

Gas and Electricity Connections Industry Review 2006-07

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Target Audience: Consumers seeking gas and electricity connections and their representatives, distribution network licensees, independent connection providers and other interested parties

Overview:

This is the Connections Industry Review for 2006-07, presenting data on the volume, value and characteristics of connections to licensed gas and electricity networks during the financial year from 1 April 2006 to 31 March 2007.

The aims of the document are to highlight trends in the market for gas and electricity connections (including connections for distributed electricity generation) and to monitor the development of competition.

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Context

For the last four years we have obtained information on connections activities from all of the licensed gas and electricity distribution network operators. In this document we have presented the current year and historical data numerically and graphically which should assist us and other interested parties to identify trends and areas of concern. This exercise and the feedback we receive should contribute to the development of competition in connections to networks where this is an appropriate way to protect consumer interests. This was one of the aims noted in the Ofgem Corporate Strategy and Plan 2007-2012.

The information gathering and review process provides quantitative data in a number of key areas including:

- Total numbers of connections to networks (in various categories).
- Revenues derived by licensed network operators from connections activity.
- Market penetration by independent connection providers (contestable activities).
- Electricity connections to independent networks.
- Performance against voluntary standards for non-contestable electricity connection services.

Associated Documents

- Connections Industry Review 2005-06 (160/06)

www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Networks/Connectns/ConnIndRev

- Review of Competition in Gas and Electricity Connections Consultation Document (159/06)

www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=203&refer=Networks/Connectns/CompinConn

- Review of Competition in Gas and Electricity Connections Proposals Document (26/07)

www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=160&refer=Networks/Connectns/CompinConn

- Proposed Electricity Distribution Standard Licence Condition 4F Guidance Document (181/07)

www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=250&refer=Networks/Connectns/CompinConn

- Ofgem Corporate Strategy and Plan 2007-2012 (60/07)

www.ofgem.gov.uk/About%20us/CorpPlan/Pages/CrprtPlnning.aspx

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Summary

Background to the Connections Industry Review

Distribution networks are natural monopolies and Ofgem protects the interests of consumers through economic regulation. However, some aspects of connecting new customers to networks and of augmenting existing connection capacities can be subject to competition between the network operators and independent connections providers. In this context Ofgem's objective is to promote effective competition wherever appropriate.

Whilst competition in gas connections has developed steadily in recent years there has been less progress in competition for electricity connections. The 'Total Number of Electricity Connections' table in Chapter 4 shows that overall market penetration by ICPs remained at about 2.6% for 2006-07 (compared to about 25.6% for gas). In particular, concerns have been expressed that independent connection providers (ICPs) experience poor levels of service from some electricity distribution network operators (DNOs) in respect of the 'non-contestable' elements of connections projects which the incumbent network operator has to undertake for technical or safety reasons.

To address this issue Ofgem recently proposed a new electricity distribution licence condition which, if implemented, will replace the existing regime of voluntary service standards for non-contestable services with enforceable licence requirements. Further information on the proposed licence condition can be found in Ofgem's proposal documents 26/07 and 181/07 (see associated documents above). Year on year reported performance against the existing voluntary standards can be seen at Chapter 6 of this document.

The charts in Chapter 5 of this document also give some indication of the development of independent electricity distribution networks across Great Britain during 2006-07.

The 2006-07 Review Process

During April 2007 Ofgem wrote to each of the licensed gas and electricity distribution companies requiring them to provide information for the 2006-07 Connections Industry Review.¹ Each company was provided with pro-forma spreadsheets to complete and return. The information requested was the same as for the previous (2005-06) CIR except that:

¹ Information requests were made under standard condition 24 of the electricity distribution licence (DNOs and IDNOs), Standard Special Condition A26 of the gas transporter licence (GDNs) and standard condition 24 of the gas transporter licence (IGTs)

- Additional information was sought from electricity distributors on the number and location of connections made during the year and subsequently run by them as independent networks outside their own distribution services area (DSA).
- Information from gas distributors has been collected on a financial year (1 April to 31 March) basis, consistent with the information from electricity distributors. Where possible, comparative data for last year has also been restated on a financial year basis.

Gas Distribution Network Operators

There are eight gas distribution networks (GDNs) in Great Britain. Formerly, all eight were owned and operated by National Grid Gas plc but in June 2005 four of the networks were sold to three other corporate groups (one of which operates two networks). GDN licences refer to defined network areas called Transportation Services Areas (TSAs). Eight independent gas transporters (IGTs) carried out connections activity during 2006-07. IGTs own and operate their own networks (mainly new housing developments). Both GDNs and IGTs can adopt connections undertaken by ICPs.

Electricity Distribution Network Operators

There are fourteen electricity distribution network operators (DNOs) in Great Britain owned and operated by seven corporate groups. DNO licenses refer to defined network areas called distribution services areas (DSAs). Three independent electricity distribution network operators (IDNOs) carried out connections activity during 2006-07. IDNOs own and operate their own networks but do not have DSAs. Both DNOs and IDNOs can adopt connections undertaken by ICPs.

1. Comments on the 2006-07 Review and Development Areas for 2007-08

1.1. We hope that the Connections Industry Review (CIR) will prove useful to those interested in monitoring trends in the gas and electricity connections sector, particularly with regard to the development of competitive (contestable) aspects. The format of this year's review has been updated, but the collection and presentation of data is similar to that for previous editions.

1.2. The information in the CIR is mainly quantitative and we acknowledge that there can be scope for different interpretations of the reporting requirements. We plan to provide additional reporting guidance for the next CIR and, where necessary, revise specifications to make them consistent with other reporting requirements, especially those under the proposed electricity distribution standard licence condition 4F (see associated documents for further information).

For 2007-08 we will also request additional information on

- The number of connections enquiries handled by distributors, to obtain a fuller picture of administrative workloads.
- Average times taken to issue connection offers [electricity only - by voltage level]
- The number of times that terms for agreement are offered outside the three month limit under SLC4D² [electricity only - by voltage level].

1.3. We will consider any comments you may have about the CIR and future developments especially in relation to its content and the format used to collect and present information. To enable us to consider changes for next year's publication, comments should be submitted by 31 October 2007.

Please send your comments to:

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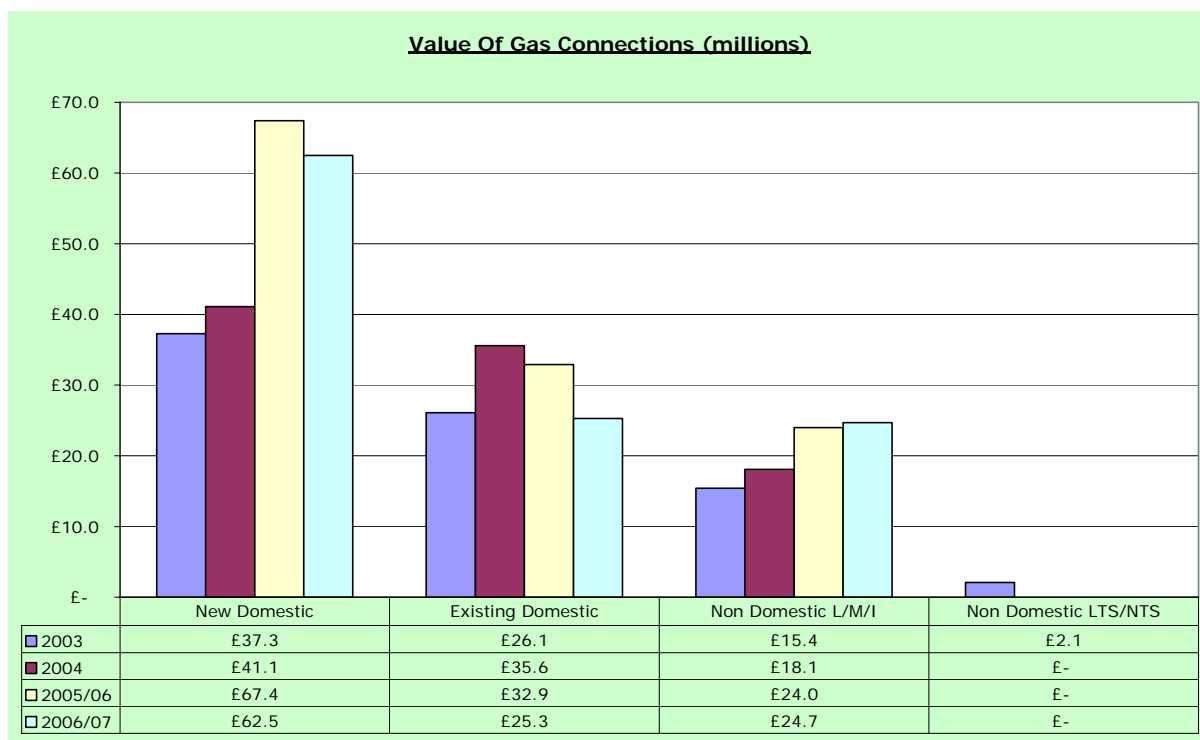
² Electricity distribution licence standard condition 4D paragraph 6.(b).

2. Gas Connections Totals

Total value of gas connections

2.1. In 2006-07 the approximate total value of charges made by GDNs and IGTs for connections was £113m compared to £124m in 2005-06.

