

## Review of Competition in Gas and Electricity Connections Proposals Document

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**Target audience:** Distribution network licensees, parties seeking new connections and their representatives, independent connection providers, local authorities and other interested parties.

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### **Overview:**

We have reviewed the regulatory arrangements for gas and electricity connections. This document sets out our proposals.

We consider that changes to the electricity connections market in particular are needed. In gas, connections issues will be taken forward through the gas distribution price control review.

Our proposals involve strengthening the requirements on electricity distributors regarding the key monopoly services they provide, via a licence modification. We also propose to improve the performance of electricity distributors in parts of the market that are not competitive. We have developed a package of reporting requirements to assess improvements and whether further action is required, potentially through the next distribution price control review.

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## Context

In Ofgem's Corporate Strategy and Plan 2006-2011, we undertook to consult on the development of competition in connections and the options to increase its effectiveness.

This proposals document follows Ofgem's August consultation document<sup>1</sup> and sets out a package of measures that are designed to improve the electricity connections regulatory framework.

## Associated Documents

- Review of Competition in Gas and Electricity Connections Proposals Document - Supplementary Appendices, (February 2007)
- Review of Competition in Gas and Electricity Connections, (August 2006) Ref 159/06  
<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/connections>
- Open Consultation letter: Review of Competition in Gas and Electricity Connections, (May 2006) Ref 81/06  
<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/connections/connelec>
- Decision letter - Proposal for extending the scope of contestable works in relation to competition in electricity connections Ref (April 2006) 69/06  
<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/connections/connelec>
- Competition in connections to electricity distribution systems - Decision Document - Part A (November 2004) Ref 252/04  
<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/connections/connelec>
- Competition in connections to electricity distribution systems - Decision Document - Part B (February 2005) Ref 60/05  
<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/connections/connelec>
- Connections Industry Review results 2005/06 (August 2006)  
[www.ofgem.gov.uk](http://www.ofgem.gov.uk)

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<sup>1</sup> Review of Competition in Gas and Electricity Connections (31 August 2006) Ref: 159/06

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## Summary

Ofgem has worked over a number of years to promote competition in the gas and electricity connections market. Competition in gas connections has developed relatively well in recent years and has been stimulated by independent gas transporters (IGTs) who have developed significant market shares by providing developers with alternative connection and adoption arrangements to host gas distribution networks (GDNs). Competition in the electricity connections market has developed slowly based on voluntary arrangements with electricity distribution network operators (DNOs).

The voluntary approach in electricity connections has proved to be an ineffective means of enabling competition. We have for some time been receiving an increasing number of complaints about these connections. While DNO performance is usually acceptable, there are too many cases of poor performance. This is a key issue for housing developers, third party connections providers, regeneration projects and distributed generation as well as for local authorities (LAs) in respect of street lighting.

The connections review was initiated in May 2006. In carrying out the review we have focused mainly on electricity connections. In particular:

- the development of formal standards for the provision of non-contestable services;
- improvements to the connections application process;
- whether structural changes are required to the organisations of DNOs;
- the scope of contestability; and
- whether further changes are required in relation to unmetered connections services that DNOs provide to local authorities.

Following extensive consultation including industry workshops and having considered consultation responses/related correspondence from other sources, we consider that we should act to support competition and improve the effectiveness of the electricity connections market. We have set out in this document a broad package of proposals. Gas issues will be taken forward via the main gas distribution price control review (GDPCR).

### Overview of proposals

To support competition, we propose that the voluntary competition in connections standards (with revised definitions) should be established in a licence condition. The licence will require DNOs to use reasonable endeavours to meet the standards in all cases and ensure they meet them in at least 90% of cases.

We also set out areas where each DNO needs to ensure that they deliver effective performance. In many cases, these will require changes to current practices. We recognise that over time each DNO has developed their own mechanisms for managing customer interfaces and the provision of non contestable services. Whilst

we do not wish to stifle innovation or to prescribe how DNOs should operate, we consider that there is benefit in more consistency across DNOs. Whilst, some areas of convergence may require further debate our proposals identify good practice measures to improve DNOs' focus on and approach to customer service. The broad areas we have identified are:

- increasing customer awareness by standardising certain key messages to customers;
- streamlining certain aspects of the process for obtaining a connection;
- introducing effective dispute resolution processes; and
- use of customer feedback/surveys to assess the overall effectiveness of DNOs' connections businesses.

We considered referral of the electricity connections sector to the Competition Commission through a Market Investigation Reference. In light of respondents' views which showed a strong preference for immediate action to address the issues in the electricity market, we have decided to give the DNOs an opportunity to improve performance first, through these proposals.

### **Unmetered Connections**

The review considered whether DNO performance against the trial national unmetered service level agreement (SLA) on unmetered connections should be left to DNOs and LAs to agree, should be monitored and reported or be subject to incentives.

We propose to establish national minimum performance levels that we would expect all DNOs to surpass and we will report on their achievements in 2007/08. We will then consider what further action, if any, is required, for example through the price control review.

In terms of good practice and process, several of the areas set out in this document are relevant. In addition, we expect DNOs to agree reported performance with LAs before submitting to Ofgem.

We consider that more can be done to promote competition. The scope of contestability should be based on contractor accreditation rather than the one metre rule. DNOs should do more to raise awareness of competitive options, providing information to all LAs on how 'Rent-a-Jointer' type schemes work and on the triangular agreement they offer and to provide lists of approved contractors. We propose to arrange a separate meeting to discuss interfaces with PFI projects and whether different arrangements are appropriate in those cases.

### **Next steps**

Comments on the proposed licence modification and associated impact assessment are invited by 30 March 2007. If these proposals are implemented, we will hold the DNOs accountable for delivery of the measures set out here (or equivalent) through regular reporting, audit visits and publications of assessments in summer 2008.

## 1. Introduction

### Chapter Summary

This chapter sets out the background to the proposals document, summarises developments since the publication of the August consultation document. It provides an overview of the approach we have taken in developing the proposals. It also explains how this document is structured.

### Question box

There are no specific questions in this chapter.

## Background

1.1. The Connections Review was initiated in May 2006 with Ofgem's consultation letter<sup>2</sup> and a workshop<sup>3</sup> was held to seek views on the proposed scope of the review and the issues that needed to be resolved. In particular, it emerged from the workshop, that competition in gas connections supported by formal obligations on GDNs works relatively well. However, significant concerns were expressed about the operation of the electricity connections market. A number of industry participants suggested that changes were required to support competition and improve the performance of host DNOs.

