

Incentive on Connections Engagement (ICE) Guidance document

Background

1.1 Connecting customers to the network is a critical function of electricity distribution licensees (“licensees”) that delivers benefits both to individual customers and society more broadly. A good connection service that aligns with customers’ needs allows for new homes to be habitable, businesses to commence operations and distributed generators to export low carbon energy.

1.2 Through our¹ engagement with connection customers during the development of RIIO-ED1 it became apparent that the needs and demands of small, mainly domestic connection customers were different to the needs of larger, often commercial connections.

1.3 The aim of this incentive is to replicate the effects of competition and drive licensees to understand and meet the needs of major² connections customers (higher voltage metered demand, unmetered, distributed generation). This may be improving timeliness of connections, extending the provision of information or enhancing the overall customer experience. This incentive should give stakeholders access to each licensee’s high-level connection strategy and workplan of activities.

Scope of the incentive

1.4 The ICE is designed to capture performance in all Relevant Market Segments of the local connections market.³

1.5 For the purpose of this incentive, the Relevant Market Segments of the local connections market are either:

- a) each of the nine segments listed in Table 1, defined by reference to the nature and volume of the connection activities and the work associated with them; or
- b) any alternative segments proposed by a licensee that are agreed with us in accordance with Appendix 1 of CRC12 (Licensee’s Connection Activities: Margins and the development of competition) of the DPCR5 electricity distribution licence.

Table 1: Summary of Relevant Market Segments

Metered Demand Connections	Low Voltage (LV) Work: LV connection activities involving only LV work, other than in respect of the Excluded Market Segments.
	High Voltage (HV) Work: 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 (EHV) Work: LV or HV connection activities

¹ In this document the terms the “Authority”, “we”, “us” and “our” are used interchangeably.

² Major connections are connections in the Relevant Market Segments as specified in Table 1.

³ The local connections market is defined as the market that exists for the procurement and provision of Connection Activities within the licensee’s distribution services area (DSA).

	involving EHV work.
	EHV work and above: extra high voltage and 132kV connection activities.
Metered Distributed Generation (DG)	LV work: low voltage connection activities involving only low voltage work.
	HV and EHV work: any connection activities involving work at HV or above.
Unmetered Connections	Local Authority (LA) work: new connection activities in respect of LA premises.
	Private finance initiatives (PFI) Work: new connection activities under PFIs.
	Other work: all other non-LA and non-PFI unmetered connections work.

1.6 The ICE assesses performance in relation to both contestable⁴ and non-contestable⁵ connection activities.

1.7 In Relevant Market Segments where the licensee is able to earn an unregulated margin (in accordance with the provisions of CRC 2K (Margins on Licensee's Connection Activities)), the incentive will assess whether the licensee meets the assessment criteria in relation to non-contestable activities only. No penalty will apply in Relevant Market Segments where the licensee is able to earn an unregulated margin

1.8 The ICE does not capture performance in the Excluded Market Segments of the Local Connections Market (which is measured and incentivised under the RIIO-ED1 Time to Connect incentive and Customer Satisfaction Survey).

1.9 The Excluded Market Segments are summarised in Table 2 below.

Table 2: Summary of Excluded Market Segments.

Metered Demand Connections	Single LV work - Single LV single phase service connection.
	Small LV projects 2-4 LV single phase domestic services or for connections to 1-4 LV single phase domestic premises involving an extension to the LV network or a single two or three phase whole current metered connection (not requiring an extension to LV network).

Submission process

1.10 Each licensee must submit a report for each regulatory year (in accordance with paragraph 1.22, licensees may submit reports on a network company basis). We expect each licensee's report to be in two parts; one submitted at the start of the regulatory year and one submitted after the end of the regulatory year (in accordance with the timescales stated in Table 3).

Part One - Looking Forward report

1.11 Part One of the ICE submission should give connection stakeholders exposure to the licensee's high-level strategy for engagement, workplan of activities and key performance outputs for the forthcoming year.

⁴ Contestable activities are activities comprising or associated with the provision, modification, or retention of a connection to the licensee's Distribution System that may, in accordance with the licensee's Connection Charging Statement, be undertaken by persons other than the licensee, where those activities are fully funded by the customer.

⁵ Non-contestable activities are activities comprising or associated with the provision, modification, or retention of a connection to the licensee's Distribution System that may not, in accordance with the licensee's Connection Charging Statement, be undertaken by persons other than the licensee.

1.12 For the regulatory year in question, licensees are required to submit a report that demonstrates the following criteria:

- The licensee has a comprehensive and robust strategy for engaging with connection stakeholders;
- The licensee has a comprehensive workplan of activities (with associated delivery dates) to meet the requirements of their connection stakeholders. If not, the reasons provided are reasonable and well justified.
- The licensee has set itself relevant outputs that it will deliver during the regulatory year (eg key performance indicators, targets, etc); and
- The licensee's proposed strategy, activities and outputs have been informed and endorsed by a broad and inclusive range of connection stakeholders. If endorsement is not possible, licensees must provide robust evidence that they have pursued reasonable endeavours to achieve this.

1.13 Licensees are required to publish Part One submissions on their website. Submissions should be easy to locate and easy to read.

1.14 Licensees have an opportunity to update their Part One report during the regulatory year. If a licensee wishes to update their Part One report then the licensee must explain the reasons for resubmission (eg change in stakeholder requirements or business priorities).