	2005-06 (£m)	2006-07 (£m)
GDNs	97	86
IGTs	27	27



Total number of gas connections

2.2. In 2006-07 231,565 gas connections were undertaken compared to approximately 252,306 in 2005-06.

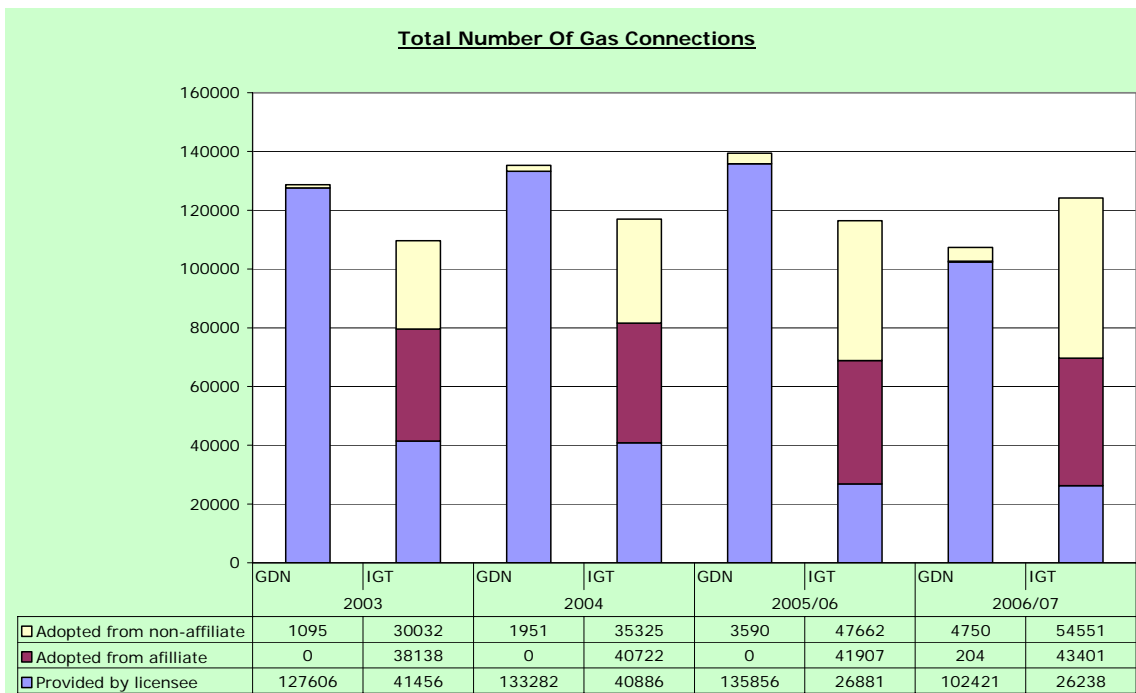
Total gas connections activity reported by GDNs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
GDNs	132,266 (52.4%)	102,421 (44.2%)
Companies affiliated to GDNs	0 (0%)	204 (0.1%)
Independent connection providers	3,590 (1.4%)	4,750 (2.0%)

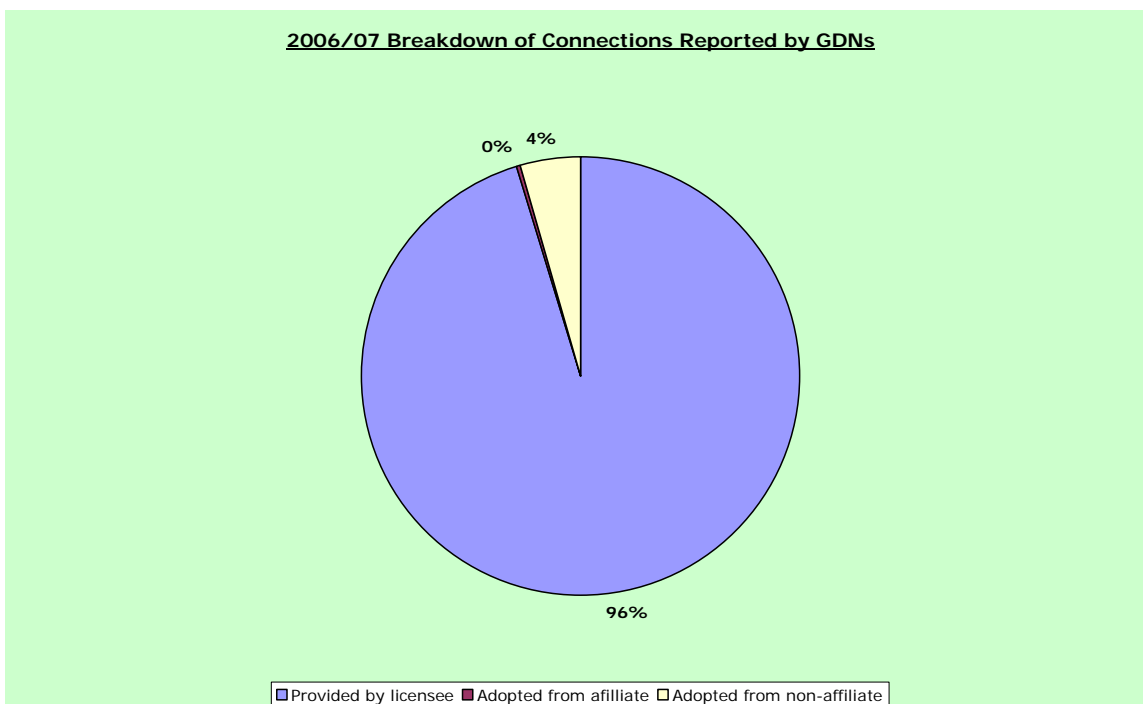
Total gas connections activity reported by IGTs

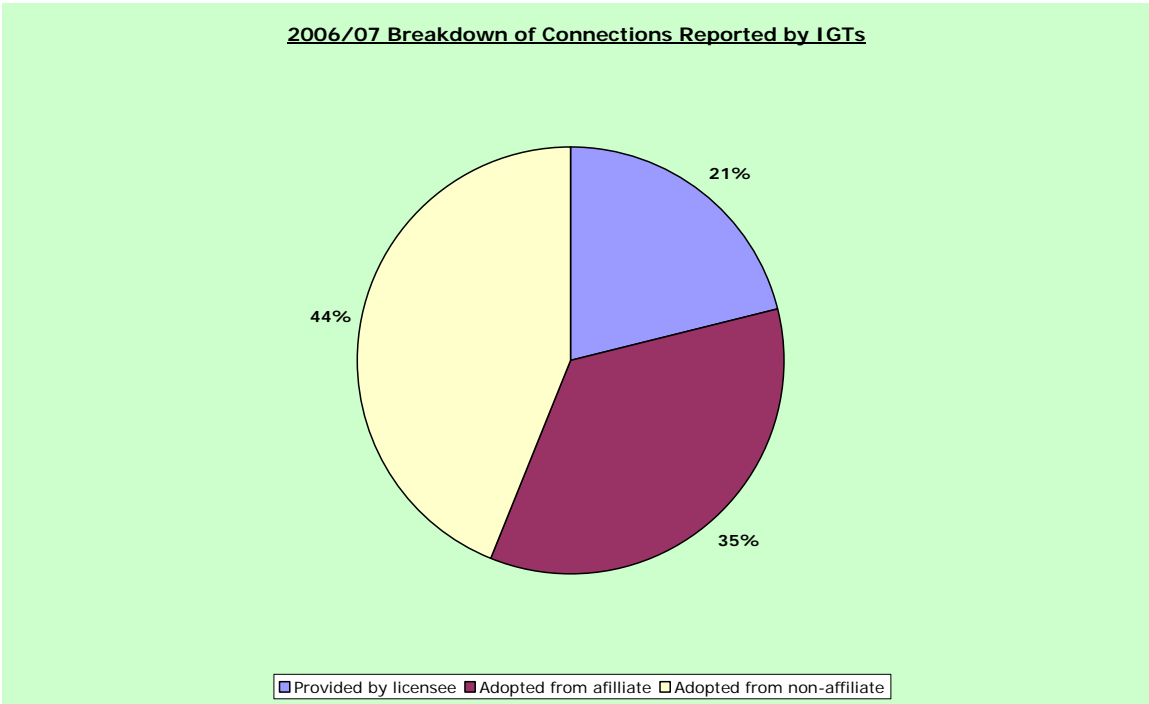
Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
IGTs	26,881 (10.7%)	26,238 (11.3%)
Companies affiliated to IGTs	41,907 (16.6%)	43,401 (18.8%)
Independent connection providers	47,662 (18.9%)	54,551 (23.6%)

Historical summary of gas connection totals reported by GDNs / IGTs



2.3. The pie charts below show the breakdown of gas connections reported by GDNs and IGTs for 2006-07 (respectively representing the numbers from the right hand columns of the two tables above).





3. Gas Connections - Industry Breakdown

Gas connections to new domestic premises

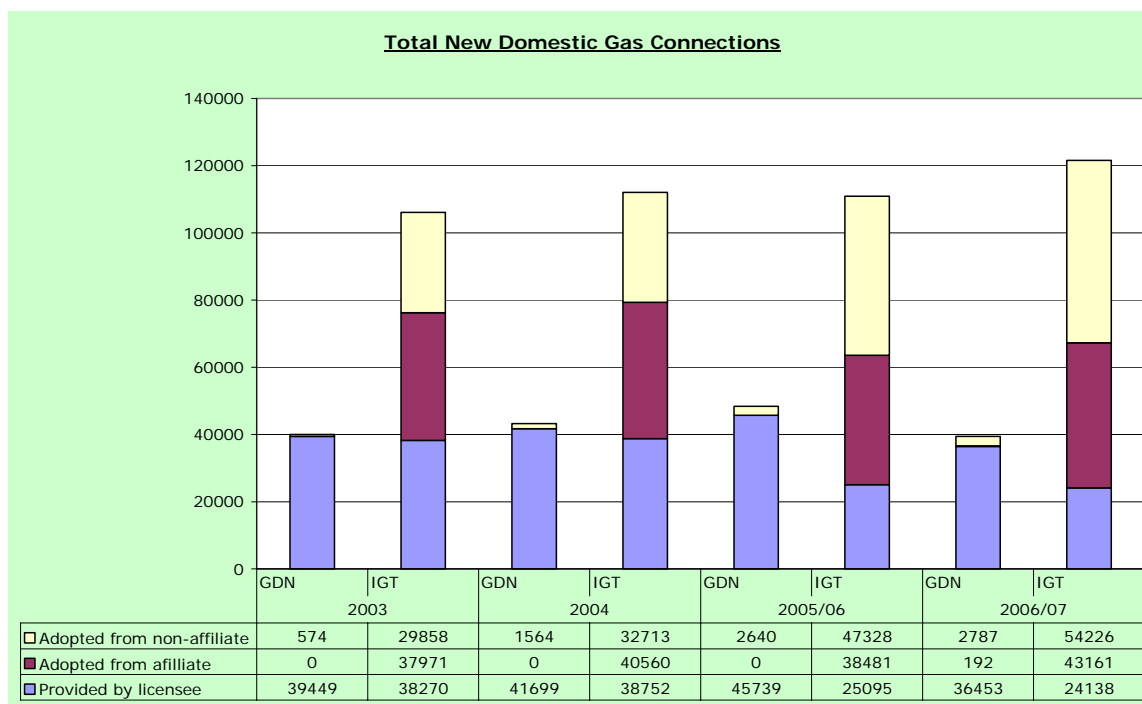
3.1. In 2006-07 160,957 new domestic gas connections were undertaken, compared to approximately 159,283 during 2005/06.

