

SP Energy Networks Incentive on Connections Engagement (ICE) Ofgem Submission October 2016 Update



















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Foreword



No Penalty, No Complacency

We are pleased OFGEM have confirmed SP Energy Networks (SPEN) will not receive a penalty following their consultation with our stakeholders regarding our 2015/16 ICE performance.

Delivery of our 2016/17 work plan remains our key commitment. We have set a benchmark that must be maintained and have developed a framework to successfully drive these improvements. The ICE Plan is now part of our business as usual connections activities and we are determined not to become complacent in delivering the improvements set out. There is no formal reward available as part of ICE from OFGEM, our incentive is ensuring we do what is right for our customers.

Thank you to all of our stakeholders who took the time to provide their response to the consultation which viewed our 2016/17 'Looking Forward' and our 2015/16 'Looking Back' improvement plans.



Working with individual customers and our wider stakeholder group is vitally important to ensure that we make the improvements our customers would like to see.

We will continue to request feedback on our progress as we move through the year.

Frank Mitchell,
Chief Executive Officer, SP Energy Networks

Key Highlights

We have listened to stakeholder feedback regarding the length and content of previous ICE submissions. With this in mind we have kept our October update succinct, including only relevant action updates and focused on providing appropriate highlights of key activities.

We are very proud of our newly published connections process document that shows the entire customer journey. The purpose of this document is to help our customers to fully understand each step of the process. We have recognised its benefit and will work with our stakeholders to develop this even further.

We recognise that obtaining 'Land Rights' with us is still perceived to take too long. We have strengthened the information on our website to include typical timescales, terminology explanations, standard lease terms and responsibilities. Additionally, we have undertaken a communications campaign to raise awareness of this published information to our stakeholders. We appreciate that we still have work to do in this area and we will seek to consult with our stakeholders as an additional action over and above our current plan.

Getting renewable customers connected to our network is a high priority and we have been at the forefront of the UK industry for over ten years, with significant volumes connected and contracted in our licence areas. The evolution of the energy sector towards a smarter system will only be possible if distribution network



operator's (DNOs) play an active coordinating role between all market participants, facilitating the markets and services in a neutral and non-discriminatory manner. This can be achieved by extending the current role of DNOs to that of distribution system operators (DSOs). SPEN in conjunction with key partners have recently published a vision for how this model could look, and we would welcome stakeholder views on this.













Our Stakeholder Engagement



SPEN actively engage with stakeholders at every opportunity.

We have independent connections stakeholder panels in both our licence areas, SP Distribution (SPD) and SP Manweb (SPM). The purpose of these panels is to inform our improvement plans and seek counsel on our ongoing work plans. We also take the opportunity to discuss the key challenges the industry and particularly the connections market is facing. Our panels consist of a wide range of stakeholders from alternative connection providers to large demand customers, consultants and local authorities.



At a district level we continue to develop strong relations with local stakeholders, either through formal events or informal local engagement. Our relationships with all our local authorities continue to evolve. We recognise the importance of sharing our investment plans with our local authorities and aligning the timing of the investment, where possible, in order to support local redevelopment and growth plans.

Engagement with our DG stakeholders continues to be a key focus for our business, given the numerous challenges that have faced this market over the last year. Our service is constantly changing to keep pace with this fast moving sector. We continue to host tailored workshops in both SPD and SPM, including two workshops focused on constraint management in November.

2016/17 Work Plan Progress

Good progress has been made against the ICE 2016/17 Work Plan: -

- · Quarter 1 actions 100% complete
- · Quarter 2 actions 70% complete remaining 30% well underway
- · Quarter 3 and 4 actions 75% started and making good progress.

Stakeholder Feedback

We continue to receive stakeholder feedback from a variety of sources that help shape our plans. On a monthly basis we survey our major connections customers, who have either sought a connection from us or have had a project delivered. This allows us to ensure that improvements being made are in line with our customers' expectations and we receive regular feedback on our service.

We were pleased with the level of response from our stakeholders on Ofgems ICE consultation. This again allowed us to understand our stakeholders views on our improvement plans and areas that may require more focus. We recently attended the DG Fora in both Glasgow and Cardiff, again we received some very informative feedback from our stakeholders.

The feedback in general has indicated that although we have made tremendous improvements over the last few years, we still have work to do in some areas.

Our stakeholder feedback identified 5 key areas for further improvement:

- · Queue Management
- · Statement of Works
- · Land Rights
- · Accelerated Renewable Connections (ARC)
- · Competition in Connections (CiC)

This update report is focused on the work we are doing on the key areas above and highlights where we have created further actions to strengthen the work we are currently undertaking.













