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gas and electricity customers

Gas and Electricity Connections Industry Review Results 2004

Introduction

Ofgem undertook a review of the gas and electricity connections sectors to assess the nature and level of competition. The information was gathered in the following way:

- all Gas Transporters (GTs) were required under standard condition 24 of their gas transportation licence to complete an information request concerning the number and value of connections undertaken during the calendar year 2003, and
- all Distribution Network Operators (DNOs) (Electricity Distributors) were required under standard condition 24 of their distribution licence to complete an information request

concerning the number and value of connections undertaken by them during the financial year April 2003-March 2004. All DNOs were also required to provide information as to their performance against voluntary standards of service which all DNOs have adopted.

This fact sheet outlines the findings of the 2003-2004 review for both the gas and electricity sectors, and draws comparisons with the findings of the 2002-2003 review which can be found on Ofgem's website.

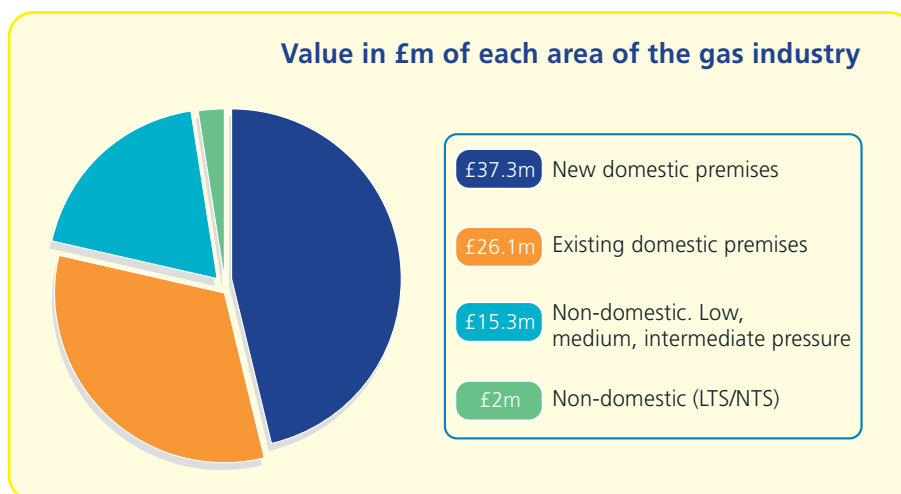
Gas responses

Number and value

Between January and December 2003, approximately 190,000 gas connections were undertaken. Of these, 170,000 were domestic gas connections and 20,000 were non-domestic gas connections. Approximately 200,000 gas connections had been made the year before.

The total approximate value of the gas connections sector for the last 12 months is £80.7m. This figure represents a 6 per cent decrease from last year when the gas sector was valued at £86.1m.

The chart below outlines the value of each area of the gas sector as a proportion of the total gas industry value:



New domestic premises

- 99,000 connections undertaken.
- 69,000 were undertaken by an Independent Connections Provider (ICP) and subsequently adopted by a GT.
- However, 59 per cent were adopted from companies affiliated to a GT. This figure has fallen from 77 per cent, recorded for the year 2002.

In 2003 the new domestic gas connections sector witnessed the largest amount of ICP activity. Approximately 69,000 connections were undertaken by ICPs in 2003, compared to 56,000 in 2002.

National Grid Transco's (NGT) share of this market continues to fall. In 2003, NGT undertook 40.3 per cent of

all new domestic connections compared to 46.6 per cent in 2002.

The size of the new domestic premises sector as a proportion of all gas connections undertaken has fallen. The proportion is now 38.1 per cent, compared to 48 per cent recorded for the year 2002.

Existing domestic premises

- 71,000 connections undertaken.
- NGT remains the dominant provider but there has been a 38.8 per cent increase in the number of connections being undertaken by ICPs.

Although NGT remains the dominant provider in the existing domestic premises sector, between 2002 and 2003 there was a fall of 28.1 per cent in the number of connections that it undertook.

As with new domestic premises, ICP activity in this sector has increased. The number of connections undertaken by

ICPs has increased from 88 in 2002 to 144 in 2003. This indicates that competition is developing within this sector. However, it should be noted that ICPs still only undertake 0.2 per cent of all gas connections to existing premises. This is to be expected in light of the requirement upon GTs to fund the first 10 metres.

Non-domestic (Local Transmission System (LTS)/National Transmission System (NTS))

- Only six connections were undertaken.
- No connections were provided by an ICP.