1.2. In August 2006, Ofgem published a detailed consultation document<sup>4</sup> that focused mainly on bringing about improvements in the electricity connections market. We did not propose major changes in the gas market but consulted on gas domestic one-off connections and competitive diversionary works.

1.3. The August consultation was supported by two workshops. One focused on electricity metered connections<sup>5</sup> and the other on unmetered connections.<sup>6</sup> Both workshops were well attended and constructive debate took place on the issues that we consulted upon.

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<sup>2</sup> Open Consultation Letter: Review of Competition in Gas and Electricity Connections (May 2006), Ref: 81/06, [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>3</sup> Ofgem Competition in Connections Review Workshop, London, 24 May 2006. Minutes and presentations are publicly available on Ofgem's website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>4</sup> Consultation Document: Review of Competition in Gas and Electricity Connections (August 2006), Ref 159/06, [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>5</sup> Ofgem Competition in Electricity Metered Connections Workshop, Manchester, 26 September 2006. Minutes and presentations are available on Ofgem's website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>6</sup> Unmetered Connections Workshop, London, 12 October 2006. Minutes and presentations are available on Ofgem's website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

1.4. We received 48 non-confidential responses to our consultation from a wide variety of industry parties, including DNOs, IDNOs, ICPs, lobby groups, LAs, GDNs and energywatch<sup>7</sup>.

## Development of proposals

1.5. In developing these proposals Ofgem has worked closely with a number of industry participants. We have used the Electricity Connections Steering Group (ECSG) which is attended by DNOs, ICPs, LAs and contractor representatives and advises Ofgem on introducing competition in the electricity connections market, as a vehicle to test these proposals. We have also held bilateral meetings to discuss specific issues raised by respondents as well as meeting with all DNOs. We have generated wider interest in the review by presenting at forums organised by housing developers.

1.6. Through this dialogue and having considered responses to the August consultation and correspondence from other sources, we consider that we have sufficient evidence of problems to demonstrate a need to take action. Overall, the evidence appears to suggest that DNOs performance is acceptable on most connections. However, there are many cases where DNOs performance and focus on customer service is poor. Therefore, we have focused our efforts on formalising the monopoly services DNOs provide to support competition through the introduction of a licence modification. We also propose changes to improve the effectiveness of DNOs' connections businesses through convergence on good practice that is already being achieved by some DNOs without precluding further innovation and improvement.

1.7. We acknowledge that concerns exist about anti-competitive behaviour and it is open for industry participants to refer matters formally to Ofgem and where appropriate we will investigate. We do not consider it appropriate to pursue separation and ring fencing for the time being and propose to focus on the timely and effective implementation of the package of measures proposed in this document. However, we consider that a market investigation reference to the Competition Commission may be required if industry participants do not accept the package of measures we propose.

## Purpose and structure of this document

1.8. The purpose of this document is to present the proposals that we intend to bring forward, in order to enable consultation with interested parties. It is structured as follows:

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<sup>7</sup> A summary of responses is provided in Appendix 1 to this document. Non confidential responses are available on Ofgem's website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk)



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- Chapter 2 - discusses gas connections issues.
  - Chapter 3 - sets out the context, the details and the rationale for the introduction of a licence condition which is intended to formalise the provision of non contestable service and information in electricity metered connections.
  - Chapter 4 - sets out proposals that are designed to promote good practice in electricity connections. Areas where action is required includes; promotion of customer awareness initiatives, the establishment of an effective dispute resolution process, development of a pack of reporting instructions and standardisation and convergence of approaches across DNOs (where appropriate).
  - Chapter 5 - sets out unmetered connections proposals. These cover the one metre rule and measures that aim to improve the appeal to LAs of the 'Rent-A-Jointer' scheme and the Triangular Arrangements. We also set out the introduction of performance indicators developed from the trial national SLA.

### **Impact assessment**

1.9. We do not consider that it would be proportionate to conduct impact assessments for each of the proposals set out here, nor is it necessary to understand the likely effects of our proposals. Nonetheless, we consider that the introduction of a licence condition warrants an impact assessment. Appendix 7 details a draft impact assessment.

### **Next steps**

1.10. We expect that these proposals will promote effective competition in the electricity connections market.

1.11. We propose to issue a formal consultation on a licence modification in April/May 2007 with detailed guidance.

1.12. We expect DNOs to begin to implement the best practice improvements set out in this document straight away. We anticipate that further work will be required through the ECSG to promote convergence of approach across DNOs.

1.13. We intend to use periodic reporting to assess the effectiveness of these proposals and we will give each DNO until the end of March 2008 to demonstrate that it has delivered a consistent quality of performance.

1.14. At the end of this period (June 2008) we will meet with each DNO and assess each of the good practice areas set out in these proposals. We will then publish the results and decide whether further changes are required, perhaps through the next price control review. We propose to encourage the best performers as well as addressing any DNOs that do not deliver. This may involve taking account of

noteworthy connections performance in 2007/08 in setting revenue proposals in the next price control review.

1.15. We invite in particular comments on the draft licence modification and draft impact assessment. Responses on the questions set out in each chapter are also welcomed. The deadline for submitting responses is 30 March 2007 to:

Connections Policy

Ofgem

9 Millbank

London

SW1P 3GE

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## 2. Gas Connections

### Chapter Summary

This chapter sets out our proposals in relation to gas connections.

### Question box

There are no specific questions in this chapter.

## Background

2.1. Competition in the gas connections market has developed steadily with IGTs building significant market shares through providing housing developers with alternative connection and adoption arrangements to host GDNs. Competition in the one-off domestic market has not developed in part due to streetworks legislation which has not improved the position of connection providers in undertaking streetworks.

2.2. The August consultation explained that we are not proposing major changes to the gas connections market. However, we consulted on issues that may be preventing competition from developing in the one-off domestic connections market and extending competition into gas diversionary works. Also, we noted ongoing work in the current GDPCR on one-off connection charges and network extensions.

### One-off domestic connections

2.3. One-off gas connections are connections to a single premise requiring the provision of a service pipe. Gas transporter licensees are required to provide the first 10 metres free for any domestic property within 23 metres of a relevant gas main that requires a gas connection (the 10 metre subsidy/rule).

2.4. We do not propose to pursue change in this area through this review. To deliver effective competition involves creating a level playing field for connection providers. Whilst it may be possible to deliver a monetarised version of the 10 metre subsidy which may allow connection providers to compete on price, this change would not be effective in isolation. Streetworks legislation has not improved the ability of connection providers to undertake the necessary streetworks. In the absence of amendments to legislation in this respect, we consider that other changes to promote competition are unlikely to be effective so changing practices for this reason is not a priority at present.

