

# Gas and Electricity Connections

Industry Review Results 2004/5

## Introduction

Ofgem undertakes an annual review of the gas and electricity connections sectors to assess the nature and level of competition. The information for the 2004/05 review was gathered in the following ways:

- All gas transporters (GTs) were required under standard condition 24 of their gas transporter licence granted or treated as granted by the Gas and Electricity Markets Authority (the “Authority”) under section 7 of the Gas Act 1986 to complete a formal information request concerning the number and value of connections undertaken or adopted by them during the calendar year 2004<sup>1</sup>; and
- All electricity distribution network operators (DNOs) were required under standard condition 24 of their distribution licence granted or treated as granted by the Gas and Electricity Markets Authority (“the Authority”) under section 6(1) (b) of the Electricity Act 1989 to complete a formal information request concerning the number and value of connections undertaken or adopted by them during the financial year 2004/05. Also, all DNOs were required to provide their performance against voluntary connections standards of service which all DNOs have adopted in relation to services provided in the competitive connections market<sup>2</sup>.

This fact sheet outlines the findings of the 2004/05 review for both the gas and electricity sectors, and draws comparisons with the findings of Ofgem’s 2003/04 review.

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<sup>1</sup> Please note that information provided by GTs relates to the calendar year from January to December 2004 while the information provided by DNOs relates to the financial year from April 2004 to March 2005. This is simply due to differing methods of data recording employed by the businesses involved.

<sup>2</sup> All GTs are required to meet guaranteed standards of performance for connections activities. Performance against these standards is published by energywatch: [www.energywatch.org.uk](http://www.energywatch.org.uk)

## Gas Transporters' responses to standard condition 24 information request

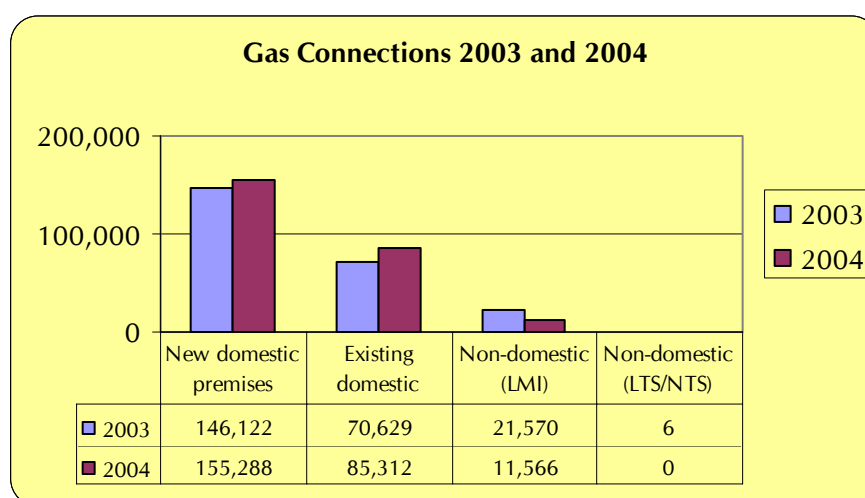
### Gas connections

#### 2004

- 252,166 gas connections were undertaken
- 240,600 were domestic gas connections (95.4%)
- 11,566 were non-domestic gas connections (4.6%).

#### 2003

- 238,327 gas connections were undertaken.
- 216,751 were domestic gas connections (90.9%)
- 21,576 were non-domestic gas connections (9.1%)



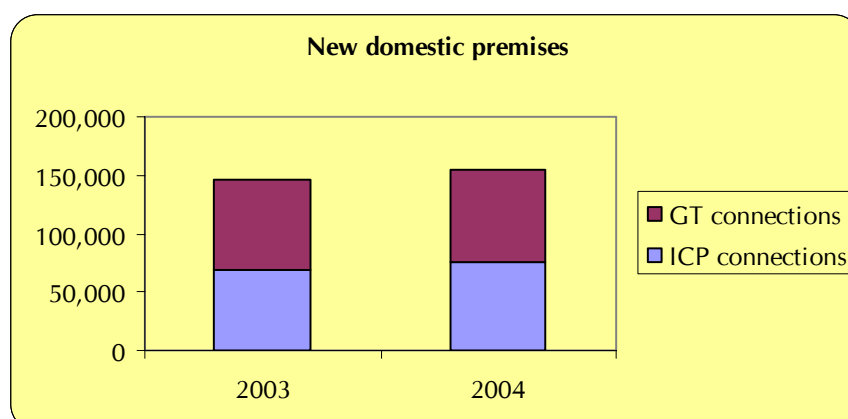
### New domestic premises

#### 2004

- 155,288 new domestic premises connections were undertaken
- 74,837 of these connections were undertaken by independent connection providers (ICPs) (48.2%)