Non-domestic connections to the LTS/NTS are rare and expensive, and this is reflected in the figures obtained for the Connections Industry Review (CIR). Six connections

were undertaken within this sector, which compares with three connections made in 2002.

Non-domestic (Low, Medium, Intermediate Pressure)

- 21,000 connections undertaken.
- Only three per cent of the 21,000 connections undertaken were provided by an ICP and subsequently adopted.

As with the new and existing domestic premises, the 2003-2004 CIR has highlighted an increase in ICP activity in this sector. Between 2002 and 2003, ICP activity increased by 44 per cent.

The number of connections undertaken by NGT has fallen to 92 per cent, from 99 per cent recorded in 2002, although they remain the dominant provider of connections within this sector.

Electricity responses

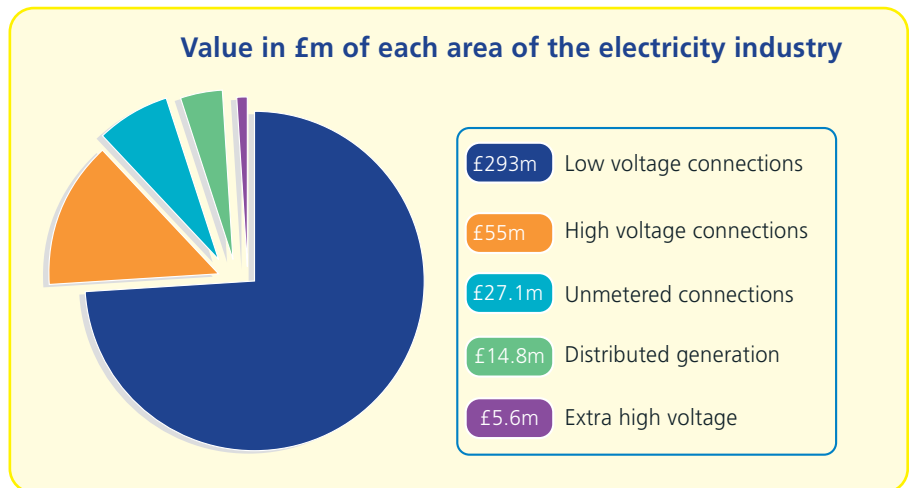
Number and value

During the period April 2003 to March 2004, approximately 418,000 electricity connections were undertaken. During the last review period, approximately 415,000 electricity connections were made.

The total value of the electricity connections sector for the financial year 2003 - 2004 is approximately £395.5m - an increase from the £372m calculated in the last CIR.

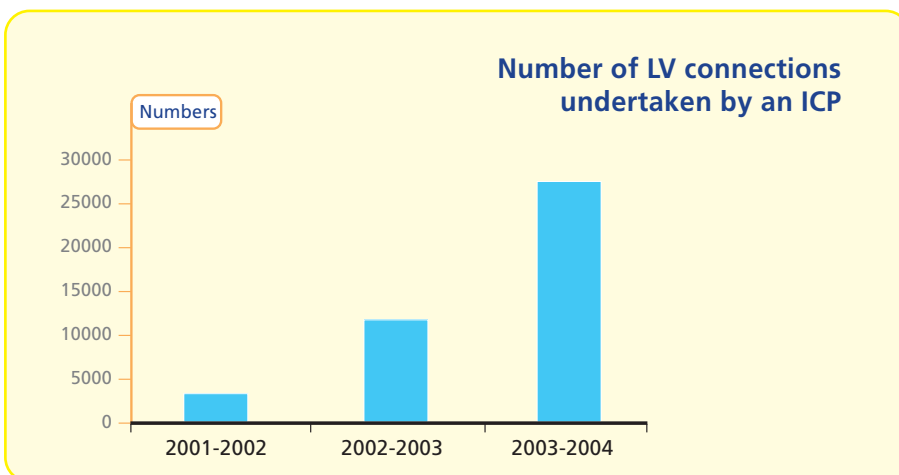
The number of connections undertaken by DNOs outside of their Distribution Service Area (DSA) has increased to approximately 4500 in 2003-2004 from approximately 3000 in 2002-2003. These were all undertaken at low voltage. In both periods, out of area activity was undertaken by three DNOs.

The chart opposite outlines the value of each area of the electricity sector as a proportion of the total electricity industry value.



Low voltage (LV)

- 252,000 connections undertaken.
- 11 per cent of these 252,000 connections were undertaken by an ICP and subsequently adopted by a DNO.