2.5. The GDPCR is currently considering the treatment of one-off domestic charges and network extensions. If further work is required in relation to one-off domestic connections we will work closely with the GDPCR team.

## **Gas Diversions**

2.6. We support in principle the development of competition in this area. However, whilst we recognise that competition may be of benefit to some customers, to be effective it will require operational and commercial changes to develop a supporting framework. There has been insufficient evidence of a need for change presented through this review for Ofgem to commit resource to progress such a framework at present, given the relatively small number of diversionary works that would be competitive. However we do not preclude the development of voluntary arrangements and bi-lateral approaches.

## 3. Metered electricity connections: Introduction of a licence condition

### Chapter Summary

This chapter sets out our proposals to introduce a licence condition on DNOs which seeks to formalise the current voluntary standards of performance for the provision of non-contestable information and services.

### Question box

**Question 1:** Do you agree with our proposals to introduce a licence condition?

**Question 2:** Do you agree with the proposed scope, performance targets and timescales?

**Question 3:** Is the proposed structure and drafting of the licence condition clear?

**Question 4:** Does the licence condition require a supporting guidance document?

### Introduction of a licence condition

3.1. The provision of non-contestable services in a timely manner is crucial to enabling competition. For example, ICPs require point of connection (POC) information from DNOs to prepare quotations to customers.

3.2. There are currently voluntary standards of service in place requiring DNOs to meet performance timescales for providing POC information, approving or providing reasoned rejection of design proposals and completing final connections. Performance against these voluntary standards is reported through the annual connections industry review (CIR) and published on the Ofgem website.

3.3. Concerns regarding delays and DNOs' performance against the voluntary standards have led to increasing complaints about anti-competitive behaviour. We consider that the voluntary approach has proved to be an ineffective enabler of competition and we propose to introduce a formal licence condition for DNOs and IDNOs obliging them to meet prescribed levels of performance against the three key non-contestable service and information areas:

- provision of quotations including POC;
- design approval or reasoned rejection; and
- completion of final connections.

3.4. A licence condition will be a more robust requirement than the current voluntary arrangements and will allow greater scope for action by Ofgem in the event of a licensee failing to meet the standards. A summary of the standards of service we are proposing is outlined below in Table 3.1 and details about the main features of the licence condition are set out in this chapter.

**Table 3.1 Summary of proposed standards of service**

<b>Task</b>	<b>Maximum voltage (including any upstream reinforcement)</b>	<b>Timescale</b>	<b>Performance target</b>
Provide quotation (including POC information)	LV	Within 15 working days of request	90%
	LV (generation connection)	Within 20 working days of request	90%
	HV	Within 20 working days of request	90%
	HV (generation connection)	Within 50 working days of request	90%
	EHV	Within 50 working days of request	90%
	All quotations not included in the above	Within 3 months of request	90%
Notify POC	EHV and HV (generation)	Within 30 working days of request	90%
Approve or provide reasoned rejection of designs	LV, HV and EHV	Within 10 working days of submission	90%
Complete final connection*	LV	Within 10 working days of request	90%
	HV	Within 20 working days of request	90%
Provide customer with date for final connections works*	EHV	Within 20 working days of request	90%
Carry out partial energisation*	LV	Within 5 working days of request	90%
	HV	Within 10 working days of request	90%

\* Subject to completion by the requestor of all conditions precedent (as defined in the draft licence condition).

3.5. We propose to consult formally on a licence modification in April/May 2007. At the same time we will provide detailed guidance on the licence condition arrangements.

3.6. The licence condition will apply only to requests for non-contestable information and will not apply to requests for connections under section 16 of the Electricity Act 1989.

3.7. We intend to include a "switch off" provision within the licence condition to allow us to initially exclude IDNOs from the licence condition obligations. This is to reflect that there is currently very limited demand for IDNOs to provide these non-contestable services although we believe that it may be appropriate to "switch on" the licence condition for IDNOs once the market has developed further in this area.

### **Classification of connections**

3.8. We have amended the definitions used to classify jobs under the voluntary standards to reflect discussions held with a sample of ICPs, DNOs and IDNOs both in an Ofgem chaired discussion and through the ECSG. We propose that connections will be divided into three categories for demand connections:

- Low voltage (LV) connections - new connections to the distribution system where the POC and associated works (including reinforcement works) do not exceed 1kV;
- High voltage (HV) connections - new connections to the distribution system where the POC and/or associated works are above 1kV but do not exceed 22kV; and
- Extra high voltage (EHV) connections - new connections to the distribution system where the POC and/or associated works are above 22kV but do not exceed 72kV.

3.9. The use of these three definitions should provide a much simpler classification system and framework than the current definitions and so be less open to varying interpretation.

3.10. We also intend to put in place two categories and accompanying standards of service for generation connections:

- LV generation connections - new generation connections to the distribution system where the POC and associated works do not exceed 1kV; and
- HV generation connections - new generation connection to the distribution system where the POC and/or associated works are above 1kV but do not exceed 22V.

### **Provision of formal quotations including POC**

3.11. The main amendment to the quotation standards is the new, simplified categories and the inclusion of generation connections. The timescales for the first two categories (LV and HV) have not been changed. It was suggested that the timescale for the third category (EHV) was too long and so this has been reduced from 3 months to 50 working days.

3.12. A further requirement has been included which would oblige licensees to provide POC information only (rather than a full quotation) within 30 working days for EHV connections. This has been introduced following suggestions by ICPs that they need this information earlier in order to design and issue a quotation in a timescale that allows them to compete with the licensees.

3.13. The license proposals require DNOs to use reasonable endeavours to meet the standards in all cases, to inform the requesting party if the standard will not be met and a backstop performance target of 90% has been proposed for providing quotations within the timescales specified in Table 3.1 starting from the date of receipt of a quotation request.

3.14. Generation connections will generally require more work than demand connections. We therefore propose that timescales for generation connections are equivalent to the next higher to those level for demand. The exception to this is microgeneration, where connection approval is not required under Engineering Recommendation G83/1.

3.15. For all connections not captured within the categories outlined above, DNOs would be obliged to provide quotations within 3 months as under standard licence condition 4D (SLC 4D). This would also provide a backstop for all other requests.

### **Design approvals**

3.16. DNOs will further be required to use reasonable endeavours to provide approval or reasoned rejection of connection designs within 10 working days of requests in every case, and as a minimum to do so in at least 90% of cases. The timescales and scope of this standard have not been changed but the obligation will be formalised through the licence condition.