Gas connections to new domestic premises - activity reported by GDNs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
GDNs	45,739 (28.7%)	36,453 (22.6%)
Companies affiliated to GDNs	0 (0%)	192 (0.2%)
Independent connection providers	2,640 (1.6%)	2,787 (1.7%)

Gas connections to new domestic premises - activity reported by IGTs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
IGTs	25,095 (15.8%)	24,138 (15.0%)
Companies affiliated to IGTs	38,481 (24.2%)	43,161 (26.8%)
Independent connection providers	47,328 (29.7%)	54,226 (33.7%)



New gas connections to existing premises

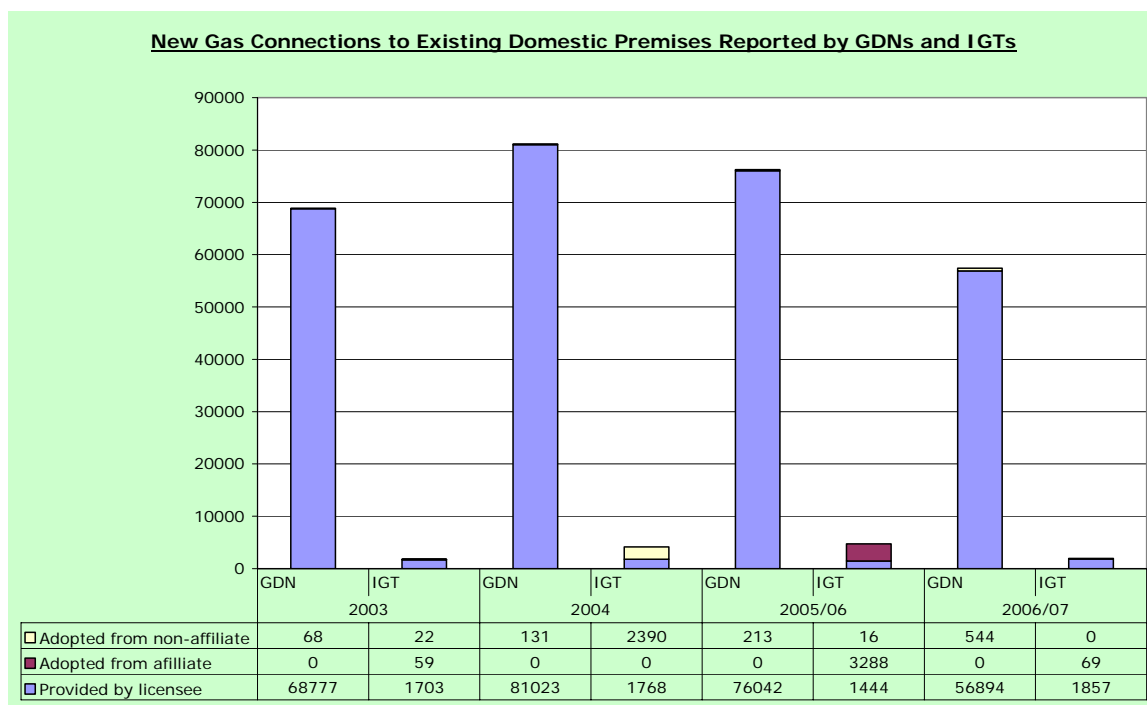
3.2. In 2006-07 59,364 gas connections to existing domestic premises were undertaken, compared to approximately 81,003 during 2005/06.

New gas connections to existing domestic premises - activity reported by GDNs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
GDNs	76,042 (93.9%)	56,894 (95.8%)
Companies affiliated to GDNs	0 (0%)	0 (0%)
Independent connection providers	213 (0.3%)	544 (0.9%)

New gas connections to existing domestic premises - activity reported by IGTs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
IGTs	1,444 (1.8%)	1,857 (3.1%)
Companies affiliated to IGTs	3,288 (4.1%)	69 (0.1%)
Independent connection providers	16 (0.1%)	0 (0%)



Non-domestic gas connections

3.3. In 2006-07 11,244 gas connections to non-domestic premises were undertaken, compared to approximately 12,020 during 2005-06³.

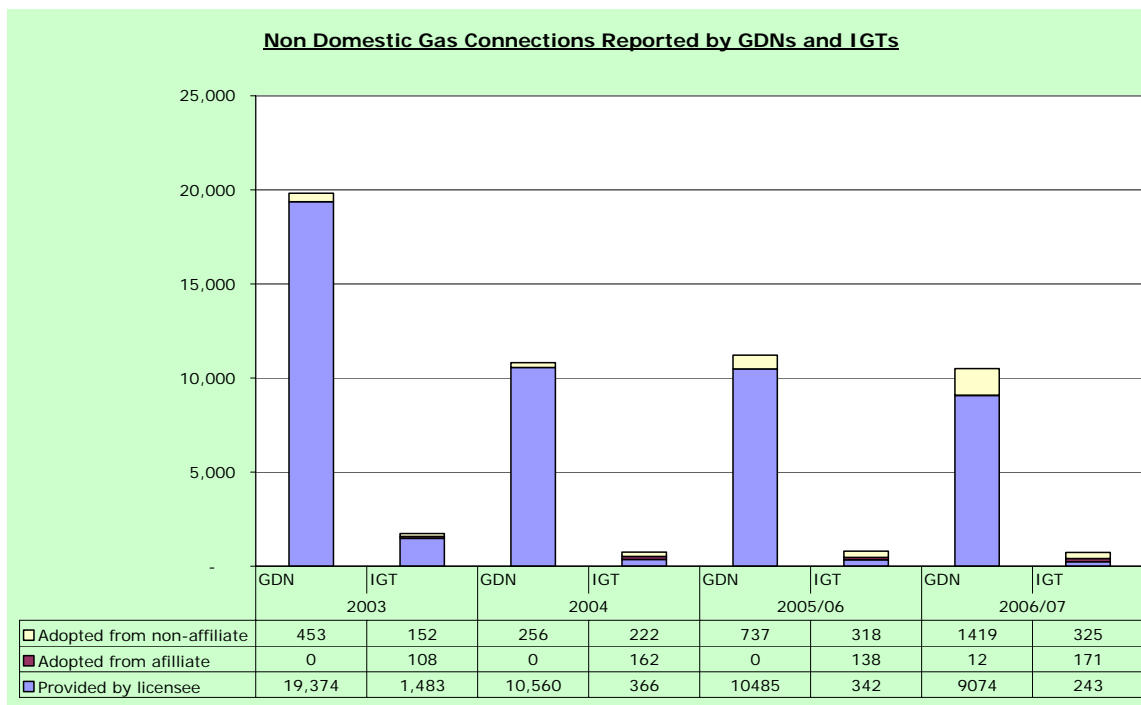
Gas connections for non-domestic premises - activity reported by GDNs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
GDNs	10,485 (87.2%)	9,074 (80.7%)
Companies affiliated to GDNs	0 (0%)	12 (0.1%)
Independent connection providers	737 (6.1%)	1,419 (12.6%)

Gas connections for non-domestic premises - activity reported by IGTs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
IGTs	342 (2.9%)	243 (2.2%)
Companies affiliated to IGTs	138 (1.2%)	171 (1.5%)
Independent connection providers	318 (2.6%)	325 (2.9%)

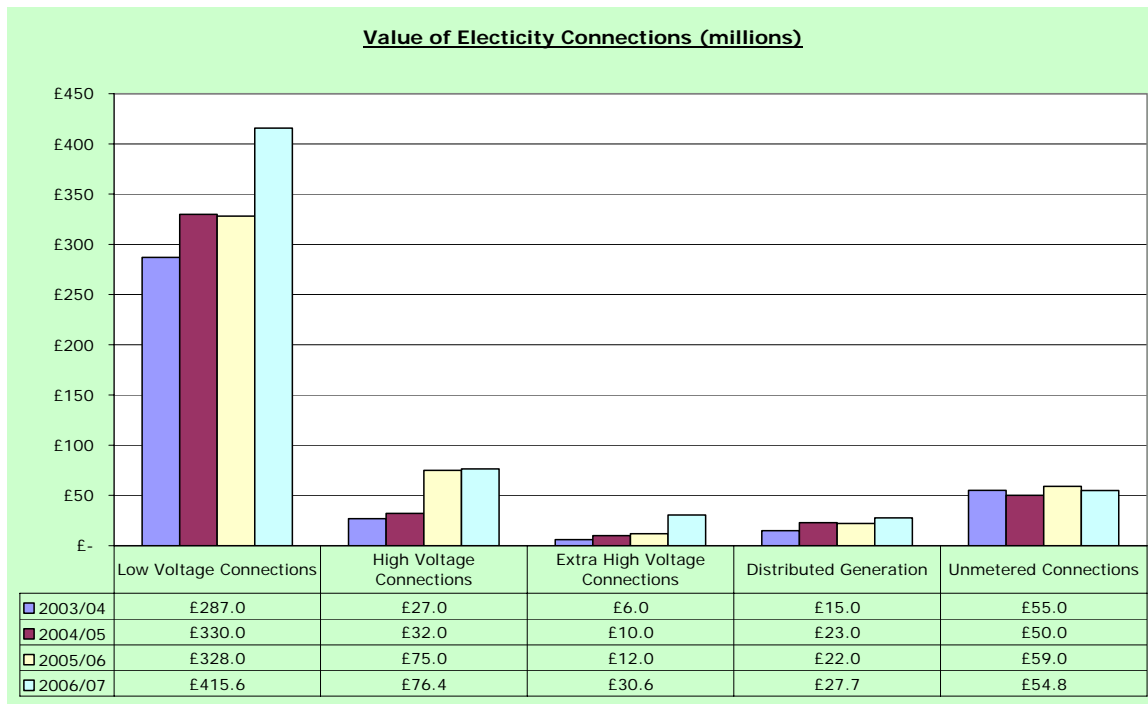
³ Non-domestic connections to gas distribution networks can be at low, medium or intermediate pressure. Connections may also be made to the local transmission system (LTS); this part of the network is owned/operated by GDNs.