Key Focus Areas



Queue Management

We are fully committed to drive improvements on how the contracted queue is managed.

We have managed to release 556MW of capacity through projects being terminated or pending termination

Our stakeholders continue to tell us that stalled projects hold up the queue and do not allow shovel ready projects to proceed. We continue to drive a consistent policy at a UK level to fully satisfy fairness to all parties involved.

SPEN have been working closely with our transmission business, to jointly develop queue management proposals consulted on earlier this year. In response to the feedback received, we have been working closely with a number of stakeholders, including Scottish Renewables (SR) to further develop the specifics of a new policy.

Some areas where we have differing feedback include:

- · how do we define what a stalled project is?
- · when is it right to be flexible?
- · when is a project actually stalled?

Through our work with SR and a focus group of their members, we started to look at what impact our proposed changes have when we change a projects queue position. We understand that not only can this impact delivery timescales, it can also lead to changes to the scope and potentially alter the cost of a project. It is widely recognised that there needs to be better coordination between transmission, distribution and National Grid. In recognition of this, we continue to work in partnership with our transmission business to jointly develop queue management principles that not only apply at the distribution level, but are equally applicable to those projects impacted by a transmission queue. Following our engagement with National Grid they have adopted our queue management proposals as a basis to consult transmission connected parties.

We are also holding additional stakeholder sessions to obtain feedback from a wider group of stakeholders. This level of engagement will ensure that our developing policy is appropriate and well defined.



Statement of Works

The complexity, cost and length of the existing process for assessing the transmission impact on new generators seeking to connect to the distribution system, remains a concern for our stakeholders. As a result, they have to wait for a considerable time to understand transmission impact which is often a key determinant as to the viability of projects.

In partnership with our transmission business, we are championing a proposed change, that we hope will revolutionise the existing statement of works process to benefit the entire industry. As part of the industry working group formed under the Electricity Networks Association (ENA), we presented our joint proposal which was designed to replace the current statement of works process to the benefit of all parties involved.

Our proposal strives to remove many of the complexities and inefficiencies experienced with the current process, and instead provide our customers with information on transmission on their proposed connections, at the same time they receive their distribution offer.

A trial of our proposal is underway at three grid supply points, Berwick, Linmill and Cupar. We have received positive feedback and will extend this trial further.













Key Focus Areas



Accelerating Renewable Connections (ARC)

Our award winning innovation project, ARC has received praise for helping communities develop ways of using locally produced energy, allowing generators to connect more and helping all parties benefit from reduced costs.

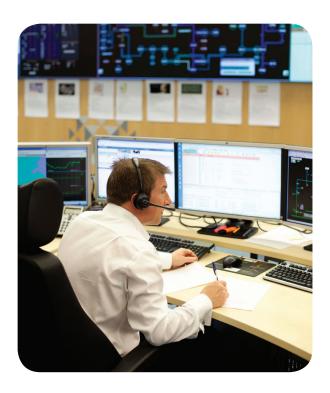
The project is led by SPEN working in partnership with Community Energy Scotland, Smarter Grid Solutions and the University of Strathclyde.

ARC was initially focused on the deployment of active network management (ANM). This allows us to connect new generators to the network more quickly and in some cases at less cost where previously the network was considered to be at full capacity. ARC has also developed a number of alternative connection solutions to connect new generators across all voltage levels which we aim to make available as appropriate to customers across our electricity distribution network. The key learnings from our ARC project are being developed into a formal policy to allow transition of its development to business as usual.



"Fact of the matter is Active Network Management has allowed this Hoprigshiels project to go ahead, without the ARC team there wouldn't be a project."

Alan Hobbett, Projects Director at Berwickshire Housing Association



Distribution System Operator (DSO) Vision

The development of ANM through our ARC project is seen as a key enabling technology which will allow us to transition from distribution network owner DNO to DSO. An effective DSO model will reduce system balancing costs whilst enabling the flexible networks necessary to facilitate our distributed generation customers getting connected.

We appreciate that we have a duty to educate our stakeholders on our DSO vision. We have recently published this vision and have started an education programme to support our stakeholders. This was the main focus of our strategic stakeholder panels in SPD and SPM which sparked great debate and allowed us to gather invaluable stakeholder feedback. Over the coming months we will continue this education programme and formally launch our vision across our licence areas.















Key Focus Areas



Competition in Connections

SPEN are committed to facilitating competition in the market place and have been instrumental in setting up the competition in connections code of practice over the last few years. We continue to fully embrace the code of practice and look to support alternative connection providers in the uptake of the code of practice. We have also run a series of workshops to highlight the content and benefits of the code of practice to all stakeholders.

