



ELECTRICITY NORTH WEST LIMITED'S COMPETITION TEST NOTICE

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1.Introduction

Background

- 1.1. As part of its Final Proposals published in December 2009¹, Ofgem set out its policy for competition in connections. As part of that policy Ofgem requires, by December 2013 at the latest, all Distribution Network Operators (DNOs) to provide detailed evidence demonstrating that competition in their regional markets is working well for customers and there are no barriers to competition imposed by the DNO.
- 1.2. In addition, Ofgem introduced an incentive which identified those segments of the market where competition is more likely to develop. The incentive allows DNOs to earn an unregulated margin² in competitive segments where DNOs can demonstrate that competition is effective by meeting a defined competition test.
- 1.3. This document is Electricity North West's submission of a Competition Notice which provides evidence in support of its claim that there is effective competition in its area, the Competition Test and the Legal Requirements have been met.
- 1.4. Details of the requirements are set out in the Special Conditions of Electricity North West's Licence, specifically in Charge Restriction Condition (CRC) 12 and an extract is included in Appendix 2.

¹ See Appendix 1

² Ofgem's Final Proposals also allow DNOs to earn a regulated margin set at 4% by having appropriate systems in place.

Relevant Market Segments

1.5. Part of that Licence Condition (12.25) requires Electricity North West to specify the Relevant Market segments to which its Competition Notice applies. For Electricity North West, these align with all of those in the Licence Condition as they are replicated in the table below.

Demand Connections
A1.2 In respect of Metered premises owned or occupied by Demand Customers:
(i) LV work: low voltage Connection Activities involving only low voltage work, other than in respect of Excluded Market Segments.
(ii) HV work: low voltage or high voltage Connection Activities involving high voltage work (including where that work is required in respect of Connection Activities within an Excluded Market Segment).
(iii) HV and EHV work: low voltage or high voltage Connection Activities involving extra high voltage work.
(iv) EHV work and above: extra high voltage and 132kV Connection Activities.
Distributed Generation
A1.3 In respect of Metered premises in which Distributed Generation is situated:
(v) LV work: low voltage Connection Activities involving only low voltage work.
(vi) HV and EHV work: any Connection Activities involving work at high voltage or above.
Unmetered Connections
A1.4 In respect of unmetered premises:
(vii) LA work: New Connection Activities in respect of local authority premises.
(viii) PFI work: New Connection Activities under private finance initiatives.
(ix) Other work: all other non-local authority and non-PFI unmetered connections work.

1.6. Excluded Market Segments are those where competition is less likely to develop and for these no margin can be applied by any DNO. Excluded Market Segments are the combination of the following two segments relating to Metered premises that are owned or occupied by Demand Customers and defined by reference to the nature and volume of the Connection Activities:

- Domestic LV work: low voltage Connection Activities relating to no more than four Domestic Premises.
- One-off industrial and commercial work: Connection Activities in respect of a connection involving three-phase whole current metering at premises other than Domestic Premises.

2.Executive Summary

- 2.1. Electricity North West is proud to be the first Distribution Network Operator to submit a Competition Test Notice to Ofgem. We believe that this sector leadership is due to the efforts that we and our predecessor organisations have put into creating a truly competitive market for electricity connections customers in the North West.
- 2.2. Utilising market share data published by Ofgem in their Connection Industry Reviews we can demonstrate that the level of competition has been significant for a number of years. Since 2006 we have completed less than 70% of the low voltage connections made in our area. This reduces to 57% of the competitive market when those connections that are either not attractive or not open to competition are removed.
- 2.3. Our market share figures are even more striking when compared to the rest of the industry which whilst it has reduced from 97% in 2006/07 has only reduced to 89% in 2009/10, the latest year for which figures are available.
- 2.4. We believe our approach to live jointing has been a key contributor to facilitating competition in our area. This has allowed the establishment of third party providers, often multi-utility, such that it is now the norm for the connection of new housing in our operating area to be undertaken on a multi-utility basis and provided by an Independent Connections Providers. In line with our proactive approach we are the first company to commence trials in extending live jointing to connections to our existing network.
- 2.5. For higher voltages, Electricity North West's market shares are even lower. For some market segments these have been as low as 25%, demonstrating that there is significant competition in our area.
- 2.6. In support of our submission we have set out many of the things we have done or are doing to continue to support competition in our area. We have included testimonial letters from a number of the ICPs and IDNOs who work in our area in support of our application. These letters provide an independent assessment of how we support competition and provide a positive endorsement of our submission.
- 2.7. We consider that the requirements of the Legal Tests are met in all cases for Electricity North West.
- 2.8. We believe this evidence demonstrates that there is effective competition in our area in each of the market segments listed in the introduction (1.5) and that it allows Ofgem to assess and determine the extent to which competition has developed.
- 2.9. We look forward to Ofgem agreeing and recognising the efforts we have made in promoting competition by determining that we have met their Competition Tests for each Relevant Market Segment.

3. General Information

Electricity North West

3.1. Electricity North West Limited is a Licensed Distribution Network Operator (DNO) serving the North West part of England, from Buxton to Carlisle and from Blackpool to Settle. We distribute electricity to a range of customers comprising domestic, commercial and industrial, from a network of 14,000 km of overhead lines, 45,000 km of underground cabling and substations at various network levels. The Distribution Service Areas of some other DNOs are shown on the map below.



- 3.2. Electricity North West Limited owns one of the original fourteen regulated electricity distribution networks in England, Wales and Scotland.
- 3.3. Electricity North West limited has a licence which specifies a distribution service area within which it has to provide services to electricity supply companies. Our service area covers the North West of England.
- 3.4. We distribute electricity to customers' homes on behalf of the electricity supply companies. Customers receive their electricity bill from their supplier who pays us for use of the electricity network. Our first priority is to ensure the reliable supply of electricity in the North West, done in the safest possible way.
- 3.5. Working throughout North West England, Electricity North West Limited owns, operates and maintains the electricity distribution network. This incorporates

58,000km of cables, 98 bulk supply substations, 393 primary substations and 33,000 transforming points, delivering over 24 terawatt hours of electricity annually to some 5.1 million people in 2.4 million domestic and industrial properties. We also operate, maintain, construct and repair these assets.

- 3.6. The price that we can charge for distributing electricity is regulated by the Gas and Electricity Markets Authority ('GEMA'), operating through the Office of Gas and Electricity Markets ('Ofgem') under a price regime which is reviewed every five years. We are currently in the period 2010-2015.
- 3.7. In 2009/10 more than 10,500 metered connections were made to the North West's network for domestic and business customers. This represents about 6% of connections made in Great Britain.
- 3.8. In the same year Electricity North West carried out more than 8,000 unmetered connections (mainly Local Authority street furniture) in the region. This also represents about 6% of unmetered connections nationally.

4. Level of competition in our area

- 4.1. This section provides evidence on the historic levels of connections completed by Electricity North West and those completed by other third parties. We believe that this provides compelling evidence that competition has been working effectively for a number of years in our area.
- 4.2. This data demonstrates that customers are not only aware of the choices open to them but have actively exercised those choices. We consider that our processes and procedures are such that Independent Connections Providers (ICPs) and Independent Distribution Network Operator (IDNOs) have been able to operate successfully in our Distribution Services Area.
- 4.3. The sections below contain graphs that show the percentage market share for connections carried out over the last four years. All data for the graphs showing comparison to other DNOs has been sourced from Ofgem's Connections Industry Reviews³ (CIR).
- 4.4. They show both the number of connections completed by Electricity North West, Independent Connections Providers (ICPs) and Independent Distribution Network Operator (IDNOs) and compares the percentage market shares of Electricity North West to the rest of the industry over the same period. As this data is based on connections completed, it represents a lag due to the time between project award and the work being completed.
- 4.5. The graphs show the percentage of connections carried out by DNOs (including their affiliates). The data for "All other DNOs" includes all DNOs with a Distribution Service Area but excludes Electricity North West. The balance of connections includes connections carried out by ICPs (which the DNO has then adopted) or by IDNOs (who own and operate the network in their own right).
- 4.6. Whilst these graphs have the benefit of being produced from Ofgem published data and provide both historic trends and industry comparisons, the information is not directly aligned to the new market segments developed as part of the Price Control. Further data based on customer acceptances and split by Relevant Market Segments has also been produced but no industry comparisons are yet available as the data is not published in this form. This provides a more contemporary view of market shares for each segment.

Relevant Market Segment: Low Voltage work

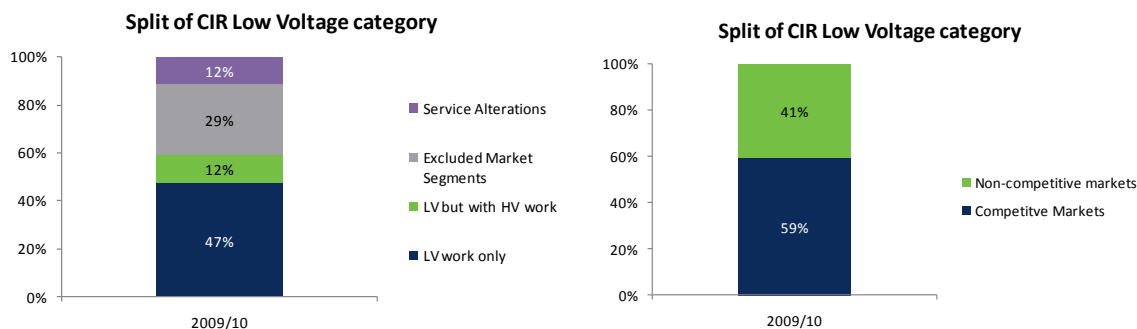
- 4.7. The following graphs include data for all low voltage connections made in the given period consistent with the Ofgem reporting requirements at the time. These graphs therefore span a number of Relevant Market Segments and Excluded Market Segments, but do give a good indication of the levels of competition over this time frame.
- 4.8. The chart below shows an indicative split of low voltage connections across the market segments based on analysis of accepted projects that were quoted during 2009/10. This shows that around 60% (actually 59%) of the low voltage connections related to Relevant Market Segments and the remaining 40% were either related to Excluded Market Segments (29%) or to Service Alterations⁴ (12%).

³ Available from Ofgem website
<http://www.ofgem.gov.uk/Networks/Connectns/ConnIndRev/Pages/ConnIndRev.aspx>

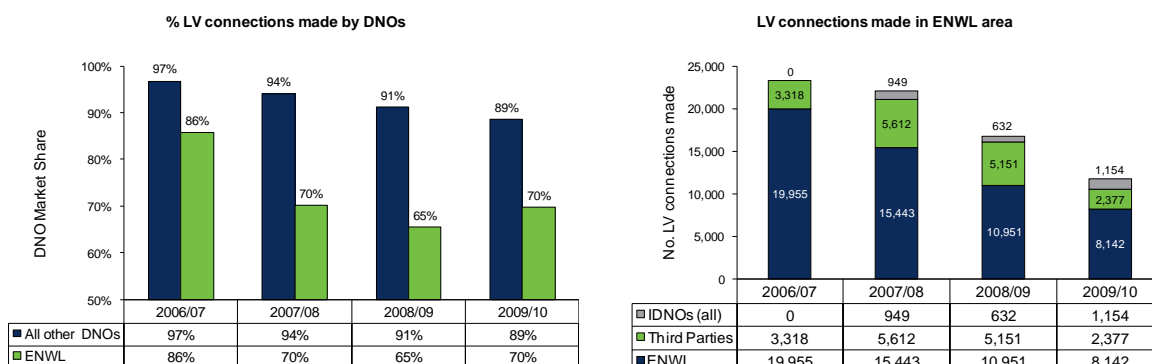
⁴ Service alterations are included as part of the CIR reporting but are not included as part of the Competition Tests.

The graph on the right shows the split between “competitive” segments and “non-competitive” segments.

4.9. Market share data based on CIR information (as it includes both Excluded Market Segments and Service Alterations) tends to make Electricity North West’s market share look higher than if just Relevant Market Segments was considered. The effect of this is considered further in 4.15.



4.10. The graph below left compares the percentage of low voltage connections made by Electricity North West and all other DNOs over the last four financial years for which the information is published. The graph shows the relatively low penetration of competition across the rest of Great Britain. Market shares of other DNOs collectively have only reduced slightly from 97% to 89% over this four year period.



4.11. This is contrasted by the same figures for Electricity North West. For Electricity North West, market share has been between 65-70% for the last three years.⁵ The lost market share has been mainly achieved by ICPs and IDNOs targeting the new housing sectors, often providing multi-utility solutions for customers, and has since been impacted by the economic climate and the slowdown in new housing activity.

