



Making a positive difference  
for energy consumers

**All distribution network operators and connection stakeholders operating in their licensee areas**

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Date: 21 August 2017

Dear stakeholders,

**Consultation on penalties for the distribution network operators under the Incentive on Connections Engagement**

Helping new customers connect to the electricity network is one of the most important services provided by distribution network operators (DNOs). It enables new homes to be built and occupied, new businesses to start trading and new forms of generation to produce energy.

We expect DNOs to provide good service to customers who are seeking a connection. To encourage this, we introduced the Incentive on Connections Engagement (ICE).<sup>1</sup> Under the ICE, DNOs must demonstrate that they have engaged and responded to the needs of stakeholders that require a larger connection. If they fail to do so, they could incur a penalty in particular segments of the connections market.<sup>2</sup>

One of the purposes of the ICE is to encourage best practice across DNOs. This is achieved by giving visibility to stakeholders of what each of the DNOs is doing and an expectation that this will be provided across other regions if requested, with the goal of driving continuous improvement. In May, the DNOs submitted evidence on how they had performed in 2016-17 and in June we issued a consultation to seek stakeholders' views.<sup>3</sup>

Although there was positive feedback from stakeholders on the DNOs' engagement, a number of stakeholder responses have also highlighted issues with specific aspects of each DNO's activities. These issues suggest that each of the six DNO groups may have fallen short in at least one area against the minimum criteria and may be eligible for a penalty under this year's ICE.

If we apply penalties for all the issues we have identified at this stage, in the market segments that we believe are affected, the total penalty that we would apply this year across all DNOs would be £13.89m (see Annex 8), out of a maximum possible penalty of £25.84m. This figure could go up or down in light of the responses to this consultation.

**We are inviting you to comment on specific areas of the DNOs' ICE reports and engagement activities to inform our decision on applying penalties under this year's ICE.**

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<sup>1</sup> Introduced as part of the RIIIO ED1 price control. See Electricity Distribution Licence – Charge Restriction Condition 2E (Incentive on Connections Engagement) <https://www.ofgem.gov.uk/ofgem-publications/92964/crcslowtrackmaster.pdf>

<sup>2</sup> A penalty under CRC 2E is a negative adjustment to a DNO's allowed revenue.

<sup>3</sup> The stakeholder consultation and the responses to it are here <https://www.ofgem.gov.uk/publications-and-updates/incentive-connections-engagement-consultation-distribution-network-operators-2017-submissions>

This is also the DNOs' opportunity to provide any further evidence to demonstrate how they think their activities in these areas met the minimum criteria.

### ***Structure of this consultation***

Annexes 1-6 provide more detail on the **issues for each DNO** and set out the **specific questions** that we would like stakeholders to respond to.

Annex 7 provides a table that **summarises the areas of concern** that we have identified for each licensee and the relevant minimum criteria that we think may not have been met.

Annex 8 shows what the **financial implications** would be for each DNO, *if* we were to apply penalties on the basis of the issues identified in this consultation.

Annexes 9 and 10 provide useful links to the DNOs' ICE submissions and descriptions of the market segments covered by the ICE.

### ***Responding to this consultation***

The areas of concern are specific to each DNO, so we are asking for input on particular issues for each one. **When responding, please ensure that you address the specific questions raised in relation to our concerns with the DNOs' submissions.** Our questions are set out in DNO-specific annexes.

The deadline for responses is **18 September 2017**. Please send your responses to [connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk). We will publish responses on our website, unless they are clearly marked as confidential.

To determine whether penalties should be applied, we assess both the evidence provided by each licensee and the views of stakeholders to decide if the licensee has met the minimum criteria. These criteria are detailed in our Guidance Document (available [here](#) along with other background to the ICE). It would be helpful if, when responding, you could make reference to these criteria.

For further background to this consultation, you may also wish to review earlier publications in this year's ICE assessment [here](#).

### ***Next steps***

We will use your responses to this consultation to inform our decision on whether to issue a penalty or not, for those Relevant Market Segments<sup>4</sup> where we consider that the licensee has failed to meet the minimum criteria.

If we consider that any licensees have failed to meet the minimum criteria, we will issue a notice to each affected DNO before the end of October. They will have 28 calendar days to make any final representations. We will consider these before issuing our final decision by 30 November 2017.

In our June consultation on the DNOs' ICE submissions, we also invited stakeholders to comment on the DNOs' plans for the coming year, 2017-18. We expect DNOs to review the responses to this consultation and to identify for themselves areas where improvements or further actions are needed. The DNOs may submit updated Looking Forward plans for

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<sup>4</sup> The Relevant Market Segments are shown in Annex 10

2017/18 by 31 October 2017. We will judge the DNOs' performance against these updated plans in the ICE next year.