### **Completion of final connections work**

3.17. For final connections we are proposing to use the same classifications as put forward for quotations standards. We also propose to introduce specific timescales for completing final connections once the DNO has been requested to do so. These timescales are dependent upon the classification of the works. This is an amendment from the current arrangements where DNOs are required to complete final connections work on the date agreed with the customer. This change reflects requests from ICPs for greater certainty in the timescales for providing this service.



3.18. There are a number of caveats to these standards, which require the ICP or other competing party to undertake and complete certain aspects of work before the DNO can undertake final connections works. These include requirements for the quality and standards of works undertaken and assets installed by the competing party, in line with the Energy Network Association's (ENA's) engineering recommendations G-81, and as agreed with the DNO in the Construction and Adoption Agreement. If the competing party fails to complete works and/or provide the appropriate Streetworks and other notices before the DNO attends site to undertake final connections work then the DNO may incur abortive costs. If this occurs then the competing party will be liable for the DNO's costs and will be required to re-request a date for completion of final connections works, thus resetting the timescales for delivery.

3.19. Subject to the conditions outlined in the previous paragraph DNOs and IDNOs will be obliged to use reasonable endeavours to achieve the following in every case, and as a minimum to complete at least 90% of final connections:

- within 10 working days of a request for LV connections; and
- within 20 working days of a request for HV connections.

3.20. Subject to the same provisions, DNOs will be obliged to make reasonable endeavours to issue, within 20 working days of a request, dates for completing final connections work for EHV connections in every case and, as a minimum, to do so in at least 90% of cases.

## 4. Promotion of convergence and good practices in electricity connections

### Chapter Summary

This chapter sets out our proposals to improve consistency in DNOs' approach and promote good practice in relation to managing connections requests and customer interfaces. Our proposals are for DNOs to:

#### Improve the connections application process

- Increase customer awareness by developing supporting documents through the ECSG
- Improve customer interfaces by developing information packs, holding meetings with LAs and Regional Development Agencies (RDAs) and providing a single point of contact for queries
- Simplify the application process by using standard mandatory sections within the application form
- Provide a breakdown of costs for all schemes and providing POC information for quotes over £20k
- Improve and simplify separate disputes processes for domestic and business customers taking into account their different needs

#### Provide clarity on charges

- Introduce a national template for non-contestable charges
- Provide a breakdown of costs for all quotes to all customers under standard headings

#### Address issues regarding the structure and transparency of their connections businesses

- Continue reporting against standard licence condition 4C (SLC 4C)

#### Extend contestability as appropriate

- Extend contestability to overhead lines

#### Provide additional protection for customers

- Introduce some form of customer survey and act to address identified problems
- Agree, through the ECSG, and implement reporting arrangements for all relevant proposals outlined above

### Question box

**Question 1:** Do you agree with the package of best practice principles?

**Question 2:** Are there other areas of improvement to the connections application process that are required?

**Question 3:** Do you agree with the reporting arrangements set out in this chapter, are specific guidelines required?

## Introduction

4.1. The introduction of a licence condition discussed in the previous chapter represents one component of a broader package of measures that are intended to address the issues highlighted in the responses to the August consultation. The purpose of this chapter is to set out proposals that are designed to support competition through promotion of good practice and where appropriate developing consistency across DNOs. We understand that some DNOs are already progressing some of the initiatives we have set out below. Nevertheless, we expect each DNO either to implement the proposals we have identified in this chapter or to demonstrate why they are not necessary.

4.2. We propose to develop reporting arrangements to assess the effectiveness of our proposals, in part to consider whether further measures are required and also to take into account whether it is appropriate to develop financial incentives and/or a reward scheme at the next price control review.

## Connections Application Process

### Introduction

4.3. Responses to the August Consultation highlighted a number of issues relating to the connection application process.

4.4. Three main themes emerged regarding improvements to the way DNOs handle connection requests:

- promotion of customer awareness;
- streamlining the application process; and
- dispute resolution.

4.5. Where appropriate, we recommend convergence towards a national approach. Nevertheless, we do not seek to impose specific solutions as it is not clear that there is a single best approach identified and so we do not wish to stifle innovation.

### Increasing customer awareness

4.6. A key factor in providing good customer service is educating customers about the service that they can expect from their distributor and choices that they have.

4.7. The process for obtaining a connection is set out in each DNO's connection charging methodology statement. However, this is not a user-friendly means of communicating key messages to customers. It is our view that DNOs should develop additional and more intuitive means to inform customers to ensure consistency and quality in each DNO's focus on and approach to customer service.

*Ofgem's proposal*

4.8. We acknowledge that it is up to each DNO to identify the most efficient and effective means of increasing customer awareness. Nevertheless, we consider that a good starting point is to standardise certain key messages across all DNOs through the development of plain English information packs, leaflets and website guidance which describe, amongst other things:

- key stages of the connections process (how the application will be processed);
- options open to customers (work that either the customer, ICP or DNO can do);
- DNO responsibilities and obligations (deciding where to connect and making the connection live);
- what the customer is entitled to and required to do;
- introducing any agreements that a customer will enter into; and
- how to complain if there is a problem and compensation arrangements that are available.

4.9. We also believe that DNOs should make it clear that all customers are entitled to request and receive a statutory (section 16 of the Electricity Act 1989 (S16)) quotation within 3 months and without condition, for example irrespective of planning permission.

4.10. We intend to take this matter forward through the ECSG and expect each DNO to develop and implement supporting documents for each of the above areas by summer 2007.

**Managing customer interfaces effectively**

4.11. DNOs interface with a variety of customers groups that have specific requirements and are often confronted by issues of a generic nature. Certain customers will have long lead times before projects come to fruition and will also require specific guidance on how their requirements will be met. Therefore, it is important to ensure that sub sets of customers are able to access information that is pertinent and relevant to their request. The use of information packs and guidance also applies here, however, the development of frequently asked question sections for sub sets of customers may be an effective means of communicating key messages and may go some way to managing customer expectations.

4.12. Certain customers may by their nature require more involved liaison in part to respond to frequent requests. For example, LAs and Regional Development Agencies (RDAs). We would expect DNOs to communicate their Long Term Development Statements to RDAs, for example. These relationships may be managed more effectively through regular liaison meetings. DNOs should also consider how they interface with customers that bring repeat business perhaps through appointing key account managers.