4.12. The graph above right shows the significant decline in the overall number of connections in our area. First signs of decline were seen in Autumn 2008 and this resulted in a 25% reduction in connections compared to the 2007/08 volumes. The following year resulted in less than half the connections being made in 2009/10 compared to 2007/08. Despite this, market shares have been relatively consistent across all three years.

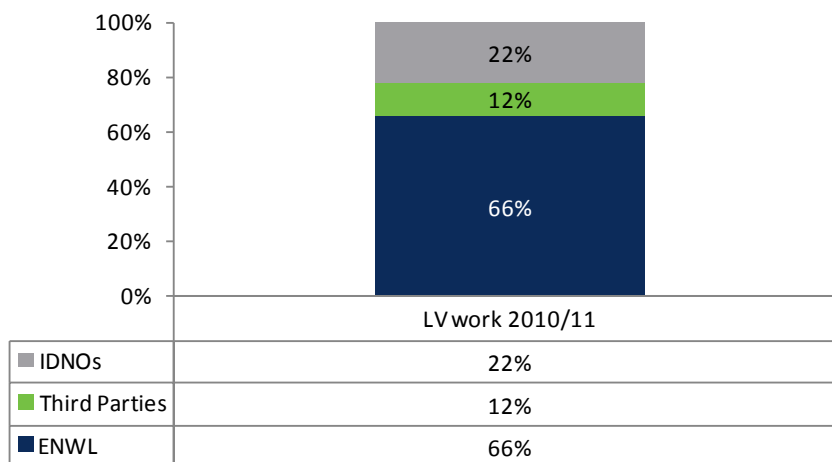
4.13. As described in 4.8 the CIR market share figures for both Electricity North West and ‘All Other DNOs’ include service alterations and small services connections. Service alterations are non contestable and small services (either single properties

⁵ Of the 86% for Electricity North West shown in 2006/07, this included 15% carried out by United Utilities Networks Limited which operated as an ICP so the underlying number of connections by Electricity North West was 71%

or up to four domestic properties) are Excluded Segments and are generally unattractive to ICPs/IDNOs.

- 4.14. To calculate a percentage market share for the competitive market for low voltage connections the published data needs to be adjusted.
- 4.15. By adjusting for 998⁶ service alterations included in the Electricity North West 2009/10 figures this reduces the Electricity North West market share to 67%. By further adjusting for 2400⁷ small services then Electricity North West's effective market share is 57% of the competitive market.
- 4.16. The information above provides an important context in terms of both the extent of competition and the historic perspective even if it does not directly align with the Relevant Market Segment for LV work. As noted above, numbers of connections made in a given year acts as a lagging measure and the durations of projects can vary significantly.
- 4.17. The following analysis has been undertaken based on projects quoted during 2010/11 and subsequently accepted. This therefore provides a much more contemporary picture of the competitive market in our area. All projects that have been accepted have been analysed and categorised according to the Relevant Market Segments. Market shares have been calculated based on the number of connections that will be connected on each project. For IDNO projects, the number of connections to their network has been estimated using an assumption of 2kW per property.

Market shares based on number of connections



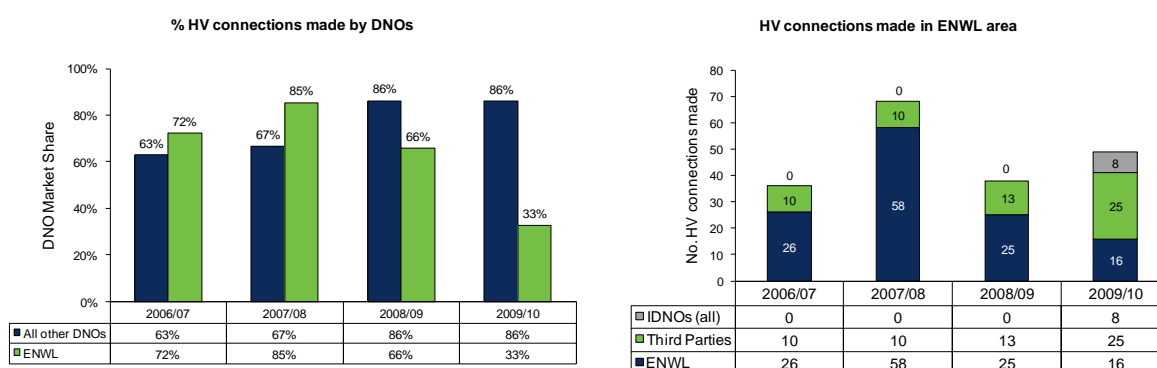
- 4.18. This shows a market share for the LV Work Relevant Market Segment for Electricity North West of 66%. This is consistent with the historic levels for overall low voltage connections based on the CIR categories.

⁶ The actual figures in the 2009/10 data

⁷ Based on analysis of completed jobs in 2009/10 which is considered to have a close correlation to connections made included in the 2009/10 data

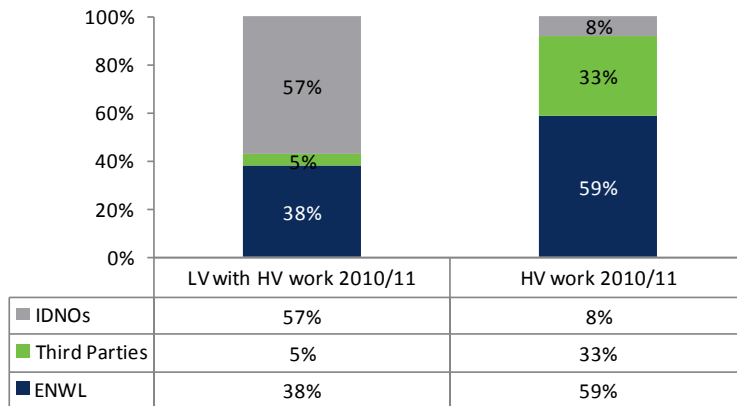
Relevant Market Segment: High Voltage work

- 4.19. This market segment is based on the need to carry out high voltage work to complete the project. It therefore combines low voltage connections that require high voltage work (eg a new substation) and connections of new high voltage customers.
- 4.20. As identified in 4.8, about 12% of all low voltage connections require some high voltage work but were not disaggregated from the low voltage connections reported in CIR.
- 4.21. As very few high voltage customers (<5%) require extra high voltage work to make their connection the HV connections as reported in the CIR can be assumed to all sit within the High Voltage Work Relevant Market Segment.
- 4.22. The following graphs show the historical picture for HV connections based on the CIR data.



- 4.23. The high voltage market across Great Britain shows a very different picture to that of low voltage. Market share constructed by DNOs actually **increased** from 63% to 86% over the last four years.
- 4.24. This is starkly contrasted by the trends in the Electricity North West area where the trend is a **reduction** down to 33% in 2009/10. This is largely as a result of the downturn in the housing market observed in paragraph 4.12 where ICPs/IDNOs, competing in the North West, have turned their focus to the industrial and commercial markets.
- 4.25. The only year that does not show a year-on-year reduction in Electricity North West's market share is 2007/08; though it should be noted that the absolute number of connections made by ICPs/IDNOs in that year was the same as that in the previous year.
- 4.26. As in 4.17, analysis of the HV work Relevant Market Segment has been undertaken based on projects quoted during 2010/11 and subsequently accepted. The same assumption for IDNO low voltage connections has been made. For IDNO high voltage connections only one high voltage customer has been assumed for each IDNO connection to our network.

Market shares based on number of connections

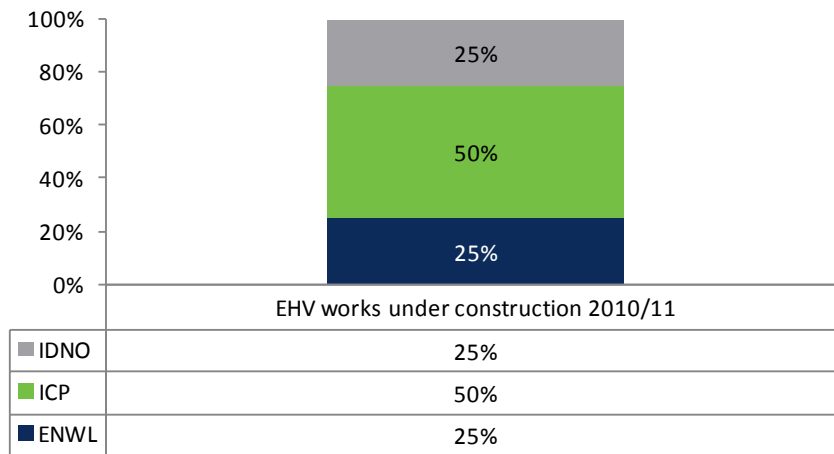


4.27. The graphs above show the market shares for accepted jobs for the two categories within the High Voltage work Relevant Market Segment. As the metric is based on the number of end connections, these have been shown separately rather than combined into a single figure which would equally weight an LV and HV end connection. For projects with low voltage end connections but with high voltage work this shows that Electricity North West have retained 38% of these; for those with high voltage end connections, 59% has been retained.

Relevant Market Segments: High Voltage and Extra High Voltage Work and Extra High Voltage work and above

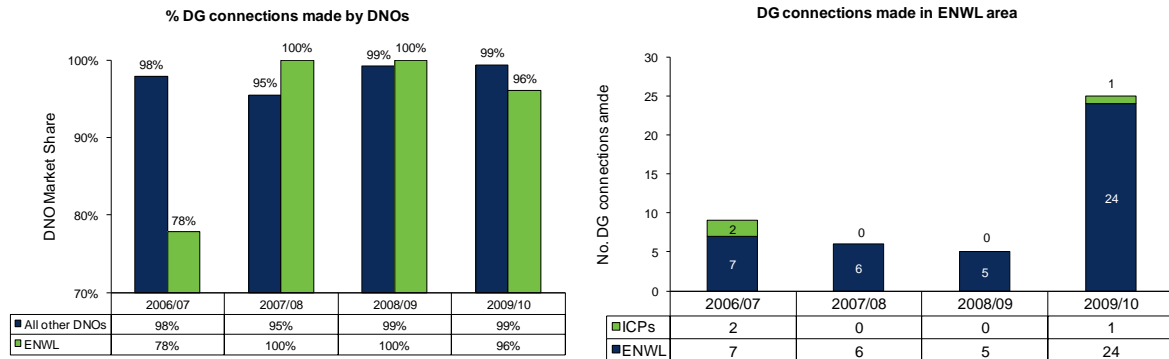
- 4.28. Due to the small volume of connections involving Extra High Voltage (EHV) comparative graphs have not been produced based on the CIR data and both Relevant Market Segments are considered in this section.
- 4.29. Within Electricity North West’s area there has been two completed connections involving EHV work over the last four years. Neither of these was constructed by Electricity North West and both of them involved the construction of a primary substation.
- 4.30. There are a number of jobs that are not yet completed and will not have been reported in the CIR data return. Of the six currently active jobs (ie still under construction and not yet connected), one only involves non-contestable work, one involves contestable works where the customer has accepted our offer and the remaining four are all being completed by ICPs.
- 4.31. Similarly, two large IDNO networks have been connected at EHV during 2009/10. These have installed capacity of 23MVA and 32MVA and both involved connection of IDNO primary substations to our network. These represent two of the largest connections in our area and neither has been completed by Electricity North West.
- 4.32. These “work in progress” jobs and the completed IDNO work have been combined in the graph below to show the relative market shares.
- 4.33. In the last two years there have been no new projects accepted for construction by Electricity North West or POCs accepted by ICPs or IDNOs.

EHV work market shares



Relevant Market Segment: Distributed Generation Low Voltage work

4.34. The following graphs show the data on Distributed Generation (DG) from the CIR but are not differentiated by voltage.



4.35. Across Great Britain the level of DG connections carried out by DNOs has been both high and stable over the last four years ranging between 95-99%.

4.36. In Electricity North West area, percentage market share has generally appeared high but for three of the four years been based on a relatively low volume of jobs completed. As discussed further below, many of these connections do not necessarily have contestable elements of work and therefore give a potentially distorted view of the competitive market.

4.37. Two large DG connections were completed by ICPs in 2006/07. For the following two years ICP activity reduced. Feedback from customers indicated that this was due to the economic conditions and with some ICPs ceasing to trade. These conditions resulted in some DG customers seeking the perceived security of DNO connections due to the very long lead times of their projects.

4.38. To provide a more contemporary view of the DG market, accepted applications over the last two financial years have been analysed but as these are not yet completed are not included in the data shown in the graphs above.

4.39. Overall we have seen a significant increase in applications for Distributed Generation over the last couple of years. In our area, low voltage connections of DG (that have only required LV work) have mainly been in relation to existing demand customers adding DG to their existing connections. This accounts for over 70% of low voltage connections in our area.