4. Electricity Connections Totals

Total value of electricity connections

4.1. In 2006-07 the approximate total value of charges made by DNOs and IDNOs for connections was £605m compared to £497m in 2005-06.



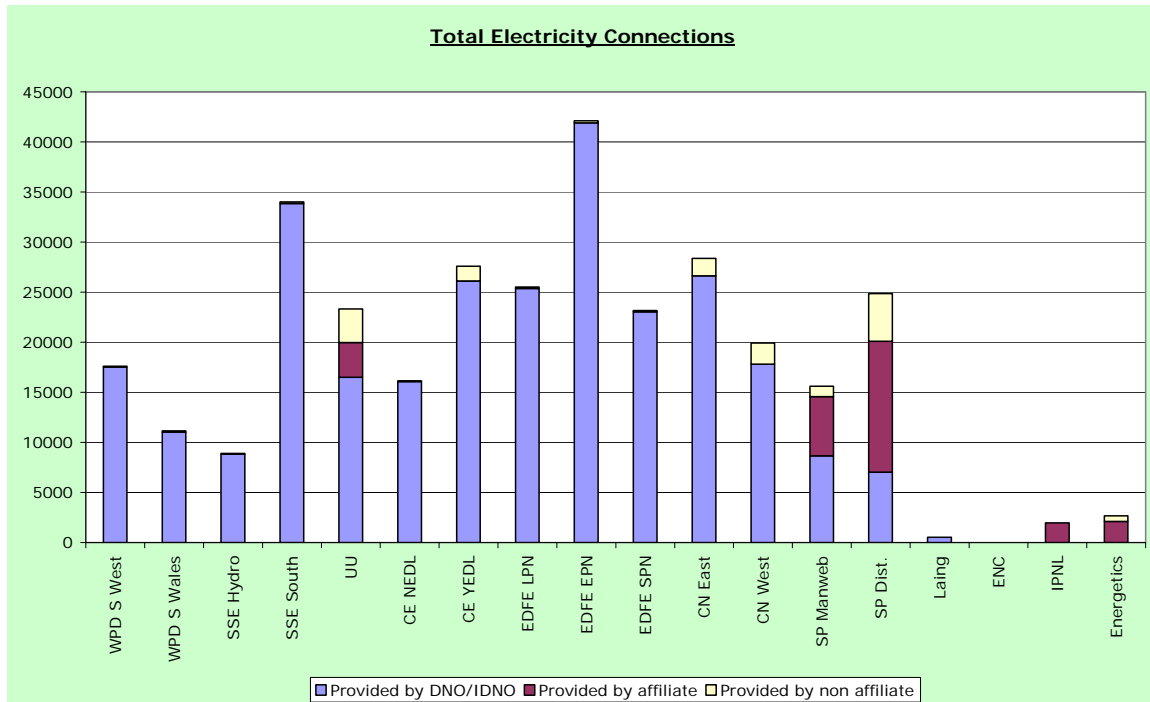
Total number of electricity connections

4.2. In 2006-07 a total of 492,309 electricity connections (metered and unmetered) were undertaken compared to 495,989 in 2005-06. The following table provides a breakdown of the totals.

	FY 2005/06		FY 2006/07	
	Number of Connections	% of Connections	Number of Connections	% of Connections
Connections by DNO within their DSA	450,336	90.8%	449,116	91.2%
Connections undertaken by DNO affiliated connections business	28,081	5.7%	22,660	4.6%
Connections undertaken by ICPs	13,430	2.7%	13,035	2.6%
Connections by DNO outside their DSA	2,499	0.5%	2,326	0.5%
Connections undertaken by IDNOs	1,642	0.3%	5,172	1.1%
Total	495,988	100.0%	492,309	100.0%

Total number of metered electricity connections for each distribution network operator

4.3. The following chart shows the number of metered connections reported by each distribution network operator for 2006-07.



5. Electricity Connections - Industry Breakdown

In-area (DSA) low voltage metered connections reported by DNOs⁴

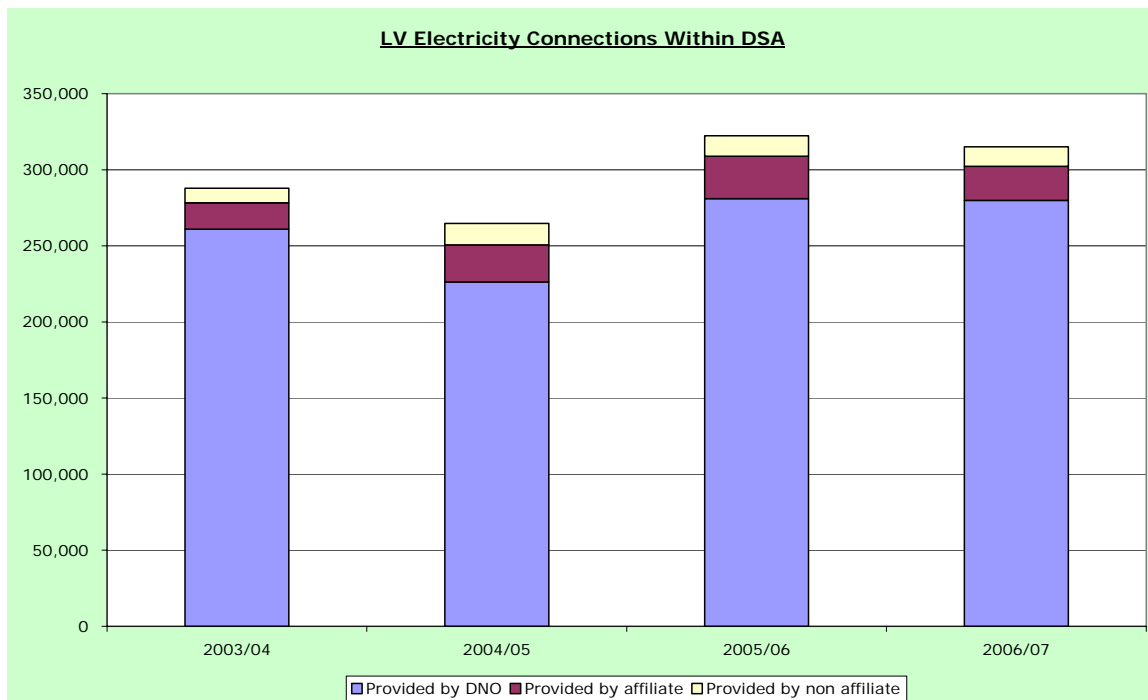
5.1. For 2006-07 DNOs reported 314,378 in-area LV connections compared with 322,323 for 2005-06⁵.

In-area (DSA) low voltage metered connections reported by DNOs

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
DNO	281,030 (87.2%)	279,910 (88.8%)
Companies affiliated to DNOs	27,942 (8.7%)	22,431 (7.1%)
Independent connection providers	13,351 (4.1%)	12,802 (4.1%)

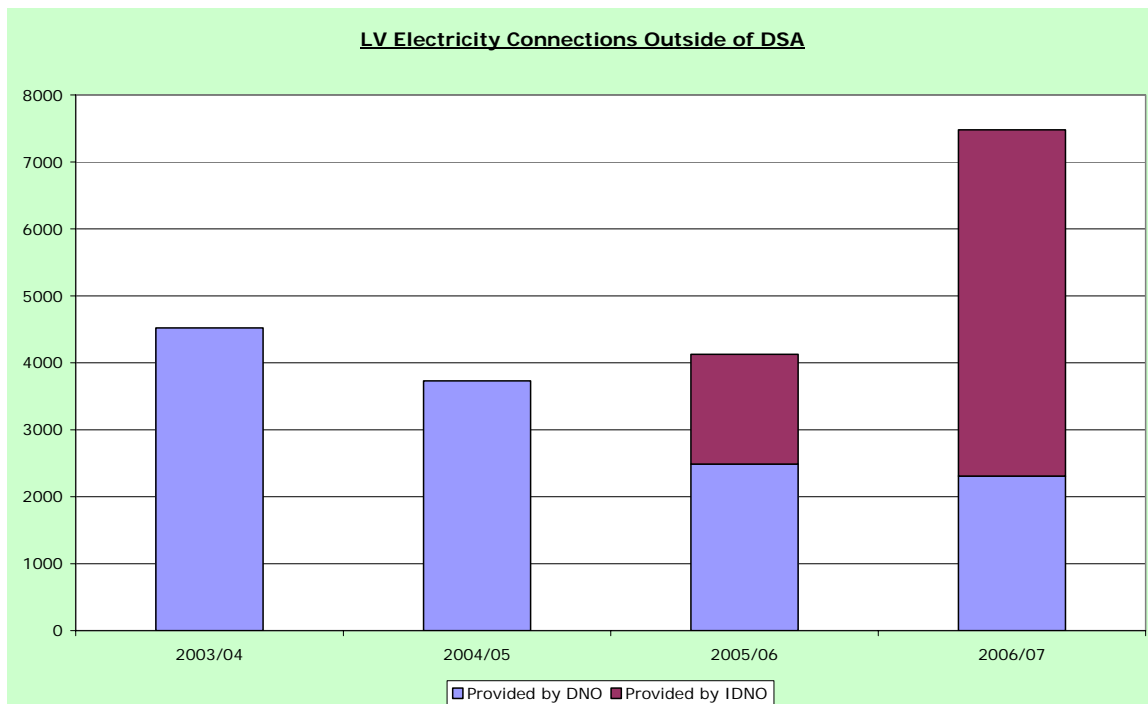
⁴ Distribution network operators have specified distribution services areas (DSAs). Independent distribution network operators (IDNOs) do not have DSAs. Consequently, all of the connections reported by them are considered to be 'out of area' for the purposes of this review.