4.13. In order to mitigate speculative quotes we believe that DNOs should also provide a user friendly interface for budget estimates, with appropriate caveats. We believe that this could best be achieved through web based or third party facilities.

4.14. A crucial step for customers following the submission of an application is the way that DNOs interface with requesters. A particular concern for developers is the lack of continuity in interfacing with DNOs through the lifecycle of a connection request. Establishing a single point of contact for schemes may bring about improvements in customer service and may head off complaints relating to delays or specific problems. We would expect DNOs to be proactive in their handling of connection requests and notify customers about problems as they arise rather than waiting for complaints.

#### *Ofgem's proposal*

4.15. We expect DNOs to act proactively to implement the measures we have outlined above, including developing information packs and FAQ guides, holding regular liaison meetings with relevant stakeholders and providing a single point of contact for those requesting connections services. We therefore expect DNOs to submit proposals for modification of their connection methodologies where necessary to accommodate such measures into the connection methodology statement.

#### **Streamlining the application process**

4.16. Each DNO has developed separate connection application processes for statutory (section 16 of the Electricity Act 1989 (S16) customers and competition in connection (CiC) customers. The processes operated by DNOs for S16 and CiC applications are generally different, so that applicants receive different services. This can create complexities and additional costs for parties that operate on a national footing.

4.17. Concerns were expressed by some respondents with respect to inconsistencies in information requirements for the two processes and in the details of the quotation offers received. This was of particular concern to housing developers. The classification of schemes into simple, complex or complicated categories proved to be a particularly sensitive matter for ICPs and IDNOs.

4.18. Responses to the consultation highlighted a desire for more streamlined processes. In particular, respondents widely supported the provision of POC information to all applications as well as the extension to all applications of the break down of contestable and non-contestable charges.

4.19. In this section we set out several aspects of the connection application process where streamlining or convergence is appropriate.

### **Standardising the application process**

4.20. We consider that the application process can be simplified in a number of ways. The initial application can be simplified if certain sections are made mandatory to provide consistency over information that customers provide to DNOs. Mandatory sections should include applicant details and sections that apply to domestic and industrial and commercial customers only.

4.21. DNOs should develop flexibility in the way that customers are able to progress connections applications. The development of web platforms dedicated to connection applications can also assist customers in obtaining and comparing quotations. For example, DNOs could develop on their website tools for on-line submission and tracking of connection requests, or the provision of budget quotations.

#### *Ofgem's proposal*

4.22. We propose that DNOs should look to implement improvements to the application process and that this should, as a starting point, include simplifying the process by standardising certain mandatory sections. We expect DNOs to implement such amendments by summer 2007.

### **Extension of the breakdown of charges and provision of POC information**

4.23. It is not clear whether combining the two processes can provide an overall net benefit to customers. There are benefits in terms of increased transparency and consistent information requirements. However, these have to be balanced against the increased costs on the DNOs for the provision of more detailed information for all connections, including those categories of jobs (such as domestic one-off connections) which fail to raise a genuine competitive interest from ICPs.

4.24. Concerns have been expressed by developers and cost consultants about the lack of transparency over DNOs quotations costs. We understand that some DNOs are reluctant to provide breakdowns when asked. Transparency of costs and more understanding of the make up of costs may go some way to avoiding disputes about monopolistic behaviour.

#### *Ofgem's proposal*

4.25. We propose that DNOs should provide a breakdown of costs for all schemes and so to all customers seeking a connection. DNOs should ensure that each quotation includes a record of the number of days taken to produce the quotation to ensure transparency in reporting and performance.

4.26. We also propose that more detailed information should be provided for certain S16 requests and that this should include point of connection (POC) information for schemes that are likely to be attractive to connection providers (generally those in excess of £20K).

## **Dispute resolution process**

### *Customer disputes*

4.27. At present the dispute resolution process for domestic electricity connections customers has three stages. The first requires the customer to attempt to resolve the dispute directly with the relevant DNO. If the customer feels that the dispute cannot be resolved in this way then they can refer the matter to energywatch who take the matter forward on the customer's behalf and attempt to resolve the dispute by providing advice and through further communication with the DNO. If the dispute remains unresolved then either the customer or the DNO can refer the matter to Ofgem for determination under section 23 of the Electricity Act 1989.

4.28. The role of energywatch and its expected successor, Consumer Voice, will impact on our role and on how customer disputes about connections are managed.

### *Ofgem's proposal*

4.29. We intend to continue to work with the DTI to include customer disputes about connections in the new consumer redress measures. A Consumer Bill was published in early 2007 and it may be necessary to re-visit the process for dealing with customer disputes once this Bill has been enacted and implemented.

4.30. We expect DNOs to communicate the disputes process to domestic customers, either on their websites and/or by providing details when issuing information, such as quotations, to these customers. DNOs should also ensure that they are able to manage communications with customers in a way that provides a reliable, but not overly bureaucratic, audit trail.

### *Business disputes*

4.31. We are aware that a number of parties are dissatisfied with the current processes used by DNOs to deal with business to business disputes. Concerns in particular relate to delays in providing information and carrying out connections works in a timely manner. Our powers to determine disputes are provided by the Electricity Act 1989. They do not provide an effective route for resolving live issues where time is a critical factor.

4.32. Responses to the consultation document were supportive of the introduction of an internal dispute resolution mechanism by each DNO which would be published on each DNO's website. This process would be backed up by a referral to Ofgem for determination where matters are determinable. It was suggested that the second step of referral to energywatch should be removed in response to concerns that energywatch is more appropriate for dealing with customer rather than business disputes.

4.33. Respondents suggested that any revised internal dispute process should, as best practice, include the provision by the DNOs of a single point of contact for disputes and use an independent person within each DNO, for example a manager from outside the connections team.

*Ofgem's proposal*

4.34. We support the views of the respondents and believe that a two-step dispute resolution process would address the constraints of the current mechanism for resolving business disputes, in particular those regarding delays. We expect DNOs to take these matters forward and establish and publicise effective dispute resolution processes, to include a clear process with referral to a senior manager within the DNO tasked to resolve the issue. DNOs should examine whether an alternative dispute resolution service would provide an effective next step.

4.35. As with domestic customers 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. 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.

## Connection charges

4.36. Standard condition 4B of the electricity distribution licence requires DNOs to publish a schedule of indicative charges. The Authority approves the form of these schedules but does not approve the charges themselves.

4.37. Following complaints about the transparency of these charges and about inconsistencies between DNOs we invited views on how these issues could be addressed. In particular we asked whether non-contestable charges should be price capped and/or whether a standard template should be introduced requiring DNOs to present their non-contestable charges in a consistent format.