#### 2003

- 146,122 new domestic premises connections<sup>3</sup> were undertaken
- 68,403 of these connections were undertaken by ICPs (46.8%)



<sup>3</sup> Please note that due to a recording inaccuracy in 2003, the following figures from the 2003/04 CIR have been amended: total number of new domestic connections in 2003: 146,122; total percentage of connections completed by ICPs in 2003: 46.81%; and National Grid Gas plc's (formerly Transco plc's) market share for 2003: 27.39%.

## Industry breakdown

GTs provide connections in two ways:

- they undertake a number of connections themselves; and
- they adopt connections that have been undertaken by ICPs.

The industry breakdown tables below compare the total percentage of new domestic gas connections provided by National Grid Gas plc (NGG) (formerly known as Transco plc) to the total percentage provided by independent gas transporters (IGTs)<sup>4</sup> for 2004 and 2003. The percentage of connections adopted from ICPs is also shown.

2004	Percentage of total new domestic connections	Percentage of total new domestic connections adopted from ICPs
NGG	27.9%	1%
IGTs	72.1%	47.2%
Total	100%	48.2%

2003	Percentage of total new domestic connections	Percentage of total new domestic connections adopted from ICPs
NGG	27.4%	0.4%
IGTs	72.6%	46.4%
Total	100%	46.8%

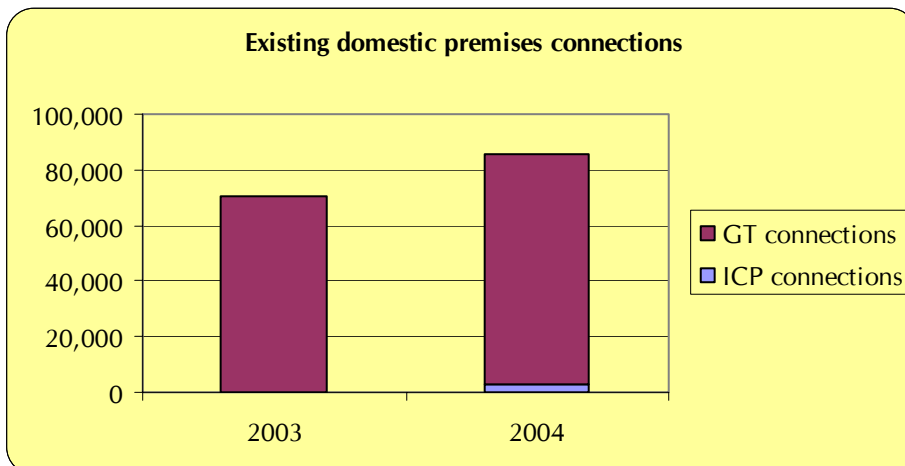
## Existing domestic premises

### 2004

- 85,312 existing domestic premises connections were undertaken
- 2,521 of these connections were undertaken by ICPs (3%)

### 2003

- 70,629 existing domestic premises connections were undertaken
- 149 of these connections were undertaken by ICPs (0.2%)



<sup>4</sup> IGTs are licensed gas transporters that operate on a national basis. They provide connections, primarily to new housing developments, and operate their own gas networks.

## Industry breakdown

2004	Percentage of total existing domestic premises connections	Percentage of total existing domestic premises connections adopted from ICPs
NGG	95%	0.2%
IGTs	5%	2.8%
Total	100%	3%

2003	Percentage of total existing domestic premises connections	Percentage of total existing premises connections adopted from ICPs
NGG	97.5%	0.1%
IGTs	2.5%	0.1%
Total	100%	0.2%

