

All interested parties and
stakeholders

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Date: 1 December 2017

Consultation on revised reliability (loss of supply) targets for RIIO-GD1

Summary

In our recent MPR parallel work decision¹, we identified defects in the gas distribution networks' targets for the number and duration of planned and unplanned interruptions. For example, some of the targets omitted certain types of interruptions or contained other errors and were therefore likely to be unachievable. We were concerned that leaving these targets as they are would not encourage the right behaviour or reveal useful information that would assist us in setting the next price control. We therefore decided that we would amend these targets.

This consultation sets out what we think the new targets should be, and seeks your views on these. The targets in question are not part of any financial incentive or licence obligation but are still important as a reputational incentive to drive service improvement.

Background

At the start of the current gas distribution price control (RIIO-GD1) we set targets for each gas distribution network (GDN) for the number and duration of planned and unplanned interruptions of gas supply to consumers.² The aim of this output is to drive GDNs to reduce the impact of interruptions on consumers. The targets were set for the full eight years of RIIO-GD1, from 1 April 2013 to 31 March 2021. In addition to these targets, we expect companies to proactively engage with consumers to minimise the inconvenience caused by interruptions.

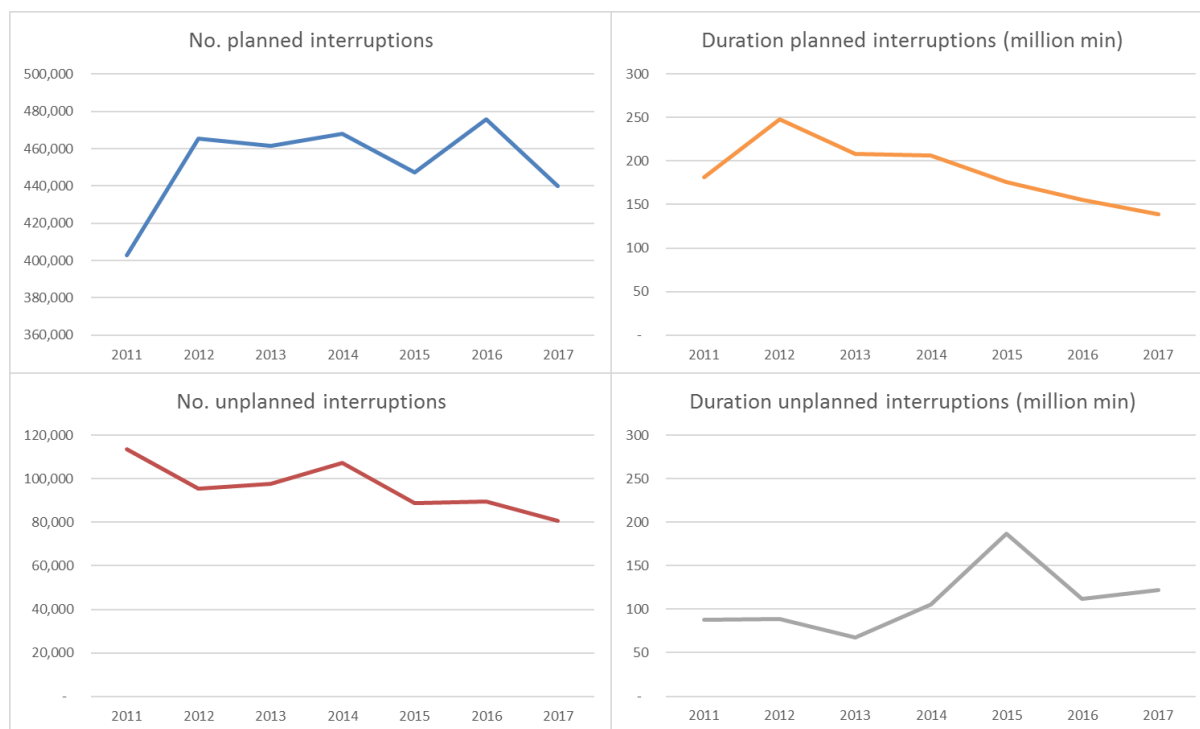
We decided as part of our MPR parallel work that it is in consumers' interest to revise the current RIIO-GD1 targets because we don't think they were set correctly in all cases, and because revising them now will ensure the GDNs have realistic and challenging targets to strive for. Within RIIO-GD1, we expect this to promote the right behaviour and help reduce the impact of interruptions on consumers. We also expect this to assist us in setting the next price control, by enabling us to better track actual performance against reasonable targets over time. We can reconsider the targets at the appropriate time when considering the next price control.

¹ <https://www.ofgem.gov.uk/publications-and-updates/mpr-parallel-work-decision>

² In the price control this output is called Reliability (Loss of Supply). The current RIIO-GD1 targets are set out in Table 7.1 of [RIIO-GD1 Final Proposals Supporting Document – Outputs, incentives and innovation](#).

For context, GDNs' performance trend for the past seven years is shown in Figure 1.

Figure 1: Industry trend in reliability (loss of supply)³



Proposed revised targets

We have worked with the GDNs over recent months to establish new targets that we could consult on. WWU told us that it does not want new targets. It is on track to meet its original targets and we welcome the efforts it has made to date to improve interruptions performance in its network. We believe these targets are suitably challenging and we are not proposing to change them.

The other GDNs submitted revised forecasts to us, which we assessed for reasonableness. We liaised with the GDNs to understand what was driving their forecasts, and whether amendments needed to be made before establishing the new targets. Our aim was to ensure the forecasts would lead to challenging eight-year targets that will drive improvement for the remaining years of RIIO-GD1, but that are realistic so that companies are encouraged to achieve them.