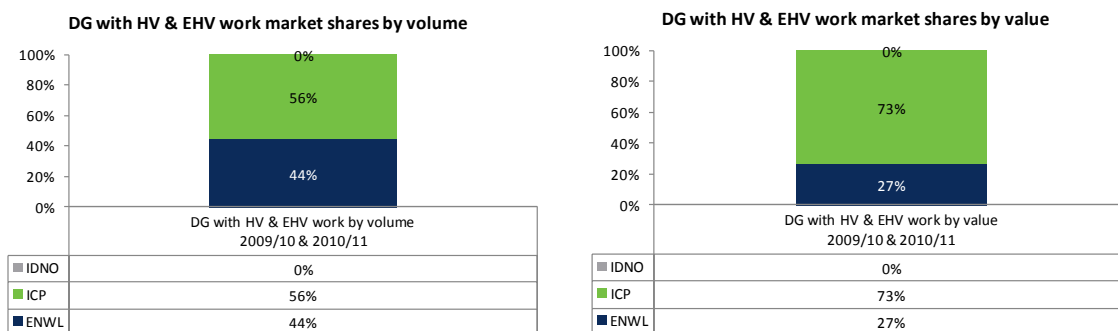
4.40. Whilst this has resulted in a sharp increase in the study and design work we have been required to do, the majority of these new connections which are “retro-fits” have been connected without any further work to the network. About half of the remainder do require some reinforcement work, but this is currently non-contestable. Therefore, whilst these jobs would fall within the Relevant Market Segment, they would not be open to competition and no margin could be earned by Electricity North West.

4.41. In the last two years there have only been eight jobs where there has been contestable work and all these have been completed by Electricity North West. The contestable work has only amounted to just over £16,000 of direct costs per project and, therefore, generally may not have been attractive to ICPs. As more DG is connected then it is likely that ICP interest in this segment will increase.

4.42. The processes and procedures described in the rest of this document still apply to DG connection work and therefore, despite the lack of historic competition for this particular segment, we do not explicitly exclude it from having met the Competition Tests.

Relevant Market Segment: DG High Voltage and EHV work

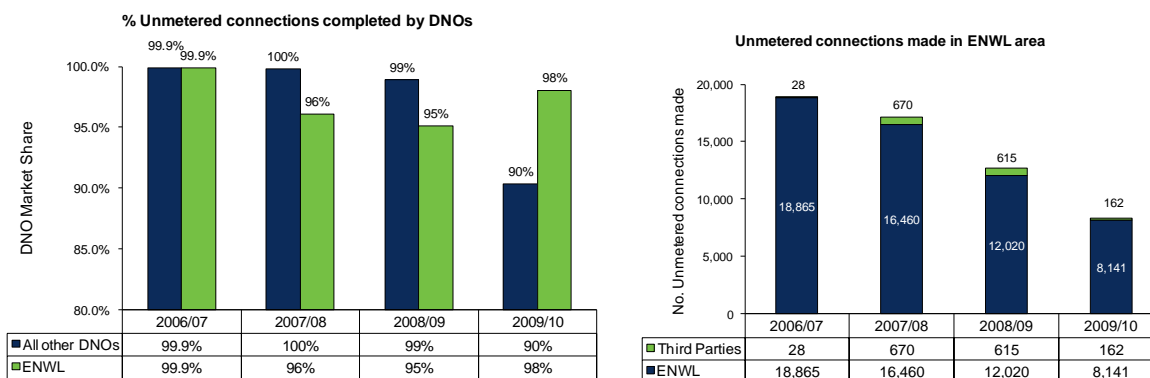
- 4.43. Similarly, in our area, DG connections that require HV work are mainly the retro-fit of DG to existing demand customers. The following analysis only considers projects where there has been an element of contestable work involved in the connection.
- 4.44. Due to the relatively low volumes of these larger jobs, the following analysis is based on accepted projects over the last two years. As described later all our EHV quotations give the customer the option to accept only the non-contestable charges or both the constable and non-contestable elements.
- 4.45. During 2009/10 and 2010/11 six projects have been accepted by customers at EHV. Of these only one has been awarded to Electricity North West.
- 4.46. The graphs below show these market shares for the whole Market Segment based on both the number of connections but also on the value of the contestable work⁸.
- 4.47. This clearly demonstrates on the DG projects, where there is an element of contestable work, an active competitive market exists.



⁸ The value of the ICP contestable work has been based on the ENWL estimate quoted to the customer.

Relevant Market Segment: Unmetered

4.48. The graphs below show the historic data from CIR reports. This data was not split by the three elements of the Relevant Market Segments. The CIR data did not include street lighting disconnections (which are a contestable activity) and therefore tend to not fully reflect the market share lost to ICPs and makes the DNO market shares artificially high.



4.49. Generally across the UK the street lighting market has been slower to develop with only 1% of the market being delivered by third parties in 2007/08, rising to 10% in 2009/10. The 10% is largely attributable to some large PFI schemes in one DNO area being completed by ICPs and is not representative of the situation across the country.

4.50. In our area, we have had higher levels of work completed by third parties up until 2008/09 when one of the most active ICPs stopping carrying out this work.

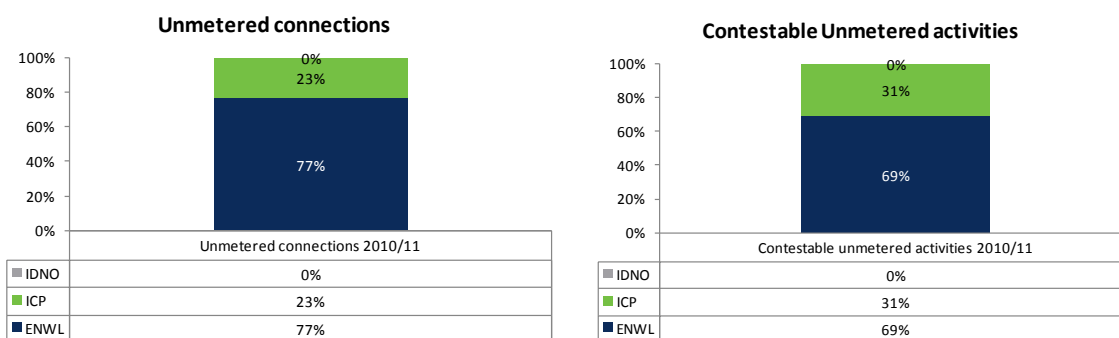
4.51. Local Authorities and Other Unmetered customers tended to use ICPs for larger schemes of work. These were more attractive to ICPs as they are concentrated blocks of work in one geographical area. The more geographically disparate work is more likely to be retained by Electricity North West

4.52. In the last financial year, we have a number of Local Authorities that have introduced PFIs for street lighting and the work is being done by third parties. These will be reported to Ofgem in the 2010/11 results but 2340 have been completed. A further PFI is scheduled to commence in July 2011 and again will be completed by an ICP.

4.53. The graphs below shows the market shares for 2010/11 and shows the impact of the work being completed by an ICP. No information is available for the number of IDNO unmetered connections and has been assumed to be zero.

4.54. The graph on the left shows the market shares⁹ based on all the unmetered work carried out. The graph on the right shows the market shares for the contestable activities ie service transfers and disconnections and shows that Electricity North West carried out 69% of the contestable unmetered market.

⁹ Market shares broken down by Local Authority, PFI and Other Relevant Market Segments are shown in Appendix A4.1



Applications for non-contestable work

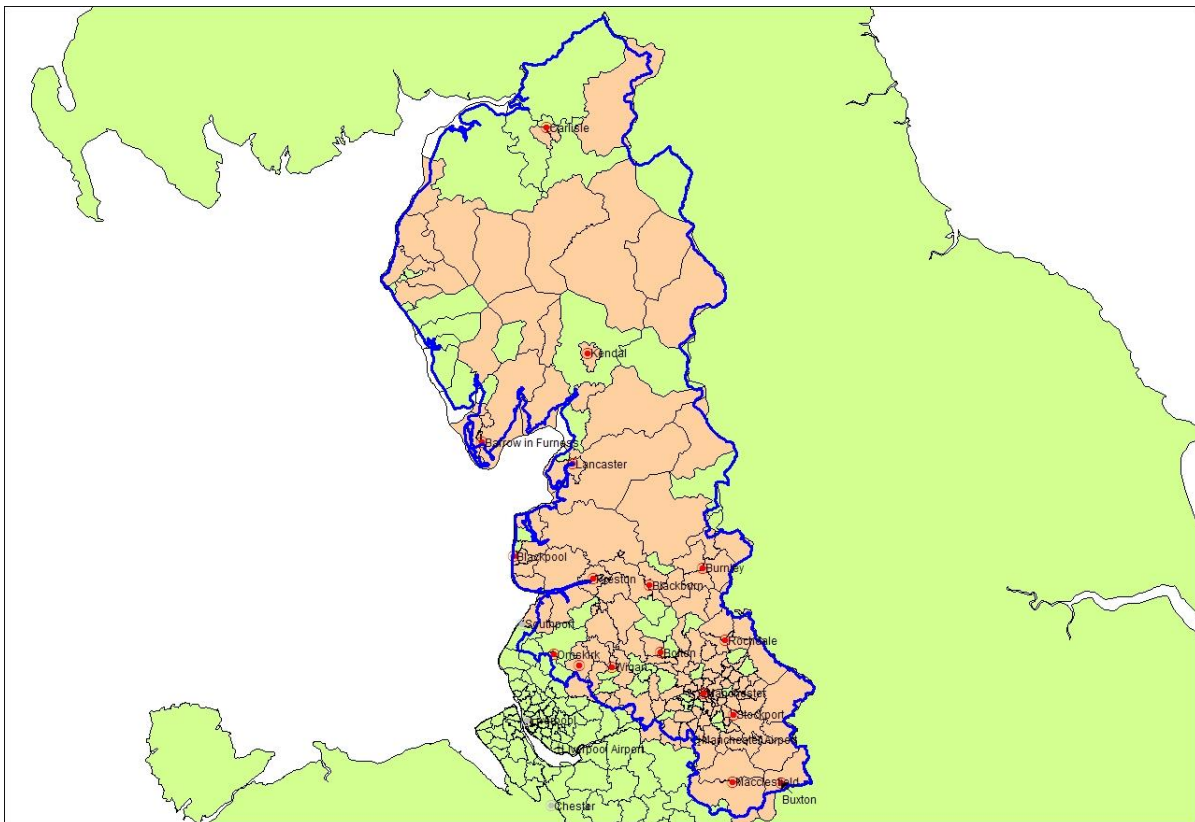
- 4.55. Another indicator of the level of competitive connections activity is the number of non-contestable services provided by DNOs.
- 4.56. The number of quotations that the DNO has issued indicates the level of awareness that there is amongst customers and the number of active ICPs that there are. These therefore act as a leading indicator of competitive activity (compared to the lagging connections made).
- 4.57. The table below shows the number of non-contestable service quotes provided for the LV & HV activities provided under SLC 15. To allow comparison, these have been normalised by the number of connections made in the same year. The percentage in itself is not intended to be considered as it is comparing two different aspects (quotes and connections). However it does provide a basis to allow comparison between these ratios in our area compared to the rest of the country. EHV services have not been shown as the volumes are small.

	SLC15 Non-contestable activities as a % of no. of connections made			
	2008/09		2009/10	
	ENWL	All other DNOs	ENWL	All other DNOs
LV Demand Quotations	3%	1%	6%	2%
HV Demand Quotations	3%	1%	3%	1%



- 4.58. This demonstrates that the ratio of ICP quotations to connections made is three times that of the rest of Great Britain.

Geographical spread of competition

- 4.59. The map below shows the geographic distribution of competition across our region. The map represents postcodes where we have provided ICPs with a quotation in the last two years for non-contestable services and therefore represents locations where customers have sought a competitive quotation from a third party. The geographical distribution of LV and HV works are shown separately in Appendix A4.2.
- 4.60. As can be seen from the diagram there are very few areas where competition has not been seen. Many of these are sparsely populated, rural areas in the Lake District and the Forest of Bowland where connections activity generally will be low.
- 4.61. Electricity North West therefore considers that there are no geographical areas of its region that represent a barrier to competition.



KEY

-  ENWL boundary
-  Postcode in which an ICP quotation has been issued

5. Our approach to Pricing

Cost breakdowns in our quotations

- 5.1. Electricity North West has provided a split of contestable and non-contestable charges in our connection offers for a number of years. An example for a small services job is shown below.
- 5.2. This example shows that for even a relatively small job (£1,379 in this example) a comprehensive breakdown is provided. The breakdown clearly shows which element of the job is contestable (£684.83) and also how the non-contestable elements are made up.

