

7 February 2001

Dear Colleague,

Information and Incentives Project (IIP): Final version of Regulatory Instructions and Guidance (RIGs)

Introduction

Please find enclosed a final version of the Regulatory Instructions and Guidance (RIGs) which Ofgem is today publishing as part of the Information and Incentives Project (IIP). The RIGs set out detailed definitions and related instructions and guidance for the reporting of IIP information. In drawing up the final version we have considered carefully the written responses that we received to the draft RIGs which were published in December 2000. We have also met with a number of the distribution businesses to discuss their responses in more detail.

The RIGs set out the reporting requirements that the ex-Public Electricity Supply (PES) distribution businesses will be expected to meet under the IIP for the reporting year beginning in April 2001. The RIGs are specific to the IIP. They do not replace other reporting requirements placed on distribution businesses. Over the course of the next year, Ofgem will review the existing reporting requirements including information provided as part of Condition 9 and the Guaranteed and Overall Standards of Performance with the aim of removing any duplication. Appendix 1 sets out a summary of the main points made in the responses to consultation and Ofgem's response as reflected in this version of the RIGs.

The remainder of this letter provides more detail on some of the other IIP related issues, which Ofgem has been considering since September, in particular:

- ◆ the process for developing a customer survey;
- ◆ the recovery of costs associated with introducing an LV connectivity model;
- ◆ the timetable for introducing the licence condition;
- ◆ the provision of information during the course of 2001/02; and
- ◆ the approach to audit for information collected as part of IIP (set out in Appendix 2).

The process for developing a customer survey

Ofgem is in the process of recruiting consultants to undertake the survey of customers' views of the quality of telephone response that they receive when they contact the distribution business. Following their appointment, Ofgem expects to hold a joint meeting with all of the distribution business and the consultants to discuss the survey, including the questionnaire to be used and the arrangements for the provision of customer information. Ofgem will also want to speak to customer representatives about taking this work forward.

Recovery of costs associated with introducing a LV connectivity model

Size of allowance

The IIP final proposals document on defining output measures and monitoring delivery between reviews (September 2000) indicated that it might be appropriate to make a one-off allowance of £0.50 per customer to reflect the additional costs of introducing an LV connectivity model. Some respondents to the final proposals, including customer representatives and suppliers, argued that an allowance should not be made or that it should be lower than £0.50 per customer. Distribution businesses generally argued that the costs of introducing LV connectivity were higher and that a larger allowance should be made. Some of the distribution businesses also argued that an allowance should be made to meet the ongoing costs of maintaining the connectivity model.

The arguments set out in the final proposals document remain valid. It will be appropriate to consider, at the time of the next price control review, distribution business operating costs, including any ongoing costs associated with maintaining an LV connectivity model. In the light of this, Ofgem intends to make a one-off allowance of £0.50 per customer to cover the costs of introducing LV connectivity.

Method of recovery

The final proposals document indicated that it would not be appropriate for distribution businesses to recover the allowance from customers and then subsequently to delay the introduction of a LV connectivity model. In addition, the benefits that would accrue from the introduction of a LV connectivity model will only be realised if it is populated with accurate and reliable data. As such, it would not be appropriate for companies to recover the allowance before Ofgem has satisfied itself that the required levels of accuracy for reporting have been met. Once Ofgem is satisfied that an LV connectivity model has been put in place, which has been demonstrated via the audit process to meet the required levels of accuracy, distribution businesses will be allowed to recover the allowance from the twelve months commencing 1 April of the following year. Ofgem will need to consider the most appropriate way of reflecting the recovery of the allowance within the price control.

The timetable for introducing the IIP information licence condition

Ofgem intends to consult for a statutory 28 days (a Section 11 notice) on the proposed licence condition to implement the new reporting framework, including arrangements for the audit of IIP information, in the middle of February. Thereafter, subject to the outcome of the consultation, it will be included in Part C of the standard distribution licence due to be determined by the Secretary of State following the enactment of the

Utilities Act 2000. In the event that the standard licences do not take effect until after 1 April, Ofgem will modify the existing PES licences to incorporate the IIP licence condition so that the new reporting arrangements are in place for the beginning of the reporting year.