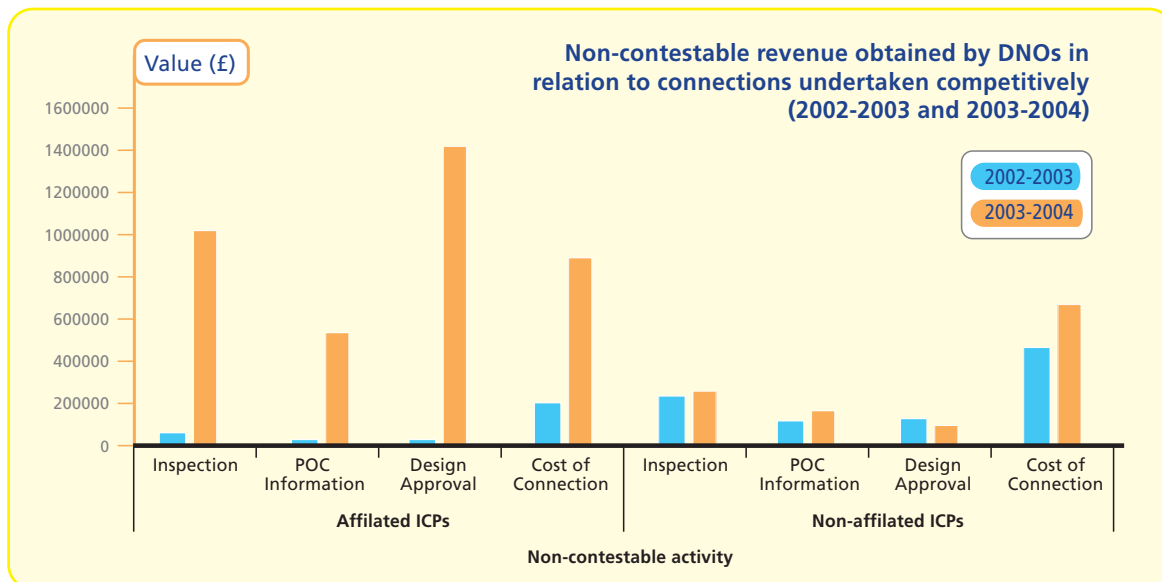


The number of LV connections undertaken by an ICP for the financial year 2003-2004 continues the upward trend from previous periods. This is illustrated in the graph opposite

While the number of ICP connections has increased, the majority of LV connections are still undertaken by the host DNO.

It should also be noted that of the 27,000 connections undertaken by an ICP, 63.9 per cent were undertaken by only three ICPs, affiliated to a DNO.

For the financial year of 2003-2004, non-contestable revenue obtained by a DNO in relation to connections undertaken competitively has increased to £5.1m from £1.26m in 2002-2003. The following graph compares the categories of non-contestable charges obtained by DNOs between 2002-2003 and 2003-2004.



High voltage (HV)

- 426 HV connections were undertaken in 2003-2004 compared to 719 in 2002-2003.
- 83 of these connections were undertaken by ICPs, compared to 71 in the previous period.

In line with the increase in ICP activity in the LV connections sector, the number of connections undertaken by an ICP has increased to 83, from 71. However, it must

be noted that the proportion of connections work undertaken by affiliated ICPs remains constant.

Extra high voltage (EHV)

- Six connections undertaken.
- One ICP is active in this sector.

While the number of connections in the EHV sector has fallen from 18 to six, the number of connections provided

by an ICP and subsequently adopted has remained the same.

Distributed generation (DG)

- 241 connections undertaken.
- ICP activity has fallen.

The financial year 2003-2004 witnessed an increase of 26 per cent in the number of DG connections undertaken, to 241. Although the number of DG connections has

increased, the number of connections provided by an ICP has fallen from three in 2002-2003 to one in 2003-2004.

Unmetered connections

- 166,000 connections undertaken.
- ICPs provided 1,700 connections.

Approximately 166,000 unmetered connections were undertaken in 2003-2004 compared to approximately 162,000 in 2002-2003.

ICP activity in this sector fell. During 2002-2003, 2,000 were connections provided by ICPs, compared to 1,700 in between 2003-2004.

Standards of service

Outlined below are league tables which assess each DNO in relation to the voluntary standards of service all DNOs have adopted, in line with the recommendations of the Electricity Connections Steering Group (ECSG). These standards relate to the provision of electricity connections undertaken in the competitive environment.

Number of formal quotations issued

The tables indicate the number of quotations issued split between simple, complicated and complex schemes, and the average time it has taken for a DNO to issue these quotations. DNOs who did not issue any quotations during the financial year 2003-2004 have been excluded from the table.

