

Citizens Advice response to the Ofgem consultation on RII0-ED2 Distribution System Operation Incentive metrics



Summary

We welcome the opportunity to respond to this consultation as the statutory consumer voice for energy consumers in Great Britain.

We are disappointed that the performance outturn metrics for the Distribution System Operation (DSO) Incentive couldn't be refined sufficiently for inclusion within RIIO-ED2. We do recognise, however, the issues raised within the consultation which show difficulties in baselining and target setting. We recommend that work continues with Distribution Network Operators (DNOs) during RIIO-ED2 to capture data to enable baselining and target setting for RIIO-ED3. In particular, we would seek appropriate measures to be identified to be able to assess the value of increased monitoring of the Low Voltage (LV) network given the substantial consumer investment to enable this activity in RIIO-ED2.

We don't agree with the proposal to reallocate 20% of the overall DSO incentive to the performance panel. By doing so, the performance panel (which involves a subjective review of DNO-presented evidence) would be raised to 60% weighting whereas more objective measures would reduce to 40%. We therefore recommend that the 20% of outturn metrics incentive weighting should be allocated 50/50 to both the performance panel and the stakeholder survey resulting in final 50% weightings each to the performance panel and the stakeholder survey. By this means, there is a better weighting of a more objective measure. It will also mean that the views of those stakeholders affected by connections curtailment will be captured in a more formal metric given that the curtailment efficiency metric isn't to be introduced in RIIO-ED2.

Responses to questions

Q1. Do you agree with our recommendation not to switch on the FDt outturn performance metric during RIIO-ED2? Please explain why.

Agreed. There appears to be no consistency to set a baseline for this metric.

Q2. Do you agree with our recommendation not to switch on the SFt outturn performance metric during RIIO-ED2? Please explain why.

Agreed. However, it is disappointing not to find a suitable metric for this activity given the substantial sums of consumers' money being spent on visibility of the LV network during RIIO-ED2. The information presented in the consultation shows substantial issues with the originally proposed metric and also difficulties when the data is less granular (within the population of a primary substation). We recommend that further work should be undertaken during RIIO-ED2 to identify a means of assessing forecast accuracy using data at LV level (from substations and smart meters) for introduction in RIIO-ED3.

Q3. Do you agree with our recommendation not to switch on the CEt outturn performance metric during RIIO-ED2? Please explain why.

Agreed. However, again, it is disappointing not to have a measurement for this activity. As a substitute, we believe that the weighting of the stakeholder survey should be increased to be able to capture more weight in the feedback from some of the affected cohort of those subject to connections curtailment. We are recommending that the 20% that would have been attributable to all of the outturn metrics should be split 10% to the stakeholder survey and 10% to the panel (i.e. 50% in total to the stakeholder survey and 50% to the panel).

Q4. Do you agree with our alternative approach to continue with the metrics as a reporting requirement? Please explain why.

Agreed. It would be appropriate to collect such data to be able to set metrics for RIIO-ED3.

Q5. Do you agree with our alternative approach to reassign the 20% value of the incentive to the performance panel assessment? Please explain why.

Disagree. We recommend that the 20% value of the outturn metrics part of the incentive should be split equally between the performance panel and the stakeholder survey. Those stakeholders impacted by connections curtailment can be captured within the stakeholder survey as a proxy for the curtailment efficiency metric that is now not proceeding. We would prefer to see a stronger stakeholder survey (to 50% overall weight) rather than the more subjective panel performance assessment being raised to 60%. We therefore recommend a 50/50 split of weighting between the stakeholder survey and the performance panel assessment for RIIO-ED2.

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