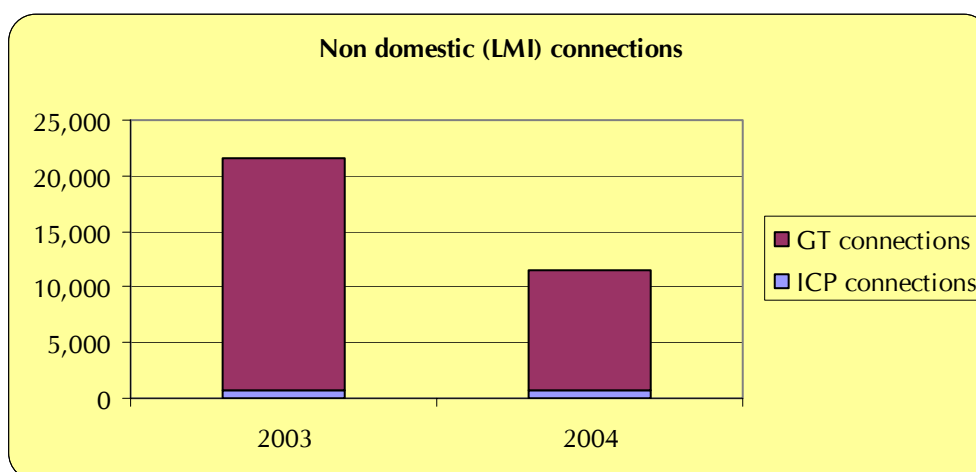
## Non-domestic (Low, medium, intermediate pressure (LMI))

### 2004

- 11,566 non-domestic LMI connections were undertaken
- 640 of these connections were undertaken by ICPs (5.5%)

### 2003

- 21,570 non-domestic LMI connections were undertaken
- 713 of these connections were undertaken by ICPs (3.3%)



## Industry breakdown

2004	Percentage of total non-domestic LMI connections	Percentage of total non-domestic LMI connections adopted from ICPs
NGG	93.5%	2.2%
IGTs	6.5%	3.3%
Total	100%	5.5%

2003	Percentage of total non-domestic LMI connections	Percentage of total non-domestic LMI connections adopted from ICPs
NGG	91.9%	2.1%
IGTs	8.1%	1.2%
Total	100%	3.3%

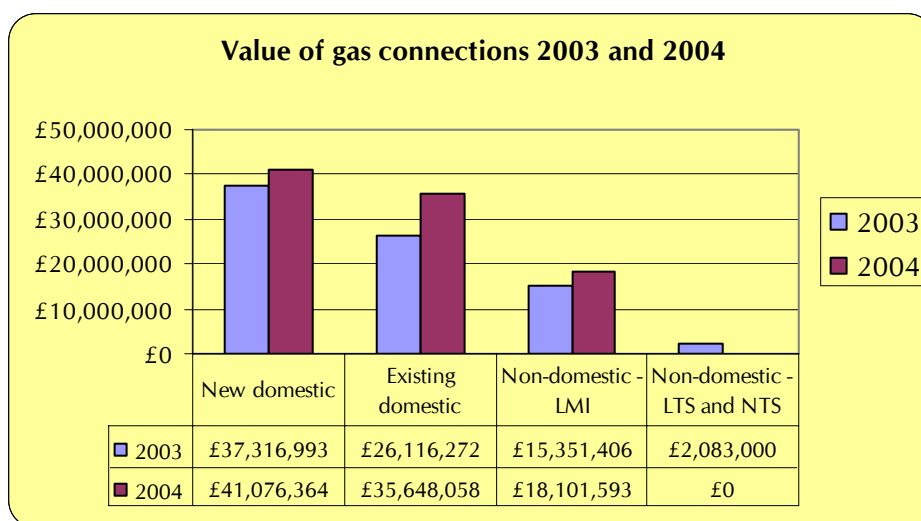
## Non-domestic (Local Transmission System (LTS)<sup>5</sup>, National Transmission System (NTS))

- No non-domestic LTS/NTS gas connections were undertaken in 2004
- 6 non-domestic LTS/NTS gas connections were undertaken in 2003

## Total value of gas connections

- In 2004 the total approximate value<sup>6</sup> of the gas connections sector was £95m
- In 2003 the total approximate value of the gas connections sector was £81m

The chart below outlines the value of each area of the gas sector as a proportion of the total value of gas connections.



<sup>5</sup> LTS (Local Transmission System) is a network of pipelines operating at pressures between 7 bar and up to 38 bar.

<sup>6</sup> Value is the revenue of the total up-front charges each company has levied on new gas connections in the relevant calendar year.

## Electricity DNOs' responses to standard condition 24 information request

### Financial year (FY) 2004/05

- 421,897 electricity connections were undertaken

The tables below show the number and percentage of electricity connections undertaken by DNOs within their own distribution services areas (DSA), outside their DSA and connections undertaken by ICPs.