Yours sincerely

SIGNED on 21 August 2017

Andrew Wright  
**Senior Partner, Energy Systems**

## **Annex 1 – Our reasons for consulting on penalties for Electricity North West Limited (ENWL)**

### *Minimum criteria potentially not met (1)*

DNOs must demonstrate that they have delivered their relevant outputs (eg key performance indicators, targets etc) and, if they have not, they must provide reasonable and well-justified reasons.

### *Reasons*

In its Looking Forward plan last year for the unmetered market segments, ENWL committed to a target of an average of 23 working days' time to connect, from receipt of pre-requisite information for energisation in adopted highways. ENWL reported this year that it had failed to achieve this target. It achieved an average 28 working days.

ENWL also committed to targeting 85% customer satisfaction scores in surveys of Distributed Generation (DG) customers. It committed to achieving 85% for overall satisfaction, and 85% for satisfaction with delivery work. It achieved scores of 82% and 71%, respectively.

If a DNO fails to meet commitments in its work plan, it is not automatically eligible for penalties. Such a failure could indicate that the target was ambitious. We encourage the DNOs to commit to ambitious targets in their work plans. However, last year, one respondent did not feel that the targets in ENWL's work plan were ambitious. Furthermore, ENWL has not provided justifications for having failed to meet the targets this year – although it has outlined its intention to improve further next year.

### *Affected market segments*

Based on ENWL's ICE plans and stakeholder responses, we believe that the five affected market segments were "Metered DG – LV work", "Metered DG – HV and EHV work", "Unmetered connections – LA work", "Unmetered connections – PFI work" and "Unmetered connections – Other work". ENWL is eligible for penalties in two of these market segments<sup>5</sup>: "Metered DG – LV work" and "Unmetered Connections – Other work".

### *Consultation questions*

1. Do you consider that ENWL's target to achieve an average time to connect of 23 working days, or its targets for scores of 85% in customer satisfaction surveys, were ambitious?
2. How does ENWL's performance on time to connect and customer satisfaction compare with that of other DNOs you work with?
3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (2)*

DNOs must demonstrate that they have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing their strategy, activities and outputs. If not, they must give reasons that are reasonable and well justified.

### *Reasons*

Last year, one response to our stakeholder consultation indicated that the respondent would like ENWL to follow what it considered to be best practice amongst DNOs by instituting a single point of contact for connection customers.

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<sup>5</sup> Annex 8 explains why only some market segments in each DNO area are eligible for penalties. You can find more detail in the Guidance Document.

The DNOs are permitted to submit an updated ICE work plan in October each year. When doing so, we expect them to take into account feedback they have received from stakeholders, including feedback received through the ICE. ENWL submitted an updated ICE work plan in October 2016, but it did not include a commitment to provide a single point of contact. ENWL also does not explain why this comment has not been addressed. While we note that no responses to our consultation this year addressed this issue, this failure to address this issue could constitute a failure to meet the minimum expectations in relation to taking into account ongoing feedback.

#### *Affected market segments*

Based on stakeholder responses, we believe the affected market segments are “Metered demand – LV work”, “Metered demand – HV work”, “Metered demand – EHV work”, “Metered demand – EHV and above work”, and “Metered DG – HV and EHV”. ENWL is not eligible for penalties in any of these market segments.

#### *Consultation questions*

4. Do you consider that this issue applies to any other market segments, and in particular, either of the two market segments ENWL is eligible for penalties in (“Metered DG – LV work” and “Unmetered Connections – Other work”)?
5. In your experience, do you consider that ENWL has taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing its strategy, activities and outputs?
6. Do you consider that ENWL should have included a commitment to provide a single point of contact for connection customers, or otherwise provide justification for not doing so?

#### **Overall potential penalty**

The combined penalty for the points mentioned above would be **£0.62m**.

## Annex 2 – Our reasons for consulting on penalties for Northern Powergrid (NPg)

### *Minimum criteria potentially not met (1)*

DNOs must demonstrate that they have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing their strategy, activities and outputs. If not, they must give reasons that are reasonable and well justified.

### *Reasons*

Stakeholder responses were positive about Northern Powergrid's (NPg) engagement strategy, work plan and outputs. However, one stakeholder's response raised concerns in relation to the provision of emergency response cover.

The stakeholder's response concluded that NPg seems to be willing to provide this service. However, NPg did not include any action to facilitate the agreement of terms for the provision of emergency response cover to IDNOs in its 2016/17 work plan and a stakeholder reported difficulty in engaging with NPg. NPg justified this by saying that contracting services with another distributor to help them operate their network does not fall within the scope of the ICE.

### *Affected market segments*

Based on NPg's ICE plans, we believe the affected market segments are "Metered demand – LV work", "Metered demand – HV work" and "Metered demand – EHV work". Of these, both of NPg's licence areas are eligible for penalties in the "Metered demand – LV work" and "Metered demand – EHV work" segments.

### *Consultation questions*

1. In your experience, has NPg sought to engage effectively on the issue of emergency response cover?
2. Do you consider that NPg has provided sufficient justification for not including a commitment on emergency response cover in its ICE plans?
3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### **Overall potential penalty**

The combined penalty for the points mentioned above would be **£1.08m**.