The provision of information during the course of 2001/02

The draft RIGs set out Ofgem's intention to collect information part way through 2001/02. This has been removed from the RIG. It still remains Ofgem's intention to collect this information from the distribution businesses, which will be used to inform the development of the incentive scheme. The scope of the information likely to be sought includes the number and duration of interruptions to supply including re-interruptions and the speed of telephone response.

If you have any questions about the content of this letter, the RIGs or IIP more generally please contact Cemil Altin on 020 7901 7401.

Yours sincerely

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APPENDIX 1 Summary of responses to RIGs

Set out below is a summary of responses of some of the key issues that have been raised by respondents to the draft RIGs, together with a brief response summarising Ofgem's views (in italics). Also highlighted are some of the other changes that have been made to the RIGs.

Section 1: Introduction

The changes that have been made to this section are mainly presentational to reflect the fact that the document is now a final version. Some other minor changes have been made to make the RIGs consistent with the proposed new standard distribution licences, such as the use of the term "distribution service provider" (paragraph 1.2)

Section 2: Detailed definitions, instructions and guidance for reporting the number and duration of interruptions to supply

A number of changes have been made to improve the clarity, drafting and presentation of this section.

The September 2000 final proposals document indicated that Ofgem intended to collect information on the number of re-interruptions to supply. This was necessary in order to compare the new definition of customers interrupted with the customer interruption targets set as part of the distribution price control review. A specific definition for measuring re-interruptions to supply has now been included in the RIGs.

Issues raised by respondents

Key definitions (paragraph 2.3)

One company suggested that the key definitions of the number and duration of interruptions to supply and short interruptions to supply should include the word "connected" before customer in the numerator and that the denominator should be defined as "the total number of customers".

The definition of a customer in the RIGs has been modified to provide the appropriate clarification. The denominator has been changed to reflect the suggested drafting.

One company suggested that further clarification needed to be provided to indicate that the number of interruptions excludes re-interruptions to supply; and that the wording "for all incidents" in the numerator should be changed as it could be misinterpreted.

The reference to excluding re-interruptions to supply has been included. It is not necessary to include additional clarification relating to the wording "for all incidents" as the RIGs define an incident as an occurrence that results in an interruption to supply of more than three minutes.

Definition of a customer (paragraph 2.3)

Some companies argued that there should be separate definition of a metered connection point. One respondent suggested that de-energised customers should not be

included in the definition of a customer as it is not relevant in reporting interruptions to supply.

The definition of a customer has now been clarified and it is not necessary to specify a definition for a metered connection point. Ofgem has decided not to require companies to identify separately de-energised customers. Some companies may not be able to identify all de-energised customers. As a result this could lead to inconsistency in reporting between companies.

Definition of a re-interruption to supply (paragraph 2.3)

One company suggested that further clarification needed to be provided for the treatment of non-damage and intermittent faults in the definition of a re-interruption to supply.

Clarification in this area has now been included.

Definition of an incident start (paragraph 2.3)

Some companies suggested that it was not appropriate to include the drafting “the time at which customers lose normal supply” as normal supply had not been defined and was not relevant.

This definition has been changed and now reads “the time at which customers experience an interruption to supply”.

Definition of an incident on the distribution system (paragraph 2.3)

One company commented that it should be recognised that there is a different definition of transmission activities in Scotland than in England and Wales and that reporting on 132 kV in Scotland was not applicable to the distribution businesses.

This has been changed so that the wording now refers to the standard distribution licence definition of a distribution system.

Definition of a pre-arranged incident (paragraph 2.3)

One company suggested that customers may agree to a pre-arranged incident even if less than 48 hours notice was given. Another respondent argued that the notification period should be 5 days.

The definition now recognises that there may be circumstances when customers agree to a period of less than 48 hours. Ofgem has not changed the notification period. The definition of a pre-arranged incident is consistent with the Electricity Supply Regulations and the proposed definition for the purpose of reporting on Guaranteed and Overall Standards of Performance.

Customers (paragraph 2.4)

One company argued that Ofgem should specify the applicable classes of MPANs that are relevant in defining a customer.

This is not necessary as companies need to agree with Ofgem in advance their approach for identifying customers from MPANs.

