

February 2002

**Review of competition in gas and
electricity connections**

Survey document

Executive Summary

This document includes the survey pro forma which forms part of Ofgem's 2001/2002 competitive market review of the gas and electricity connections market. The survey seeks views and opinions on the development and experiences of competition in gas and electricity connection services. Responses are invited from purchasers and providers of connections or any other interested parties.

Important guidance for completing this survey is included in chapter 3 and the separate guidance notes 'Survey Guidance Notes for the Review of Competition in gas and electricity connections'. Please read these guidance notes carefully before completing the survey questions. Completed survey responses should be returned to Ofgem by 19 April 2002. A report summarising the findings of this review will be published in July 2002. The results of this survey, together with quantitative information and discussion with interested parties, will inform existing and future policy to develop effective competition in connection services.

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1. Introduction

Purpose of this document

- 1.1 This document includes the survey pro forma of the 2001/02 review of competition in gas and electricity connection services. The survey seeks the views and opinions of connection purchasers and providers of their experiences of connection competition in the past 12 months. This survey follows Ofgem's previous survey published in December 2000, the initial conclusions drawn from that review were published in the Review of Competition in Gas and Electricity Connections Report in May 2001. These publications are available on the Ofgem website, www.ofgem.gov.uk.

Rationale

- 1.2 Ofgem has a principal duty, under the Utilities Act 2000, to 'protect the interests of consumers...., wherever appropriate by promoting effective competition'. To continue to promote competition it is necessary to develop appropriate policies to assist in this aim. The benefits of competition in connection services include downward pressure on prices, a greater choice of products and service providers, encouragement of innovation and improved customer service.
- 1.3 The review of competition in the provision and purchase of gas and electricity connections will:
- ◆ inform existing Ofgem policies that promote competition in the gas and electricity connections market; and
 - ◆ inform future policy decisions aimed at reducing barriers to the development of effective connections competition.

Structure of the document

- 1.4 Chapter 2 of this document addresses the regulatory background, conclusions from the May 2001 report on competition in gas and electricity connections and initiatives to develop competition. Chapter 3 provides information on completing the survey. Chapter 4 contains the survey questionnaire.

Responses

- 1.5 Responses should be returned to Ofgem by 19 April 2002 to:

Sean O'Hara
Head of Connections Policy
Office of Gas and Electricity Markets
9 Millbank
London SW1P 3GE
e-mail: sean.o'hara@ofgem.gov.uk
Fax: 020 7901 7075

- 1.6 It is open to respondents to mark all or part of their responses as confidential. Responses that are not marked as confidential will be placed in the Ofgem library and published on the Ofgem website.
- 1.7 If you have any questions concerning the review or completing the survey then please contact James Copeland 020 7901 7036 (e-mail: james.copeland@ofgem.gov.uk) or John Holmes 020 7901 7072 (e-mail: john.holmes@ofgem.gov.uk). Electronic versions of the survey are available, in Word 97 format, on request. Electronic responses can be submitted via floppy disk to the above address, or e-mail attachment to James Copeland or John Holmes.

2. Background

Introduction

- 2.1 This chapter sets out the background to competition in gas, electricity and multi-utility connections and details the progress and initiatives to develop effective competition so far. It includes:
- ◆ the regulatory background;
 - ◆ conclusions from the May 2001 report on the development of competition in gas and electricity connections; and
 - ◆ progress and initiatives to develop effective connections competition.

Regulatory Background

- 2.2 An outline of the regulatory background was provided in the previous review of competition in gas and electricity connections survey document, which was published in December 2000. Since the publication of this document the Utilities Act 2000 has been enacted, making further changes within the gas and electricity connections market.
- 2.3 Within the gas connections market the Utilities Act 2000 has resulted in Public Gas Transporters becoming Gas Transporters (GTs). All GTs are now able to hold national transportation licences.
- 2.4 With regard to electricity connections, the Utilities Act 2000 has formally separated the distribution and supply businesses of the former Public Electricity Suppliers which are now licensed in their own right as Distribution Network Operators (DNO).

Conclusions from May 2001 report on the development of competition in gas and electricity connections

- 2.5 The December 2000 survey reached a number of conclusions about the present state of competition within the gas and electricity connections market. The conclusions with regard to the gas market were that there is competition in the provision of gas connections for high value business connections and new housing developments. However, for lower value and one-off domestic connections the relevant GT was still the principal provider.
- 2.6 Responses from market participants in the electricity market showed that the host DNOs almost exclusively provide electricity connections within their authorised areas. The principal barriers preventing the development of effective competition within this market related to the policies and procedures adopted by each DNO in dealing with other potential providers of connection services.

