

Worst Served Customers Allowance Governance Document v1.3

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As part of the RIIO-ED2 price control, we have implemented a use-it-or-lose-it (UIOLI) allowance to enable the DNOs to carry out works for the specific purpose of improving reliability for worst served customers (WSC). The purpose of this document is to set out the purpose and reporting obligations that the Distribution Network Operators (DNOs) must comply with in relation to their WSC UIOLI allowances.

It is the responsibility of each DNO to understand the provisions of the Governance Document and how they apply to its activities. This Governance Document comes into effect on 1 April 2023.

This document is version 3 of the WSC Governance Document referred to under Part B of Special Condition 3.4 of the DNO's Electricity Distribution Licence.

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Contents

1. Introduction.....	4
The WSC Governance Document	4
Compliance	4
Review	4
2. Scheme eligibility.....	5
Unspent allowances.....	5
3. Annual reporting requirements	6
Reporting to Ofgem.....	6
Reporting to stakeholders	7
4. Glossary	8

1. Introduction

- 1.1 The WSC allowance provides UIOLI funding for the DNOs to undertake schemes that specifically aim to reduce the number of interruptions WSC experience.
- 1.2 Each Network Licensee's WSC allowances are set out in Appendix 2 of Special Condition 3.4 of their Electricity Distribution Licence.

The WSC Governance Document

- 1.3 This document is the WSC Governance Document, which sets out the eligibility requirements of the WSC allowance and the reporting obligations that underpin it.
- 1.4 In this document, we use the terms 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

Compliance

- 1.5 The DNOs are required by Special Condition 3.4.13 to comply with this document.
- 1.6 This document does not relieve the DNOs from their responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

Review

- 1.7 Ofgem may from time to time revise this WSC Governance Document by direction in accordance with Special Condition 1.3 (Common procedures).

2. Scheme eligibility

- 2.1 The WSC allowance is provided for the DNOs to carry out works that specifically seek to reduce the number of interruptions WSC experience.
- 2.2 We have not set a minimum number of WSC per Scheme or a cap on the cost per customers, as this would mean that some WSC might never receive service improvements. However, to be eligible, a scheme needs to have at least one WSC connected at the time it is identified and be forecast to reduce the number of interruptions they experience.
- 2.3 The DNO must by 1 June 2023, publish the methodology that it will use for identifying schemes to reduce the number of interruptions WSC experience, including their approach to optioneering and how they are costed. This will give stakeholders confidence that the DNO is applying a structured and cost-efficient approach to designing solutions for their WSC.
- 2.4 The DNO must annually review its methodology to ensure it is current, and where appropriate update the published version.
- 2.5 The WSC allowance is not conditional on ex-post proof of benefits for a specific number of WSC, in recognition of the fact WSC can change year-on-year. However, DNOs must follow their published methodology and report to Ofgem (via the RIGs) and stakeholders (by the methods outlined in this document) on progress with WSC-related schemes.

Unspent allowances

- 2.6 In the event that the full WSC allowance is not spent on eligible schemes by the end of RIIO-ED2, the unspent proportion of the allowance will be returned to customers without application of the Totex Incentive Mechanism.

3. Annual reporting requirements

Reporting to Ofgem

- 3.1 The DNO must report to Ofgem on the WSC schemes it is carrying out, as part of the Regulatory Reporting Pack (RRP). The detailed instructions for how to fill out M3 of the RRP are set out in the RIIO-ED2 Regulatory Instructions and Guidance. The data required is summarised in Table 1 below.

Table 1: Summary of reporting metrics

Information required	Description
Total number of WSC in a year	The number of customers that qualify as WSC as of the regulatory year ending on 31 March of the stated year
Reporting per scheme	
Scheme Reference Number	A unique DNO chosen identification number for the scheme
Year qualified	The regulatory year ending where the scheme qualified under the WSC framework
Name of scheme	A unique identifier/ location of the scheme based on how the DNO records such data
Description	A narrative of the work to be undertaken as part of the scheme. This should be limited to no more than two sentences
Number of WSC planned scheme is expected to benefit	The number of WSC that the scheme that was planned is expected to benefit
Expected completion date	The expected regulatory year ending that the scheme will be completed in
Expected cost (£k)	The estimated cost of the scheme
Scheme status	Planning – scheme is being planned, including any consents being obtained Delivery – scheme is being delivered ie construction has commenced Completed – scheme delivery has completed
Number of WSC that the delivered scheme is intended to benefit	The number of WSC that the scheme that was actually delivered is expected to benefit

Reason for variance between planned scheme benefit and delivered scheme benefit, if required	A short narrative outlining the reason for any difference between the number of WSC that the scheme actually delivered is intended to benefit compared to the number of WSC that the planned scheme was expected to benefit.
Actual delivery date	The actual regulatory year that the scheme was completed in
Costs	Annual costs of the scheme

Reporting to stakeholders

- 3.2 The DNO must publish by 31 October each year (from 2024 to 2028) information about the schemes it is undertaking for its WSC on its website, so it is transparent for stakeholders the activities it is carrying out to improve outcomes for WSC. The DNO should ensure it is provided in an easily understandable format.

4. Glossary

Regulatory Instructions and Guidance (RIGs)

The collection of documents issued by Ofgem to the DNOs to enable them to complete the reporting requirements associated with the RIIO-ED1 price control arrangements. It includes excel reporting packs, instructions and guidance, commentaries and this document – the glossary.

Regulatory Reporting Pack (RRP)

The data templates that DNOs use to report to Ofgem the information required under the RIGs.

Scheme

Distinct named piece of work that aims to deliver a reduction in the number of interruptions for an identified set of customers.

Totex Incentive Mechanism

The mechanism within the ED2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between:

- (a) the licensee's Totex Allowance; and
- (b) the licensee's actual totex expenditure.

Worst Served Customer (WSC)

A Customer experiencing on average at least four interruptions at Higher Voltage Distribution per Regulatory Year, over a three Regulatory Year period (ie 12 or more over three Regulatory Years), with a minimum of two interruptions per Regulatory Year.

WSC Allowance

The total revenue allowance set out in each DNO's licence (Appendix 2 of Special Condition 3.4).