Date and time of an incident (paragraph 2.11-2.13)

A number of companies argued that it was not appropriate for a company to use a best estimate of the date and time of an incident when the actual date and time was not known, for example, by taking into account reports from customers and weather conditions.

Ofgem recognises that using best estimates could lead to inconsistency in reporting and that a more consistent approach would be to base the date and time of the incident on when a company actually becomes aware of the incident by any means. The RIGs have been modified accordingly.

Date and time of restoration stages (paragraph 2.19)

One company argued that further clarification needed to be provided in this area, including what would be deemed the longest temporary interruption.

Further clarification in these areas has been provided in the definitions/guidance for temporary connections; the use of mobile generation; re-interruptions to supply; and non-damage incidents.

Definition of LV Services (paragraph 2.31)

A number of companies suggested that further clarification needed to be provided in this area.

Ofgem has decided to link the definition of LV Services to the definition contained within the Electricity Supply Regulations (ESRs) or any successor documents.

Definition of short interruptions (paragraphs 2.34-2.37)

Some companies requested further clarification in this area and the ability to retain flexibility in the way in which short interruptions can be measured.

Further clarification has been provided and the required disaggregation made clearer.

Section 3: Detailed definitions, instructions and guidance for reporting on speed and quality of telephone response

Some changes have been made to improve the structure of this section. The requirement to provide information on the speed of response in time bands has been removed as this was more applicable to the proposed Overall Standard on telephone response which will be taken forward as a separate but related project to the IIP.

Definition of specified contact lines (paragraph 3.2)

One company argued that temporary customer contact points should not be included as it is unlikely that companies will have the technology on these lines to measure the speed of response.

Ofgem recognises that companies may not have the required level of technology on these lines. Companies have been requested instead to provide details in the accompanying narrative on the use of temporary customer contact points.

Definition of average speed of response (paragraph 3.5)

Companies argued that further clarification needed to be provided in this area.

An explicit definition using direct measurement to calculate the average speed of response has now been included. To ensure consistency companies are required to agree with Ofgem in advance any sampling or interpolation they intend to use to calculate the average speed of response. In addition Ofgem expects that companies will move to direct measurement as soon as practicable and they are requested to outline their plans for doing so in the accompanying narrative.

Definition of total calls answered (paragraph 3.7)

Some companies argued that the definition of a call answered needed to include an answer provided by an automated messaging system.

This change has been made.

All lines busy (paragraphs 3.8-3.10)

Some companies argued that this requirement was not clear and further details needed to be provided.

This section has been expanded.

Recorded messages (paragraph 3.12)

Some companies made a number of points in relation to the treatment of recorded messages, including that:

- ◆ “group announcement messages” needed to be taken into account;
- ◆ time customers which hang up during the automated fault message should not be considered as abandoned calls; and
- ◆ it was necessary to take account of the length of time of the message on touch-tone/interactive voice recognition (IVR) messages;

A number of changes have been made to the treatment of recorded messages, including:

- ◆ *an allowance for companies using group announcement messages has been made – companies are required to provide further details on the use of group announcement messages in the accompanying narrative;*
- ◆ *customers which hang up during the automated fault message should not be treated as an abandoned call as they should be expected to hang up once they have been provided with the information that they require; and*
- ◆ *a “grace period” of 15 seconds has been allowed for the provision of a message relating to touch-telephone/IVR messages.*

Section 4: Detailed definitions, instructions and guidance for monitoring medium term performance

A number of minor points of clarification have been made to this section in response to comments from the companies.

Issues raised by respondents

Introduction (paragraph 4.1)

Some companies argued that it is important that the framework for monitoring medium term performance (MTP) does not inhibit companies from making developments in this area.

Ofgem considers that the framework for MTP will develop over time and companies should be encouraged to report additional indicators and/or narrative that they consider relevant. In addition, companies can provide data at a more disaggregated level as long as it reconciles back to the categories that Ofgem has specified.

Narrative (paragraph 4.18)

One company expressed concern at the level of detail required in the narrative. For example, it argued that narrative should only be provided where there are significant and sustained changes in reliability.

The narrative provides an important opportunity for companies to explain the trends in reliability. Ofgem does not consider that it is appropriate that this should be limited to instances where there has been a significant and sustained change. For example, it may be necessary for companies to explain one-off changes caused by weather. In addition, it may not be possible to define "significant and sustained" appropriately.