⁵ HV connections for SSE Hydro and SSE Southern have not been broken out and have been included in the total for LV connections as has been the case in previous editions of the CIR.



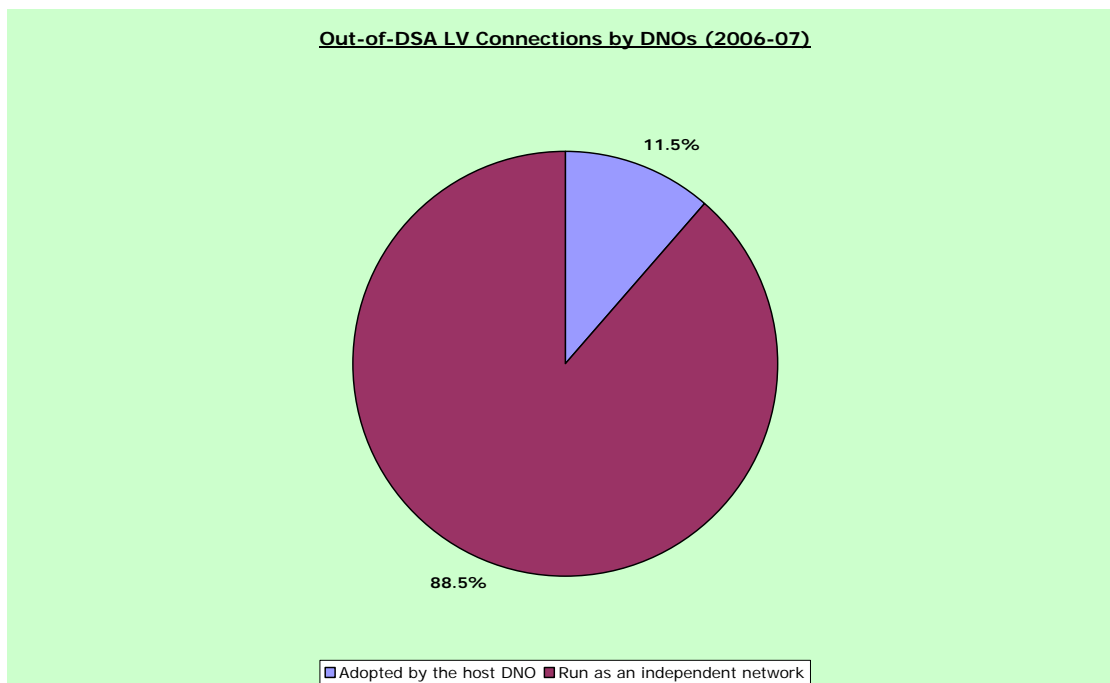
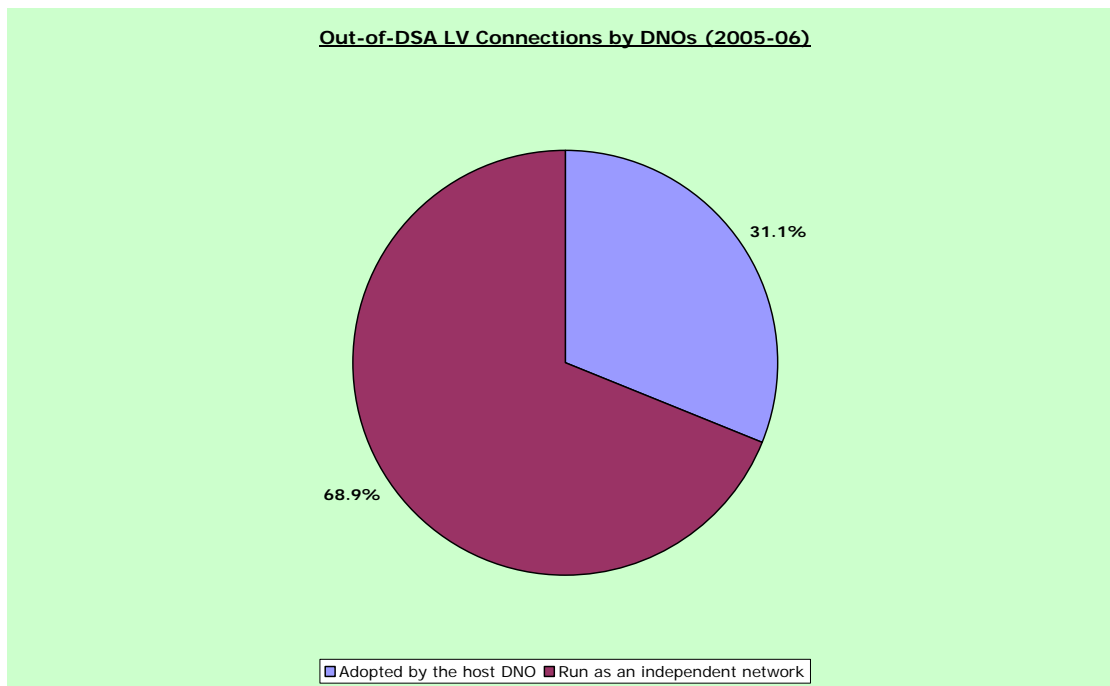
Connections completed outside distribution services areas

5.2. For 2006-07 IDNOs and DNOs reported a total of 7,478 LV connections undertaken outside distribution services areas compared with 4,128 for 2005-06.

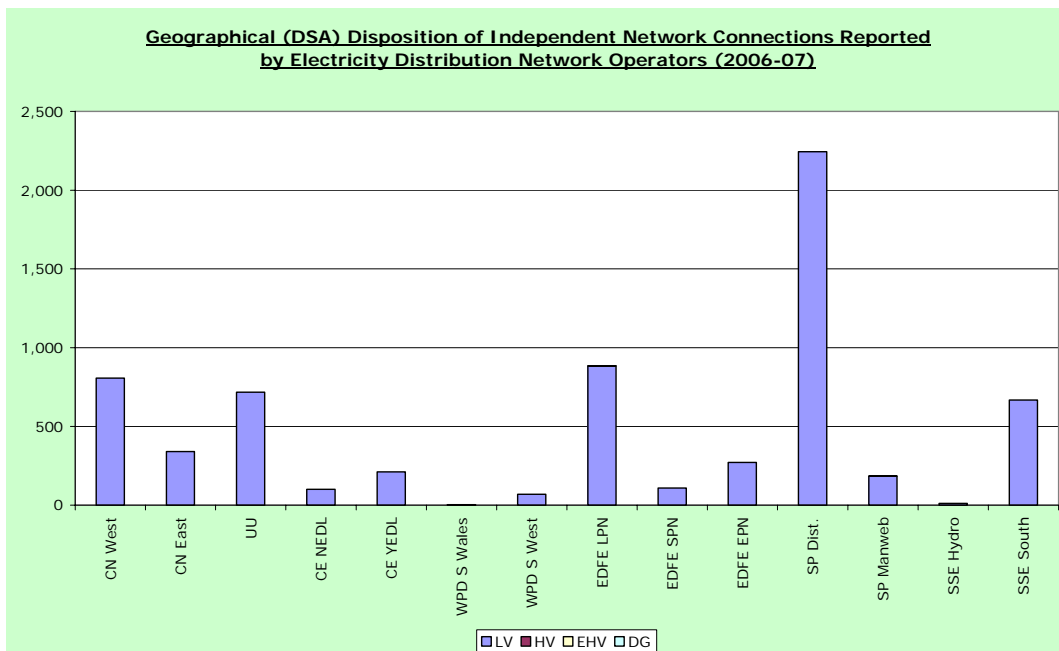
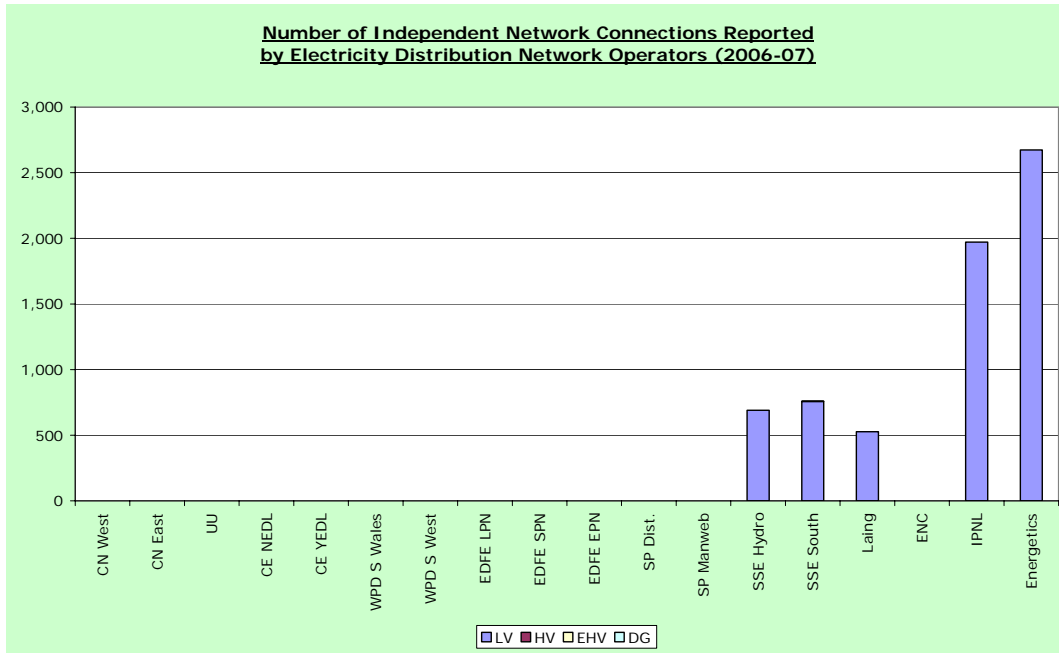


5.3. In 2006-07 three IDNOs reported a total of 5,172 LV connections, compared to a total of 1,642 reported by two IDNOs for 2005-06. For both years all of these connections were operated as independent networks.

5.4. In 2006-07 four DNOs provided a total of 2,306 out-of-DSA LV connections (858 adopted by host DNO), compared to a total of 2,486 reported by four DNOs for 2005-06 (1,285 adopted by host DNO).