## **Annex 3 – Our reasons for consulting on penalties for Scottish Power Electricity Networks (SPEN)**

### *Minimum criteria potentially not met (1)*

The DNOs must demonstrate that they have implemented a comprehensive and robust strategy for engaging with connection stakeholders or, failing this, provide an explanation that is reasonable and well justified.

### *Reasons*

In their responses to last year's stakeholder consultation, two stakeholders reported experiences that indicated that SPEN's engagement strategy was not robust and comprehensive. One of these stakeholders reported that they had not been invited to any stakeholder meetings over the course of the previous year. The other felt that their conversations with SPEN had not been "joint".

In responses this year, some stakeholders reported issues with SPEN's engagement over the past year. The issues included some individuals within SPEN being obstructive, the number of engagement meetings declining, concerns raised in meetings not being incorporated in the ICE work plan and customers experiencing difficulty accessing engagement documents.

We consider that these responses constitute evidence that SPEN may not have achieved the minimum criterion specified above.

### *Affected market segments*

Based on SPEN's ICE plans, we believe the affected market segments are the "Metered Demand – LV", "Metered Demand – HV", "Metered DG – LV work", and "Metered DG – HV and EHV work". Of these, Scottish Power Distribution is eligible for penalties only the two Metered DG segment. Scottish power Manweb is eligible for penalties in all four of the above segments.

### *Consultation questions*

1. Do you consider that SPEN implemented a robust and comprehensive engagement strategy? In answering this question, please focus in particular on providing evidence of any experience you have of:
  - a. Dealing with individuals within SPEN and how helpful they were,
  - b. The number of engagement events available to you,
  - c. SPEN responding in their ICE work plan to comments raised in meetings,
  - d. Accessibility of engagement documents such as consultations on SPEN's website.
2. How does your experience of SPEN's engagement compare with that of other DNOs you work with?
4. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (2)*

DNOs must demonstrate that they have undertaken their work plan of activities to meet the requirements of their connection stakeholders or, failing this, to provide an explanation that is reasonable and well-justified.

### *Reasons*

Not successfully delivering activities committed to in the work plan does not necessarily mean a licensee cannot still meet the minimum requirements. But the failure must be explained with well-justified reasons.

In its 2016-17 work plan SPEN committed to further develop its provision of emergency response cover to its key stakeholders, where it is commercially practical. Stakeholders welcomed this commitment. In its 2016-17 Looking Back report, SPEN reported having achieved this commitment. One respondent reported that a lack of engagement by SPEN had hampered their efforts to arrange a contract for the provision of emergency response cover. It appears, therefore, that SPEN may have not fully delivered on its commitment and therefore may not have met the minimum criterion.

#### *Affected market segments*

Based on SPEN's ICE plans, we believe the affected market segments are "Metered demand – LV work", "Metered demand – HV work" and "Metered demand – EHV work". Scottish Power Distribution is only eligible for penalties in "Metered Demand – EHV". Scottish Power Manweb is eligible for penalties in all three.

#### *Consultation questions*

3. Do you consider that SPEN has undertaken its comprehensive work plan of activities to meet the requirements of its connection stakeholders? If not, are the reasons SPEN provided reasonable and well justified? In answering this question, please focus on SPEN's delivery of the activity in its work plan to further develop its provision of emergency response cover to its key stakeholders, where it is commercially practical.
4. How does SPEN's engagement on the issue of emergency response cover compare with that of other DNOs you work with?
5. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

#### **Overall potential penalty**

The combined penalty for the points mentioned above would be **£2.58m**.

## Annex 4 – Our reasons for consulting on penalties for Scottish & Southern Electricity Networks (SSEN)

### *Minimum criteria potentially not met (1)*

DNOs must demonstrate that they have implemented a robust and comprehensive strategy for engaging with connection stakeholders. If not, they must provide reasonable and well-justified reasons.

### *Reasons*

All respondents to last year's stakeholder consultation were happy with SSEN's engagement on its ICE plan for 2016-17. However, the following problems with SSEN's engagement strategy were reported by stakeholders in response to this year's consultation:

- There are many departments and layers of management within SSEN, making it unclear who is responsible for each of the processes involved in getting a connection,
- Customers have no contact in SSEN with whom they can raise issues, while with WPD they have lots of contacts, and
- Three stakeholders found that SSEN were not responsive to issues that were raised at their engagement events.

### *Affected market segments*

Based on stakeholder responses, we believe that the following market segments were affected in both of SSEN's licensee areas: "Metered Demand – LV", "Metered Demand – HV", "Metered Demand – EHV", and "Metered DG – HV and EHV work". In Southern Electric Power Distribution (SEPD), we believe that the "Unmetered connections – Local Authority work" market segment was also affected. Scottish Hydro Electric Power Distribution (SHEPD) is eligible for a penalty in all of these market segments. Of these, SEPD is eligible for a penalty in all but the "Metered DG – HV and EHV work" market segment.