BREAKDOWN OF CHARGES

<u>Description</u>	<u>Quantity</u>	<u>Charge</u>
CONTESTABLE		
CONSTRUCTION - LV Services	1	684.83
NON CONTESTABLE		
CONSTRUCTION - LV Services	1	408.00
DESIGN APPROVAL - LV 1 TO 4 HOUSES	1	97.00
MONITORING - SERVICE CABLE	1	15.80
MONITORING - SERVICE TERMINATIONS	1	31.60
POC - LV CONNECTION 1-4 HOUSES	1	142.00
		Total Charge 1,379.23

- 5.3. A breakdown is also provided on all quotations over £10,000 as shown below. Note these are provided on a lower level of quotations than the £20,000 level agreed at ECSG.
- 5.4. Similarly to the service offer described above, this quotation has both a contestable and non contestable split together with description, quantities and charges for the main elements of the work.
- 5.5. We believe that this gives appropriate transparency to customers both in terms of the work content included in the quote and transparency of the charges.

BREAKDOWN OF CHARGES		
Description	Quantity	Charge
CONTESTABLE		
CONSTRUCTION - LV Associated Work	1	648.62
CONSTRUCTION - LV Cable (IN M)	188	6078.24
CONSTRUCTION - LV Joints	4	1311.36
CONSTRUCTION - LV Services	12	13847.62
CONSTRUCTION - LV Mains Lay	186	2839.68
NON CONTESTABLE		
LEGAL - RESIDENTIAL CONSENT (DEVELOPER)	1	240.00
LEGAL - SOLICITOR FEE	1	550.00
POC - LV CONNECTION UPTO 60KVA	1	142.00
MONITORING - SERVICE TERMINATIONS	12	379.20
MONITORING - SERVICE CABLE	12	189.60
MONITORING - MAINS CABLE JOINTS	16	1264.00
MONITORING - MAINS CABLE INSTALLATION	2	158.00
DESIGN APPROVAL - LV UP TO 60KVA	12	277.00
CONSTRUCTION - LV Joints	1	437.91
	Total Charge	28,363.23

Consistent non-contestable charges

- 5.6. Our approach to non-contestable charges has been to make these both transparent and consistent between our statutory and SLC 15 offers.
- 5.7. The non contestable charges would therefore be identical where a customer has requested a statutory quotation and an ICP has requested non-contestable charges under SLC 15.
- 5.8. In particular our approach to Inspection and Monitoring charges (identified as "Monitoring" in the example) is to make these explicit in both types of offer. We believe that auditing our own work is best practice and we apply exactly the same regime to statutory connections as to work being completed by ICPs that we will adopt. We have a single policy for auditing that applies to all connections work, irrespective of who carries out the work. The inspections are all carried out by the same team of auditors to ensure that consistency, frequency of audits and compliance standards are maintained.
- 5.9. Currently most ICPs are at the same (lowest) level of inspection regimes and therefore the same charges are made to customer irrespective of which route they choose for their connection. Where we apply a different inspection regime (based on the track record of the ICP) then this will result in different charges being made. We believe that this increases the transparency of our charges to customers rather than including these similar costs as an on-cost to the contestable work in our statutory offers.
- 5.10. We have further developed this principle in calculating our Assessment and Design charges in the Common Connections Charging Methodology. These are included in three tables:
- Table C - ie designing all aspects of a section 16 (statutory) quote,
 - Table D – ie providing a POC offer to an ICP,
 - Table E - Design Approval of an ICP design

- 5.11. The approach we have taken is to:
- 5.11.1. Identify the specific people who undertake each of the three activities and allocate their costs to it
 - 5.11.2. Allocate other overheads to these activities (accommodation, IT recharges etc)
 - 5.11.3. Calculate an hourly recovery rate based on the number of acceptances and an assessment of the time taken for each activity
 - 5.11.4. Use this rate multiplied by the assessed time taken to create the charge
- 5.12. Assuming our assumptions were correct, we would therefore recover all our design costs as design charges. If, for example, a customer accepts the quote and then subsequently cancels, we would not refund these design costs and therefore the costs are borne by the instigator rather than picked up by the general mass of customers who accept. We would apply the same approach to design approval on an ICP job.
- 5.13. At present DNOs are unable to make any charges to customers as a precondition of making a connection offer. DNOs therefore have to recover all abortive design costs from customers who do accept. We have chosen to include all these charges within our design charges. We acknowledge that this tends to make our design costs appear more expensive than other DNOs who chose to recover these abortive costs in other ways, for example, as an on-cost to their construction work. However we believe our approach is a more transparent approach.
- 5.14. If, in the future, Regulations are put in place so that DNOs can charge in advance for the design work involved in larger quotations, this will result in the design costs being picked up by the customer requesting the quotation, whether they subsequently accept or not. Abortive work would no longer be picked up by those customers that ultimately accept and we would anticipate a reduction in our charges that would be visible and transparent.
- 5.15. We believe that the recovery of all design costs in the design charge makes it easier for the customer to see what charges will be levied if they opt for a section 16 quote or just the non-contestable POC identification. The other transaction costs such as design approval¹⁰, which are incremental costs incurred as a result of the work being carried out through a Competition in Connections process, are available¹¹ so that the customer can compare the total costs of all options.

¹⁰ ICPs are free to carry out their own designs of new network extensions to connect customers but DNOs will approve that design to ensure that it complies with the DNO's design policies where it will adopt those assets and have the enduring responsibility for their operation and maintenance

¹¹ These are included in section 7.15 of our Statement of Charges for Connections which is available on our website at <http://www.enwl.co.uk/Content/ElectricityRetailerInfo/ChargingInformation.aspx>

6. Our processes and procedures support Competition in Connections

Establishment

- 6.1. Electricity North West (and its predecessors) first set up a separate Competition in Connections team in 1998, specifically to provide support to the, then fledgling, connections market in the North West. This team has progressively developed and refined our processes and procedures and these are now very well established.
- 6.2. As these are “business as usual” processes for us it is difficult to identify them all. We have identified a number of key processes and procedures that we believe are indicative of our approach and have made an impact in supporting Competition in Connections.

Live jointing on newly constructed assets

- 6.3. Electricity North West (as United Utilities) along with Scottish Power was one of the first DNOs to facilitate live working trials in 2002. Whilst these are still often referred to as “live jointing trials” this is not the case in our area. These ceased having a trial status and became incorporated into our formal policy in 2006.
- 6.4. This approach allows ICPs to make live connections to assets that they have newly installed. This is particularly important for new housing developments where the phasing of the houses being built takes place over a significant period of time. This allows the ICP to schedule the works to meet the requirements of their customer. Previously this work was considered non-contestable and therefore only could be carried out by the DNO.
- 6.5. We have commenced trials to further extend this contestability and this is covered further in section 7.16.
- 6.6. To date there have been 240 sites completed under live joint regimes with a further 175 that are still open and active. For new housing work in particular, live jointing regimes are the norm in our area. We consider that these arrangements have had a significant impact in making ICPs a viable alternative for customers in our area as evidenced by the data in section 4.10.
- 6.7. For unmetered connections, live jointing arrangements have been in place for a similar period of time. These arrangements covered about 70% of unmetered connections activity by allowing service disconnections and transfers to be carried out live by suitably accredited ICPs. These arrangements are currently being extended as a trial to include connections to existing mains.

NERS accreditation

- 6.8. In common with all DNOs we require ICPs to be accredited under the National Electricity Registration Scheme (NERS) by Lloyds Register.
- 6.9. We also apply this same requirement to all our connections term contractors as a requirement to work on our network.

Inspection regime

- 6.10. Our approach to inspection and monitoring emphasises positive reinforcement and coaching with connections providers as our ethos is for assets to be constructed to the required specification in the first instance. Where areas of concern are raised,

our auditors would look to resolve and advise at the site with the sole intention of preventing future occurrences that may affect asset quality.

- 6.11. Our inspection regime follows that outlined in Ofgem's 2005 decision document¹² and has three levels of inspection. Currently all the main third parties who are active in our area are on the third and lowest level of inspection as a result of this approach.
- 6.12. Any subsequent increases in the levels of audit should not be a surprise to the connections provider as during any three month period areas of concern would have been discussed with the aim of correcting issues before they negatively affect an audit regime.
- 6.13. In support of this process, we have developed an IT system (in conjunction with Mobile Data UK) that allows ICPs on-line access to the audit results for their staff. This gives the ICP real time updates of any audit defects so that rectification can take place without putting energisation dates at risk.
- 6.14. Where we do find ICPs have persistent quality issues, but do not take appropriate steps to rectify them then we will escalate the matter. Recently this has taken the form of suspending an ICP from working in our area and reporting them to Lloyds Register who have investigated and subsequently removed their NERS accreditation. We have had quality issues with a second ICP, but they have responded positively to the Lloyds investigation and changed their working practices such that we have been able to continue to adopt their work.
- 6.15. We do not take such steps lightly but believe it is incumbent on us to do this to ensure that the confidence of customers in ICPs in general is maintained.

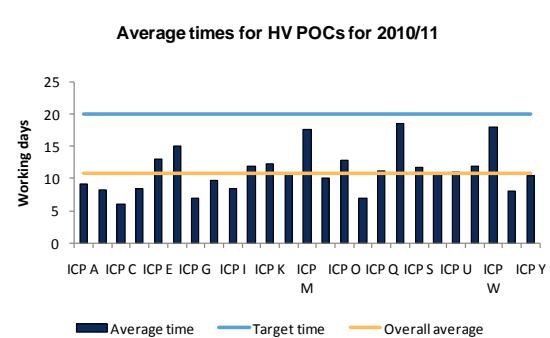
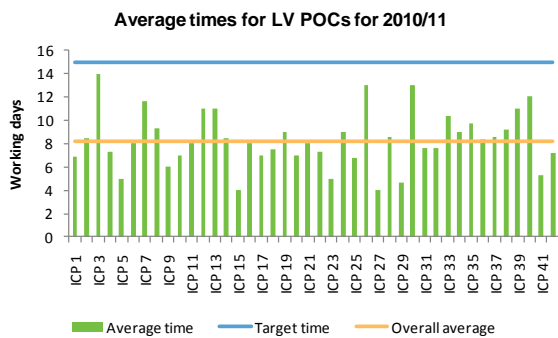
Terms and Conditions

- 6.16. We consider that our terms and conditions are clearly understood, consistent and reasonable to all parties. Notwithstanding this, we do look to make improvements to them.
- 6.17. During October 2010, Electricity North West took the innovative step of consulting with over 100 interested industry parties on some proposed changes to its standard connections offer, its standard terms and its adoption agreement.
- 6.18. As well as the approach being innovative, the proposed connections offer was equally innovative. The proposal was to offer customers who applied for a statutory quotation the option to accept an offer or to just accept a Point of Connection offer. This gives the customer the opportunity to seek alternative prices from ICPs for the contestable work without them or the ICP having to apply separately to us.
- 6.19. We intend to adopt many of the changes proposed and will be responding to all the comments made in the next few months.
- 6.20. In particular we received comments from one ICP regarding the form of our tripartite adoption agreement. We have taken this feedback on board and have developed an alternative bilateral agreement. This was developed in conjunction with both the ICP and their client to ensure that we addressed all their particular issues. We consider that these new sets of agreements provide another alternative to our tripartite agreements. The development of these is acknowledged in a letter from the ICP in Appendix A2.

¹² Ofgem's February 2005 'Competition in connections to electricity distribution systems – decision document'

SLC15 Monitoring

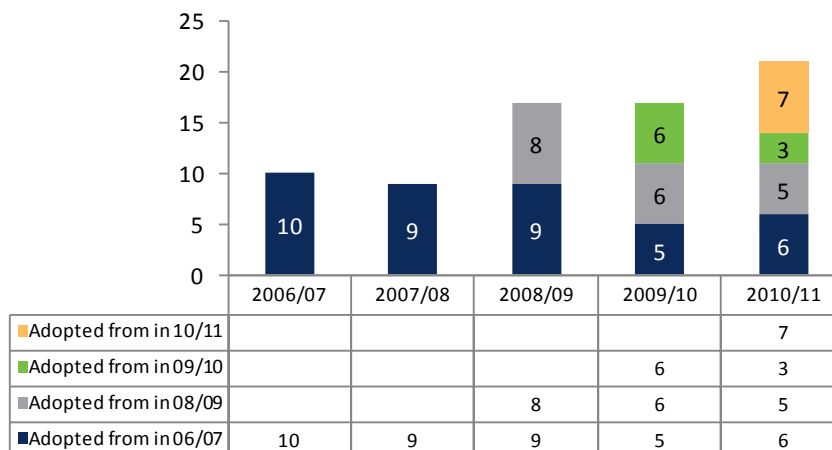
- 6.21. As part of Electricity North West’s compliance assurance approach, monthly audits are undertaken to ensure that there is no undue discrimination in the provision of non-contestable service to ICPs. Notwithstanding that Electricity North West does not have any affiliates undertaking connections activities; we believe that this is an important discipline for us. Any significant variances from the average would be investigated.
- 6.22. Our aim is to provide a good service to our customers and to get the quotes out as soon as reasonably practicable. The graphs below show our performance for 2010/11.
- 6.23. The graph below left shows the average time of issuing quotes for each of the 42 different low voltage applicants. Overall the average time taken was just over eight working days compared to the SLC15 target of 15 working days.
- 6.24. The graph below right shows similar data for the 23 HV applicants. Similarly the average timescale was under 11 working days compared to the SLC15 target of 20 working days.