### **Introduction of a national standard template for non-contestable charges**

4.38. Responses to the August consultation supported the introduction of a more consistent format for providing quotations for non-contestable charges. This included a more detailed breakdown of how such charges are calculated and the specific charges made against key areas of work, such as labour and materials.

4.39. It is for DNOs to decide how best to recover their costs for providing statutory and competitive quotations consistent with their licence obligations and other statutory requirements. Any changes to a DNO's approach would require the submission of licence modification proposals for amendment to the connection charging methodology. Feedback from customers suggests that they would appreciate a consistent methodology across Great Britain. We would welcome any



discussion by DNOs to move towards a more consistent approach and intend to facilitate further debate through the ECSG.

*Ofgem's proposal*

4.40. We propose that DNOs should implement a national template setting out non-contestable charges. This will provide greater transparency by breaking charges down into specific headings. This should allow customers including ICPs and IDNOs to examine their quotation(s) in more detail and enable ICPs and IDNOs to more easily compare charges between DNOs.

4.41. We understand that the DNOs are considering how this might be achieved and request that DNOs deliver an agreed format by the end of March 2007. If this is not forthcoming we will take this forward ourselves.

**Detailed costings for schemes**

4.42. One of the barriers to competition identified by some ICP respondents is the lack of transparency over costs, information and the lack of detail provided to justify the charges being levied by DNOs. The same concerns have been raised by developers and energywatch. Whilst ICPs and customers are not requesting a detailed breakdown of overhead and contractor rates they have raised concerns that a number of DNOs are unwilling to provide a high level breakdown of the supporting component costs.

*Ofgem's proposal*

4.43. We propose that DNOs should provide a breakdown of costs for all statutory and competitive connection quotations using headings such as; labour costs, materials, etc. We intend to work with the ECSG to establish a suitable definition for high end schemes and expect DNOs to bring forward proposals shortly.

**Structure and transparency**

**Affiliate connection businesses**

*Background*

4.44. Standard condition 4C of the electricity distribution licence (SLC 4C) requires DNOs to ensure equal treatment of all parties in providing connection to the system. As a result of this, DNOs are expected to have in place transparent business processes and reporting arrangements in order to meet this condition.

4.45. Several responses to the August consultation have however raised concerns about DNOs' effectiveness in providing non-contestable information and services to

competitors. In particular, competitive concerns are related to delays or reduced quality in the provision of POC information to ICPs. Ofgem is currently investigating whether three DNOs (six licensees) have breached SLC 4C.

4.46. The argument has been made that these concerns are exacerbated where DNOs have established affiliated connection businesses competing with ICPs. Affiliates are perceived to enjoy a preferential treatment and to have access to DNO's information and systems on favourable terms. On the other hand, legal separation of the connection business providing contestable services from the distribution licensee can be deemed to increase the potential for transparency.

4.47. In 2005, following Ofgem's investigation, SP Manweb (SPM) proposed commitments to ensure equitable and fair treatment of ICPs and the affiliated connection business in the provision of non-contestable services. Such commitments included requirements on the DNO to provide POC information within recommended timescales and according to agreed standards, transparent procedures to enable ICP to track request progress, non-discriminatory terms of access to IT systems and mandatory quarterly reporting to Ofgem.

#### *Ofgem's proposal*

4.48. SLC 4C has been in place for only one year. It appears sensible to wait for the first reporting round that will be available in order to assess its effectiveness in preventing discrimination and to consider further ways to address any issues that emerge.

4.49. In principle, we consider there may be merit in extending the SPM commitments to other DNOs. However, we acknowledge it is reasonable to consider the forthcoming reporting, in order to understand the associated issues and their magnitude, before pursuing this option further.

## **Scope of contestability**

### **Introduction**

4.50. Competition in electricity connections is limited to a number of "contestable activities" that can be carried out by a DNO or an accredited ICP. There are other "non-contestable" areas of connection works that can only be provided by the host DNO, due to economic, technical or safety issues.

4.51. Currently, overhead lines, transmission connections and partly funded diversions and reinforcements are all non-contestable activities. The August consultation invited views over the feasibility of extending the scope of contestability to these areas of connection works.

4.52. The majority of respondents widely support the extension of contestability to overhead lines. We are aware that DNOs have already developed G-81 engineering recommendations for these works. Transmission connections and partly funded diversions and reinforcements in particular would require significant work to develop a supporting framework to enable competition.

#### *Ofgem's proposal*

4.53. We support the views emerging from responses to the August consultation and endorse extension of the scope of contestable works to overhead lines. We are aware that the ENA's G-81 engineering recommendations already developed by DNOs support contestable overhead line connections.

4.54. We consider that, as a matter of principle, transmission connections and partly funded diversions and reinforcements can be made contestable. However, we accept the view that, at this point in time, Ofgem and the industry should focus their efforts on promoting effective competition in areas of connection works that are already contestable, before extending the scope of competition to new activities.

## **Protection where competition is not effective**

### **Background**

4.55. It is recognised that certain categories of connections, such as one-off domestic connections, fail to attract the interest of ICPs. As such, competition is not expected to emerge and customer protection is required through different means. A possible response in this scenario is to increase the use of regulation.

4.56. Currently, domestic customers are protected by the Electricity (Standard of Performance) Regulations 2005 (the Regulations), whereby Regulation 11 requires DNOs to provide an estimate of charges for domestic LV connections within five working days (subject to conditions and exceptions) or automatically make a £40 payment to the customer.

4.57. The Regulations were complimented by reporting on the percentage of domestic connections provided within 30 working days and the percentage of non-domestic connections provided within 40 working days. Performances reported by DNOs against these standards for the financial year 2005/06 proved satisfactory, being equal to 100% in most cases and only a few points below in remaining cases.

### **One-off connection charges**

4.58. In the absence of any prospect for emergence of sufficient competition, the August consultation document asked whether price-capping of one-off electricity connection charges could be a viable means for protecting customers from the persistency of DNO dominance.

4.59. The majority of respondents suggested that DNOs should not be constrained by price-capping in setting the level of charges, as long as the general charging principles are met, including cost reflectivity and transparency.

*Ofgem's proposal*

4.60. We note the views of respondents and propose to consider this matter further through the next price control review. This issue is being considered in gas through the GDPCR.

### **Customer satisfaction**

4.61. The August consultation document discussed customer satisfaction and asked DNOs to consider whether a survey could be useful to assess the degree of satisfaction of connection customers.