### *Consultation questions*

1. Do you consider that SSEN implemented a robust and comprehensive engagement strategy? In answering this question, please focus in particular on providing evidence of any experience you have of:
  - a. Clarity of responsibility within the DNO for the processes involved in getting a connection,
  - b. Having access to a contact in SSEN with whom you can raise issues, and
  - c. SSEN's responsiveness to issues raised at their engagement events.
2. How does SSEN's engagement compare with that of other DNOs you work with?
3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (2)*

DNOs must demonstrate that they have undertaken their work plan of activities to meet the requirements of their connection stakeholders or, failing this, provide an explanation that is reasonable and well justified.

### *Reasons*

In a response to our stakeholder consultation, a stakeholder indicated that SSEN has not fulfilled the following five activities specified in its 2016-17 work plan. SSEN marked all of these as complete in its 2016-17 Looking Back report.

- **Project evaluation card** – SSEN committed to using an evaluation card to collect stakeholder feedback
  - The stakeholder did not receive the evaluation card
- **Produce guidance document for laying cable**

- The stakeholder could not find the guidance document
- **Make GIS mapping 'shape' files available to all customers**
  - The stakeholder had difficulty getting this type of information for its connection
- **Provide an explanation for reinforcements costs in quotations**
  - The stakeholder felt that the costs of reinforcement had not been satisfactorily explained
- **Create process flow chart for tasks to be undertaken to deliver your connection after project acceptance**
  - The stakeholder did not consider this to have been completed

#### *Affected market segments*

Based on the stakeholder's response, we believe that customers in the SHEPD licensee area in the "Metered Demand – LV" and "Metered Demand – EHV" market segments were affected. SHEPD is eligible for penalties in both of these market segments.

#### *Consultation questions*

1. Do you consider that SSEN has undertaken its comprehensive work plan of activities to meet the requirements of its connection stakeholders? If not, are the reasons SSEN provided reasonable and well justified?
2. Do you have evidence that SSEN did or did not complete these commitments:
  - a. Project evaluation card
  - b. Produce guidance document for laying cable
  - c. Make GIS mapping 'shape' files available to all customers
  - d. Provide an explanation for reinforcements costs in quotations
  - e. Create process flow chart for tasks to be undertaken to deliver your connection after project acceptance
6. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

#### *Minimum criteria potentially not met (3)*

DNOs must demonstrate that they have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing their strategy, activities and outputs. If not, they must give reasons that are reasonable and well justified.

#### *Reasons*

Last year, one response to our stakeholder consultation indicated that the respondent had had difficulty getting a connection in Oxfordshire, which is a constrained area<sup>6</sup> in SSEN's Southern Electric Power Distribution licensee area. The stakeholder reported that they had engaged with SSEN on this issue but had not been able to make any progress with resolving it.

Last year, another response expressed a desire for SSEN to include a commitment to provide emergency response cover in its work plan.

The DNOs are permitted to submit an updated ICE work plan in October each year. When doing so, we expect them to take into account the feedback they have received from stakeholders, including feedback received through the ICE. SSEN submitted an updated ICE work plan in October 2016, but it did not include commitments to address the issues faced by customers who want to connect in Oxfordshire, or to providing emergency response cover, and it did not explain why not. SSEN has included a commitment to introduce emergency response provision for IDNOs in its work plan for 2017-18. However, it did not explain why it had not done this in the previous year.

<sup>6</sup> A constrained area is in area of the network with limited capacity. New connections may consequently face high costs and long timescales for getting connected.

This year, one respondent to our stakeholder consultation reported that a lack of engagement by SSEN had hampered their efforts to arrange a contract for the provision of emergency response cover.

#### *Affected market segments*

Based on stakeholder responses, we believe that in both of SSEN's licensee areas, the "Metered Demand – LV" and "Metered Demand – HV" "Metered Demand – EHV" market segments were affected, and in SEPD, "Metered DG – LV" was also affected. SSEN is eligible for penalties in all of these market segments.

#### *Consultation questions*

3. Do you consider that SSEN has taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing their strategy, activities and outputs. If not, has is given reasons that are reasonable and well justified?
4. Do you consider that SSEN has taken appropriate steps to engage with customers who want to connect in Oxfordshire, and to address the issues they face?
5. Have you approached SSEN to arrange emergency response cover? What has been your experience of engaging with them on that issue?
6. How does SSEN's approach to emergency response cover compare with that of other DNOs you have worked with?
7. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

#### **Overall potential penalty**

The combined penalty for the points mentioned above would be **£2.90m**.

## Annex 5 – Our reasons for consulting on penalties for UK Power Networks (UKPN)

### *Minimum criteria potentially not met (1)*

DNOs must demonstrate that they have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing their strategy, activities and outputs. If not, they must give reasons that are reasonable and well justified.