Number of ICPs active in our area

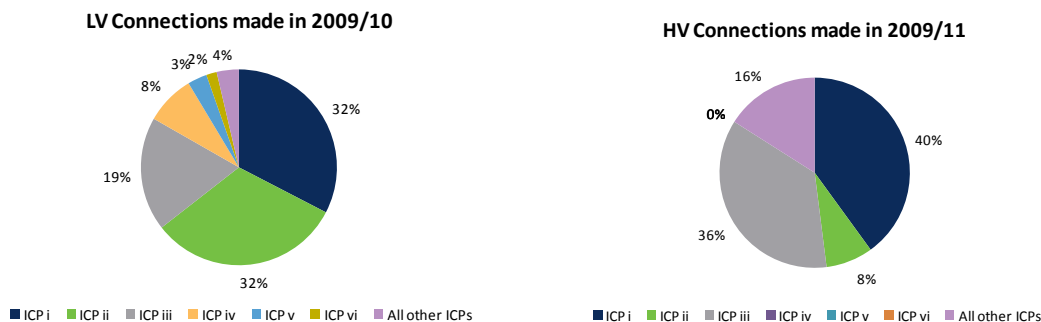
- 6.25. The number of ICPs active in a DNO provides an indication of how competitive the market is. It also indicates how easy it is for new entrants to win work and operate with the DNOs area.
- 6.26. Sections 6.23 and 6.24 identified the number of different applicants for both HV and LV POCs. In total we provided quotations for non-contestable work to 47 different applicants.
- 6.27. The number of companies from whom we adopted connections from over the last five years is shown in the graph below.

ICPs in ENWL's area



6.28. Last year we adopted assets from 21 different companies and from 17 companies for each of the two previous years. This represents a total of 28 companies¹³ over the last five years. Of the 10 companies from whom we adopted connections in 2006/07 there were still five active in 2009/10. Whilst there were no new entrants in 2007/08 there were eight new companies operating in our area the following year followed by a further six in 2009/10 and a further seven in 2010/11.

6.29. The graphs below show the relative size of the ICPs based on the number of connections we adopted during 2009/10. The graphs show that there are three ICPs who carry out the majority of connections in our area.



6.30. We consider that this demonstrates not only the extent of competition but also the ease with which new entrants can enter into and operate in our area.

6.31. When any ICP works in our area for the first time, we will make sure that our processes and procedures are clear to them. One of our managers will contact them and provide any clarification required. This often involves face to face meetings. We believe this investment in time upfront is beneficial for both parties in the long run and means that issues are resolved at an early stage rather than impacting a customer's connections. We asked two companies for their experience as new entrants to working in our area and they have provided letters which are included in Appendix A2 and summarised in section 7.20.

¹³ Where ownership of ICPs has changed, eg through acquisition, these have counted as the same company.

Support to ICPs and IDNOs

- 6.32. As well as the specific support to new entrants, we believe that we provide a positive and proactive level of support to ICPs in general and take a pragmatic approach so that their customers are not disadvantaged.
- 6.33. Examples of this include us endeavouring to meet ICP dates for energisations and not just comply with regulatory timescales. In particular we will aim to accommodate ICPs in re-programming dates if they are unable to complete their works to original timescales.
- 6.34. We have also provided substantial technical support to both ICPs and IDNOs. In particular, on a recent large IDNO connection, Electricity North West provided significant levels of advice to allow the IDNO to overcome technical problems that arose.
- 6.35. Whilst our preference is always to adopt standard solutions that comply with our specifications, we do, on occasions agree to derogations from these in particular circumstances. Our policy explicitly allows for exceptions to be agreed by our Policy and Standards Manager and we have received a number of requests where exceptions have been granted. Our aim is to take a reasonable approach and where we do not consider that safety, continuity or reliability are compromised, we will agree to exceptions.

Ensuring compliance with processes

- 6.36. We have worked hard over a number of years to develop robust and acceptable systems and processes to support Competition in Connections. We also strive to ensure that these are consistently applied by our staff.
- 6.37. In anticipation of the introduction of the Guaranteed Standards of Performance from October 2010, we reviewed many of our processes and briefed any changes to our staff. Similarly the introduction of the Common Connections Charging Methodology necessitated review and training for our staff.
- 6.38. All quotes are reviewed by a colleague of the designer to act as a “peer review”. This helps ensure that all policies are being complied with and that the lowest cost solution has been found for the customer.
- 6.39. To ensure compliance with these processes, monthly audits are carried out by managers. Non compliance is taken seriously and has resulted in formal performance improvement plans being instigated under our disciplinary procedures in a small number of cases. Our internal audit team also carry out compliance audits. Any recommendations arising from these audits are considered and auctioned by the Connections Management Team.
- 6.40. A small Regulatory Compliance team also carries out monitoring and acts as a focal point for any points of clarification. They will then ensure any clarifications are cascaded to all relevant staff.
- 6.41. We consider that these approaches ensure that are processes are complied with and any improvements communicated appropriately.

7. How we promote competition

Highlighting competition options to customers

- 7.1. As we have outlined above, there is a significant level of competition for connections in our area and has been for a number of years. As with our processes and procedures, we believe our approach has recognised that competition exists and has made this option clearly available to our customers.
- 7.2. Our website¹⁴ has a comprehensive section that explains Competition in Connections to customers. It describes the concept of contestable and non-contestable work and details the contestable work that can be carried out by an ICP and the non-contestable work that must be carried out by Electricity North West. The website includes a link to the Lloyds website which identifies all currently accredited ICPs to allow customers to easily access contact details for these companies. Copies of the national framework documents (known as G81) are included, together with our company specific appendices. The standards of service that we must work to under SLC 15 to provide non-contestable services are also included.
- 7.3. We have a single standard application form for all demand customers that covers both statutory and SLC 15 applications. We believe that this has a number of benefits. It prevents the customer completing the “wrong form” but also identifies that the ICP route exists to all customers.
- 7.4. Even when customers apply for a statutory (section 16) quotation we make explicit reference in our connection offer to the fact that part of the work can be carried out by an accredited third party –
“If your quotation contains contestable construction work you can appoint your own contractor to carry out this work. Your contractor must be one who has been approved to do work which will become part of our distribution system. Under these circumstances we must set up a joint construction and adoption contract. This contract will describe the arrangements for the settling of any charges together with our and your responsibilities.”
- 7.5. We believe that this helps make all customers aware that there are alternative approaches available for them to choose from.

¹⁴ Weblink is <http://www.enwl.co.uk/Content/OurServices/ElectricityConnections/Competitioninconnections.aspx>

Active engagement with customers

- 7.6. We are also active with customer representative groups. The House Builders Federation (HBF) has played a very active part in developing competition in the North West and Electricity North West has actively engaged with them in these meetings. Working groups with DNOs, IDNOs, ICPs and customer representatives have in the past been set up to review the end to end process and to look at how this can be streamlined.
- 7.7. HBF members in the North West are very aware of their competition alternatives. A letter from the chair of the North West HBF Utilities Committee is included in Appendix A2. This letter from 2007 demonstrates the high level of awareness of their members of competition in connections and their active role in engaging with all utilities to promote competition.
- 7.8. Similarly, Electricity North West is an active participant in the Street Lighting Steering Group which has representatives of all the local authorities (including PFI providers) across our area. We have worked with members of this group to review our street lighting adoption agreements and we have developed mutually acceptable documents.
- 7.9. We have been particularly active in engaging with our Street Lighting Steering Group prior to and in the run up to the implementation of the new Guaranteed Standard of Performance that came into effect 1 October 2010.
- 7.10. In response to suggestions from them that they were not fully aware of these changes, we briefed them during the development of the standards so that they were aware of the issues and could partake in the consultation process. We briefed them collectively on the new standards once finalised and developed mutually beneficial processes. We also held individual meetings with most Local Authorities to ensure that their operational staff were aware of the changes to ensure a smooth implementation. We have also carried out a review with them after the first quarter's results to share the results and verify the processes were working effectively.
- 7.11. We have even been requested by a major customer and national, multi-site energy user based in the North West to explain competition options and in particular IDNOs to them and have done presentations to a number of their senior managers.
- 7.12. We conduct regular customer satisfaction surveys with our customers. ICPs and IDNOs are included in the scope of these surveys. Feedback from these surveys is used to make process improvements to our processes for example the introduction of text messaging.
- 7.13. We have regular dialogue with ICPs, IDNOs and consultants working in our area. These can be to resolve a particular issue, to cover an area of interaction, for example legal processes or a more general discussion. An example of this is that we changed the validity period for our POC offers from 30 days to 90 days. This was based on feedback from ICPs who found that 30 days did not give enough time for them to collate, issue and get feedback from their client.

Opening up competition

- 7.14. As highlighted in section 6.1, Electricity North West has been active in establishing the framework in which competition has been able to develop and flourish as demonstrated in Section 4.
- 7.15. In section 6.3, along with Scottish Power, we were the first DNO to introduce live jointing for connections.
- 7.16. This proactive approach continues as we have actively supported the extension of contestability to existing mains. We are the first DNO to actually start trials to allow ICPs to make live LV connections to our existing network. These commenced in March 2010 and are unmetered connections. A letter from E.ON, who are the ICP participating in the trial, is included in Appendix A2.
- 7.17. We are in active discussions with a number of other ICPs regarding trials for live connections both metered LV and HV jointing. We anticipate commencing trials for HV work in quarter 1 of 2011/12.
- 7.18. As mentioned previously we have also reviewed our adoption agreements and have sought to make these reasonable for all parties. One ICP provided feedback that some of their customers would not sign tri-partite agreements and we have therefore developed alternative bi-lateral agreements in conjunction with them.
- 7.19. Our established process and procedures for competition has allowed a consortium of Local Authorities to seek to establish a framework contract for one or more ICPs to provide street lighting services to them. Although no volumes will be guaranteed to the successful ICP, this framework has the potential to result in 57% of all street lighting work in our area to be carried out by third parties.

Endorsement from customers

- 7.20. To support our application we have sought letters of endorsement from a number of customers. As these are from ICPs and IDNOs (who are both customers and competitors) we believe these add a compelling endorsement of the approach that Electricity North West takes and has taken over a number of years.
- 7.21. These are attached in appendix A2 and a number of key points brought out below.
- 7.22. We sought feedback from E.ON (Appendix A2.2) as both a new entrant in our area and as a participant in our extension of live working trials discussed in section 7.16.
- E.ON acknowledge the support they received - *"We have found the regime in Electricity North West to be very workable and there has been considerable help available to us to get up and running."*
 - Comment on our proactive approach to competition - *"For the unmetered market, this has the potential to make a significant contribution to the competitiveness of this market and it is to Electricity North West's credit that they are at the forefront of making this happen".*
 - And overall support our approach – *"And from our perspective we would endorse Electricity North West in their approach to supporting Competition in Connections as a direct beneficiary of the competitive market that exists in the North West".*
- 7.23. We also sought comments from Aptus, again a new entrant in our area.
- Aptus are very positive about getting established- *"Overall we have been very impressed with the way we have been dealt with by Electricity North West. We have found the processes and procedures easy to deal with and appropriate for the work we have undertaken".*
 - They acknowledge that lines of communication were clear and that problems get resolved – *"Electricity North West made very clear to us who our point of contact was if we had any particular issues that needed escalation and this has worked well in being able to resolve and clarify points before they became a significant issue for us."*
 - Aptus support our view that we have established systems and processes to ensure that there are no barriers to entry - *"It is clear to us that Electricity North West understand that there is competition and work hard to make that a smooth process which must be in everyone's interest."*
- 7.24. We sought feedback from PN Daly who have been the largest independent ICP active in our area for a number of years but also work across the country.
- PN Daly endorsed our approaches – *"In our view, the processes and procedures that Electricity North West have in place to support Competition in Connections are the best in GB."*
 - And they see us as the standard for other companies *"We commend Electricity North West's approach to "get on with it" and we intend to be using many of their approaches as the benchmark for other DNOs as they start to make progress in Competition in Connections. Competition is a fact of life and we see that Competition in Connections is "business as usual" for Electricity North West."*
 - PN Daly comment on the importance of live jointing regimes being both in place and workable in allowing competitive markets to develop - *"The ability to carry out live working on new housing sites is a key determinant on whether this market is available for competition. The processes in Electricity North West have allowed us to actively compete for and win such jobs in their area and this has helped to establish the fiercely competitive market that now exists."*
 - They endorse the work we have recent undertaken in response to our consultation on our terms and conditions outlined in section 6.20 - *"We have been impressed that Electricity North West has been prepared to discuss their approach and have*

listened to our concerns. We are delighted with the outcome as they have developed a set of bilateral agreements that in our opinion are a significant improvement and we will be talking to other DNOs about them adopting the same approach."