Activity based information (paragraph 4.19)

Some companies argued that there it was not appropriate to extend any further the requirement to report activity based information.

At this stage the requirement to provide activity based information relates only to poorly performing assets where a replacement/refurbishment programme has been put in place. Requirements to provide further information in this area in the RIGs would be subject to the change process outlined in the IIP information licence condition.

APPENDIX 2 Outline approach to the audit of IIP information

Important notice

Ofgem has yet to tender for the appointment of auditors and it will, in due course, want to agree a detailed framework for the audit and work programme with its appointed auditors. This means that the framework specified below could be subject to change.

Introduction

Ofgem expects that the audit process will have two main stages, at least for the first two years of reporting under the IIP, namely an audit of:

- ◆ the companies' measurement systems to satisfy the regulator that they are capable of delivering the required levels of accuracy; and
- ◆ a sample of the information that has been submitted to satisfy the regulator that on an ongoing basis, the affect of network performance on the number and duration of interruptions to supply is being recorded to the required level of accuracy.

More detail on how these issues will be assessed and the scope of the audit process are set out below. In order to ensure a common standard of audit and to increase the level of consistency in the information that is submitted to the regulator, Ofgem will retain one set of auditors (across all companies) to look at all of the information required under the IIP. Detailed work programmes will be agreed with the appointed auditors prior to any work starting. Ofgem will ensure, where appropriate, that the work programmes and audit framework is consistent with the IIP licence condition.

There are a number of areas where it may be possible for inaccuracy to arise in the reporting of IIP information to Ofgem, including:

- ◆ having in place measurement systems that are based on inaccurate information and/or processes that are not robust or sound or consistently applied;
- ◆ not keeping measurement systems up to date for changes in the number and location of customers connected to the network and/or changes to the distribution network itself; and
- ◆ not applying the detailed definitions and guidance as outlined in the RIGs.

The auditors will examine all such aspects in forming a view on whether accuracy requirements for the reporting of IIP information have been satisfied.

Audit of the number and duration of interruptions to supply

The required levels of accuracy for reporting are set out in the table below.

Information	Required level of accuracy (%)	
	Low Voltage level	Overall level
Number of interruptions to supply	90	95
Duration of interruptions to supply	90	95

In assessing whether a company has met these levels of accuracy there will be a two-stage assessment. Companies are expected to pass both stages of the audit process if Ofgem are to be satisfied that the required levels of accuracy have been met.

Audit of measurement systems

The first stage will assess whether the measurement systems that a company has in place are capable of meeting the required levels of accuracy. It is important that the measurement systems are robust in design and application. Companies will use the outputs from the measurement systems for calculating the number and duration of interruptions to supply. This means that if the measurement systems are poor a company will not report accurately even if the outputs from the measurement systems match up exactly to the reports submitted to the regulator.

The audit of measurement systems will have a number of elements and will be a mix of process and numerical audits. These elements will be combined in coming to an overall assessment of whether the measurement system is capable of meeting the required levels of accuracy. In undertaking this work the auditors will need to use the information that the company has used to populate their measurement systems, for example, using mains records to assess whether customer information has been allocated to the right part of the network. Ofgem does not expect the auditors to base their opinions on information to which a company could not reasonably gain access.

Areas that Ofgem expects the auditor to check are set out in the list below, although it should be noted that this list is not necessarily exhaustive and could be subject to change. The auditors are likely to be expected to check:

- ◆ that customers have been identified in accordance with the approach agreed with Ofgem, taking into account multiple MPANs associated with some customers;
- ◆ that all primary MPANs have been captured in the measurement system, i.e. that all customers are included in the measurement system;
- ◆ the accuracy of the allocation of customer information to the right part of the network (including on an ongoing basis for new customers), this will include checks against mains records/other information used to allocate customers, including any models (or algorithms) that companies may have used;
- ◆ the process for updating customer numbers in the measurement system;
- ◆ the process for updating the measurement systems for permanent changes in the network;
- ◆ network information, such as the location of line and equipment (and their normal feeding arrangements) have been accurately captured in the measurement system;
- ◆ the process for recording and capturing incidents is robust and consistently applied ;
- ◆ the process for recording of restoration stage times is robust and consistently applied;

- ◆ the process for recording and reporting customer numbers is robust and consistently applied; and
- ◆ the company's own audit systems and reports.