### *Reasons*

In last year's consultation 4 issues were raised by stakeholders which do not appear to have been responded to by UKPN in its ICE submission. These are: Investing in the ageing last mile network, improving connection times by 20%, monthly publication of heat maps and standardisation of land rights (such as wayleaves and easements). Because UKPN did not include commitments in its updated ICE plan in October last year, or provide justification in its submission to us this year, we consider that may have failed to meet the relevant minimum criteria.

### *Affected market segments*

Based on stakeholder responses, we believe that in all of UKPN's licensee areas, "Metered DG – LV work" was affected, and in London Power Networks "Unmetered Connections – LA Work" was also affected. UKPN is eligible for penalties in all of these market segments.

### *Consultation questions*

1. Do you consider that UKPN delivered any actions in response to the issues highlighted above? Do you have any additional evidence to support your view?
2. Where relevant, do you consider that UKPN provided reasonable and justified reasons why the commitment was not included in the work plan?
3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (2)*

DNOs must demonstrate that they have undertaken a comprehensive work plan of activities, failing this, to provide an explanation that is reasonable and well justified.

### *Reasons*

UKPN presented 49 targets in its Looking Back Report. Within this 49, 2 were not completed and one was marked as on target. The commitment that was marked as on target was due to be completed in March 2017. UKPN therefore gave no indication of whether this commitment has been completed or if it is ongoing. It did not provide justification for failing to complete these targets or failing to deliver them on time.

The following are the commitments that have not been completed or marked as on target.

- Complete disconnections pilot and transfer to business as usual (BAU)
- Complete unmetered overhead line connections pilot and transfer to BAU
- Develop, introduce and report on a set of voluntary standards for the provision of quotes for unmetered connection (UMC) work

### *Affected market segments*

Based on stakeholder responses, we believe that in all of UKPN's licensee areas, "Metered demand – LV work", "Metered demand – HV work", "Metered demand – EHV work", "Unmetered Connections – PFI work" and "Unmetered Connections – Other work" were affected. In London Power Networks, we believe that "Unmetered Connections – LA work" was also affected. Of these, UKPN is not eligible for penalties in any of its licensee areas in the "Metered demand – EHV work" or "Unmetered Connections – PFI work" market segments.

### *Consultation questions*

4. Do you consider that UKPN delivered any of these commitments? Do you have any additional evidence to support your view?
5. What specific actions did you expect UKPN to complete in order to deliver the commitment(s) that you feel they did not fulfil? Which of these actions do you believe was not complete?
6. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (3)*

DNOs must demonstrate that they have implemented a comprehensive and robust strategy for engaging with connection stakeholders or, failing this, to provide an explanation that is reasonable and well justified.

### *Reasons*

One local authority stakeholder indicated that they were experiencing difficulties in their engagement with UKPN over the development of long-term plans.

We think that this response may indicate that UKPN have failed to meet the above criterion. In order to comply with this criterion, UKPN would not necessarily need to provide the information requested from them by their stakeholders. However, if it was not able to do so, UKPN should have provided a reasonable and well-justified explanation.

### *Affected market segments*

Based on stakeholder responses, we believe that this issue affected the "Unmetered Connections – LA Work" market segment in Eastern Power Networks. UKPN is not eligible for penalties in this market segment.

### *Consultation questions*

7. Do you consider that UKPN implemented a comprehensive and robust engagement strategy for engaging with its local authority stakeholders?
8. What specific actions did you expect UKPN to complete in order to deliver a robust and comprehensive engagement strategy for engaging with local authorities? Which of these actions do you believe was not completed?
9. If applicable, do you consider that UKPN provided reasonable and justified reasons why it did not deliver a robust and comprehensive engagement strategy for engaging with local authorities?
10. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (4)*

DNOs must demonstrate that it has delivered its relevant outputs. If not, the DNO is required to provide reasons that are reasonable and justified.

### *Reasons*

Competition is active in the electricity network. If a customer wants to construct a new piece of network, they can commission the local DNO, or they can commission and Independent Connection Provider (ICP). An Independent Distribution Network Operator (IDNO) may then operate the new network. DNOs and IDNOs need to be able to respond to emergencies on their networks. Some IDNOs prefer to contract with their DNO to provide emergency response cover for their networks instead of providing it themselves.

UKPN committed to ensuring it develops a commercial contract to provide this, however, it has been marked as "Behind target". UKPN provided justifications for this, on the lines that it was an ambitious target and it was unable to complete this commitment due to technical, commercial and safety considerations. This correlates with a response to the Looking Back Report in which the stakeholder has only made agreements with two other DNOs and expressed disappointment at UKPN's apparently limited progress against the commitment. Additionally, the stakeholder has also informed us that they are now awaiting a final contract with UKPN. We think UKPN have failed to meet the minimum criterion because they have not completed the commitment.

#### *Affected market segments*

Based on the stakeholder response and UKPN's ICE report, we believe that this issue affect the "Metered demand – LV work", "Metered demand – HV work" and "Metered demand – EHV work". UKPN is not eligible for penalties in the "Metered demand – EHV work" market segment.