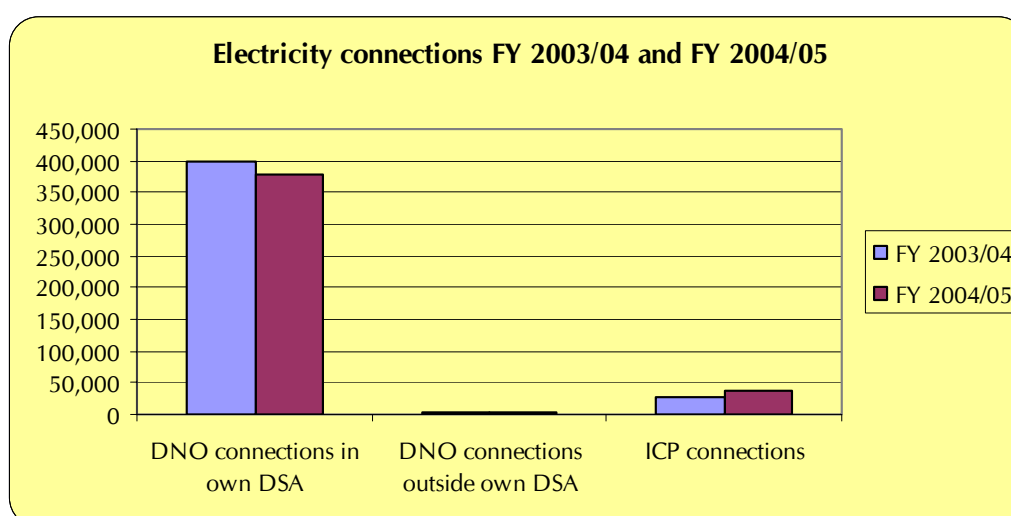
FY 2004/05	Number of connections	Percentage of connections
Connections by DNOs within their own DSA	378,961	89.8%
Connections undertaken by ICPs	39,198	9.3%
Connections by DNOs outside their own DSA	3,738	0.9%
Total	421,897	100%

### FY 2003/04

- 431,880<sup>7</sup> electricity connections were undertaken

FY 2003/04	Number of connections	Percentage of connections
Connections by DNOs within their own DSA	398,669	92.3%
Connections undertaken by ICPs	28,690	6.7%
Connections by DNOs outside their own DSA	4,521	1%
Total	431,880	100%

The chart below outlines the total number of electricity connections undertaken by DNOs and ICPs in FY 2003/04 and FY 2004/05.



<sup>7</sup> Please note that due to a recording inaccuracy the figures from the CIR for FY 2003/04 have been amended to the following: total number of electricity connections for FY 2003/04: 431,880; total number of LV connections in FY 2003/04: 265,537; number of LV connections by ICPs in FY 2003/04: 26,860; total number of HV connections in FY 2003/04: 487.

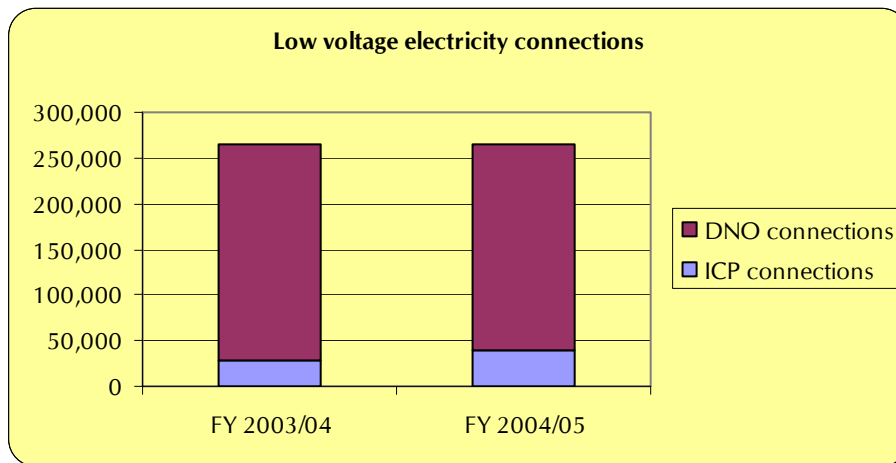
## Low voltage (LV) metered connections

### FY 2004/05

- 264,726 LV connections were undertaken
- 38,464 of these connections were undertaken by ICPs (14.5%)
- 5 DNOs provided connections outside their DSA
- 3,731 LV connections were undertaken by DNOs outside their DSA (1.4%)