We have initiated a pilot with a number of alternative connection providers to help them make best use of the code of practice. We will continue to engage and provide assistance to all industry players to promote the uptake of the code.

We understand the need to provide our customers with more information about which alternative connection providers are operating in our area. In order to offer our customers more information we trialled a web based application that was anticipated would help our customers understand the options available to them. This generated mixed feedback from our stakeholders. We have now reviewed the action and decided to introduce a consultation on how we can best provide this information to our customers in the most appropriate and fair way.

Stakeholder feedback widely acknowledged that we engage well with the alternative providers active in our area at a local district level. Our stakeholders suggested they would like to see 'engagement days' to understand developments in policy, processes and meet the wider SPEN team. Bi-annual engagement days have been added as a new action.



Land Rights

The integration of our land officers within district offices has been a key initiative for us and has resulted in a number of improvements. This localised model has embedded project ownership amongst the relevant teams and has been a driver for enhanced coordination in terms of planning, design, delivery and land rights aspects.

Our website has also been updated to include the SPEN Networks approach to obtaining land rights for connections customers. The purpose of this guide is to explain:

- · in what situations land rights are required?
- the types of land rights that may be required?
- · how long these rights indicatively take to obtain?
- who is responsible for securing the rights at the various stages throughout the process?

To further assist, we have also published a number of documents on our website. Each template is used by us when we seek to secure the associated lease or servitude agreement as part of the connection process.

The ongoing communication of these requirements to our stakeholders will further improve their understanding of (a) the SPEN Networks approach to obtaining land rights but also (b) the key role our customers play in contributing to that process.

These documents can be found on the SPEN Networks website, www.spenergynetworks.co.uk/pages/regulation_guidance_leaflets.asp.

Whilst good progress has been made, we recognise that some concerns remain. However, we are confident that the above initiatives, as set out in the 2016/17 ICE action plan, address those concerns and provide further opportunities to improve our connections process. We will continue to develop these initiatives to deliver further improvements going forward.













Action Summary

Principal Commitments Progress

Action Progress Update Action Progress Update



Continual Collaboration with Industry and other DNO's for Best Practice

We will collaborate with the industry and other DNOs to address issues that are universally affecting our stakeholders, ensuring that best practice is shared in the application of innovative commercial arrangements and technical solutions.

Complete

Regular meetings with Industry bodies and other DNOs have taken place throughout 2016.



Ongoing Cost Reductions Passed on to Customers

We will continue to ensure that any opportunity to reduce the cost of connection through efficiencies in process & procurement of contracts are passed on to our customers.

Complete

Process in place to automate cost savings



Connections Industry Code of Practice (CoP) Roll Out

We will continue to work with our competitors, stakeholders and other DNOs to implement and develop the Competition in Connections Industry Code of Practice (CoP) and the processes we have in place to support it.

Complete

Process in place and support provided. Ongoing communication with our competitors, Stakeholders and other DNOs.



Connection Quote Continual Improvement towards Best Practice Levels

We will reduce the overall time taken to connect by reducing the average time we take to provide a quote by 20% or to best practice levels.

Ongoing

Several improvements ongoing, target quarter 4

PC5

Overall Connection Continual Improvement towards Best Practice Levels

We will reduce the overall time taken to connect by reducing the average period between agreeing the works and completing the connection by 20% or to best practice levels.

Ongoing

Several improvements ongoing, target quarter 4



Our District Model Embedded

Our district organisational model has provided a more local service to you & we recognise that we must maintain a consistent application of process, particularly to those of you who work across our licence area. We will continue to embed this model and communicate the benefits to our key stakeholders.

Complete

Consistent process embedded throughout the districts





Account Management Commitment

We recognise that for those of you who work across our licence area, a single point of contact is important.

Complete

Contact details available on website

NFTWORKS



Scotland Wide Multi-Organisational / Governmental Connections Working aroup

In Scotland, we recognise that our Distributed Generation (DG) stakeholders face some unique issues. We will continue to work closely with Scottish & Southern Electricity Networks, National Grid Electricity Transmission (NGET) & Scottish Renewables as part of a working group to address the issues affecting our stakeholders in Scotland.

Complete

We continue to worked closely with Scottish Renewables, a wide range of stakeholders and liaise with SSEPD and NGET



Wales Wide Multi-Organisational / Governmental Connections Working group

In Wales, we recognise that some of our DG customers face some unique issues, particularly around connecting to the higher voltage networks in the Anglesey area. We will continue to work closely with Welsh Government, Energy Island Programme & Isle of Anglesey County Council as part of a working group to address the issues affecting our Stakeholders on Anglesey & the wider North Wales area. We also work with these parties & other Local Authorities to address the issues affecting our rural customers.