5.5. For this year's CIR we asked DNOs and IDNOs to provide information on the geographical (DSA) locations of the out-of-DSA connections which they had reported, where they are continuing to operate those connections as 'independent networks'⁶. The information provided is summarised in the charts below:

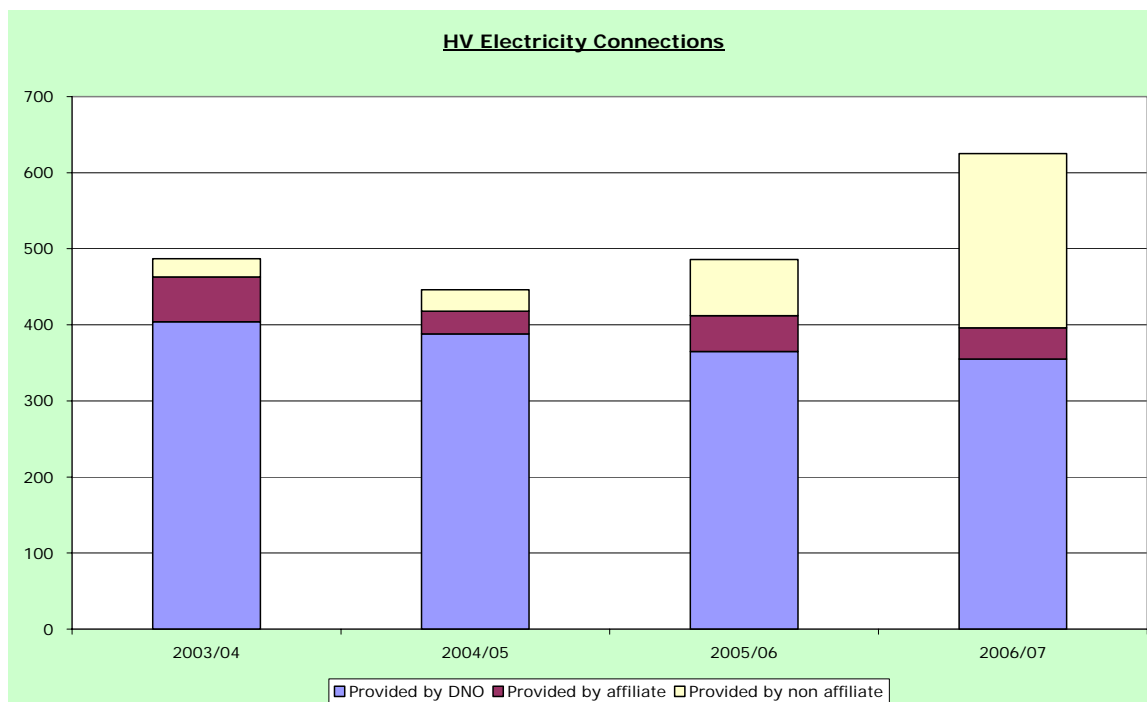


⁶ For this purpose, 'independent network' refers to a network embedded within a host DNO's DSA which is owned and operated either by an IDNO or by another DNO.

High voltage metered connections

5.6. In 2006-07 a total of 1,390 high voltage (HV) connections were reported, compared to 486 in 2005-06. No HV connections were reported by IDNOs.

Connections by:	2005-06 Number (percentage of grand total)	2006-07 Number (percentage of grand total)
DNOs	365 ⁷ (75.1%)	355 (56.8%)
Companies affiliated to DNOs	47 (9.7%)	41 (6.6%)
ICPs	74 (15.2%)	229 (36.6%)



⁷ In 2005-06, one HV connection was reported by an IDNO.

Extra high voltage metered connections

5.7. In 2006-07 13 Extra High Voltage (EHV) connections were reported by DNOs compared to 11 in 2005-06. No EHV connections were reported by IDNOs.

Distributed generation connections

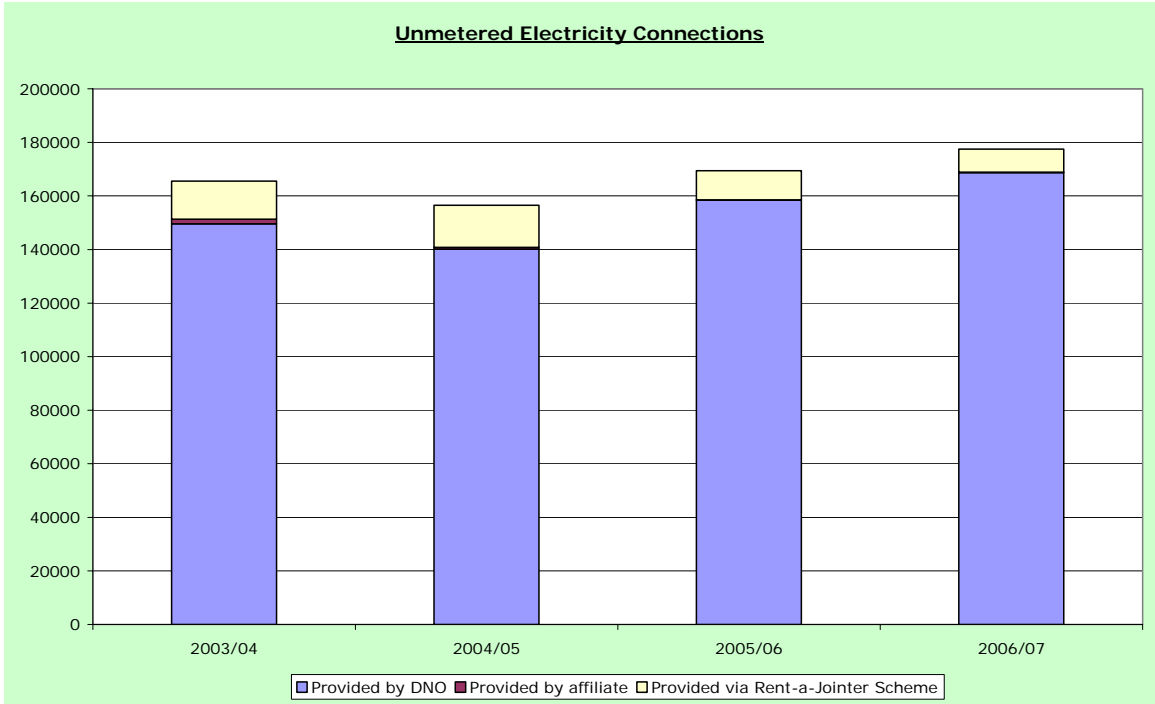
5.8. In 2006-07 151 distributed generation (DG) connections were undertaken compared to 68 in 2005-06. In both years, five of the connections were adopted from ICPs.

Unmetered connections

5.9. In 2006-07 177,557 unmetered connections were undertaken compared to 169,398 in 2005-06.

Connections provided by:	2005-06 Number (percentage)	2006-07 Number (percentage)
DNOs	158,473 (93.6%)	168,714 (95.0%)
ICPs	92 (0.1%)	185 (0.1%)
'Rent-a-Jointer' ⁸ arrangement (or similar)	10,833 (6.4%)	8,658 (4.9%)
Total	169,398	177,557

⁸ The 'Rent-a-Jointer' scheme, where operated, allows a local authority to contract with a DNO for the provision of qualified jointers, employed by the DNO, to complete pre-arranged unmetered connection projects for that local authority.



6. Performance against voluntary standards for non-contestable services (electricity connections)

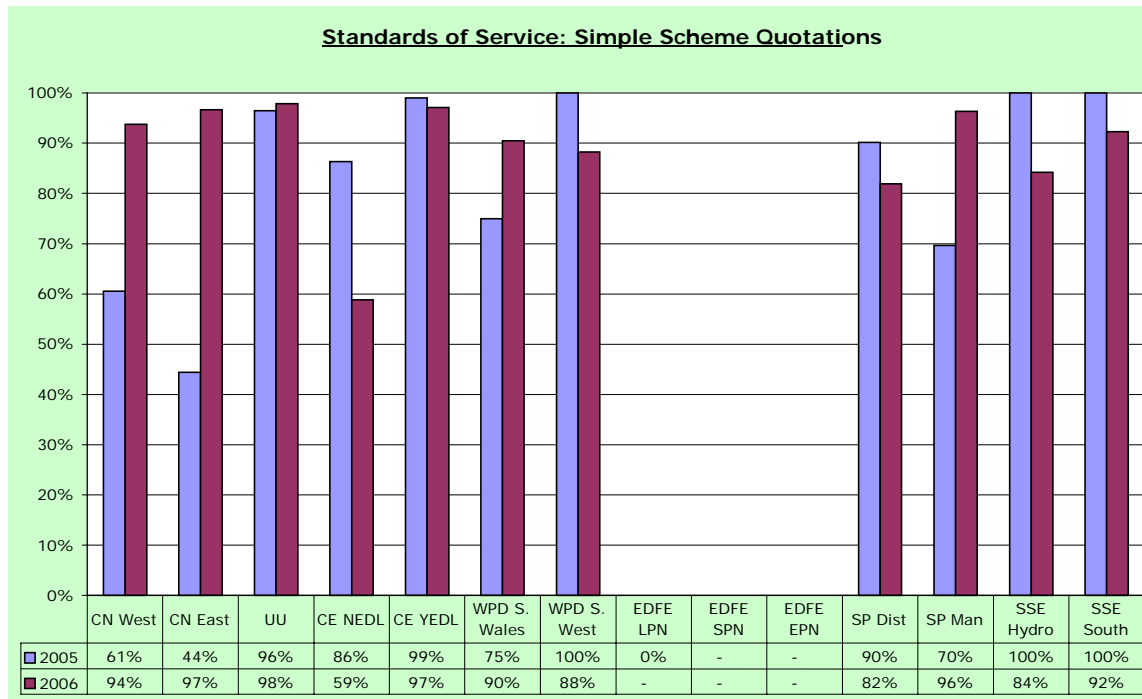
6.1. Since 2002-03 a regime of voluntary standards has been in place to promote competition in metered electricity connections. The aim has been to monitor performance of DNOs in providing 'non-contestable' information and services required by ICPs competing for contestable connection works.