Ofgem expects that auditors will take account of all these areas in coming to a judgement of whether a company's measurement systems are capable of meeting the required levels of accuracy. If a company performance is unsatisfactory in terms of one of the checks identified above, it does not necessarily mean that it will fail the overall audit of the measurement system. It may be appropriate in this instance for a company to demonstrate to the auditors the impact of its performance in terms of the overall audit assessment. It would be necessary for the auditors to form a view in this respect.

Audit of incident reporting

It is important that on an ongoing basis companies are using their measurement systems to report accurately on the number and duration of interruptions to supply. In other words it is necessary to check that the fault reports that the companies use to collate information on the number and duration of interruptions to supply correspond to the outputs expected from the measurement system and other relevant information.

Ofgem expects that the audit process will involve looking at a sample number of incidents at mainly the Low Voltage and High Voltage level to assess whether the information reported is in accordance and consistent with that which would be reported by the measurement systems. This will mainly involve looking at whether four main pieces of information have been reported accurately. The nature of this stage of the audit process will be numerical as it should be possible to calculate the levels of inaccuracy in reporting of each of the relevant elements. This is shown in the table below.

Audit area	Nature of audit
To check that incidents have actually been captured by the measurement system	Sample audit of customer no supply reports to relevant incident reports Sample audit that logged network events, e.g. alarms correspond to relevant incident reports
To check that the denominator (total customer numbers) in the output measures is reported accurately	This will be informed by the first stage of the audit process
To check that the number of customers reported as being affected by the incident are as expected from the measurement system	Check of fault reports against the number of customers that the measurement system identifies as being interrupted by a particular incident
To check that the time of the incident/restoration stages have been reported accurately against other relevant sources	Check of fault reports against customer no supply reports; network logs; and reports from field staff

The results from this audit will then be used to assess whether a company has met the required levels of accuracy.

At the LV level this will involve looking at the combined accuracy of the sample number of incidents that had been audited to assess whether the accuracy level of 90 per cent has been met. At the overall level this will involve looking at the combined accuracy of the sample number of incidents that had been audited (at LV, HV and EHV level) to assess whether the accuracy level of 95 per cent has been met. To create this combined accuracy measure, the results of the audits at each voltage level will be weighted by the

number of interruptions to supply contributed by each voltage level to the total number of interruptions.

In order to have a specific level of confidence in the overall accuracy measure, the auditors may need to look at a different number of incidents at each voltage level. It may also be necessary to look at a specific number of incidents in different groups or bands, where these are defined by the number of customers interrupted by an incident at each voltage level (e.g. looking at incidents that affected 1-10 customers; 11-20 customers etc). Ofgem is undertaking further work in these areas with statisticians before deciding on the number of incidents which will be audited. The results of this work will be taken into account in drawing up the work programmes with its auditors.

Audit of other IIP information

In addition to assessing the accuracy of the number and duration of interruptions to supply, the auditors will also be required to assess whether:

- ◆ the level of accuracy indicated by the companies for the reporting of short interruptions to supply is a reasonable estimate and to provide an assessment of the potential level of accuracy that could be achieved;
- ◆ the reporting of disaggregated information on the number of and duration of interruptions to supply is accurate and consistent with the definitions and guidance set out in the RIGs; and
- ◆ the information that Ofgem use to classify HV circuits is accurate and consistent with the definitions and guidance set out in the RIGs.

Audit of speed of telephone response

Ofgem will want to ensure that the information that it provided on the speed of telephone response is in accordance with the definitions and guidance set out in the RIGs. The auditors will also need to come to a judgement about the level of accuracy that a company is reporting to and whether any methods used for sampling and interpolation (where applicable) are in accordance with those agreed in advance with Ofgem.

APPENDIX 3 List of respondents to the draft version of the RIGs

Distribution businesses

East Midlands Electricity
GPU Power
London Power Networks
Northern Electricity Distribution
Scottish and Southern Energy
ScottishPower
SEEBOARD
TXU Europe Distribution
United Utilities
Western Power Distribution
Yorkshire Electricity

Others

British Gas Trading Limited