#### *Consultation questions*

11. Do you consider that UKPN delivered its commitment? Do you have any additional evidence to support your view?
12. What specific actions did you expect UKPN to complete in order to complete this commitment? Which of these actions do you believe was not complete?
13. If applicable, do you consider that UKPN provided reasonable and justified reasons why the commitment was not completed?
14. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

#### *Minimum criteria potentially not met (5)*

DNOs must deliver their relevant outputs and if not, a reason must be provided that is reasonable and justified.

#### *Reasons*

The commitment to provide customers with a single point of contact if the project requires one or more services, and the commitment on reducing the time taken to provide a quote, were both marked as complete by UKPN. In response to the Looking Back report, a stakeholder disagreed with these and noted they still have multiple DNO contacts involved and have not experienced a reduction in the time taken to provide a quote. The stakeholder also noted UKPN have combined diversions with new connections which results in the stakeholder having to wait 65 days for a diversions quote. Additionally, the stakeholder indicated that diversions and new connection quotes are not always combined, and in these instances, the time taken to quote is shorter for new connections. The stakeholder has also stated to have not experienced a reduction in the time taken to provide a quote. This therefore suggests UKPN failed to meet the required minimum criteria to deliver on its relevant outputs; it has also failed to include any justifications for this.

#### *Affected market segments*

Based on UKPN's ICE plans, we believe the affected market segments are "Metered demand – LV work", "Metered demand – HV work", "Metered demand – EHV work", "Metered demand – EHV+ work" and "DG LV". UKPN is not eligible for penalties in the "Metered demand – EHV work" and "Metered demand – EHV+ work" market segment.

#### *Consultation questions*

15. Do you consider that UKPN delivered a single point of contact for connection customers? Do you have any additional evidence to support your view?
16. Do you consider that UKPN's commitment to reduce the time to provide a quote has been delivered?
17. What specific actions did you expect UKPN to take to ensure this commitment was delivered?
18. If applicable, do you consider that UKPN provided reasonable and justified reasons why the commitment was not delivered?
19. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

**Overall potential penalty**

The combined penalty for the points mentioned above are currently **£4.62m**.

## **Annex 6 – Our reasons for consulting on penalties for Western Power Distribution (WPD)**

### *Minimum criteria potentially not met (1)*

DNOs must demonstrate that they have undertaken their work plan of activities to meet the requirements of their connection stakeholders or, failing this, to provide an explanation that is reasonable and well justified.

### *Reasons*

WPD included a commitment in its 2016-17 work plan to implement new policies and procedures as required to improve the self-connect process for HV customers, or to revise its proposals and present the updates to its Independent Connection Provider (ICP) and IDNO stakeholders (commitment 4.5). In its Looking Back report for 2016-17, WPD reported that this commitment had not been completed, and would be carried forward to the next year. One stakeholder reported that it does not consider that WPD has provided a reasonable justification of why this commitment was not achieved on time.

### *Affected market segments*

Based on that stakeholder's response, we believe that the "Metered Demand – HV" market segment in all of WPD's licensee areas were affected. WPD is eligible for penalties in all of these market segments.

### *Consultation questions*

1. Do you consider that WPD provided reasonable justification for delaying the completion of its commitment to implement new policies and procedures as required to improve the self-connect process for HV customers, or to revise its proposals and present the updates to its Independent Connection Provider (ICP) and IDNO stakeholders?
2. Do you think that WPD's target to deliver this commitment in the year 2016-17 was ambitious?
3. In your experience, how does WPD's facilitation of self-connection for HV customers compare with other DNOs' service?
4. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

### *Minimum criteria potentially not met (2)*

The DNOs must demonstrate that they have implemented a robust and comprehensive strategy for engaging with connection stakeholders. If not, they must provide reasonable and well-justified reasons.

### *Reasons*

Two councils responded to our 2017 stakeholder consultation, indicating that they had had difficulties in their engagement with WPD over the development of the councils' plans for their regions. They reported that the information that WPD had shared with them was not detailed enough to usefully inform their strategic plans. The respondents highlighted that, while they make plans for their areas up to 15 years in the future, WPD's plans only covered 5 years into the future.

### *Affected market segments*

Based on these responses, we believe that the "Metered Demand – LV", "Metered Demand – HV" and "Unmetered connections – LA work" market segments in WPD's East Midlands and West Midlands licensee areas were affected. For both of these licensee areas, WPD is only eligible for penalties in the "Metered Demand – LV" and "Metered Demand – HV" market segments.

*Consultation questions*

5. Do you consider that WPD implemented a comprehensive and robust engagement strategy for engaging with its local authority stakeholders? If not, do you consider that WPD provided reasonable and justified reasons?
6. What specific actions did you expect WPD to complete in order to deliver a robust and comprehensive engagement strategy for engaging with local authorities that was not completed?
7. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

**Overall potential penalty**

The combined penalty for the points mentioned above are currently **£2.09m**.