6.2. The charts and tables below show the performance of DNOs against the voluntary standards (percentage of occasions when voluntary standard met) and give some indication of the level of contestable activity being undertaken by independent connections providers in each DNO area.

Providing quotations

Simple Schemes - provision of low voltage mains and services for domestic, commercial and industrial end-users

Standard: Formal quotation to be issued within 15 working days (percentage achieved)

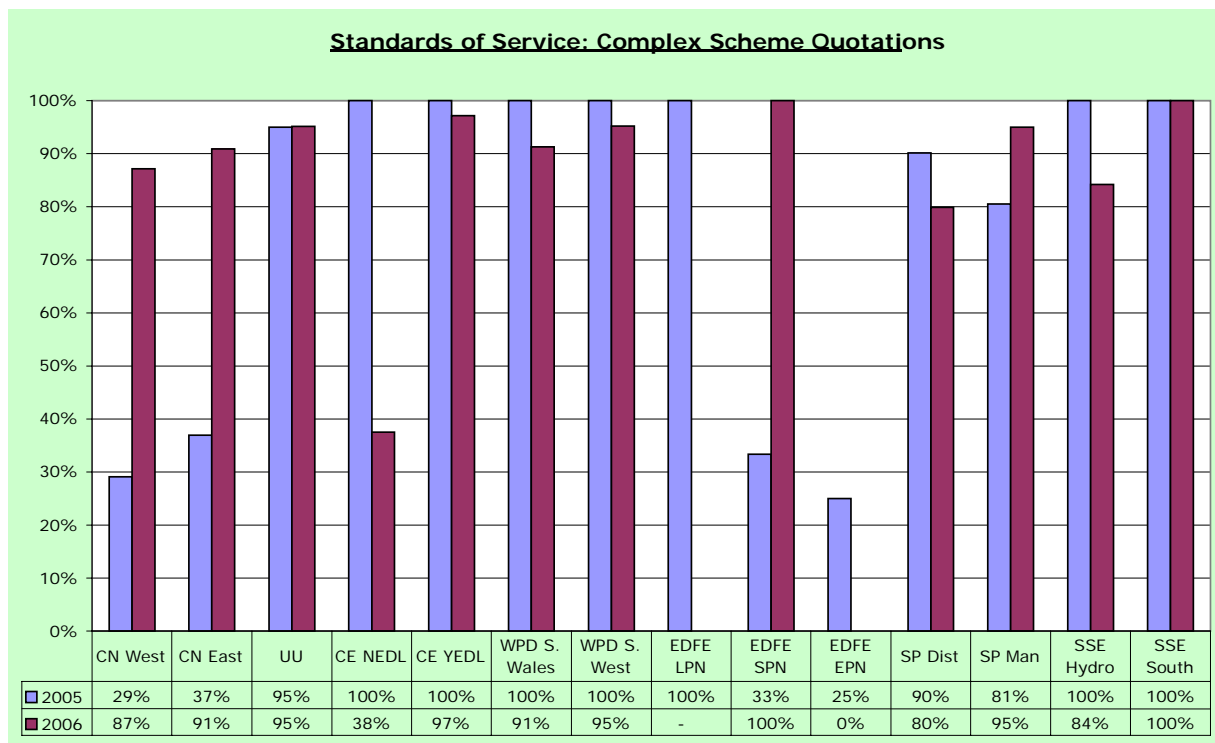


Simple Schemes Data

	In Standard	Out of Standard	Percentage in Standard	Total
CN West 2005-06	23	15	60.5	38
CN West 2006-07	60	4	93.7	64
CN East 2005-06	28	35	44.4	63
CN East 2006-07	87	3	96.6	90
United Utilities 2005-06	358	13	96.5	371
United Utilities 2006-07	181	4	97.8	185
CE NEDL 2005-06	19	3	86.3	22
CE NEDL 2006-07	20	14	58.8	34
CE YEDL 2005-06	98	1	98.9	99
CE YEDL 2006-07	134	4	97.1	138
WPD S Wales 2005-06	3	1	75.0	4
WPD S Wales 2006-07	19	2	90.4	21
WPD S West 2005-06	4	0	100.0	4
WPD S West 2006-07	15	2	88.2	17
EDFE LPN 2005-06	0	1	0.0	1
EDFE LPN 2006-07	0	0	-	0
EDFE SPN 2005-06	0	0	-	0
EDFE SPN 2006-07	0	0	-	0
EDFE EPN 2005-06	0	0	-	0
EDFE EPN 2006-07	0	0	-	0
SP Dist. 2005-06	614	67	90.1	681
SP Dist. 2006-07	386	85	81.9	471
SP Manweb 2005-06	94	41	69.6	135
SP Manweb 2006-07	79	3	96.3	82
SSE Hydro 2005-06	27	0	100.0	27
SSE Hydro 2006-07	16	3	84.2	19
SSE South 2005-06	4	0	100.0	4
SSE South 2006-07	24	2	92.3	26
Total 2005-06	1,272	177	87.7	1,449
Total 2006-07	1,021	126	89.0	1,147
Total 2005 - 2007	2,293	303	88.3	2,596

Complex Schemes - provision of new infrastructure requiring installation of a substation

Standard: Outline quotation letter to be issued within 20 working days (percentage achieved)

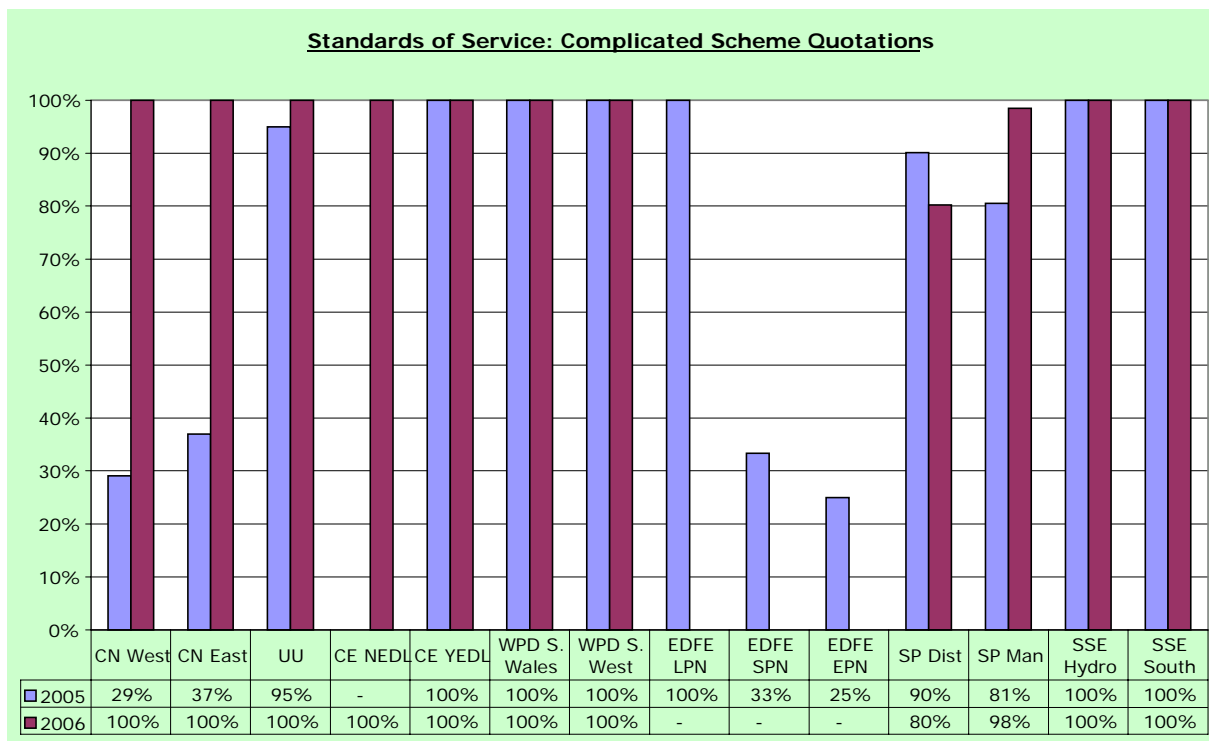


Complex Schemes Data

	In Standard	Out of Standard	Percentage in Standard	Total
CN West 2005-06	32	78	29.0	110
CN West 2006-07	136	20	87.1	156
CN East 2005-06	81	138	36.9	219
CN East 2006-07	209	21	90.8	230
United Utilities 2005-06	496	26	95.0	522
United Utilities 2006-07	524	27	95.1	551
CE NEDL 2005-06	1	0	100.0	1
CE NEDL 2006-07	6	10	37.5	16
CE YEDL 2005-06	14	0	100.0	14
CE YEDL 2006-07	103	3	97.1	106
WPD S Wales 2005-06	5	0	100.0	5
WPD S Wales 2006-07	21	2	91.3	23
WPD S West 2005-06	5	0	100.0	5
WPD S West 2006-07	20	1	95.2	21
EDFE LPN 2005-06	1	0	100.0	1
EDFE LPN 2006-07	0	0	-	0
EDFE SPN 2005-06	1	2	33.3	3
EDFE SPN 2006-07	1	0	100.0	1
EDFE EPN 2005-06	1	3	25.0	4
EDFE EPN 2006-07	0	1	0.0	1
SP Dist. 2005-06	420	46	90.1	466
SP Dist. 2006-07	448	113	79.8	561
SP Manweb 2005-06	472	114	80.5	586
SP Manweb 2006-07	230	12	95.0	242
SSE Hydro 2005-06	31	0	100.0	31
SSE Hydro 2006-07	16	3	84.2	19
SSE South 2005-06	81	0	100.0	81
SSE South 2006-07	26	0	100.0	26
Total 2005-06	1,641	407	80.1	2,048
Total 2006-07	1,740	213	89.0	1,953
Total 2005 - 2007	3,381	620	84.5	4,001

Complicated Schemes - provision of new infrastructure requiring system reinforcement at high voltage or extra high voltage levels

Standard: Letter to be issued within 10 working days saying when a formal quotation will be provided (percentage achieved)