- PN Daly clearly support our submission *"In summary we would conclude that Electricity North West is the best DNO to deal with and there is effective competition in the north west. As Electricity North West has played their part in facilitating Competition in Connections we would support their application for unregulated margin."*

7.25. We also sought comments from Energetics, an IDNO who recently connected two large networks to our 33kV network.

- In relation to our approach, Energetics comment – *"Particularly with the two bigger projects we have been very impressed with the professional and pragmatic approach that has been taken by Electricity North West and feel they should be commended on their approach."*
- In terms of their engagement with us, Energetics say *"Above all, Electricity North West were prepared to engage and to listen. They were prepared to consider issues that we raised with them and in some cases were prepared to change their policy based on those discussions. Where they could not accommodate changes we proposed they did consider them and provide us with adequate explanations of their rationale."*
- Overall Energetics support our view that there is a competitive market in the north west and endorse the proactive steps we have taken in supporting the development of competition – *"This was both a welcome and refreshing experience as these two prestigious connections were flagship projects for Energetics. We would commend the approach taken by Electricity North West to Ofgem and any other interested parties. We would therefore support Electricity North West's application for unregulated margin as from our experience they do take active steps that support the competitive market that exists in the north west."*

7.26. These letters provide compelling testimonials in support of our Competition Test Notice. They provide supporting evidence that a competitive market exists in the north west from companies who are participating in it. The comments in the letters provide corroboration of many of the points we have included in this submission particularly in relation to our processes and procedures. In particular the comments from "new entrants" should verify the ease for companies to enter the connections market in the north west.

8. Perceived Barriers to Entry

- 8.1. During January 2010, Ofgem identified a number of perceived barriers to entry that they had been made aware of and wrote to DNOs asking for their comments, Ofgem's list is included in appendix A3. Each of the points identified is covered below.

Availability of information

- 8.2. Information¹⁵ is either available on our website or via our electronic policy library. The information on our website is in the public domain. The information in our library can be accessed remotely via the internet and is password protected. ICPs are provided access to reflect their NERS accreditation. In response to a request from a consultant, we have recently reviewed our policy and will now make this information available to other interested parties without NERS accreditation.
- 8.3. Current versions of the documents are held in our library. The library has a notification screen that outlines all policy changes, indicating changes clearly. The onus is on the user to review any policy changes.
- 8.4. Current network load information/feeder load information is available on request but this is a chargeable service (section 6.24 of our Statement of Methodology & Charges)

Adoption agreement security arrangements

- 8.5. Our approach is that our adoption agreement includes provision for Electricity North West to request a guarantee or other form of security if we are not satisfied with the credit rating of an ICP.
- 8.6. We have only used this provision once and a Parent Company Guarantee was used. We have never required a bond from an ICP.

DNO inspection and monitoring practices

- 8.7. Electricity North West's policy on inspection and monitoring is consistent with the three levels of inspection identified as best practice¹⁶. Moreover, it is applied completely consistently to connections work carried out by ICPs and connections work carried out by our own staff or our contractors. See also paragraphs 6.10 to 6.15.
- 8.8. The same audit team applies the same audit regime (which includes both what they audit, how they score it and the frequency of the audits).
- 8.9. Charges to both SLC 15 and statutory (section 16) quotations are applied consistently and explicitly for inspection and monitoring.

¹⁵ The information is identified in the appendix A3 in table and identified as "Availability of information".

¹⁶ Ofgem's February 2005 'Competition in connections to electricity distribution systems – decision document'

Terms in connection agreements/types of connection agreements available

- 8.10. We have recently consulted widely on some proposed changes to our terms and conditions for both connection offers and adoption agreements.
- 8.11. Based on those comments we have developed a set of bilateral adoption agreements that will be offered in addition to our existing tripartite agreement. See also paragraphs 6.16 to 6.20.

Letters of authority

- 8.12. We only require a letter of authority if the ICP will not be making the payments for our non-contestable charges ie the applicant and person making the payment are different.

Service timeframes (other)

- 8.13. We would apply the SLC15 timescales to the service applied for. We would not exclude all other services under SLC 15 even if an ICP has asked us to complete some parts of the contestable work.

Service timeframes (SLC 15)

- 8.14. Whilst we do not provide any SLC15 services to any affiliates, we do still monitor the relative timescales between ICPs for providing SLC15 timescales.
- 8.15. Whilst we do have a small number of failures of these standards, on average our delivery times are significantly better than the standards. Section 6.23 provides evidence that average timescales are virtually half of the standards.
- 8.16. There is an incentive for DNOs to identify any minimum information within the five day period (as the clock does not start) as detailed in the SLC15 Guidance¹⁷. Where the information is requested after five days, the clock is only paused.

Developing ongoing relationships

- 8.17. We believe that we have an active dialogue with ICPs. We have clear escalation routes for ICPs to contact us with particular issues and incorporate any learning from these into changes to our processes and procedures.
- 8.18. Examples are included in our submission and supported by letters from ICPs in section 7.20.

Scope of unmetered contestable works

- 8.19. In our area, unmetered contestable work includes service transfers (up to 15m) and service disconnections. New connections, carried out on a housing site for example, under a live working regime would also be contestable.
- 8.20. Non-contestable work is new connections to existing network.
- 8.21. Trails to extend contestability by making live connections to existing mains network are now underway, see section 6.5.

¹⁷ Guidance is contained in SLC4F Guidance which was the previous licence condition numbering

Legal process

- 8.22. We would normally only progress the process to acquire the legal agreements required (eg land transfers for substations, easement and wayleaves for cables or overhead lines) once projects have been accepted and paid for to minimise the level of abortive work and hence cost to customers.
- 8.23. We use standard agreements for our easements and land transfers to speed the process and minimise costs. These have been developed over time, we believe they are reasonable and we are happy to receive any feedback on them. Where changes are requested then this can add extra time to the process to reach agreement. In some instances delays will be due to the customer's legal team and not just Electricity North West's.
- 8.24. Consistent with other DNOs and established industry practice, we would expect all legal agreements to be in place before energisations are made.

Difference in non-contestable charges between S16 and competitive quotations

- 8.25. Currently we would require a separate application but have consulted recently to develop a connections offer so that the customer could accept either our offer or just the POC and associated non-contestable charges.
- 8.26. We encourage customers to apply for a point of connection and then issue to ICPs. This ensures that they receive consistent and comparable quotations. In these situations the customer can accept the POC offer and then subsequently transfer it to the ICP they appoint.
- 8.27. There are some transactional charges associated with Competition in Connections such as design approval and issuing adoption agreements to reflect differences in the processes.

Design approval

- 8.28. The timescales in SLC15 do not differentiate between these types of job within the existing categories.
- 8.29. We would always seek to accommodate any particular customer requirements but would not expect the relatively small number of instances to warrant a licence change.

9. The Legal Tests

- 9.1. CRC12.23 sets out the requirements for the Legal Requirement Test to have no enforced breaches in the given regulatory year of a number different aspects identified in 12.17 of Final Proposals and included in Appendix A1.
- 9.2. In compliance with CRC12.26, we consider that the requirements for the Legal Tests to have been met for all Relevant Market Segments. The following sections provide details in support of that view.

Standard licence condition 12.6(c): Requirement to offer terms for use of system and connection

- 9.3. Ofgem's recent investigation¹⁸ confirmed that we have had no failures of SLC 12.6(c) since November 2009 and these were two regulatory years ago.
- 9.4. In terms of the historic breaches investigated by Ofgem, we identified these breaches through our own governance processes and voluntarily reported them to Ofgem. We had already improved our processes and systems before these breaches were identified and have had no similar breaches since 2009. We have co-operated fully with Ofgem during its investigation and continue to work hard to provide a good service to our customers.

Amended standard licence condition 15: Standards for the provision of Non-Contestable Connections Services

- 9.5. These are provided as an annual return to Ofgem with the 2010/11 data due for submission by the end of June 2011. We can confirm that we have not had any breaches in the previous two years.

New standard licence condition 15A: Connections policy and connection performance

- 9.6. We were the first company to provide evidence to Ofgem that we had systems and processes in place to meet our obligations under SLC 12.18.
- 9.7. We have submitted our first two quarter's data and can confirm that we have not had a licence breach.

Standard licence condition 19: Prohibition of discrimination under Chapters 4 and 5

- 9.8. We have submitted our annual SLC19 return and consider that we comply with this licence condition and have not received any conflicting feedback from Ofgem.

The Competition Act 1998.

- 9.9. We are not aware of any complaints received by Ofgem or any formal investigations in relation to the Relevant Market Segments.

¹⁸

<http://www.ofgem.gov.uk/About%20us/enforcement/Investigations/ClosedInvest/Documents1/Final%20Electricity%20North%20West%20Penalty%20Notice.pdf>

10. Conclusion

- 10.1. The levels of market share in Electricity North West's area for connections demonstrate that a competitive market exists and has done for a number of years. Whilst the CIR data does not align exactly to the Relevant Market Segments it does provide a historical context for the levels of competition.
- 10.2. Considering each of the Relevant Market Segments, nearly all these have significant levels of market share not being completed by Electricity North West.
- 10.3. For low voltage work, Electricity North West has only retained 66% of this market segment in 2010/11. For high voltage work, this reduced to between 38-59% and to 25% for EHV work.
- 10.4. For the DG market segments, Electricity North West has only retained 27% of the high voltage segment. The low voltage segment for DG has been largely comprised of jobs that have had non-contestable work and therefore has been a small market.
- 10.5. For the unmetered market segment, Electricity North West have only retained 69% of the contestable market and this is likely to reduce further as many local authorities are establishing a framework for ICPs to complete their connections.
- 10.6. The geographical spread of ICP activity demonstrates that there are no areas of the north west where competition has not become established.
- 10.7. The policies and processes established by Electricity North West have supported the establishment of this competitive market. They have been endorsed by a number of active ICPs as being some of the best in the country.
- 10.8. Electricity North West has been at the forefront of establishing many of these approaches. Of particular note has been the creation of the live working regimes initially commenced in 2002 and extended via trials in 2011. The importance of live working regimes was highlighted by one of our ICPs and the extension of contestability will bring further benefits, particularly to the unmetered market segment.
- 10.9. We consider that we have met all the requirements of the Legal Tests.
- 10.10. We do not consider that any of the perceived barriers to competition identified by Ofgem are real barriers within our area. In particular, the number of new entrants demonstrate that companies can and will get established in our area.
- 10.11. The letters from ICPs and an IDNO provide a compelling endorsement and independent verification of the approaches we have outlined in this document.
- 10.12. We therefore conclude that there is demonstrable evidence of competition across all market segments and across the whole geography of our area.
- 10.13. We look forward to Ofgem agreeing and recognising the efforts we have made in promoting competition by determining that we have met their Competition Tests for each market segment.

11. Appendices

A1 Extract from Ofgem Final Proposals

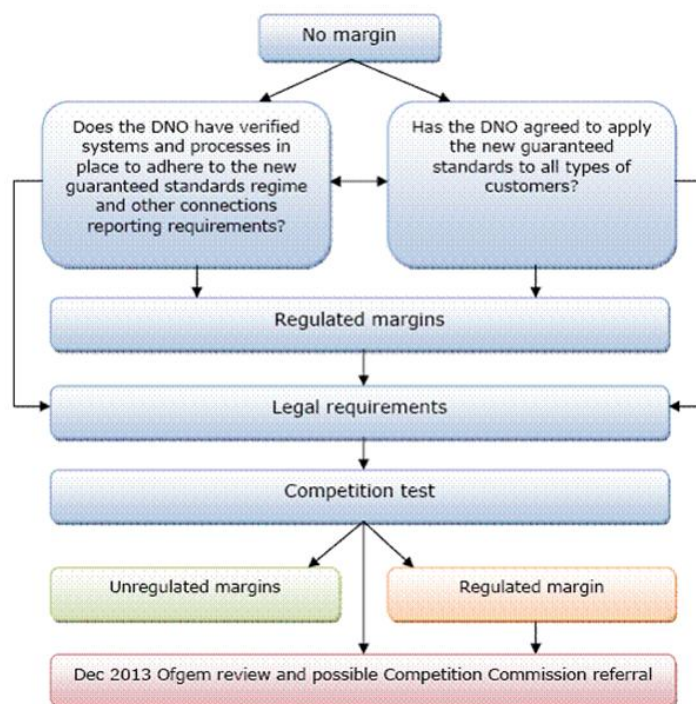
Electricity Distribution Price Control Review
Final Proposals - Incentives and Obligations 7 December 2009

Applying the competition test and unregulated margins

Process

12.15. Where DNOs can demonstrate effective competition in their regions by meeting our competition test, an unregulated margin constrained by competition will be allowed. DNOs that have failed to demonstrate competition or put forward a case by December 2013 will be reviewed by Ofgem and could subsequently be referred to the Competition Commission. The process for earning margins and assessment against the competition test is shown in Figure 12.1.