## Annex 7 - Summary of issues

The table below summarises the issues we have identified with the DNOs' performance in 2016-17.

Licensee	Summary of reasons
<b>Electricity North West Limited (ENWL)</b>	
	ENWL missed some targets set in its work plan and did not provide justification. These relate to time to connect targets and customer satisfaction scores
	Last year, a stakeholder indicated that it would like ENWL to include a commitment to providing a single point of contact for connection customers in its work plan. ENWL did not update its work plan to reflect this request, and did not explain why.
<b>Northern Powergrid (NPg) – Both licensee areas</b>	
	A stakeholder reported that in its engagement with NPg it has asked NPg to offer contracts for emergency response cover for IDNOs. NPg did not update its 2016-17 work plan to reflect this and appears not to have engaged with the stakeholder on this issue.
<b>Scottish Power (SPEN) – Both licensee areas</b>	
	Last year, stakeholders indicated that SPEN's engagement strategy was not reaching a broad range of customers. This year, stakeholders reported a range of issues with SPEN's engagement with them. Scottish Power Manweb
	SPEN committed to further developing its emergency response cover and implementing it where commercially practical and reported the action as delivered. However, a stakeholder indicated that it had not been able to agree terms with SPEN due to poor engagement on the matter.
<b>SSE Networks (SSEN)</b>	
Scottish Hydro Electric Power Distribution	Several issues were raised in relation to SSEN's engagement over the past year: <ul style="list-style-type: none"> <li>• There are many departments and layers of management within SSEN, making it unclear who is responsible for each of the processes involved in getting a connection.</li> </ul>
Southern Electric Power Distribution	<ul style="list-style-type: none"> <li>• Customers have no contact in SSEN with whom they can raise issues, while with WPD they have lots of contacts.</li> <li>• Three stakeholders found that SSEN were not responsive to issues that were raised at their engagement events.</li> </ul>
Scottish Hydro Electric Power Distribution	A stakeholder believed that SSEN failed to complete five of the actions marked as complete in its work plan of activities. These were: <ul style="list-style-type: none"> <li>• Project evaluation card</li> <li>• Produce guidance document for laying cable</li> <li>• Make GIS mapping 'shape' files available to all customers</li> <li>• Provide an explanation for reinforcements costs in quotations</li> <li>• Create process flow chart for tasks to be undertaken to deliver your connection after project acceptance.</li> </ul>
Scottish Hydro Electric Power Distribution	Last year a stakeholder requested that SSEN include a commitment to providing contracts for emergency response cover in its 2016-17 work plan, and another stakeholder requested that it include a

Southern Electric Power Distribution	commitment to address constraints in Oxfordshire. SSEN did not update its work plan to include these commitments. This year, a stakeholder stated that it had been frustrated by an inability to agree terms for emergency response cover with SSEN. SSEN included a commitment to provide emergency response cover in its 2017-18 work plan, but it did not justify why it had not included this as a commitment for the previous year. SSEN did not update its work plan with any actions relating to constraints in Oxfordshire, and it did not provide justification.
<b>UK Power Networks (UKPN)</b>	
London Power Networks	<p>There were four issues raised by stakeholders last year that UKPN did not include in its updated work plan or provide justification for not doing so.</p> <ul style="list-style-type: none"> <li>Investing in the ageing last mile network</li> <li>Improving connection time by 20%</li> <li>Monthly publishing of heat maps</li> <li>Standardisation of land rights (such as wayleaves and easements)</li> </ul>
South Eastern Power Networks	
Eastern Power Networks	
London Power Networks	<p>Two of the actions in UKPN's 2016-17 work plan were not completed and it appears that another may have been delayed. UKPN did not provide any justification for these actions not having been completed. The incomplete and delayed actions were:</p> <ul style="list-style-type: none"> <li>Complete Disconnections pilot and transfer to business as usual (BAU)</li> <li>Complete unmetered overhead line connections pilot and transfer to BAU</li> <li>Develop, introduce and report on a set of voluntary standards for the provision of quotes for UMC work</li> </ul>
South Eastern Power Networks	
Eastern Power Networks	
Eastern Power Networks	A local authority expressed dissatisfaction with UKPN's engagement. The stakeholder reported that UKPN had been unsupportive of its efforts to produce strategic plans for its area. The stakeholder felt that UKPN had failed to align its planning horizons with those of local authorities, and failed to provide useful guidance on where it might be possible to connect without requiring a feasibility study.
London Power Networks	<p>UKPN committed to introducing contracts for providing emergency response cover for IDNOs. It has reported that the delivery of this commitment has been delayed. It justified this by stating that it was an ambitious target to achieve a complex deliverable in the time it allowed itself. We are consulting on whether stakeholders think this is a good and reasonable justification.</p>
South Eastern Power Networks	
Eastern Power Networks	
London Power Networks	<p>UKPN committed to providing a single point of contact for connection customers and to reducing its time to quote. It reported that it had achieved these commitments, but a stakeholder reported that it did not think UKPN had done so.</p>
South Eastern Power Networks	
Eastern Power Networks	
<b>Western Power Distribution</b>	
Western Power Distribution South West	<p>WPD included a commitment in its 2016-17 work plan to implement new policies and procedures to improve the self-connect process for HV customers. WPD reported that this commitment had not been completed, and would be carried forward to the next year. One stakeholder reported that it does not consider that WPD has provided a reasonable justification of why this commitment was not achieved on time.</p>
Western Power Distribution South Wales	