Progress and initiatives to develop competition

Progress and initiatives in Gas

- 2.7 The further development of competition in gas connections is being supported by two major initiatives. Firstly, a contract to manage a gas industry registration scheme, designed to establish national standards of competency for independent connection providers, was awarded to Lloyds Register in October 2001. This scheme will come into force in the first quarter of 2002. Alongside this, a trial allowing registered independent connection providers to make final connections to relevant gas mains was completed towards the end of 2001. National rollout of this scheme, to allow suitably competent connection providers to undertake such connections, is planned for April 2002. These two schemes are designed to facilitate competition within the lower cost and one-off domestic connections within the gas market, which the May 2001 report highlighted as an area dominated by the relevant GT. In September 2001, Ofgem published a consultation paper entitled Amending the Gas (Connection Charges) Regulations¹. This consultation paper aimed to promote the introduction of gas

¹ This document is available on the Ofgem website www.ofgem.gov.uk

to non-gas areas by extending the period of time for recovery of costs of providing the connection from 5 to 20 years.

Progress and initiatives in Electricity

- 2.8 These initiatives are supported through the Electricity Connections Steering Group (ECSG) and a Unmetered Connections (Streetlighting etc) Sub Group (UCSG), which contain DNO, customer, contractor and HSE representatives and are chaired by Ofgem. The minutes of these groups are available on the Ofgem website www.ofgem.gov.uk. The purpose of the groups is to advise Ofgem on how best to carry forward the proposals set out in the July 2000 document, 'Competition in Connection to Electricity Distribution Systems'. An update document was published in December 2001 which outlines the progress that the steering groups have made since the publication of the July 2000 document². A further document entitled 'Competition in Connections to Electricity Distribution Networks Final Proposals Document' is due for publication in the first quarter of 2002.
- 2.10 In order to promote competition in the provision of connections within the electricity market, Ofgem is pursuing a number of initiatives through the work of the ECSG and UCSG. A technical framework document has been finalised, which outlines national guidelines on safe working on the network, but also makes available any technical specifications inherent to specific DNO areas. For example, in one region they may use one type of cable, while another area may not. Alongside the technical framework document, a modular based registration scheme for approved contractors is being developed by Lloyd's Register. To complement these arrangements national adoption agreements (for new developments/unmetered connection) that will ensure the smooth hand over of assets to the host DNO are being developed. In addition, standards of service and liabilities will assist in making sure that information is provided in a timely and accurate way.
- 2.11 The development of competition within unmetered connections has seen the introduction of a 'one stop shop' process. This will allow approved Local Authority contractors to undertake a major proportion of the maintenance and

² This document is available on the Ofgem website www.ofgem.gov.uk

repair of unmetered connections, with the exception of live joints on the DNO distribution network. Local Authorities will be able to hire a DNO jointer to carry out the live jointing for a fee. Previously, the Local Authority could carry out maintenance and repair to street furniture but had to wait for a DNO jointer to carry out the live jointing. Under the 'one stop shop' live jointing can be carried out by the same team as any other repairs, and scheduling of works is in the hands of the contractor. The 'one stop shop' will be operational in the first quarter of 2002.

Assessing the development of competition

2.12 The dynamic nature of competition requires Ofgem to use a number of indicators to ascertain a meaningful view of the market. In assessing the development of competition it may be relevant to consider:

- ◆ the behaviour of any dominant incumbent businesses;
- ◆ awareness of alternative providers among purchasers of connections;
- ◆ the number of competing providers and the range of services and prices on offer;
- ◆ how new providers entering the market compete and differentiate themselves to customers;
- ◆ any evidence of barriers to entry and choice that may hinder the development of a competitive market;
- ◆ market entry and exit;

- ◆ the market share of incumbent firms and new entrants; and
- ◆ the extent to which all the above factors may vary by types of customers or area.

2.13 An information request, which has had industry input to improve the specification and quality of information requested and provided, alongside industry work groups and meetings will support the information obtained through the survey.

3. Completing the survey questionnaire

Structure of the survey

3.1 Respondents to this survey should have purchased or provided gas, electricity or multi-utility connections within the last 12 months. The survey consists of 3 sections A to C as follows:

- ◆ Section A. Your organisation – information related to your organisation's name and main business activities;
- ◆ Section B. Purchasing and arranging connections – the experience of buying, or arranging on behalf of others, electricity, gas or multi-utility connections; and
- ◆ Section C. Providing connections – surveys the practice and experience of electricity, gas or multi-utility providers and asks for opinions on the state of competition in the provision of electricity, gas or multi-utility connections.

3.2 All respondents need to complete section A, (your organisation). To assist respondents in identifying the remaining sections relevant to you please refer to the signpost table below.

SIGNPOST TABLE

Respondent	Survey Section	
	B	C
Gas Consumers		
Electricity Consumers		
Electricity/gas/multi-utility suppliers that arrange connections on behalf of consumers		
Other agents, e.g. engineering consultants, architects etc.		
Builders and Developers		
Private electricity distribution networks		
Self-lay connection installers		

Gas Transporters		
Distribution Network Operators		

Important guidance for completing the survey

- 3.3 When completing sections A, B and C of this survey, can you please indicate whether you purchase or provide domestic and/or non-domestic connections.