### FY 2003/04

- 265,537 LV connections were undertaken
- 26,860 of these connections were undertaken by ICPs (10.1%)
- 3 DNOs provided connections outside their DSA
- 4,521 LV connections were undertaken by DNOs outside their DSA (1.7%)



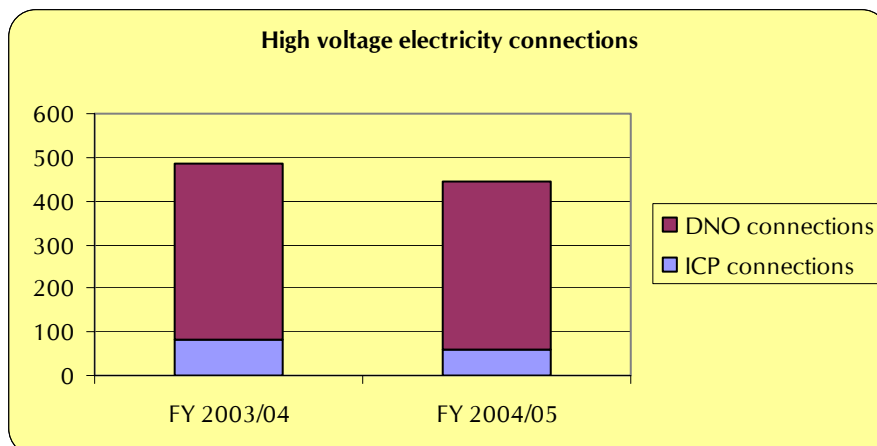
## High voltage (HV)

### FY 2004/05

- 446 HV connections were undertaken
- 58 of these connections were undertaken by ICPs (13%)

### FY 2003/04

- 487 HV connections were undertaken
- 83 of these connections were undertaken by ICPs (17%)



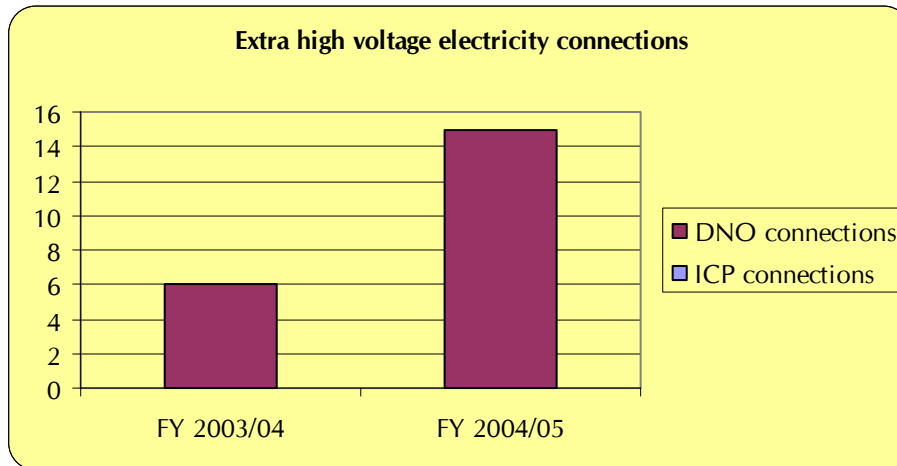
## Extra high voltage (EHV)

### FY 2004/05

- 15 EHV connections were undertaken
- No connections were provided by ICPs

### FY 2003/04

- 6 EHV connections were undertaken
- No connections were provided by ICPs



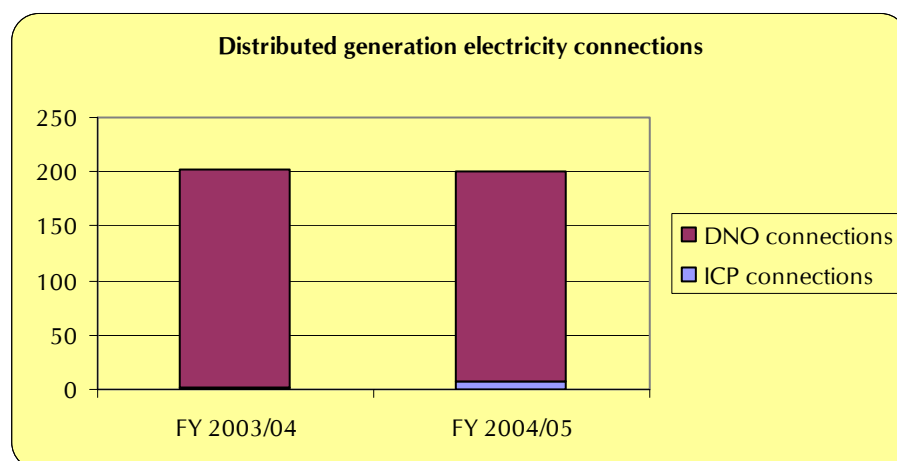
## Distributed generation (DG)