Simple Schemes (Standard - formal quotation to be issued within 15 working days)

Company	Average time	Quotations issued
WPD (South West) ¹	1 days	1-10
WPD (South Wales) ¹	7 days	10-20
SP Distribution ²	12 days	80-90
SPN	13 days	1-10
LPN	14 days	1-10
UU	14 days	400-450
Central Networks (East)	16 days	40-50
YEDL	19 days	100-150
NEDL	25 days	10-20
SP Manweb ³	27 days	50-60
Southern Electric ⁴	0 days	20-30
Scottish Hydro ⁵	0 days	10-20

Complex schemes (Standard - formal quotation to be issued within 20 working days)

Company	Average time	Quotations issued
WPD (South West)	5 days	1-10
WPD (South Wales)	8 days	1-10
SP Distribution	12 days	100-150
EPN	18 days	1-10
SPN	18 days	1-10
LPN	19 days	1-10
Central Networks (East)	19 days	60-70
YEDL	20 days	30-40
Central Networks (West)	22 days	1-10
UU	23 days	200-250
NEDL	27 days	1-10
SP Manweb	27 days	80-90

Complicated schemes (Standard - letter to be issued within 10 working days)

This standard requires the host DNO to send a letter to the ICP within 10 working days, with the quotation date to be agreed for specific schemes.

Company	Average time	Quotations issued
WPD (South West)	1 days	1-10
SP Distribution	12 days	1-10
SPN	18 days	1-10
LPN	19 days	1-10
YEDL	32 days	1-10
Central Networks (East)	37 days	20-30
UU	64 days	70-80
Southern Electric	0 days	20-30
Scottish Hydro	0 days	10-20

DNOs that were unable to provide information in the required format have been contacted stating that future submissions should provide **all** the information in the format Ofgem requests.

Number of design approvals issued

The table below outlines the number of design approvals granted by a DNO, and the average time this has taken. DNOs that did not issue any design approvals during the financial year 2003-2004 have been excluded from the table.

Design approval (Standard - approval or rejection within 10 working days)

This standard requires the host DNO to provide design approval or reasoned rejection within 10 working days.

Company	Average time	Design approvals issued
Central Networks (East)	8 days	30-40
SP Distribution	12 days	10-20
UU	13 days	100-150
NEDL	20 days	1-10
SP Manweb	27 days	20-30
YEDL	37 days	30-40

¹ For the avoidance of doubt, the average timescales were derived using the date recorded by WPD when all information required under ECSG specification was received in full from the customer.

² For all tables - SP Distribution was unable to divide average time into the required format, namely splitting quotations between simple, complex and complicated. Consequently the figure stated is a total figure.

³ For all tables - SP Manweb was unable to divide average time into the required format, namely splitting quotations between simple, complex and complicated. Consequently the figure stated is a total figure.

⁴ For all tables - Southern Electric was unable to divide formal quotations issued into the required format, namely splitting quotations between simple, complex and complicated and providing an average time. Consequently the figure stated as the number of quotations issued is a total figure.

⁵ For all tables - Scottish Hydro was unable to divide formal quotations issued into the required format, namely splitting quotations between simple, complex and complicated and providing an average time. Consequently the figure stated as the number of quotations issued is a total figure.

Physical connections undertaken by the DNO to agreed timescales

The table below outlines, the percentage of physical connections undertaken by a DNO to agreed timescales.

Physical connections undertaken by the DNO to agreed timescales

Company	per cent of timescales met
Central Networks (East)	100
Central Networks (West)	100
EPN	100
LPN	100
Scottish Hydro	100
Southern Electric	100
SPN	100
WPD (South Wales)	100
WPD (South West)	100
SP Distribution	98
NEDL	90
UU	90
YEDL	90
SP Manweb	89

Looking forward

Ofgem:

- recently published a consultation document in June 2004 entitled, 'Competition in connections to electricity distribution systems', outlining proposals to assist the further development of competition within the electricity sector.
- will review the competitive state of the connections industry next year, and
- will develop a way forward in areas of the consultation where agreement has been reached. In the short to medium term an initial decision document will be published outlining these areas of agreement which DNOs would be expected to implement. Any contentious issues will be developed further in collaboration with the ECSG. A separate decision document will be published towards the end of 2004.

Getting a new connection

Information on obtaining a connection to a gas and/or electricity supply can be found on the Ofgem website:
www.ofgem.gov.uk

For further information please contact:

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