Complet

We have met with the Welsh Government, Ofgem, Flintshire Council and Npower to consider opportunities for developing a trial for Virtual Private Wires – local generation to meet local demand

PC10

Evolving Stakeholder Engagement

We will engage with you as part of our stakeholder engagement strategy and through our stakeholder engagement plans to ensure we are addressing the issues that you face.

Complete

Stakeholder Engagement plans in place for all districts



Constraint Management

We will work with our stakeholders to review alternative connection methods ensuring that options are considered to facilitate connections in constrained network areas.

ungoing

Vision document created. To be communicated with key Stakeholders and to be published on the website.













Action Summary

Action Progress Quarter 1 and 2

















Action Summary

Action Progress Quarter 1 and 2



Action Progress Update

CH1.2

Increase awareness and uptake of the new Code of Practice

We will work with ICPs to pilot use of the CoP to assist with the implementation of the CoP principles

Complete

POC self determination trials underway

CH2

Part funded reinforcement

We will engage with alternative connection providers, seeking opportunities to trial part funded reinforcement works.

Complete

Process documentation in place

СНЗ

Emergency Service Response

Emergency response cover will be further developed with our key stakeholders and implemented where commercially practical.

Complete

Contract developed in conjunction with key stakeholders and available



Providing you with more information about alternative connection providers

We will continue to provide customers with information on independent connection providers to pro-actively promote competition.

Action Updated

Consultation paper will be prepared and issued to gather stakeholder feedback, target quarter 3

Action Progress Update

EC1

Implement a formal policy for termination of stalled projects

We will commit to an ongoing review of our contracted projects to identify any 'stalled' projects and exercise termination rights where appropriate.

Complete

The sensitivity and the legal contestable nature of terminating a contract has led to the implementation of the policy to be delayed. 555.7 MW of stalled projects terminated or pending termination

EC8.2a

The provision of Land Rights on your connection project We will actively promote our land rights published process. Complete

Communication campaign complete

EC9

Distribution, Transmission, National Grid interface improvements

We will work to streamline our interface processes and communications between SPEN Distribution, SPEN Transmission and National Grid to improve your connections experience.

Ongoing

Solution agreed. New process to be communicated, target quarter 3

IBP3

Develop a Distribution System Operator (DSO) Model In an effort to address network constraints at a local level we will develop a Distributed System Operator (DSO) vision which will be developed in conjunction with appropriate stakeholder engagement.

Complete

DSO Vision document created and given to stakeholders















New Actions

Action	Strategic Objective	Timeframe	KPI	Progress Update	Customer Testimony / Source
The provision of Land Rights on your connection projects In order to identify potential areas for further improvements, we plan to issue a survey to our customers focusing on their experience of our approach to obtaining the appropriate land rights for their connection.	time	Q4 Jan -Mar	Survey completed and results published with a view to implementing key findings.	New	Ofgem ICE consultation & Cardiff/ Glasgow DG Fora stakeholder monthly survey feedback
Alternative Connection Providers Communication To improve the frequency and methods of communicating with the alternative connections providers operating within our SPD/SPM areas. We will hold bi-annual updates to communicate key policy and process changes, as well as publish a quarterly newsletter.	Satisfaction	Q4 Jan -Mar	Bi-annual workshops held and quarterly newsletter published.	New	Ofgem ICE consultation & Cardiff/ Glasgow DG Fora stakeholder feedback