### FY 2004/05

- 201 DG connections were undertaken
- 7 of these connections were provided by ICPs (3.5%)

### FY 2003/04

- 241 DG connections were undertaken
- 1 of these connections was provided by an ICP (0.4%)



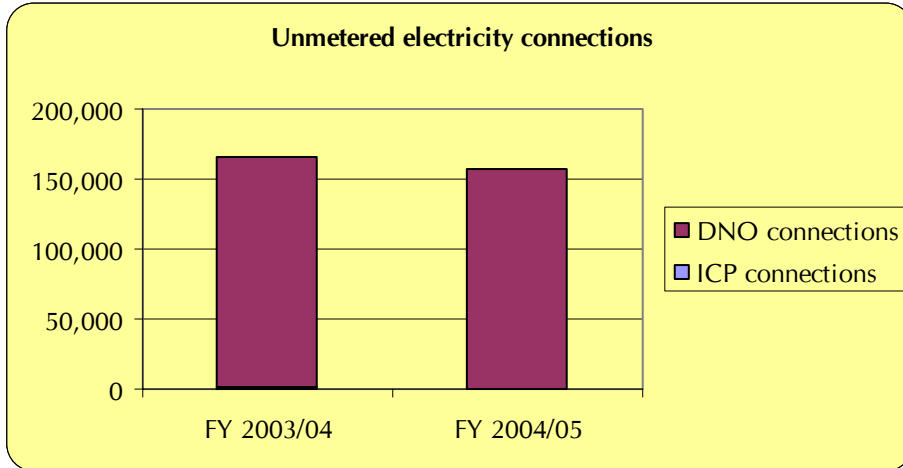
## Unmetered connections

### FY 2004/05

- 156,509 unmetered connections were undertaken
- 669 of these connections were undertaken by ICPs (0.4%)

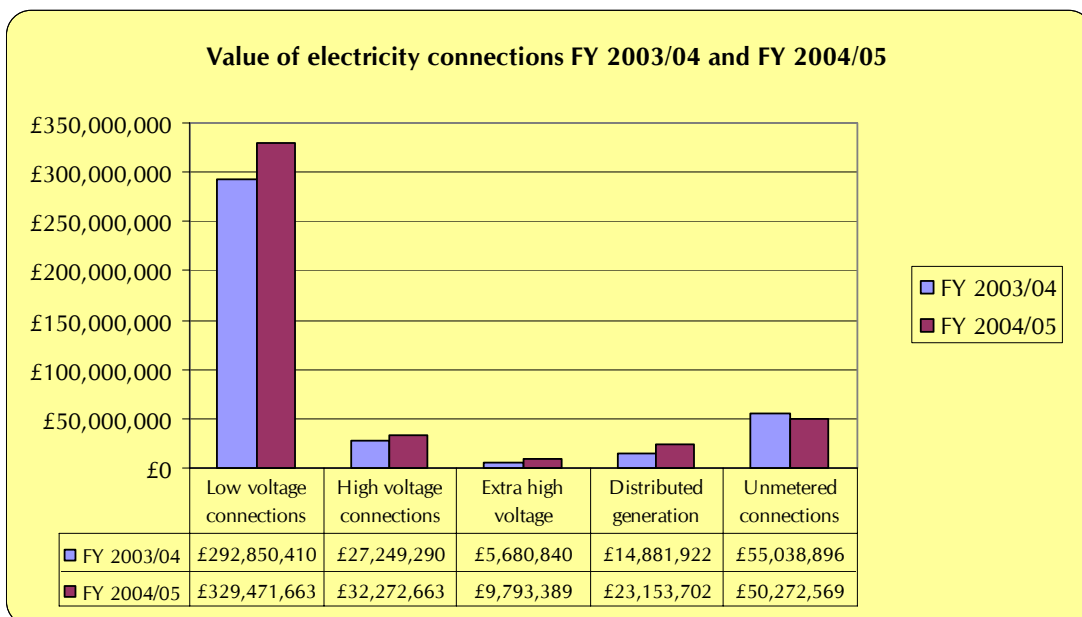
### FY 2003/04

- 165,609 unmetered connections were undertaken
- 1,746 of these connections were undertaken by ICPs (1.1%)



## Total value of electricity connections

- In FY 2004/05 the total approximate value<sup>8</sup> of the electricity connections sector was £445m
- In FY 2003/04 the total approximate value of the electricity connections sector was £396m



<sup>8</sup> Value is the revenue of the total up-front charges each company has levied on new connections in the relevant financial year.

