

DSO

DISTRIBUTION SYSTEM OPERATOR

Indian Delegation – UCL

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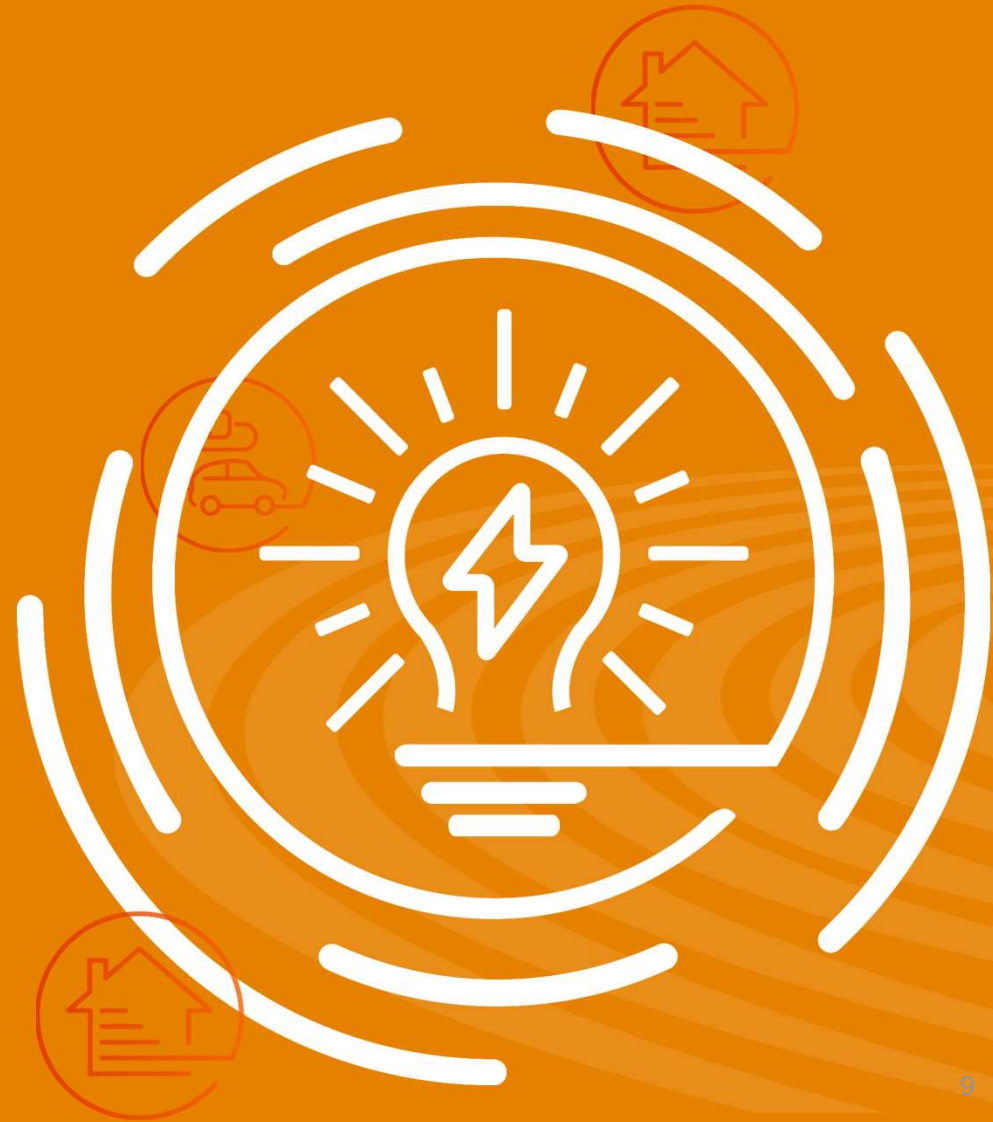
25 Oct 2024