Figure 12.1 - Process for earning margins and assessment against the competition test



Scope of the competition test and legal requirements

12.16. The overriding objective of the competition test is to enable DNOs to demonstrate that the market is working effectively for their customers. The DNO's evidence should enable Ofgem to take a holistic view of the effectiveness of the market and prescribe an appropriate course of action (i.e. allow regulated or unregulated margins, or further work to remove barriers). Accepting that all markets are different, there will be a flexible approach to the format and scope of the DNO's evidence case subject to the legal requirements being met.

12.17. Compliance with the legal requirements is essential for passing the competition test. The legal requirements are for the DNO to have no enforced breaches in the given regulatory year of:

- standard licence condition 12.6(c): Requirement to offer terms for use of system and connection,

- amended standard licence condition 15: Standards for the provision of Non-Contestable Connections Services,
- new standard licence condition 15A: Connections policy and connection performance,
- standard licence condition 19: Prohibition of discrimination under Chapters 4 and 5, and
- the Competition Act 1998.

12.18. Overall, we will be looking to see whether we can rely on real competition or the threat of competition to protect consumer interests rather than regulation of the margin earned by the DNO. There are a number of key issues that DNOs should consider in making their evidence case. This is not intended to be an exhaustive list of requirements but provides guidance on aspects of the market that we will look at:

- barriers to competition, including parts of the market where competition is not feasible and the reasons why,
- actual and potential competition (this is intended to capture views on levels of competitive activity),
- price and transparency of pricing to customers,
- promoting awareness of competitive alternatives amongst connections customers,
- competition in connections procedures and processes, and
- efforts to open up non-contestable activities to competition.

12.19. We will assess each case and publically consult on our 'minded to' position before issuing a decision on the case. This will provide an opportunity for customers and industry players to put forward their views and experiences of the market and for Ofgem to take these into consideration. A DNO that fails either the competition test or legal requirements will be prevented from making a new case until a period of at least four months has elapsed. The Authority will make a decision on each case within four months of the date of submission, unless the DNO is under investigation for any of the legal requirements set out in 12.17 where the investigation relates to segments put forward in the evidence case.

A2 Extract from Electricity North West's Licence

Extract from Charge Restriction Condition 12

Part C: The Legal Requirements Test and the Competition Test

12.22 There are two Tests against which the licensee will be assessed for the purposes of this condition:

- (a) the Legal Requirements Test; and
- (b) the Competition Test.

12.23 The Legal Requirements Test involves an assessment of the licensee's compliance with such legal requirements in respect of the making of connections to its Distribution System as are set out in Chapter 12 of the Authority's decision Document published on 7 December 2009 under reference 145/09.

12.24 The Competition Test involves an assessment of whether there is effective competition in a Relevant Market Segment as defined in Chapters 10 and 12 of the Authority's decision document published on 7 December 2009 under reference 145/09.

Part D: The Competition Notice

12.25 At any time on or before 31 December 2013, the licensee may give the Authority:

- (a) a single Competition Notice that relates to some or all Relevant Market Segments; or
- (b) more than one Competition Notice, each of which relates to one or more different Relevant Market Segments.

12.26 A Competition Notice is a statement by the licensee that it considers both the Legal Requirements Test and the Competition Test to be satisfied in respect of one or more Relevant Market Segments.

12.27 A Competition Notice must state the licensee's reasons for believing those Tests to be satisfied.

12.28 A Competition Notice must be accompanied by such evidence as the licensee considers necessary to establish that those Tests are satisfied.

12.29 By 31 December 2013 the licensee must have given the Authority either:

- (a) a Competition Notice relating to all Relevant Market Segments where the licensee has not already given the Authority a Competition Notice under paragraph 12.25; or
- (b) a Competition Notice relating to such Relevant Market Segments as were not the subject of any earlier Competition Notice given to the Authority by the licensee under paragraph 12.25; or
- (c) a report containing such evidence as the licensee considers is necessary for the Authority to determine whether the Tests set out in Part C are satisfied in respect of any Relevant Market Segment that is not the subject of a Competition Notice.

Part E: The competition determination

12.30 If the Authority receives a Competition Notice from the licensee, it may, in accordance with this Part E, determine whether the Tests to which the Notice relates are satisfied.

12.31 In determining whether the Tests are satisfied, the Authority must do so by way of a separate determination in respect of each Relevant Market Segment to which the Competition Notice relates.

12.32 Before making a determination, the Authority must consult with the licensee and other persons who it believes are likely to have an interest in the outcome of the determination, and consider their views.

12.33 A determination must include a statement that, as the case may be:

- (a) the Authority determines that the Legal Requirements Test and the Competition Test have been satisfied; or
- (b) the Authority determines that only the Legal Requirements Test has been satisfied; or
- (c) the Authority determines that the Legal Requirements Test has not been satisfied.

12.34 Where a determination includes a finding that one or both of the Tests have not been satisfied, it must contain the Authority's reasons for that conclusion. 12.35 Subject to paragraph 12.36, if the Authority has not, within four months of receiving a Competition Notice from the licensee, made a determination in respect of a Relevant Market Segment to which that Notice relates, both of the Tests within that Notice shall be deemed to be satisfied in relation to that Relevant Market Segment.

12.36 Paragraph 12.35 does not apply if, before the end of the four-month period referred to in that paragraph, the Authority has begun a formal investigation of the licensee's compliance with any of the legal requirements (comprising the Legal Requirements Test set out in paragraph 12.23 above) in relation to the Relevant Market Segment to which paragraph 12.35 refers.

12.37 Where the Authority determines that one or both of the Tests are not satisfied in respect of any Relevant Market Segment, the licensee may, after four months from the relevant determination and up to 31 December 2013, give the Authority a further Competition Notice relating to that Relevant Market Segment.

A2 Letters from customers

A2.1 The House Builders Federation

Brian Hoy
Head of Connections Contracts
United Utilities
Dalton House
104 Dalton Avenue
Birchwood Park
Birchwood
Warrington
WA3 6YF

17th Dec 2007

Dear Brian

Awareness of Competition in Connections across the North West

I write in response to your request for the views of the Home Builders Federation in the North West with regard to the awareness of Competition in Connections.

I have been a passionate advocate of the need for competition and believe that this is best achieved through the ability of developers to choose how they get electricity connections made to their properties. I am a firm believer in “the more the merrier” as I believe that this helps drive competition which results in better service and lower costs for us as key customers in this area.

I have been involved with utilities for a number of years and have seen the development of competition in this market, particularly in electricity connections. I remember the days when the fledgling Norweb Connections business was being established and have seen the extent of change up to the present day. There is now a wide spectrum of choices available to us as developers. There are a range of ICPs active in the North West offering both single utility and multi utility offerings. More recently has seen the welcome introduction of IDNOs with both Energetics and Connect very active in the North West. Both these companies now offer us real competition in the ownership of the assets rather than having no choice but to go to UU. These companies are also providing us real innovation in the services they provide – one stop shop for metering, more flexible adoption arrangements and fibre optic cables are some examples.

I believe that the HBF has provided a key role in shaping the market in the North West. It is evident from the level of interest from HBF members in the North West and the informed debate that there is at the HBF utility meetings that the awareness of Competition in Connections is extremely high. I am aware that this is not the case throughout the country and believe that is to a large extent due to the

extensive lobbying and drive of the HBF members in the North West. We have been particularly active in driving competition in the North West and are now benefiting from the most active competitive connections market in the country.

I am convinced that to get the service that we deserve we have to be involved as customers and we will continue to push forward the case to increase what is open to competition, how many participants are engaged and how the service improves.

Yours Faithfully

Ian Wilkinson
Chairman of the HBF Utilities Committee North West

A2.2 E.ON letter



Brian Hoy,
Head of Market Regulation,
Electricity North West,
304 Bridgewater Place,
Birchwood Park,
Warrington.
Cheshire.
WA3 6XG

Monday 28th March 2011

Dear Mr Hoy

LIVE JOINTING TRIAL ON ELECTRICITY NORTH WEST NETWORK

As I am sure you are aware we have now been working in your area since last April and I am pleased to provide you with some comments on our experiences of undertaking street lighting work following our success in winning Blackpool PFI, and more recently for Wigan Council as well. To date we have completed about 2135 transfers and disconnections on Electricity North West Network.

A key aspect of us making the Blackpool PFI a successful project has been the ability to undertake all transfers and disconnections under your Live Jointing Trial. We have found the regime in Electricity North West to be very workable and there has been considerable help available to us to get up and running. A good example of this has been the process to get our staff authorised, this has been done in a pragmatic way and the prior experience of our jointers considered in the process.

In particular we would wish to highlight the appetite of Electricity North West to progress extending contestability by trailing live jointing on existing mains. We commenced today in Blackpool, what we understand to be the first trials in the country where connections to an existing main will be done live by an Independent Connection Provider. This has a significant benefit to us as it will give us complete control of our work programme and all the new connections work in Blackpool. We would like to pay tribute to the Electricity North West who have been working with us to make these trails happen. For the unmetered market, this has the potential to make a significant contribution to the competitiveness of this market and it is to

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Electricity North West's credit that they are at the forefront of making this happen.

From our perspective we would endorse Electricity North West in their approach to supporting Competition in Connections as a direct beneficiary of the competitive market that exists in the North West.

As requested, we are happy to confirm that we have no issues with this letter being sent to OFGEM nor for it going into the public domain.

Yours sincerely

Chris Roe
Operations Support Manager

A2.3 Aptus letter

Brian Hoy,
Head of Market Regulation,
Electricity North West,
304 Bridgewater Place,
Birchwood Park,
Warrington.
Cheshire.
WA3 6XG

Date : 4th April 2011

Dear Brian

Feedback on Electricity North West

In response to your request for some comments on our experience of working in the Electricity North West area as a "new entrant" to this area we are happy to make the following comments.

Whilst Aptus Utilities is a new entrant in terms of the company the personnel employed by Aptus Utilities have considerable experience in the area having undertaken such work for over 5 years with other organisations. Also having worked for Electricity North West [or their previous company United Utilities] helped with understanding their procedures.

Overall we have been very impressed with the way we have been dealt with by Electricity North West. We have found the processes and procedures easy to deal with and appropriate for the work we have undertaken.

Electricity North West have taken the time to review the previous processes used by United Utilities and improved them in many respects. We feel however the application form which tries to accommodate all types of application is a little cumbersome.

The response to applications and design approvals is always within the standards of service and the engineers involved are very happy to discuss and resolve any queries we have.

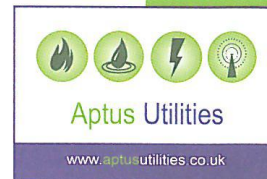
It is clear to us that Electricity North West understand that there is competition and work hard to make that a smooth processes which must be in everyone's interest overall. This is particularly evident in street lighting live jointing where we have a clear understanding of the steps required to gain entry and proceed to connection of new supplies.

Electricity North West made very clear to us who our point of contact was if we had any particular issues that needed escalation and this has worked well in being able to resolve and clarify points before they became a significant issue for us.

Based on our experience we are happy to write you this letter in support of your Competition Test application and can confirm that we are happy for this letter to go to Ofgem and into the public domain.

Yours sincerely

Brian Cutler
Aptus Utilities



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Aptus Utilities is part of the Story Group which also comprises: Construction, Homes, Land, Plant and Rail

- 1 -

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A2.4 PN Daly letter

CIVIL ENGINEERING AND PIPELINE SPECIALISTS		
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7/4/2011

Brian Hoy,
Head of Market Regulation,
Electricity North West,
304 Bridgewater Place,
Birchwood Park,
Warrington,
Cheshire.
WA3 6XG

Dear Brian

Feedback on Electricity North West

In response to your request for feedback in support of your Competition Test application to Ofgem we are pleased to provide the following comments. We are happy for these comments to go into the public domain if required.

We are very well placed to comment on whether there is effective competition in the north west as we are one of the biggest Independent Connections Providers who operate in the north west. We are truly independent having our roots as a term contractor working for utilities and never being an affiliate to a DNO. Whilst we are based in the north west we operate across the country and so have direct experience of operating in a number of DNO areas.