Outlined below are league tables which assess each DNO against the voluntary standards of service they 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.

The following tables indicate areas where competition is developing, by stating the number of quotations requested and number of design approvals issued. DNOs are ranked according to the average time taken to issue the required response. However, it should be noted that these values are only indicative of the standards of service being provided since the number of requests varies dramatically between DNOs.

## Number of formal quotations issued

The tables show the number of simple, complex and complicated quotations issued and the average time it has taken for a DNO to issue these quotations.

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

Simple schemes are new low voltage mains and services for domestic, commercial or industrial projects.

Company	Average Time (days)		Quotations Issued	
	FY 2004/05	FY 2003/04	FY 2004/05	FY 2003/04
UU	8	14	126	432
WPD S Wales	11	7	7	12
SSE Southern	13	N/A	5	21 <sup>9</sup>
CE YEDL	14	19	29	117
SP Distribution	14	12 <sup>10</sup>	956	80
SSE Hydro	15	N/A	12	15 <sup>11</sup>
EDFE EPN	15	N/A	3	0
EDFE LPN	N/A	14	0	1
WPD S West	N/A	1	0	1
SP Manweb	18	27 <sup>12</sup>	596	56
CE NEDL	21	25	29	19
CN West	21	N/A	27	0
EDFE SPN	25	13	3	3
CN East	44	16	44	48

<sup>9</sup> For all tables Southern Electric did not divide quotations issued into the required format in FY 2003/04, namely splitting quotations between simple, complex and complicated. Consequently the figure stated is a total figure for all quotations issued.

<sup>10</sup> For all tables SP Distribution did not divide average time into the required format in FY 2003/04, namely splitting quotations between simple, complex and complicated. Consequently the figure stated is a total figure.

<sup>11</sup> For all tables Scottish Hydro did not divide quotations issued into the required format in FY 2003/04, namely splitting quotations between simple, complex and complicated. Consequently the figure stated is a total figure for all quotations issued.

<sup>12</sup> For all tables SP Manweb did not divide average time into the required format in FY 2003/04, namely splitting quotations between simple, complex and complicated, consequently the total figure is stated.

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

Complex schemes are new infrastructure schemes requiring a substation.

Company	Average Time (days)		Quotations Issued	
	FY 2004/05	FY 2003/04	FY 2004/05	FY 2003/04
WPD S West	7	5	4	3
SSE Southern	9	N/A	11	21
UU	12	23	473	229
SSE Hydro	12	N/A	21	15
WPD S Wales	13	8	9	10
SP Distribution	17	12	399	137
CE YEDL	20	20	12	33
SP Manweb	22	27	585	88
CN West	23	22	27	8
CE NEDL	25	27	7	5
EDFE LPN	25	19	10	4
EDFE EPN	25	18	16	2
EDFE SPN	30	18	10	2
CN East	41	19	113	62

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

Complicated schemes are new infrastructure schemes which require HV or EHV reinforcement schemes.

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 (days)		Quotations Issued	
	FY 2004/05	FY 2003/04	FY 2004/05	FY 2003/04
UU	7	64	268	72
SSE Hydro	7	N/A	1	15
SP Manweb	9	N/A	65	0
EDFE SPN	10	18	2	1
EDFE LPN	10	19	2	2
EDFE EPN	10	N/A	3	0
CE NEDL	N/A	N/A	0	0
WPD S Wales	N/A	N/A	0	0
WPD S West	N/A	1	0	1
CE YEDL	N/A	32	0	8
SP Distribution	12	12	51	4
SSE Southern	16 <sup>13</sup>	N/A	9	21
CN East	N/A <sup>14</sup>	37	29	27
CN West	N/A <sup>15</sup>	N/A	11	0

<sup>13</sup> Southern Electric provided the average time taken to issue the quotation rather than the average time to send the letter.