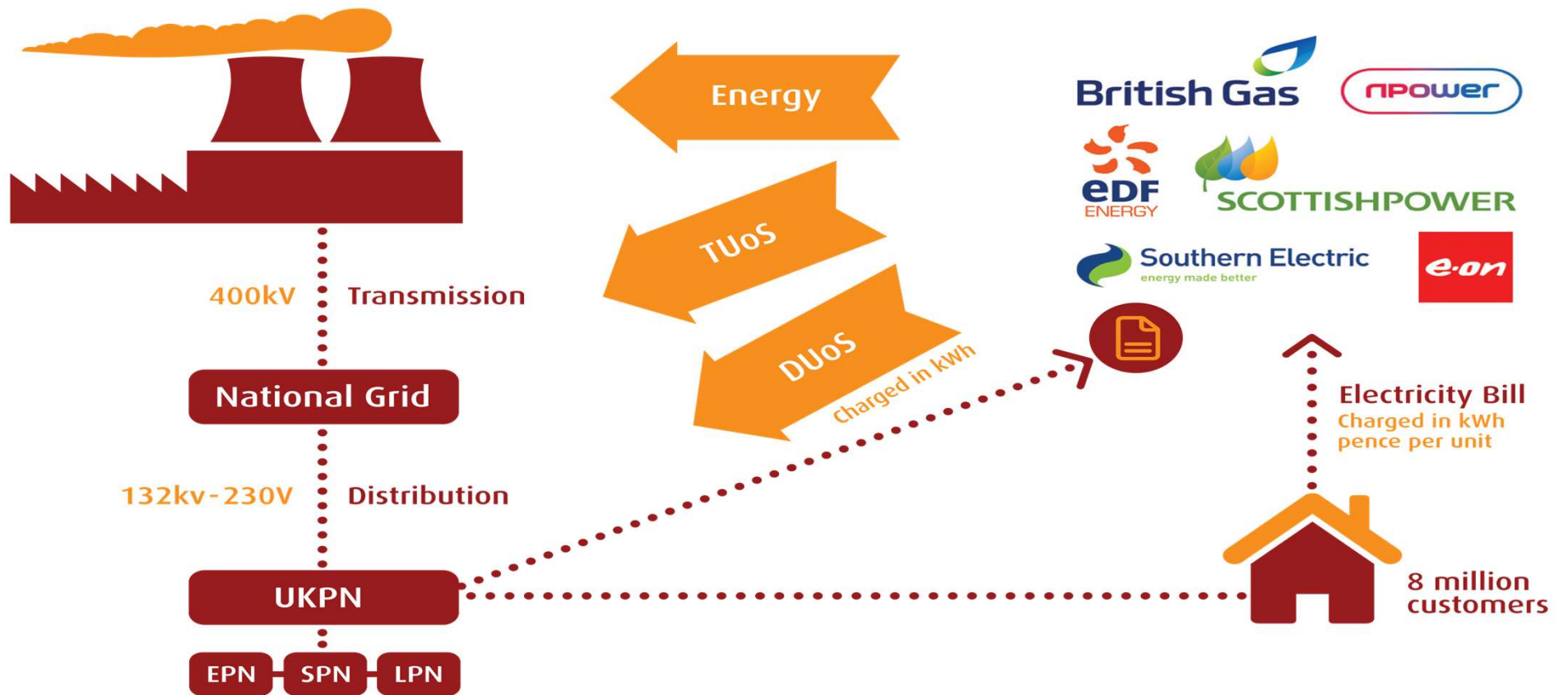
DSO

UK
Power
Networks
Delivering your electricity

Regulatory framework



Distribution Use of System (DUoS)



UK Energy Regulation



Department for
Energy Security
& Net Zero

ofgem



Legislation

- Statutory Regulations
- Energy Strategy
- Capacity Market

Markets

- Economic regulation of networks
- Markets
- Industry Codes
- Competition Authority

Safety

- Legislation
- Workplace Safety
- Public Safety

Regulation and Compliance

Why are the regulations important?

- Deliver a safe and high-quality service for our customers
- Provide excellent customer services
- They form part of our licence to operate
- Businesses need to compete fairly, especially ours since we are a monopoly regulated by Ofgem.



Competition Law

- Competition law affects us since we interact with our customers, including Independent Connections Providers (ICPs) and Independent Distribution Network Operators (IDNOs).
- ICPs – Is an accredited company that specialises in contestable work, building electricity networks in line with the host DNO and IDNO standards.
- IDNOs – Connect to the local distribution network. They are responsible for managing and operating the networks they develop, including all future maintenance and fault repairs. Additionally, they have the similar obligations and performance standards as DNOs and are not restricted by a license area and can operate across the country.
- We could be accused of anti-competitive behaviour if we:
 - Provide ICPs/IDNOs with a lower level of service than other customers
 - Criticise ICPs' work and encourage their clients to apply to UKPN in future
 - Share commercially sensitive information outside UKPN
 - Do not complete tasks that are part of our procedures or do not comply with industry documents – especially ones that 'touch' competition, such as the Competition in Connections Code of Practice

RIIO-ED2: 2023 to 2028

Revenue = Incentives + Innovation + Outputs

- RIIO-ED2 means the second Electricity Distribution price control using the RIIO framework.
- Price control is the contract for the services we deliver to our customers and sets the amount of money we can collect from customers.
- Price control cycles are 5 years however, RIIO-ED1 was 8 years.
- UKPN submit a Business Plan to Ofgem. Our plan was then assessed against other DNOs. We consult with Ofgem and receive a final determination.
- The price controls are focused on delivery of 'services' we deliver to the customer and are measured by outputs (Asset replacement, load, CIC).
- Mechanisms in the framework such as incentives, penalties and clawbacks.
- RIIO-ED3 discussions are already underway.