Our aim is to ensure that the new targets are reasonable and challenging. For planned interruptions, we compared the GDNs' proposals to their iron mains replacement work programmes to ensure that the profiles followed expected trends (eg higher planned interruptions when more replacement of assets will be occurring). For unplanned interruptions, we compared the GDNs' proposals against average annual performance in the previous price control (GDPCR), as well as RIIO-GD1, to ensure that the GDNs' targets encourage improvement over time.

Table 1 sets out revised targets which we propose to put in place for the duration of RIIO-GD1. The table includes current RIIO-GD1 targets, our proposed revised RIIO-GD1 target

³ An estimate for annual large events (those affecting over 250 customers) has been excluded from 2011-2013 data. Actual large events have been excluded from 2014-2017 data.

and two values for comparison. The first is the average number of reliability (loss of supply) events over the previous price control, GDPCR, adjusted for an eight-year period. The second is the average number of these events so far in RIIO-GD1 adjusted for an eight-year period. Both figures exclude large events⁴. These were used to judge the reasonableness of the new targets.

In some cases the revised targets are higher than they were previously, which is consistent with what we expected at the time of our MPR parallel work decision. This is because we don't think the existing targets are realistic and therefore aren't encouraging the right behaviour. In most cases the targets for unplanned interruptions are more challenging than RIIO-GD1 performance to date, but in some cases they are not. Where targets are less challenging than RIIO-GD1 performance to date, they are still more challenging than the GDPCR performance. We think this is reasonable because, in these cases, we have seen a step change in performance between the last price control and this one.

When originally setting RIIO-GD1 targets we decided that large events (those affecting over 250 customers) would be excluded. This decision was based on the fact that large events can have a significant effect on the overall number and duration of gas supply interruptions⁵. As we still think that this is a reasonable approach, we do not propose to review that decision at this time. We still consider it important that companies take appropriate steps to manage the risks associated with large events. When assessing the reasonableness of the proposed targets we looked at historical data excluding large events.

In addition, based on feedback from Cadent, we said in our MPR parallel work decision that we would consider the treatment of interruptions at multiple occupancy buildings (MOBs) eg high-rise apartment blocks, when reviewing these targets. The proposed targets, below, include MOB interruptions. We recognise different GDNs have different experiences with MOBs and take different approaches to them. However, we don't think consumers in MOBs should be treated differently to other consumers and we expect GDNs to be working to reduce the impact of interruptions for all consumers. We expect Cadent to take proactive and innovative steps to reduce the duration of interruptions at MOBs.

Table 1: Proposed RIIO-GD1 target for reliability (loss of supply)⁶

GDN		Metric	Current RIIO-GD1 target	Proposed RIIO-GD1 target	Applying GDPCR annual average over 8 years exc. large events	Applying RIIO-GD1 to date annual average over 8 years exc. large events
Cadent	EoE	No. planned	657,504	585,934	632,000	585,268
		Duration planned	307	213	275	215
		No. unplanned	106,922	98,513	83,976	112,612
		Duration unplanned	50	73	37	142
	Lon.	No. planned	409,561	472,436	394,720	456,732

⁴ Duration targets measured in million minutes. GDPCR and RIIO-GD1 run rate averages calculated using the annual average applied over 8 years. Actual large events have been excluded from RIIO-GD1 data. An average of large events has been excluded for GDPCR.

⁵ Proportionally large events have more of an effect in gas distribution than electricity distribution because overall electricity distribution customers experience more non-large interruptions and more minutes lost due to non-large supply interruptions.

⁶ See footnote 4

GDN		Metric	Current RIIO-GD1 target	Proposed RIIO-GD1 target	Applying GDPCR annual average over 8 years exc. large events	Applying RIIO-GD1 to date annual average over 8 years exc. large events
		Duration planned	256	191	352	194
		No. unplanned	88,605	95,615	99,629	103,457
		Duration unplanned	111	428	90	457
	NW	No. planned	551,735	476,237	501,291	466,586
		Duration planned	286	170	219	167
		No. unplanned	101,591	91,566	102,309	94,813
		Duration unplanned	78	63	66	69
	WM	No. planned	401,054	377,826	323,371	375,162
		Duration planned	200	153	131	149
		No. unplanned	70,575	60,506	69,733	63,866
		Duration unplanned	48	47	53	55
	NGN		No. planned	407,690	517,170	434,616
Duration planned			218	170	238	163
No. unplanned			67,040	103,677	85,244	103,754
Duration unplanned			63	47	59	49
SGN	Sc.	No. planned	282,335	237,823	256,043	234,672
		Duration planned	98	91	94	90
		No. unplanned	17,217	48,164	82,399	44,526
		Duration unplanned	121	51	93	38
	So.	No. planned	686,526	708,000	608,064	706,184
		Duration planned	245	278	304	283
		No. unplanned	69,417	162,256	207,359	158,670
		Duration unplanned	181	177	186	168

Next steps

We seek your views on this consultation. Please email your response to Tessa Hall (Tessa.Hall@ofgem.gov.uk) by **8 January 2018**.

We will publish all non-confidential responses on our website (www.ofgem.gov.uk). You can request that your response, or part of it, is kept confidential and if you choose to do so please clearly mark your documents to that effect.

We will consider all responses to this consultation when coming to a final decision. Following the publication of our decision early 2018, the revised RIIO-GD1 targets will replace the existing RIIO-GD1 targets and cover the whole RIIO-GD1 period.

Yours sincerely,



Geoff Randall,
Associate Partner, RIIO Gas Networks
Networks Division