Western Power Distribution West Midlands	
Western Power Distribution East Midlands	
Western Power Distribution East Midlands	
Western Power Distribution West Midlands	
	Two councils indicated that they had had difficulties in their engagement with WPD over the development of their plans for their regions. They reported that the information that WPD had shared with them was not detailed enough to usefully inform their strategic plans.

## Annex 8 - Summary of potential financial penalties<sup>7</sup>

Licensee	Maximum potential penalty under the ICE (£m)*	Max. penalty per market segment (£m)	Number of market segments where penalties may apply for 2016/17	Penalty (£m) that we are consulting on for 2016/17
<b>2012/13 prices</b>				
Electricity Northwest	0.62	0.31	2	<b>0.62</b>
Northern Power Grid (Northeast)	1.84	0.23	2	<b>0.46</b>
Northern Power Grid (Yorkshire)	2.48	0.31	2	<b>0.62</b>
Scottish Power Distribution	2.17	0.31	3	<b>0.93</b>
Scottish Power Manweb	2.31	0.33	5	<b>1.65</b>
Western Power Distribution East Midlands	2.00	0.40	2	<b>0.80</b>
Western Power Distribution South West	1.68	0.28	1	<b>0.28</b>
Western Power Distribution South Wales	1.33	0.19	1	<b>0.19</b>
Western Power Distribution West Midlands	2.05	0.41	2	<b>0.82</b>
London Power Networks	1.50	0.30	5	<b>1.50</b>
South Eastern Power Networks	1.24	0.31	4	<b>1.24</b>
Eastern Power Networks	1.88	0.47	4	<b>1.88</b>
Scottish Hydro Electric Power Distribution	1.80	0.20	4	<b>0.80</b>
Southern Electric Power Distribution	2.94	0.42	5	<b>2.10</b>
Total overall penalty (£m) 2016/17	<b>25.84</b>			<b>13.89</b>

\* In the 2014 Competition Test<sup>8</sup>, we identified market segments in each licensee area in which competition for the contestable components of connection work was operating effectively. The DNOs are allowed to earn an unregulated margin in these market segments, since customers can choose to commission connection work from the DNOs' competitors. The ICE is designed to emulate the effects of competition to encourage the DNOs to engage with their large connections stakeholders. In market segments where competition is working effectively, this mechanism is not required. For that reason, we cannot apply a penalty in a market segment where the DNO is allowed to earn an unregulated margin.

The number of market segments considered not to be competitive, and where we may apply penalties, is different for each DNO – based on our Competition Test of the connections market. There are nine overarching market segments. Penalties are applied per market segment where the DNO has not met the minimum criteria.

<sup>7</sup> In 2012/13 prices. See Part C of Licence CRC 2E - <https://www.ofgem.gov.uk/ofgem-publications/92964/crcslowtrackmaster.pdf>

<sup>8</sup> Competition in connections October 2014 update - <https://www.ofgem.gov.uk/ofgem-publications/90592/octoberupdatecompetitioninconnectionsreview.pdf>

## **Annex 9 – 2016-17 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 Energy Network: [LINK](#)
- UK Power Networks: [LINK](#)
- Western Power Distribution: [LINK](#)

**Annex 10 – Summary of ICE Relevant Market Segments**

<b>Metered Demand Connections</b>	Low Voltage work (LV): LV connection activities involving only LV work, other than in respect of the Excluded Market Segment.
	High Voltage work (HV): LV or HV connection activities involving HV work (including where that work is required in respect of connection activities within an Excluded Market Segment).
	HV and Extra High Voltage work (EHV): LV or HV connection activities involving EHV work.
	Extra High Voltage work and above (EHV+): extra high voltage and 132kV connection activities.
<b>Metered Distributed Generation</b>	Low Voltage work (LV): low voltage connection activities involving only low voltage work.
	HV and EHV work (EHV): any connection activities involving work at HV or above.
<b>Unmetered Connections</b>	Local Authority (LA) work: new connection activities in respect of LA premises.
	Private finance initiatives (PFI) work: new connection activities under PFIs.
	Other work (Other): all other non-LA and non-PFI unmetered connections work.

The ICE is designed to capture performance in the Relevant Market Segments of the local connections market as outlined in the table above. The local connections market is defined as the market that exists for the procurement and provision of Connection Activities within the Licensee’s distribution area.