4.62. We consider that there are merits in DNOs monitoring customer satisfaction, and encourage them to develop methods that they consider to be most effective means of obtaining customer feedback, for example either via feedback forms or by undertaking customer surveys. The results of such findings should be used to improve on weaknesses identified in managing customer interfaces. Where DNOs have failed to deliver a service that is reasonably expected it is good custom and practice for DNOs to provide customers with a voluntary compensation payment.

*Ofgem's proposal*

4.63. We propose that DNOs should introduce some form of customer satisfaction survey and that they should work to develop any aspects of their business that are identified by the customers as requiring improvement.

### **Reporting arrangements**

4.64. A key component in assessing the effectiveness of our proposals is gathering data on DNO performance. We intend to closely monitor DNOs' performance over a 12 month timeframe. To assist in this process we propose to establish reporting arrangements that cover our proposals. The list below sets out the areas against which we will expect DNOs to report:

- Performance against the licence condition set out in chapter 3;
- Key performance indicators proposed in the national unmetered SLA;
- Timescales to produce S16 quotations and timescales to complete connections;
- Results of customer surveys/feedback/focus groups/questionnaires; and
- Numbers of domestic customer/business disputes

*Ofgem's proposal*

4.65. We propose that DNOs should implement reporting arrangements in support of each area outlined above. We intend to work in conjunction with the ECSG to discuss and finalise the format, timings and scope of the reporting arrangements. We also propose that DNOs should develop standard arrangements for payments to customers where the DNO has not delivered adequate service.

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## 5. Unmetered electricity connections

### Chapter Summary

This chapter sets out Ofgem's proposals in relation to unmetered connections and covers the trial unmetered SLA and competition in unmetered connections.

### Question box

**Question 1:** Do you agree with the proposed minimum benchmarks for the SLA?

**Question 2:** Do you agree that the scope of contestability should be based on contractor accreditation rather than the 1 metre rule?

### Trial unmetered SLA

5.1. The SLA has been operating on a trial basis since April 2005 with DNOs reporting performance on the key metrics. We published performance data in the August consultation. The key questions we have considered are whether DNOs should continue to report to Ofgem, the introduction of incentives and the establishment of performance indicators to guarantee service and for reporting purposes.

5.2. We are aware that a number of LAs are not involved in the SLA and concerns have been expressed about the accuracy of some DNOs reporting. Respondents sought clarity over the future of the SLA. LAs supported continued reporting to Ofgem and the introduction of financial penalties while the latter was not supported by DNOs.

5.3. We propose that the SLA continues and we encourage LAs to participate. It is important for DNOs to provide a good level of service to LAs and to be effective this requires close working relations. We encourage both parties to discuss progress and importantly to agree reporting data before it is submitted to Ofgem.

5.4. We have proposed a set of minimum performance benchmarks for the SLA as detailed in Table 5.1. These are derived from average performance across DNOs as set out in the data we published in the August consultation document. We expect all DNOs to exceed these benchmark levels in 2007/08.

5.5. The targets are designed to apply to all DNOs involved in the SLA and we expect those involved to agree performance data with LAs before submitting to Ofgem. Our proposals do not include the imposition of financial penalties at this stage.

5.6. We will monitor performance closely and assess and review whether further measures are required after a 12 month reporting period and intend to discuss within the ECSG whether the SLA needs further refinement with regard to definitions and reporting procedures.

**Table 5.1 Key Performance indicators**

<b>Standard 1 – Fault repairs</b>	<b>Definition</b>	<b>Minimum benchmark</b>
Emergency Fault repair	Work necessary to remove immediate danger to the public or property arising from the electricity distribution network associated with street furniture.	80% in two hours  Report against emergency repairs undertaken > two hours
High Priority Fault repair	Work that is urgent but would not require attendance out of normal working hours to restore or remove electricity supplies to street furniture e.g. at the site of an accident blackspot, major road junction, pedestrian crossing facility, an area of public order concerns, a reoccurring fault.	50% in 1 day  90% in 10 days  Report against high priority fault repairs undertaken > 10 days
Multiple Unit fault repair	Fault on service, for example, no current, low voltage, faulty cut-out (i.e. electrically distressed), loss of neutral and high earth loop impedance affecting more than one unit.	75% in 10 days  90% in 20 days  Report against multiple unit repairs undertaken > 20 days
Single Unit Fault repair	Fault on service, for example, no current, low voltage, faulty cut-out (i.e. electrically distressed), loss of neutral and high earth loop impedance affecting more than one unit.	60% in 10 days  80% in 20 days  Report against single unit fault repairs undertaken > 20 days

<b>Standard 2 – New Works</b>	<b>Definition</b>	<b>Minimum benchmark</b>
New Works 1-10 jobs	May include the following; new capital lighting schemes, road improvement schemes, provision of connections/disconnections, transfer, new service and disconnections.	60% in 15 days 90% in 30 days Report against new works 1-10 days undertaken > 30 days
New Works 11-50 jobs	May include the following-new capital lighting schemes, road improvement schemes, provision of connections/disconnections, transfer, new service and disconnections.	70% in 25 days 90% in 35 days Report against new works 11-50 days undertaken > 35 days

## Competition in Unmetered Connections

### Triangular contract arrangements<sup>8</sup>

5.7. The triangular contract arrangements were set up to allow highway authorities (HAs) to contract directly with an approved contractor to undertake unmetered connections work and so facilitate competition in this area.

5.8. We are aware that there has been only very limited take up of the triangular contract arrangements and requested views on the reasons for this in our consultation document. We also invited views on how the arrangements could be amended to better suit the requirements of ICPs and HAs.

5.9. Respondents suggested that the current triangular arrangements are too restricted and that they could be simplified if the DNOs provided a list of approved contractors so that LAs could contact them directly in order to progress schemes. One reason put forward to explain the limited take-up of competition was that approved contractors may be reluctant to upset an existing contractual relationship with a DNO. We propose that all DNOs should publish a list of approved contractors, which would be a useful resource for LAs and would show that DNOs are open to encouraging competition in this area.

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<sup>8</sup> Triangular arrangements for unmetered connections are published in the Ofgem document "Competition in connections to electricity distribution systems: appendix document " June 2004 124/04b



5.10. We intend to continue monitoring activity in this area and will closely follow the recently undertaken project in Caerphilly through the ECSG. We will continue investigating the factors that make the current arrangements unappealing to LAs and contractors. Nevertheless, we consider it important for all DNOs and LAs to co-operate to make the triangular arrangements and 'Rent-a-Jointer' schemes viable options. We have asked DNOs to raise awareness of scheme by making their triangular arrangements available on their respective websites and propose that the same is done with the 'Rent-a-Jointer' scheme.