Glossary of Terms

Term	Definition
Accreditation	The appropriate qualifications to allow alternative connection providers to operate on our electrical network
ANM	Active Network Management; using technology to enable generators to connect in constrained areas on a commercially un-firm basis
ARC	Accelerating Renewables Connections; SPEN 'Low Carbon Networks' funded project to consider innovative methods for connecting DG quicker and cheaper
AVR	Automatic Voltage Regulator; this is a device which can be deployed on our overhead line network and controls the voltage to ensure the network remains within statutory limits
Budget Quote	A budget quote is provided to aid customers with up front planning of projects and is a simple review of the network within the vicinity of the proposed development and does not include detailed modelling of the system. A budget quote cannot be contracted
BMCS	Broader Measures of Customer Service
CCCM	Common Connection Charging Methodology
CIC	Competition in Connections; ability for a customer to seek connection to the network using a Lloyds accredited ICP of your choice
CIC Industry Code of Practice	This is a proposed industry standard which is being developed jointly by DNOs and Ofgem. The code is aimed at making it easier for alternative connection providers to get their customers connected and better inform customers of their choices
Collaborative Connections	These are connections where multiple customers are brought together to benefit from shared connection costs and shared assets to maximise the amount of generation connected in any part of our network
Contestable	When we talk about contestable work, these are the 'off the system' works, which can be completed by either ourselves or a Lloyds accredited ICP of your choice
Contracted Capacity Register	This lists generators that are contracted but not physically connected to our network
CRAM	Connection Registration and Management. This was a legacy IT system utilised to manage CIC enquires where a Lloyds accredited ICP of your choice was being employed to complete the contestable works
CRM	Under our SP brand name of Athos, CRM is our new Customer Relationship Management system which will help us better serve our customers
Customer	A customer is defined as someone who is or has applied for a connection to our network
Customer Surgeries	These are held monthly for any customers who wished to discuss a project with us at any time in the process
DG	Distributed Generation; this is the connection of generation to any point of the distribution system, from 230V up to 33,000V in Scotland or 132,000V in England & Wales
DNO	Distribution Network Operators, responsible for owning operating, and maintaining the electrical network in their licenced geographical area
DSO	Distributed Systems Operator responsible for facilitating effective and well-functioning distribution markets, which give options to customers to choose the best connection provider and allow connection providers to offer options and services best tailored to connection customer needs.
Dual Offers	These are formal offers which facilitate the acceptance of either the full works or just the non- contestable works, with the contestable works completed by a Lloyds accredited ICP of your choice
Export Management Device	These are devices which seek to manage the local demand alongside any generator, essentially restricting export to our network
Feasibility Study	A feasibility study is a chargeable service to run a number of network models and advise what capacity is available where on parts of our network. This does not facilitate a connection offer, and does not carry any contractual link to a formal connection offer

Term	Definition	IETWORK			
Formal Connection Offer	A formal Connection offer facilitates a contract between us and the applicant to accept our offer and progress the construction works associated with the connection				
G59	G59 is the industry standard for generators greater than 16 amp per phase				
G83	G83 is the industry standard for small scale embedded generators for connections up to 16 amp per phase, 3.68 kW single phase connection or when multiple generators are to be connected				
GRP Enclosures	set is a brick building. GRP solutions utilise glass reinforced plastic techn	Glass Reinforced Plastic' enclosures. Our traditional solution for a substation which requires a battery et is a brick building. GRP solutions utilise glass reinforced plastic technologies (GRP) to provide substation enclosures that can provide similar environments to brick-built substations			
GSPs	A Grid Supply Point is the point at which electricity enters the distribution transmission network	on network, leaving the			
Heat-maps	These are maps of our HV network, colour coded based on the available cap	acity on any given circuit			
ICP	Independent Connection Provider				
IDNO	Independent Distribution Network Operators develop, own, operate and a distribution networks	maintain local electricity			
IFI	Innovation Funding Incentive (IFI) was introduced by Ofgem to encourag Electricity Transmission Network Operators to apply technical innovation in the and operation of their networks. It will be replaced by the Network Innovation.	e pursuit of investment in			
Jointing	Jointing is a method of connecting two sections of cable together				
LCNF	Low Carbon Networks (LCN) Fund was established by Ofgem as part of the price control that runs until 31 March 2015. The fund offers capital to sup by the Distribution Network Operators (DNOs) to try out new technology, operators	port projects sponsored			
Link boxes	A link box provides a point of isolation at the interface of an IDNO (Indepen and a DNO network	dent Network Operators,			
Market Segment	This is the regulatory terminology which defines DGLV and DGHV				
Metering	This is the mechanism for settlement to ensure your generation receives the cand is a key part of the balancing and settling arrangements, which are lated and Settlement Code (BSC), and is administered by ELEXON	orrect rates for your tarifi id down in the Balancing			
Non-Contestable	Where we talk about on-site works, these are typically within either the custo the CDM boundary within which a Principle Contractor operates	mers land boundaries or			
On-site	On-site works are typically within either the customers land boundaries or t which a Principle Contractor operates	he CDM boundary within			
PoCs	Point of Connection to the electrical network				
Quote+	Quote + is a new product which we are currently trialling, which provides of quickly whilst maintaining queue position	ptions for our customers			
RAdAR	Register of Adopted Asset Requests; this is our current IT system utilised to ma a Lloyds accredited ICP of your choice is being employed to complete the con				
SoW	The Statement of Works process should be followed when it is identified t a connection to a DNO's network may have an impact on the transmission no				
Substation	A part of our network where DG is connected and we transfer power acro voltage level or a customer's point of common coupling	ss boundaries, either by			
Wayleaves	This is the process which secures the legal right for apparatus to be installed and secures the connection to your site for a defined period of time	ed an any given location			