<sup>14</sup> CN (East) have no record of the average time to issue complicated quotations in FY 2004/05

## 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.

### Design approval (Standard – approval or rejection within 10 working days)

Company	Average Time (days)		No. of Approvals Issued	
	FY 2004/05	FY 2003/04	FY 2004/05	FY 2003/04
SSE Hydro	5	N/A	8	0
CN West	6	N/A	10	0
SSE Southern	7	N/A	6	0
EDFE EPN	N/A	N/A	0	0
EDFE LPN	N/A	N/A	0	0
EDFE SPN	N/A	N/A	0	0
WPD S Wales	N/A	N/A	0	0
WPD S West	N/A	N/A	0	0
SP Manweb	11	27	866	15
SP Distribution	12	12	649	31
CN East	12	8	49	37
CE YEDL	15	37	41	39
UU	18	16	163	130
CE NEDL	20	20	4	6

## 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	% of timescales met	
	FY 2004/05	FY 2003/04
CN East	100%	100%
CN West	100%	100%
EDFE EPN	100%	100%
EDFE LPN	100%	100%
EDFE SPN	100%	100%
SSE Hydro	100%	100%
SSE Southern	100%	100%
SP Manweb	100%	89%
WPD S Wales	100%	100%
WPD S West	100%	100%
SP Distribution	98%	98%
CE NEDL	90%	90%
CE YEDL	90%	90%
UU	86% <sup>16</sup>	90%

<sup>15</sup> CN (West) have no record of the average time taken to issue complicated quotations in FY 2004/05

<sup>16</sup> Please note that UU's figures include instances where connections were not undertaken to agreed timescales due to 3<sup>rd</sup> party delays.

## Looking forward

- There are eight gas distribution networks (DNs) in Great Britain, all of which were owned by NGG (formerly known as Transco). In June 2005 NGG sold four of these networks to three different companies<sup>17</sup>.

The DN responses for the 2005/06 connections industry review (CIR) will be received from four different companies. Comparison between NGG and IGTs in 2004/05 will be amended in 2005/06 to comparison between DNs and IGTs.

- There are fourteen electricity Distribution Network Operators (DNOs) in Great Britain. DNOs complete most of their connections within their own distribution services areas (DSA). Following changes to the Electricity Act 1989 by the Utilities Act 2000, any person can now apply for a licence to operate existing or newly built distribution networks. These new licensees do not have DSAs and are known as Independent Distribution Network Operators (IDNOs). Ofgem has granted three IDNO licences to date. It is expected that the CIR for 2005/06 will include figures for new connections that have subsequently been adopted by IDNOs.

### Ofgem intends to:

Continue to promote competition in connections in FY 2005/06 through initiatives such as:

- Consulting on further opening up the contestable arena for electricity (and gas connections) activities by developing proposals for the extension of contestable works to include certain categories of diversion and reinforcement works;
- Amending electricity distribution standard condition 4C to address the issue of discrimination by DNOs in the provision of non-contestable works and information services between affiliated and non-affiliated connection providers to reduce the potential for DNOs to provide connections information and services on a discriminatory basis<sup>18</sup>; and
- Consulting on the development of competition in one-off domestic gas connections. The consultation will discuss the impact of constraints on effective competition including the 10 metre rule, the Town and Country Planning Act 1990 and the New Roads and Street Works Act 1991<sup>19</sup>.

Write to DNOs who performed below the electricity standards of service in FY 2004/05 to request an update on their expectations for performance in FY 2005/06 and details of actions they are taking to improve performance;

Carry out further work in parallel with the gas distribution price control review; and

Consult on the progress of competition in connections in parallel with the CIR for 2005/06 in summer 2006.

<sup>17</sup> For further information please see: Gas Distribution Network Sale fact sheet  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10650\\_DNsalesfs.pdf?wtfrom=/ofgem/press/fact-sheets.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10650_DNsalesfs.pdf?wtfrom=/ofgem/press/fact-sheets.jsp)

<sup>18</sup> For further information please see: The provision of non-contestable connection services by DNOs: Amending Licence Condition 4C of the Electricity Distribution Licence. Consultation Document. March 2005.  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11357\\_6805.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/connections/connelec](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11357_6805.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/connections/connelec)

<sup>19</sup> For further information please see: Competition in one-off gas connections. Consultation. April 2003.  
[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/3043\\_2703connections.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/connections/conngas](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/3043_2703connections.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/connections/conngas)

## **Getting a Connection**

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

<http://www.ofgem.gov.uk/ofgem/shared/template1.jsp?assortment=/workingforcustomers/cust04>

### **For queries please contact:**

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