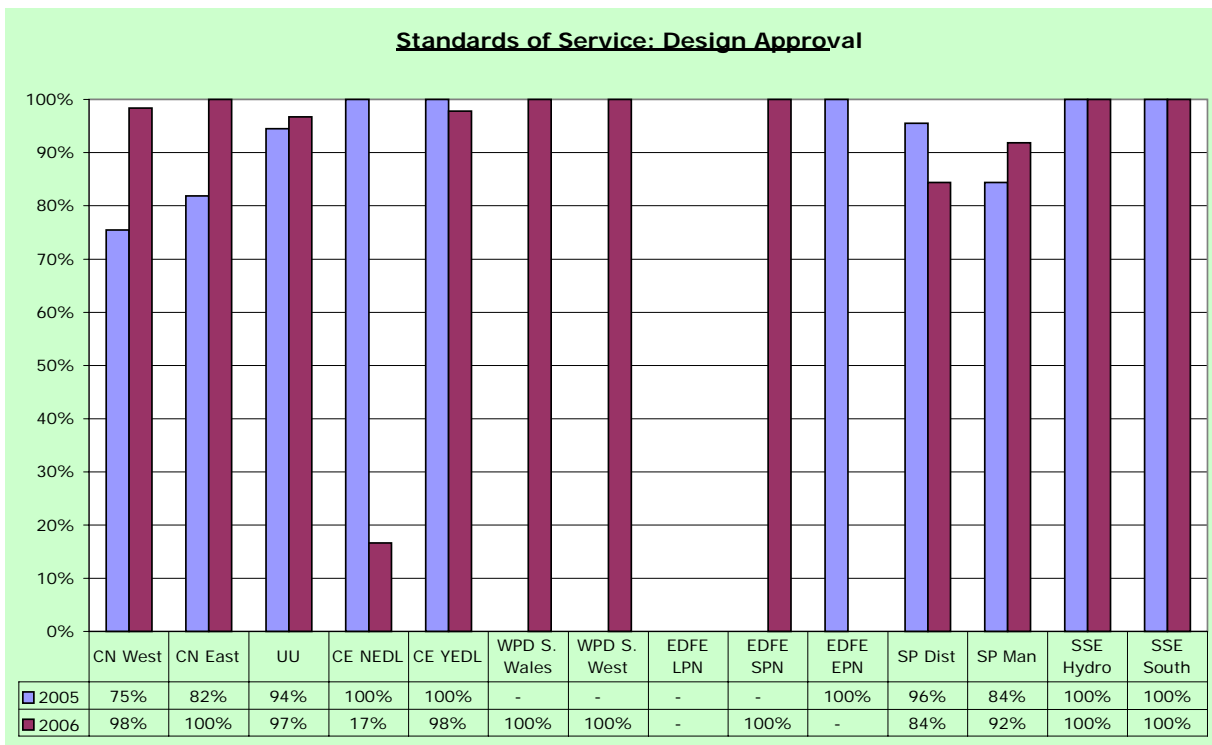


Complicated Schemes Data

	In Standard	Out of Standard	Percentage in Standard	Total
CN West 2005-06	32	78	29.0	110
CN West 2006-07	63	0	100.0	63
CN East 2005-06	81	138	36.9	219
CN East 2006-07	95	0	100.0	95
United Utilities 2005-06	496	26	95.0	522
United Utilities 2006-07	285	0	100.0	285
CE NEDL 2005-06	0	0	100.0	1
CE NEDL 2006-07	2	0	100.0	2
CE YEDL 2005-06	6	0	100.0	14
CE YEDL 2006-07	9	0	100.0	9
WPD S Wales 2005-06	5	0	100.0	5
WPD S Wales 2006-07	1	0	100.0	1
WPD S West 2005-06	5	0	100.0	5
WPD S West 2006-07	5	0	100.0	5
EDFE LPN 2005-06	1	0	100.0	1
EDFE LPN 2006-07	0	0	-	0
EDFE SPN 2005-06	1	2	33.3	3
EDFE SPN 2006-07	0	0	-	0
EDFE EPN 2005-06	1	3	25.0	4
EDFE EPN 2006-07	0	0	-	0
SP Dist. 2005-06	420	46	90.1	466
SP Dist. 2006-07	130	32	80.2	162
SP Manweb 2005-06	472	114	80.5	586
SP Manweb 2006-07	379	6	98.4	385
SSE Hydro 2005-06	31	0	100.0	31
SSE Hydro 2006-07	6	0	100.0	6
SSE South 2005-06	81	0	100.0	81
SSE South 2006-07	7	0	100.0	7
Total 2005-06	1,632	407	80.1	2,048
Total 2006-07	982	38	96.2	1,020
Total 2005 - 2007	2,623	445	85.5	3,068

Design approvals

Standard: Submitted design to be approved or rejected within ten working days of submission (percentage achieved)



Design Approvals Data

	In Standard	Out of Standard	Percentage in Standard	Total
CN West 2005-06	40	13	75.4	53
CN West 2006-07	60	1	98.3	61
CN East 2005-06	72	16	81.8	88
CN East 2006-07	67	0	100.0	67
United Utilities 2005-06	393	23	94.4	416
United Utilities 2006-7	327	11	96.7	338
CE NEDL 2005-6	2	0	100.0	2
CE NEDL 2006-07	1	5	16.6	6
CE YEDL 2005-06	22	0	100.0	22
CE YEDL 2006-07	44	1	97.7	45
WPD S Wales 2005-06	0	0	-	0
WPD S Wales 2006-07	9	0	100.0	9
WPD S West 2005-06	0	0	-	0
WPD S West 2006-07	3	0	100.0	3
EDFE LPN 2005-06	0	0	-	0
EDFE LPN 2006-07	0	0	-	0
EDFE SPN 2005-06	0	0	-	0
EDFE SPN 2006-07	1	0	100.0	1
EDFE EPN 2005-06	1	0	100.0	1
EDFE EPN 2006-07	0	0	-	0
SP Dist. 2005-06	620	29	95.5	649
SP Dist. 2006-07	523	97	84.3	620
SP Manweb 2005-06	405	75	84.3	480
SP Manweb 2006-07	292	26	91.8	318
SSE Hydro 2005-06	24	0	100.0	24
SSE Hydro 2006-07	5	0	100.0	5
SSE South 2005-6	6	0	100.0	6
SSE South 2006-07	7	0	100.0	7
Total 2005-06	1,585	156	91.0	1,741
Total 2006-07	1,339	141	90.4	1,480
Total 2005 - 2007	2,924	297	90.7	3,221

Physical connections

The table below shows the percentage of physical network connections undertaken by DNOs within the timescales agreed with ICPs.

	Percentage of timescales met
CN West 2005-06	100.0
CN West 2006-07	100.0
CN East 2005-06	100.0
CN East 2006-07	100.0
United Utilities 2005-06	98.0
United Utilities 2006-07	97.2
CE NEDL 2005-06	95.0
CE NEDL 2006-07	99.1
CE YEDL 2005-06	98.0
CE YEDL 2006-07	98.5
WPD S Wales 2005-06	100.0
WPD S Wales 2006-07	100.0
WPD S West 2005-06	100.0
WPD S West 2006-07	100.0
EDFE LPN 2005-06	100.0
EDFE LPN 2006-07	85.0
EDFE SPN 2005-06	100.0
EDFE SPN 2006-07	93.0
EDFE EPN 2005-06	100.0
EDFE EPN 2006-07	96.0
SP Dist. 2005-06	99.0
SP Dist. 2006-07	99.6
SSE Hydro 2005-06	100.0
SSE Hydro 2006-07	100.0
SSE South 2005-06	100.0
SSE South 2006-07	100.0
SP Manweb 2005-06	98.0
SP Manweb 2006-07	99.9
Average 2005-06	99.1
Average 2006-07	97.8
Average 2005 - 2007	98.5

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Appendix 1 – The Authority’s Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority’s powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.⁹

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly¹⁰.

1.4. The Authority’s principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them¹¹; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.¹²

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

⁹ entitled “Gas Supply” and “Electricity Supply” respectively.

¹⁰ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

¹¹ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

¹² The Authority may have regard to other descriptions of consumers.

- Promote efficiency and economy on the part of those licensed¹³ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation¹⁴ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

¹³ or persons authorised by exemptions to carry on any activity.

¹⁴ Council Regulation (EC) 1/2003

Appendix 2 - Glossary

Affiliated Connections Business

A connections business which is a holding company of a distribution network operator, subsidiary of such a holding company or subsidiary of a distribution network operator (as defined within the Companies Act 1985)

DNO Distribution Network Operator (Electricity).

There are 14 Electricity Distribution Network Operators who carry electricity from the transmission system and some distributed generators to industrial, commercial and domestic end users. They have distribution service areas which correspond to those of the former public electricity suppliers (before privatisation in 1990). They are owned by seven different corporate groups.

DSA Distribution Services Area

Electricity DNOs each have a distribution services area. With the exception of embedded independent networks they are monopoly operators within that area and are subject to particular licence requirements accordingly.

GDN Gas Distribution Network (Operator)

There are five Gas Distribution Network Operators who transport Gas from the National transmission system to final consumers. Up until June 2005 all eight area networks in the country were owned and operated by National Grid Gas but at that time, four area networks covered by four licences were sold to three other corporate groups, whilst four were retained by National Grid Gas plc under one licence.

ICP Independent Connections Provider

An independent connections provider not affiliated to a distribution network operator.

IDNO Independent Distribution Network Operator (Electricity)

There are presently four independent electricity distribution network operators. IDNOs own and operate various small networks embedded within DNO networks. IDNOs do not have DSAs.

IGT **Independent Gas Transporter**

There are presently nine IGT licence holders, although only five of these currently own/operate gas distribution assets.

Appendix 3 - Feedback and Contact Information

Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments you may have about the Connections Industry Review and its future development.

Please send your comments to:

Paul Darby
Distribution Policy Manager
Ofgem
9 Millbank
London
SW1P 3GE
paul.darby@ofgem.gov.uk

→ Getting a Connection

Information on obtaining a connection to a gas and/or electricity supply can be found on the Ofgem website:

www.ofgem.gov.uk/Consumers/Pages/Consumer.aspx