RIIO-ED2: Incentives

Incentive	Interruptions Incentive Scheme (IIS)	Broad Measure of Customer Service (BMoCS)	Complaints	ATTQ/C
Description	Mechanism that rewards or penalises DNOs on the quality of service against set targets Customer Interruption (CI) and Customer Minutes Lost (CML).	Directs DNOs to maintain high standards of customer service includes gathering feedback from customers who have interacted with various DNOs services.	To incentivise good performance by DNOs when handling complaints.	To incentivise DNOs to reduce the time it takes to quote and connect minor connection customers to the network.
Max Reward (p.a)	£41.4m	£11.0m	Downside Only	£4.1m
Max Penalty (p.a)	£69.0m	-£11.0m	-£5.5m	-£4.1m
Assesed Based On	Planned & Unplanned: Customer Interruptions Customer Minutes Lost	Interruptions C-SAT (30%) Connections C-SAT (50%) GE C-SAT (20%) Unsuccessful calls %	Complaints unresolved after 1 day (10%) Complaints unresolved in 31 day (30%) Repeat complaints (50%) Ombudsman decisions against DNO (10%)	LVSSA TTQ LVSSB TTQ LVSSA TTC LVSSB TTC
Deadband	No deadband	Deadband	Deadband	Deadband

RIIO-ED2: Incentives

Incentive	Vulnerability	Major Connections	DSO	Streetworks
Description	To incentivise the provision of appropriate support services to consumers in vulnerable situations.	To incentivise DNOs provide a quality service to major connections customers seeking to connect to the network.	To incentivise DNOs to more efficiently develop and use their network, considering flexible and smart alternatives to network reinforcement.	To incentivise DNO to reduce the disruption and economic impact associated with street works.
Max Reward (p.a)	£5.5m	Downside Only	£10.6m	£2.8m
Max Penalty (p.a)	-£5.5m	-£2.1m	-£5.3m	Upside Only
Assesed Based On	NPV for fuel poverty and LCT support C-SAT for fuel provery and LCT support PSR completeness	Major Connections C-SAT	Performance Panel DSO Survey	Collaborative works undertaken with other utilities
Deadband	No deadband	No deadband	No deadband	No deadband

Our RIIO-ED2 Strategy

Our signature proposals

Establishing an independent DSO

- Independent oversight from a Supervisory Board to approve major investments and delivering transparency of investment decision making.
- Stretching targets, including a reduction of at least £410m in load related expenditure.

Stretching whole system commitments

- A clear methodology that incorporates electricity, transport and heat.
- Underpinned by meaningful engagement and support to 127 local and regional planning authorities.

Significantly extending competition

- Setting ambitious targets for £100m of new work to be opened to competition.

Innovating in reliability for a Net Zero world

- Committing to a 10% reduction in short interruptions backed with a compensation commitment.
- Ensuring no-one is left behind with materially poorer levels of reliability than the network average by introducing new reliability measures and investment.

Supporting customers in vulnerable circumstances

- Targeted support to 500,000 fuel poor customers.
- Establishment of a £20m fund to support those most in need in the communities we serve.
- Commitment to understand the changing nature of vulnerability.

We are the most efficient DNO

RIIO-ED1 efficiency analysis

Group	Rank	Score (%)
UK Power Networks	1	91
ENWL	2	96
NPG	3	98
SSE	4	102
WPD	5	109
SP	6	110