Alternative connection definitions

- 3.4 When completing the survey, either purchasing or providing connections, if your definition of connections differ from the definition of connections in 3.5 and 3.6 below, please make this clear in your response and provide a definition of the connection service you purchased or provided.

Definition of gas connections

- 3.5 The term gas connection services, in this survey refers to the laying of pipes and connection to premises' meter(s) to supply domestic or industrial and commercial premises with gas and final connection to the relevant gas main.

Definition of electricity connections

- 3.6 The term electricity connection services, in this survey refers to the provision of electrical line, and where necessary electrical plant, and connection to a premises' meter(s) to supply electricity to domestic or industrial and commercial premises and the final live connection to the relevant distribution main.

Definition of unmetered connections

- 3.7 The definition of electricity connections includes all unmetered connections.

Definition of multi-utility connections

- 3.8 The term multi-utility, in this survey refers to a combination of gas, electricity, water and/or telecommunication connections arranged through the same provider.

Continuation sheets

- 3.9 If the pre-formatted tables provided with the questions below do not allow sufficient space to fully answer the relevant question, please continue on a separate sheet. Please mark any continuation sheet with your company name and the section and question number.

4. Survey questionnaire

Section A: your organisation

4.1 Please complete the following questions:

Question A1

Name of your organisation.

Question A2

If your organisation is part of a larger group of companies, please give the group name.

Question A3

Please describe your organisation's main business activities and relevant trading name(s) for the activities.

Question A4

If you hold any licences under the Utilities Act 2000, please list the licences.

Question A5

Please tick the relevant box below to indicate whether you are a purchaser or provider of electricity, gas or multi-utility and domestic or non-domestic connections.

	Electricity		Gas		Multi-Utility	
Purchase						
Provide						
	Domestic	Non-Domestic	Domestic	Non-Domestic	Domestic	Non-Domestic

Section B: purchasing and arranging electricity, gas or multi-utility connections

4.2 Please complete these questions if:

- ◆ you have purchased an electricity, gas or multi-utility connection directly for a domestic premises or industrial and commercial premises during the last twelve months;
- ◆ you have arranged an electricity, gas or multi-utility connection for domestic or industrial and commercial premises during the last twelve months.

Question B1

How did you purchase, or arrange, connections in Great Britain over the past 12 months? Please include, for example, details of the type of connections you purchased (e.g. electricity, gas or multi-utility, domestic, non-domestic etc.), the connection provider you dealt with (e.g. supplier, DNO, Utility Infrastructure Provider or other providers you considered), method of selection (e.g. competitive tender) etc.


Question B2

When purchasing the connections you describe in Question 1 above, did you benefit from competition in the provision of connections? Please tick a box that best illustrates your experience:

I have benefited from competition in connections		Go to Question B2.1
I have not benefited from competition in connections		Go to Question B2.2
I have benefited on occasion from competition in connections		Go to Question B2.3

Question B2.1

How have you benefited from competition in connections? For example, through lower price, improved service etc?



Question B2.2

What factors or barriers prevented you from benefiting from competition?

Question B2.3

- ◆ For what connection services did you benefit from competition in connections, and how did you benefit?
- ◆ For what services did you not benefit from competition in connections, and what were the factors or barriers that have prevented you from benefiting from competition for these services?

Question B3

Are there any other issues affecting your competitive choice when purchasing connections? Please briefly describe below.

Section C: providing electricity, gas or multi-utility connections

4.1 Please complete these questions if:

- ◆ you have provided an electricity, gas or multi-utility connection(s) to domestic or industrial and commercial premises within the last twelve months; and/or
- ◆ have undertaken the connection work, either directly or through contract labour, at the request of an electricity consumer or supplier/agent acting on their behalf.

Question C1

Is your firm a:

Distribution Network Operator	
Licensed Gas Transporter	
Utility Infrastructure Provider	
Other, please describe	

Question C1.1

If you are a Utility Infrastructure Provider, how long has your firm been active in the electricity, gas or multi-utility connections market?

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Question C2

How have you provided connections to customers in Great Britain over the past twelve months? Please include, for example, the type of connection services you offer/provide (e.g. electricity, gas, multi-utility, domestic, non-domestic), the type of customers that you provide your connection services to (e.g. housing developers, industrial or commercial businesses, agents etc.), how you sell and market your connection services to customers etc.

Question C3

What connection services would you like to competitively provide, but are unable to do so? What are the factors or barriers that have prevented you from offering these services?

Question C4

What connection services are you unwilling to provide competitively to customers at present? Why are you unwilling to competitively provide these services?

Question C5

Are there any other issues affecting your competitive choice when providing connections? Please briefly describe below.