### **The one metre rule**

5.11. The one metre rule limits the live jointing work that contractors can undertake for unmetered connections to work on service cables to underground, unmetered, single phase 230V connections more than one metre from the main cable. We consulted on whether the one metre rule should be removed or amended to increase the scope of contestability in this area and the potential costs and benefits of doing so. We also invited views on the impact that the one metre rule is having on competition in unmetered connections and how these issues could be addressed. We further invited views on the level of industry demand for competition in this area.

5.12. Responses suggested that competition was limited in this area due to a perceived resistance from the DNOs due to the one metre rule. Many respondents suggested that the one metre rule should be removed. A number of DNOs did not object to amending the one metre rule in principle but raised concerns about extending contestability to work on their mains.

5.13. Responses to the consultation showed support for removing or amending the one metre rule and suggested that there were three different interpretations of what was meant by removing the one metre rule:

- Allowing live working on the service cable up to the joint;
- Allowing live work on self-lay mains as well as service cables; and
- Allowing work on DNO laid mains.

### **Live working on the service cable up to the joint**

5.14. This would involve live working on the service cable not involving the main or main service joint. This option was broadly supported by respondents, including some DNOs. There are safety implications associated with allowing ICPs to work closer to the main which would need to be addressed but we believe that the ECSG or the ENA safety forum could take this matter forward with the intention of reaching agreement on safety issues.

### **Live working on self-lay mains as well as service cables**

5.15. This is an extension of option one to include live work on self-lay mains. This may further increase the safety implications and liability issues but experience in metered connections suggests that this should not be insurmountable.

### **Live working on DNO laid mains**

5.16. This would involve work on DNOs mains. This option was not supported by respondents. We note concerns that live jointing on mains may increase the volume of cable types and permutations which are currently covered as contestable in streetlighting or G81 works.

### **Way forward**

5.17. We propose that more can be done to promote competition. DNOs should do more to raise the awareness of competitive options and provide information to all LAs on how 'Rent-a-Jointer' schemes operate and on the triangular agreements they offer. Promotion of these initiatives will involve close working relations and further debate through regular liaison meetings. DNOs should also provide a list of approved contractors so that LAs have more choice over the service providers that they can use.

5.18. The scope of contestability should not be based on the one metre rule but driven by contractor accreditation. That is, provided that the ICP has the appropriate training and assessed competence it should not be restricted from undertaking jointing works.

## Appendices

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Please note that the Supplementary Appendices can be found in a separate appendices document.

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## Appendix 1 - Consultation Response and Questions

1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of each chapter heading and which are replicated below.

1.3. Responses should be received by 30 March 2007 and should be sent to:

Connections Policy  
Ofgem, 9 Millbank, London, SW1P 3GE  
020 7901 7346  
connections@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Having considered the responses to this consultation, Ofgem intends to issue a statutory licence consultation in April / May 2007. Any questions on this document should, in the first instance, be directed to:

Nicola Love  
Connections Policy  
Ofgem, 9 Millbank, London, SW1P 3GE  
020 7901 7036  
nicola.love@ofgem.gov.uk

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**CHAPTER One**

There are no specific questions in this chapter.

**CHAPTER Two**

There are no specific questions in this chapter.

**CHAPTER Three**

**Question 1:** Do you agree with our proposals to introduce a licence condition?

**Question 2:** Do you agree with the proposed scope, performance targets and timescales?

**Question 3:** Is the proposed structure and drafting of the licence condition clear?

**Question 4:** Does the licence condition require a supporting guidance document?

**Chapter Four**

**Question 1:** Do you agree with the package of best practice principles?

**Question 2:** Are there other areas of improvement to the connections application process that are required?

**Question 3:** Do you agree with the reporting arrangements set out in this chapter, are specific guidelines required?

**Chapter Five**

**Question 1:** Do you agree with the proposed key performance indicators for the SLA?

**Question 2:** Do you agree that the scope of contestability should be based on contractor accreditation rather than the one metre rule?

## Appendix 2 – The Authority's Powers and Duties

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

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

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly<sup>10</sup>.

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

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

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them<sup>11</sup>; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.<sup>12</sup>

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<sup>9</sup> entitled “Gas Supply” and “Electricity Supply” respectively.

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

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

<sup>12</sup> The Authority may have regard to other descriptions of consumers.

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

- Promote efficiency and economy on the part of those licensed<sup>13</sup> under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

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

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

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation<sup>14</sup> and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

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<sup>13</sup> or persons authorised by exemptions to carry on any activity.

<sup>14</sup> Council Regulation (EC) 1/2003

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## Appendix 3 – Glossary

### CiC

Competition in connections

### CIR

Connections industry review

### CC

Competition commission

### Design Approval

Before commencing the contestable connections work an ICP has to gain approval from the DNO for the design of the network extension

### DNO

Distribution network operator

### DPCR

Distribution price control review

### ECSG

Electricity connections steering group

### EHV

Extra high voltage is over 22kV or a direct connection to a 66kV substation but capped at 72kV.

### ENA

Energy networks association

### GDN

Gas distribution network

### GDPCR

Gas distribution price control review

### HA

Highway authority

### HV

High voltage is over 1kv and up to 22kV

### ICP

An ICP is an independent connections provider who is not affiliated to any distribution business



**IDNO**

An IDNO is an independent distribution network operator. The term IDNO is used to define any electricity distributor other than the distribution networks that came into existence on 1 October 2001

**IGT**

Independent gas transporters

**kV**

1000 volts

**LA**

Local authority

**LV**

Low voltage is 1kV or below

**MIR**

Market investigation reference

**NERS**

National electricity registration scheme

**NERSAP**

Nation electricity registration scheme advisory panel

**NRSWA**

New Roads and Street Works Act 1991

**Point of Connection (POC) information**

POC is defined as the point at which an extension for a new load or generation connection can be connected to the existing electricity distribution network. POC information is any information that described the POC in terms of its technical and physical characteristics, parameters and geographical location.

**SLA**

Service level agreement

**Section 16**

Section 16 of the electricity act requires DNOs to provide an electricity connection to domestic premises upon request.

**Section 23**

Section 23 of the electricity act allows for a dispute resolution process, initiated by either of the disagreeing parties. This process, known as a determination, is only available for disputes between a public electricity supplier and a person requiring an electricity supply

**SLC**

Standard licence condition

## Appendix 4 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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