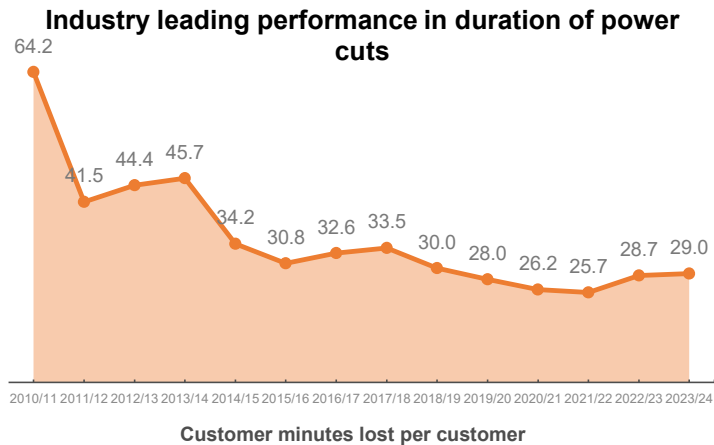
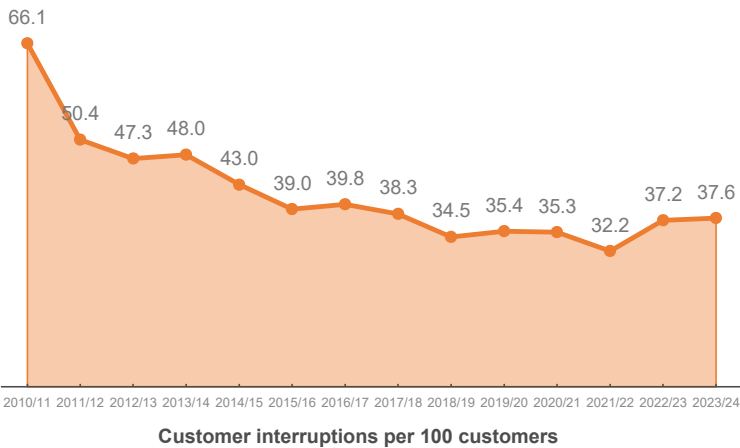
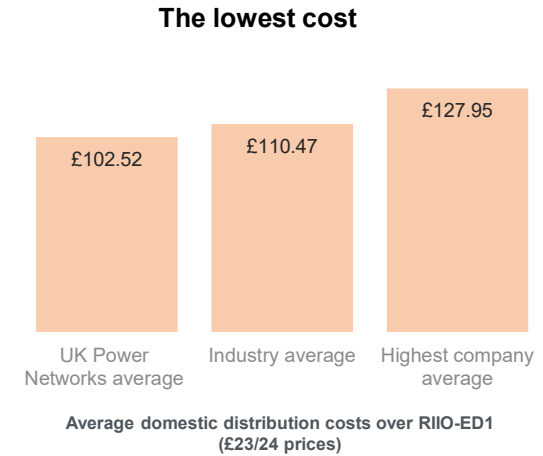
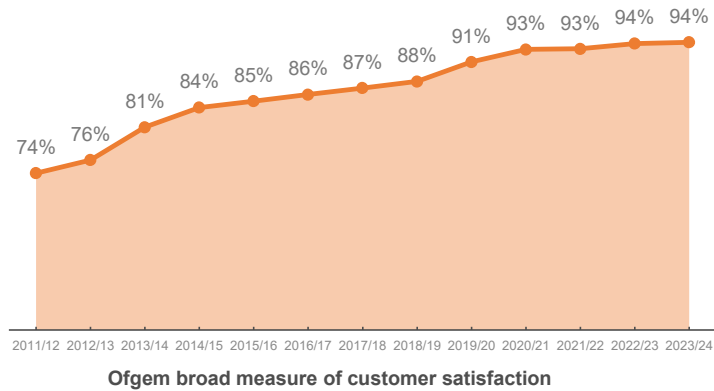
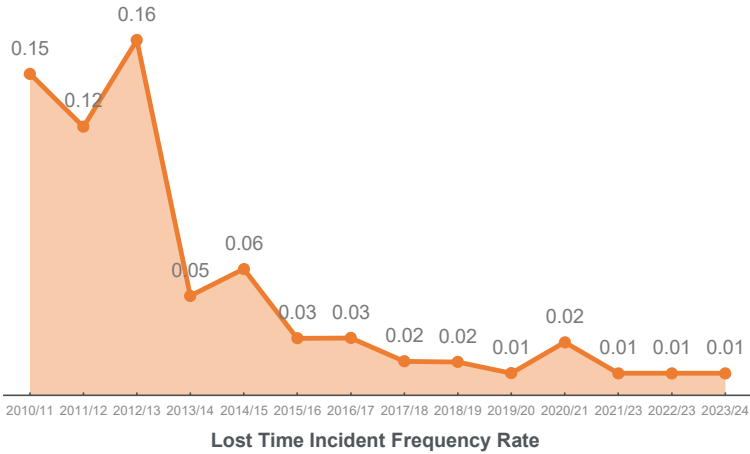
Note: Ranking calculated using Ofgem methodology on 2011-21 data, assured by NERA

And we plan to go further still in RIIO-ED2:

- £137m of savings from innovation (on top of £284m delivered in RIIO-ED1).
- Ongoing annual efficiency improvements: 1%

Performance over the past fourteen years

We have achieved consistent improvements in performance since acquisition



An employer of choice



INVESTORS IN PEOPLE™
We invest in people Platinum

The most innovative

3rd from 94 utilities across 39 countries (1st in UK)



£545m Innovation savings Over RIIO-ED1
1st out of all DNOs (£23/24 prices)