In our view, the processes and procedures that Electricity North West have in place to support Competition in Connections are the best in GB. These are now well established and we have played our part in getting these into this shape! This is one of the things that characterise Electricity North West and is to their credit.

We do encounter issues both on specific jobs and as more general points of principle but I'm pleased to say that we find that Electricity North West will enter into dialogue on these and pragmatic solutions are found. A recent example of this is Electricity North West's approach to adoption agreements. We raised concerns with them that their insistence on having tri-partite adoption agreements was discouraging some customers from entering into them. We have been impressed that Electricity North West has been prepared to discuss their approach and have listened to our concerns. We are delighted with the outcome as they have developed a set of bilateral agreements that in our opinion are a significant improvement and we will be talking to other DNOs about them adopting the same approach.

What we find typifies Electricity North West is that they develop pragmatic solutions which is not always what we find in other DNOs. Their live working regime is a good example. We have found that their regime is appropriate and workable (although we look forward to the scope of the scheme being extended) and we have completed a large number of low voltage on site connections this way. We are also now in active discussions with Electricity North West regarding live working on existing low voltage mains and high voltage work and expect to commence trials in the next month. The ability to carry out live working on new housing sites is a key determinant on whether this market is available for competition. The processes in Electricity North West have



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allowed us to actively compete for and win such jobs in their area and this has helped to establish the fiercely competitive market that now exists.

We commend Electricity North West's approach to "get on with it" and we intend to be using many of their approaches as the benchmark for other DNOs as they start to make progress in Competition in Connections. Competition is a fact of life and we see that Competition in Connections is "business as usual" for Electricity North West. Their staff provide us a good service and will discuss problems on particular jobs although we may not always share the same viewpoint.

In summary we would conclude that Electricity North West is the best DNO to deal with and there is effective competition in the north west. As Electricity North West have played their part in facilitating Competition in Connections we would support their application for unregulated margin.

If you require any further information or clarification of any of these comments, please do not hesitate to contact me.

Yours sincerely



Mr Patrick J Daly

Director

A2.5 Energetics letter



Brian Hoy,
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www.energetics.co.uk

Dear Brian

Feedback on Electricity North West

You asked us to provide feedback on our experiences as an IDNO of working with Electricity North West. We understand that you wish to send this letter to Ofgem in support of your application for un-regulated margin and that it is likely that it will be put into the public domain as part of Ofgem's consultation process. I can confirm that we are content with this.

We have experience of building two primary substations that have been connected to the 33kV network of Electricity North West as well as a number of smaller connections at HV and LV. Particularly with the larger projects we have been very impressed with the professional and pragmatic approach that has been taken by Electricity North West and feel they should be commended for their approach.

Above all, Electricity North West were prepared to engage and to listen to our organisation on both an engineering and commercial level. They were prepared to consider issues that we raised with them and in some cases were prepared to change their policy based on those discussions. Where they could not accommodate changes we proposed they did consider them and provide us with adequate explanations of their rationale.

We did not find them obstructive during the process and worked with us to overcome some of the obstacles that arose during the project builds. In the run up to the commissioning there were a number of challenges for both Energetics and Electricity North West and they demonstrated to our Company their desire to support the process in meeting the energisation dates agreed with our client. We agreed a number of pragmatic solutions to both technical and commercial issues that were acceptable to both parties.

This was both a welcome and refreshing experience as these two prestigious connections were flagship projects for Energetics. We would commend the approach taken by Electricity North West to Ofgem and any other interested parties. We would therefore support Electricity North West's application for unregulated margin as from our experience they do take active steps that support the competitive market that exists in the north west.

Yours sincerely

Ken Stewart

Director

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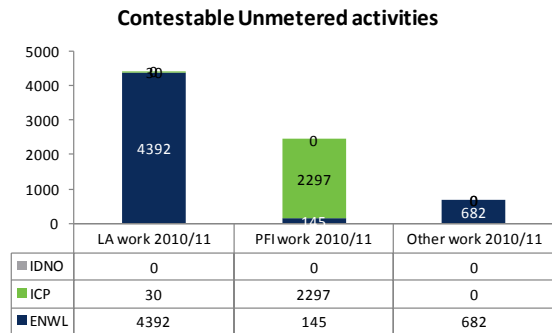
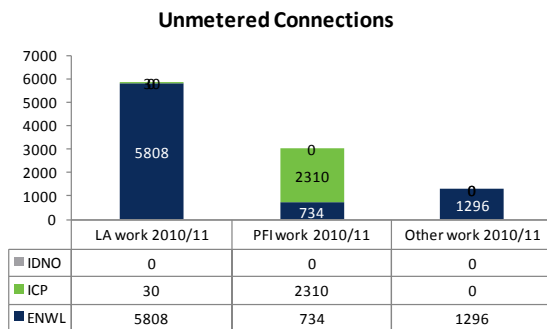
A3 List of Ofgem Potential Barriers to Competition

Potential barrier	Comments
Availability of information	<p>Ease of access, speed of access, ensuring information is up to date (current).</p> <ul style="list-style-type: none"> • Correct contact/process to follow to discuss a new job / submit a new application • Substation general arrangement drawings • Code of practice relating to substation design up to 33kV • Cable installation practice up to 33kV • Code of practice relating to HV network protection (up to 33kV) • Code of practice re: LV network protection • Design policy for HV networks up to 33kV • Current network load information/feeder load analysis • Design policy for industrial supplies • Other information that it may be considered best practice to provide to ICPs
Adoption agreement security arrangements	<p>Sometimes viewed as overly onerous. Do numbers of faults in adopted assets necessitate the level of bond DNOs require?</p>
DNO inspection and monitoring practices	<p>Sometimes perceived as overly onerous. Is best practice set out in Ofgem's February 2005 'Competition in connections to electricity distribution systems - decision document part B' being followed?</p>
Terms in connection agreements / types of connection agreements available	<p>DNOs sometimes viewed as being inflexible in their terms. DNOs insisting on a particular type of connection agreement e.g. Bi-partite/Tri-partite can be viewed by ICPs as a barrier to competition.</p>
Letters of authority	<p>Inconsistency in what DNOs require from ICPs to show they are acting on behalf of a customer.</p>
Service timeframes (other)	<p>Where non-contestable services are excluded from SLC 15 (where ICPs have asked for the DNO to complete one or more contestable service) are SLC 15 timeframes applied? DNOs are sometimes viewed as not providing services that fall outside of SLC 15 in reasonable timeframes. E.g. reinforcement works.</p>
Service timeframes (SLC 15)	<p>Complaints are still received about services that are not delivered within the timeframes set out in SLC 15. Do DNOs track performance by customer to ensure that some ICP customers i.e. particular ICPs do not consistently receive a worse quality of service than others. Concerns that DNOs require different levels of minimum information before an application are deemed complete. Further concerns that where an application is not complete ICPs are not made aware of this fact within 5 working days (SLC 15.5). Clear guidelines on what can be considered a complete application allow ICPs to submit complete applications first time avoiding delays to them receiving their non-contestable offer. Delays in informing ICPs that their applications are not complete will have an impact on their timelines for providing their customer with an offer.</p>

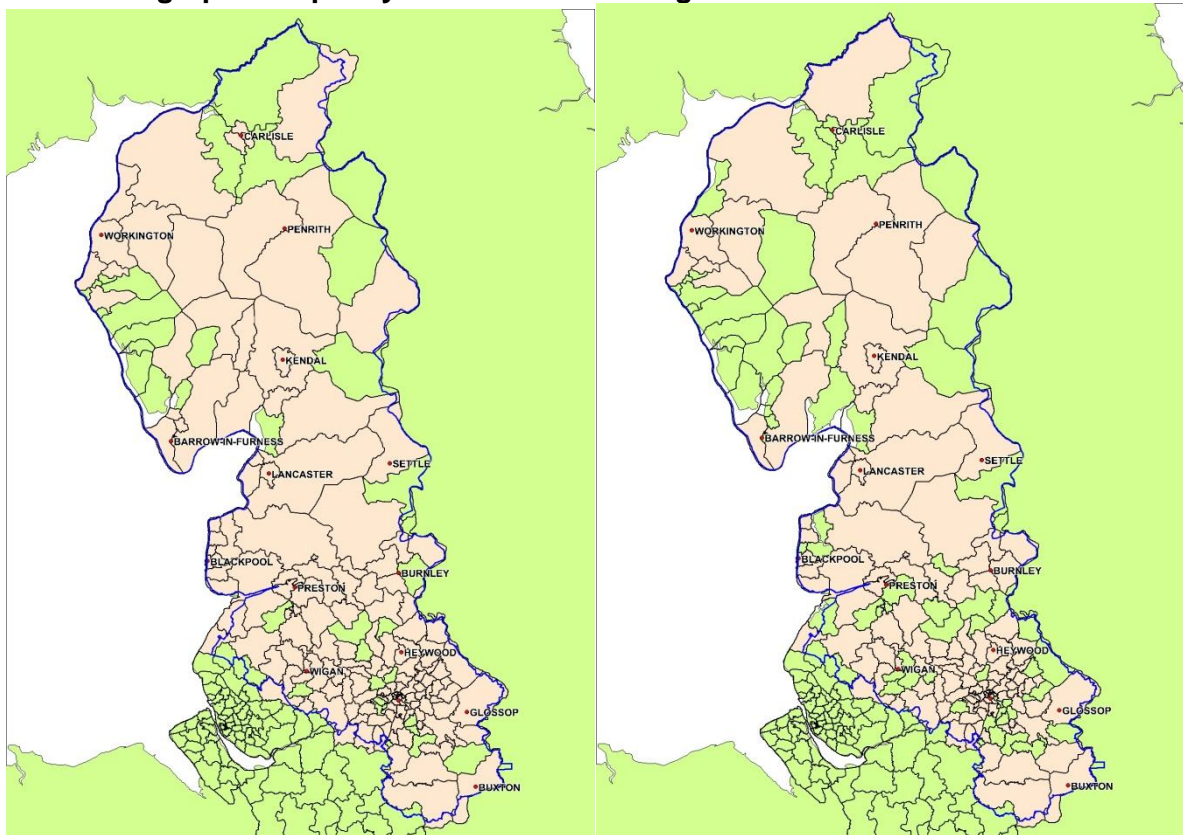
	<p>Are associated works (e.g. reinforcement) and final works completed on different timescales or all within the timescales for final works?</p>
<p>Developing ongoing relationships</p>	<p>DNOs are often seen to be poor at 'soft skills'. E.g. communication, cooperativeness, relationships with ICPs etc</p> <p>How do DNOs ensure that they avoid issues resolved in one job repeating in the next?</p> <p>ICP relationship managers – providing not just a point of contact but a contact that is aware of all of the stages of the project and that can manage the project to proactively avoid issues arising.</p> <p>Communication with ICPs to fully understand why the ICP is requesting the services they are rather than second guessing the reasons behind requesting a particular design/POC. Dialogue with ICPs so that they have more visibility and understanding of alternative options and DNOs reasons for rejecting ICP suggestions. Dialogue so that ICPs can fully understand what the limitations of a particular POC might be.</p>
<p>Scope of unmetered contestable works</p>	<p>The assets that ICPs can work on vary from DNO to DNO. What assets are ICPs able to work on when providing unmetered services in your DSA?</p> <p>Are there any particular activities ICPs can not undertake / assets ICPs are not allowed to work on in your DSA?</p> <p>What is being done to address this issue?</p>
<p>Legals process</p>	<p>DNOs are slow to progress and complete legal documents which can delay connections. Process does not start until after design approval.</p> <p>ICPs unable to offer clients firm timescales for connection as may be delayed by legals.</p> <p>Inconsistency in whether works can be energised without legals being in place.</p> <p>Are there solutions to this problem?</p>
<p>Difference in non-contestable charges between S16 and competitive quotations</p>	<p>Customers unable to transfer non-contestable costs detailed in a S16 application to a competitive quote.</p> <p>Higher non-contestable charges incurred by ICPs (compared to S16 customers) to cover the processing of their application.</p>
<p>Design approval</p>	<p>IDNOs consider that timelines for design approval should be shorter for IDNOs than ICPs since the design is only up to the boundary.</p>
<p>Dispute resolution</p>	<p>In our February 2007 CiC proposals document we supported a two-step dispute resolution process for business customers. Is your process two-step?</p> <p>We expect DNOs to communicate the disputes process to business customers, either through their websites and/or by providing details when issuing information, such as quotations to these customers.</p> <p>DNOs should ensure that they are able to manage communications with customers in a way that establishes a reliable, but not overly bureaucratic audit trail.</p>

A4 Supplementary data

A4.1 Unmetered connections split by Relevant Market Segment



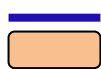
A4.2 Geographical split by Relevant Market Segment



LV Relevant Market Segment

HV Relevant Market Segment

KEY



ENWL boundary

Postcode in which an ICP quotation has been issued