Part Two – Looking Back report

1.15 Part Two of the ICE submission reviews licensee's performance against the strategy for engagement, workplan of activities and key performance outputs that the licensee set itself in the Part One or Updated Part One submission.

1.16 Licensees are required to demonstrate how they meet the following assessment criteria

- The licensee has published and submitted a Part One/Updated Part One submission in accordance with the criteria outlined in paragraph 1.12.
- The licensee has implemented their strategy for engaging with connection stakeholders, in line with their Part One/ Updated Part One submission. If the licensee has not implemented their strategy in line with their Part One/ Updated Part One submission, then the reasons provided are reasonable and well justified.
- The licensee has undertaken their Part One/ Updated Part One workplan of activities, in the agreed timescales. If not, the reasons provided are reasonable and well justified.
- The licensee has delivered the outputs stated in their Part One/ Updated Part One submission (eg key performance indicators, targets etc). If not, the reasons provided are reasonable and well justified.
- The licensee's strategy, activities and outputs have taken into account ongoing feedback from a broad and inclusive range of connection stakeholders. If not, the reasons provided are reasonable and well justified.

1.17 Licensees are required to publish Part Two submissions on their website. Submissions should be easy to locate and easy to read.

1.18 In assessing whether the licensee has met the assessment criteria, we need to be satisfied that the information presented in the submission is sound, robust and verifiable. Where appropriate, licensees must provide evidence to support their submission.

Gathering information from stakeholders

1.19 It is important that the licensee's strategy, workplan of activities and outputs are transparent and reflect the needs of major connection stakeholders. ICE submissions will be published on our website and feedback will be sought on licensee performance.

- a) Publish Part One: Once all Part One reports have been received, we will publish them on our website and views will be invited from stakeholders. Stakeholders and licensees will have at least 28 calendar days to respond. All non-confidential responses will be published.
- b) Publish Updated Part One: If we receive any revised submissions, we will publish Updated Part One submissions on our website and invite views from stakeholders. Stakeholders and licensees will have at least 28 calendar days to respond. We will publish all non-confidential responses.
- c) Publish Part Two: Once we have received Part Two submissions, we will publish them all on our website and invite views from stakeholders. Stakeholders and licensees will have at least 28 calendar days to respond. We will publish all non-confidential responses.

1.20 Outside of these formal consultation periods, we will continue to engage with stakeholders, to identify key issues and gather feedback on licensee performance (eg hosting events, commissioning research or where we have been made aware of specific issues, requesting information from licensees). Specific focus may be placed on licensees where we have concerns about the quality of their Part One/Updated Part One submission or licensees that are failing to deliver commitments made in their Part One/Updated Part One submission.

Assessment of ICE submissions

1.21 The ICE assessment process is highlighted below:

- a) Review licensee submission and consultation responses: An internal Ofgem panel will review whether the licensee meets the Part Two assessment criteria. The panel will assess each Relevant Market Segment separately.

The panel will review the Part Two submissions, and any supporting evidence provided by the licensee, but will also consider feedback received from external stakeholders.

If the panel considers that they require additional information, then they may undertake a further information gathering process. This process could take many different forms, it may involve consulting again with stakeholders, requesting further information from the licensee or evaluating licensee performance across related performance indicators (eg licence obligations).

- b) Penalty consultation: For those Relevant Market Segments where we consider that the licensee's Part Two submission has failed to meet the assessment criteria, we will issue a consultation specifying the reasons why they propose to issue a penalty and the proposed value of the penalty. Stakeholders and licensees will have, at least 28 calendar days to respond and we will consider all representations or objections received.
- c) Penalty decision: If we decide that a licensee has failed to meet the assessment criteria then we will issue a direction determining the level of any penalty in

accordance with CRC 2E (Incentive on Connections Engagement) and give reasons for their decision.

Reporting requirements

Format of the submissions

1.22 Licensees may make submissions on a network company or licensee basis. If a licensee decides to submit on a network company basis, then it is the network company's responsibility to demonstrate how the submission is relevant to all licence areas.

1.23 Licensees may make one submission for all Relevant Market Segments, separate applications for each Relevant Market Segments or a combination of both. If licensees decide not to submit separate applications for all Relevant Market Segments, then it is their responsibility to demonstrate how the submission is relevant to all market segments.

1.24 The format of the application and the use of graphics are flexible. There is no restriction on the font sizes used in submissions.

1.25 There is no fixed limit on the length of any submission. However consideration should be given to the purpose and length of the submission.

1.26 Submissions should be easy to read for all stakeholders. Interested parties should be able to easily understand the licensee's engagement strategy, workplan of activities and proposed outputs.

Timescales for reporting submissions

1.27 The deadlines for submitting the Part One, Updated Part One and Part Two submissions are outlined below:

Table 3: ICE submission deadlines

Submission	Deadline
Part One submission	30 April in the regulatory year in question
Updated Part One submission (if required) and reasons for resubmission	31 October in the regulatory year in question
Part Two submission	30 June in the regulatory year following the regulatory year in question.

1.28 We will not consider any submissions that are received after the deadline date, unless the licensee has prior consent from us for late submission.

1.29 All submissions should be emailed to Ofgem at connections@ofgem.gov.uk.