looking to provide energy services, for example to the System Operator.
- Clarity about the point where new capacity will be needed.
- Clarity about the availability of routes to bring forward new capacity. For example through:
 - Consortium registers, and
 - Flexible queue management (eg promoting customers in the queue if it will release capacity to enable others to connect more quickly or more cheaply) or other approaches.
- Confidence that their requirements are adequately considered in network forecasting and planning. For example through clear and transparent processes for:
 - Assessing the level of demand in an area, undertaking network forecasting and longer term planning, and
 - Understanding customers' changing needs and the point where new capacity would be needed.

In answering our questionnaire, we invite you to consider how well the actions outlined in the DNOs' ICE submissions support progress in the areas outlined above. We would also be interested to hear about any other outcomes you think the DNOs should be working towards to improve the experience of connecting in constrained areas, and how well you think the DNOs' actions in their ICE submissions address these.

ICE submission publications

The six DNO groups have published their latest Looking Back and Looking Forward submissions at the links below -

- Electricity North West: [LINK](#)
- Northern Powergrid: [LINK](#)
- Scottish Power Energy Networks: [LINK](#)
- Scottish and Southern Power Distribution: [LINK](#)

- UK Power Networks: [LINK](#)
- Western Power Distribution: [LINK](#)

Section 1: Looking Back reports 2016-17

We want your views on how well the DNOs have performed over the last year

In May last year, DNOs submitted “Looking Forward” plans for 2016-17. We asked stakeholders for their views on these plans and we shared the responses we received with the DNOs⁶. All of the DNOs subsequently chose to update their plans after taking this feedback into account.

In May this year, each DNO submitted a “Looking Back” report describing how they delivered their strategies, work plans and key performance outputs (as set out in their plans last year). We now seek your views on how well they each delivered what they promised.

We welcome your comments and views on any elements of the Looking Back submissions for 2016-17. We are particularly interested in your responses to the following questions.

ICE submissions

1. Are you satisfied that the DNO had a comprehensive and robust strategy for engaging with connections stakeholders? Do you consider that the DNO implemented its strategy? If not, are you satisfied that the DNO has provided a reasonable and well-justified explanation?
2. Are you satisfied that the DNO had a comprehensive work plan of activities (with associated delivery dates) to meet the requirements of its connections stakeholders? Do you consider that the DNO delivered its work plan? If not, are you satisfied that the DNO has provided a reasonable and well-justified explanation?
3. Do you consider that the DNO’s work plan provided relevant outputs (eg key performance indicators, targets etc.)? Are you satisfied that the DNO has delivered these outputs? If not, do you view the reasons provided to be reasonable and well justified?
4. Do you agree that the DNO’s strategy, activities and outputs have taken into account ongoing feedback from a broad and inclusive range of connections stakeholders? If not, has the DNO provided reasonable justification?

The following two questions refer to the specific areas we discuss above – meeting the needs of all types of connections customers, and improving the experience of customers connecting in constrained areas.

Meeting the needs of a range of customers

5. Do you consider that the DNO’s activities and outputs over the past year were adequate in meeting the needs of all types of connection customers, including the particular needs of newer types of connection customers?

Connecting when the networks are constrained

6. Do you consider that the DNO’s activities and outputs over the past year were adequate in meeting the needs of customers looking to connect when the networks are constrained?

⁶ Our consultation and all the responses submitted by stakeholders are on our website:
<https://www.ofgem.gov.uk/publications-and-updates/consultation-distribution-network-operators-2016-submissions-under-incentive-connections-engagement>

Section 2: Looking Forward plans 2017-18

We want your views on what the DNOs aim to achieve in the coming year

In May this year, DNOs also submitted new “Looking Forward” plans for 2017-18. Next year we will assess how well the DNOs delivered these plans. These plans need to address issues that are important to their customers.

We welcome your comments and views on any elements of the Looking Forward submissions for 2017-18, including the extent to which you consider that the DNO’s planned actions over the coming year will address the specific areas we discuss above – meeting the needs of all types of connections customers, and improving the experience of customers connecting in constrained areas. We are particularly interested in your responses to the following questions.

ICE submissions

7. Are you satisfied that the DNO has a comprehensive and robust strategy for engaging with connection stakeholders and facilitating joint discussions where appropriate?
8. Do you agree that the DNO has a comprehensive work plan of activities (with associated delivery dates) that will meet the requirements of its connection stakeholders? If not, has the DNO provided reasonable and well-justified reasons? What other activities should the DNOs do?
9. Do you consider that the DNO has set relevant outputs that it will deliver during the regulatory year (eg key performance indicators, targets, etc.)?
10. Would you agree that the DNO’s proposed strategy, activities and outputs have been informed and endorsed by a broad and inclusive range of connection stakeholders? If they have not been endorsed, has the DNO provided robust evidence that it has pursued this?

The following two questions refer to the specific areas we discuss above – meeting the needs of all types of connections customers, and improving the experience of customers connecting in constrained areas.

Meeting the needs of a range of customers

11. Do you consider that the DNO’s planned activities and outputs will be sufficient to meet the needs of all types of connection customers, including the particular needs of newer types of connection customers? What other activities should the DNO undertake in this area?

Connecting when the networks are constrained

12. Do you consider that the DNO’s planned activities and outputs will be sufficient to meet the needs of customers looking to connect when the networks are constrained? What other activities should the DNO undertake in this area?

Next steps

We will use your responses to this consultation to inform our assessment of the two elements of the ICE submissions.

- **Looking Back 2016-17:** We will assess whether the DNOs delivered their plans for 2016-17, meeting the needs and reasonable expectations of their connections customers. Where we do not consider that the DNOs have delivered this plan, we may determine that a penalty should be applied. If we consider that a penalty may be appropriate, then we will issue a further consultation seeking stakeholders' views on this.
- **Looking Forward 2017-18:** We will share your responses to this open letter with the DNOs, who may submit updated Looking Forward plans for 2017-18 by 31 October 2017 to address any issues or concerns you raised. At the end of the year, they will each submit a Looking Back report on how well they have delivered their plan.

Please submit any comments to connections@ofgem.gov.uk by **27 July 2017**. Unless clearly marked as confidential, we will publish responses on our website. When responding, please ensure that you clearly indicate what type of customer you are and which of the DNOs' submissions you are commenting on. Please note that we will assess storage within the relevant metered generation market segment. **A template is provided to help structure your responses.**

Yours sincerely



James Veaney
Head of Connections and Constraint Management