

**ECSG Minutes****23 January 2007**

Ofgem, 9 Millbank, London

**Attendees**

Phil West	(PW)	Western Power Distribution (DNO)
Ray Farrow	(RF)	Home Builders Federation
Lee Evans	(LE)	Caerphilly County Council
Tony Stephens	(TS)	Hampshire County Council
Peter Whiffen	(PWh)	Power2Connect Utility Services
Chris Bean (representing Vince Colby)	(CB)	Power on Connections (ICP)
David Clare	(DC)	Mott Green Wall (ICP)
Gregory Smith	(GS)	Connect
Malcolm Burns	(MB)	Scottish and Southern Energy (DNO)
Wayne Oxborough	(WO)	Central Networks (DNO)
Mike Haniak	(MH)	United Utilities (DNO)
Joe Hart	(JHa)	CE Electric UK (DNO)
Jeff Hunt	(JH)	Scottish Power (DNO)
Paul Delamare	(PD)	EDF Energy (DNO)
Roger Morgan	(RM)	Ofgem (Chair)
Martin Crouch	(MC)	Ofgem
Nicola Love	(NL)	Ofgem
Alberto Prandini	(AP)	Ofgem
Katherine Pierzchala	(KP)	Ofgem (Minutes)

**1. Introduction and Apologies.**

RM opened the meeting and invited attendees to introduce themselves.

RM highlighted that the main purpose of the meeting was to discuss with distribution network operators (DNOs), independent distribution network operators (IDNOs), independent connection providers (ICPs), local authorities (LAs) and contractor representatives, Ofgem's draft Competition in Connections (CiC) Review policy proposals. Ofgem added that attendees should use the meeting as an opportunity to shape and influence Ofgem's draft proposals.

Apologies were received from Vince Colby (VC).

**2. Review of previous ECSG minutes.**

There were no comments on the November 2006 ECSG minutes.

**Actions**

RM confirmed that the following action from the previous meeting was closed down:

*Action from 10/11/06 meeting:* RM to consider arranging joint discussion between DNOs and MCCG reps.

**3. JH to report back to ECSG on DNOs' views regarding cable fault definitions.**

Matter to be carried forward to next ECSG meeting.

**4. PW and VC to report back to Ofgem on status of finalised draft of G81/7.**

PW explained that the finalised draft of G81/7 has been agreed and accepted by ICPs. PW pointed out that the agreed version included minor editorial changes proposed by Ofgem. PW added that the G81/7 document would be published on the ENA's website.

**5. ECSG to report on any additional issues regarding triangular agreements.**

PWh pointed out that he did not attend the previous ECSG meeting and questioned whether Ofgem had received responses from all DNOs with regard to the triangular agreements.

RM stated that all DNOs were asked to confirm whether a triangular agreement was in place and to publish these on their respective websites. RM added that Ofgem was aware of one DNO who had not developed a triangular contract and was in discussions with this DNO.

**6. Ofgem to report back on governance and process for taking forward the Connections Review.**

RM pointed out that at the previous ECSG meeting, DNOs raised concerns about the CiC Review and in particular how Ofgem would engage with all DNOs as the Review progressed. RM discussed progress to date and explained that Ofgem had facilitated industry wide debate through several workshops, bilateral meetings and via meetings with all DNO representatives. RM pointed out that it was important to invite all DNOs to this meeting, given DNOs concerns about the Competition Act and the ENA CiC subgroup.

RM explained that whilst it is not for Ofgem to give guidance on the Competition Act it was important for all DNOs and industry representatives to raise concerns about the Review. RM added that the ECSG is a suitable vehicle for debating the progress of the CiC Review with all DNOs.

JH expressed concern that there were no plans for the DNOs to resume discussions in the ENA's CiC sub-group. He suggested that it would be appropriate for all DNOs to attend the ECSG to discuss the Review and general CiC issues.

A number of DNOs supported the use of the ECSG to discuss Ofgem's CiC Review.

**7. VC to update ECSG on NERSAP discussions regarding jointer training.**

CB discussed NERSAP jointer training arrangements. CB explained that DNOs policies were discussed by the ICP NERSAP subgroup. CB questioned whether jointers, provided they had the relevant accreditation, should have to attend each DNOs training centre if wishing to work on a DNO's network.

JHa stated that each DNO would have their own views on the accreditation of jointers and if that person was competent to carry out the works. JHa questioned

why there was a need for jointers to attend DNO training schools when there was a passport scheme available.

CB discussed the Lloyds Register passport scheme and explained that the scheme was designed to cover the jointer's accreditation details and includes a photo of the jointer. He further pointed out that the passport scheme clearly identifies whether the person is competent to carry out live jointing.

WO questioned the transparency of the passport scheme and suggested that it may not be widely known to all DNOs. He commented that the authorisation for a competent jointer was derived from the DNO and not from Lloyds. WO added that he favoured a national accreditation scheme but was of the view that the current passport scheme was not robust enough.

PW pointed out that there was no clarity under the NERSAP scheme on what joints and cables the accreditation actually covered because of their tendency to be classified under the same heading. PW reported favourably on an instance where jointers working under the triangular agreement had responsibly stopped work on several jobs in order to seek clarification of an 'earth loop impedance' query.

RM explained that Ofgem attends the NERSAP meetings and stated that it would update NERSAP on ECSG discussions and report back to ECSG.

## **8. CiC Review – Ofgem's discussion paper.**

RM discussed the CiC Review and Ofgem's discussion paper. RM explained that the discussion paper provides an overview of Ofgem's draft policy proposals and covers four broad headings:

- standards of performance;
- good practice;
- scope of contestability; and
- unmetered connections.

RM presented an overview of the CiC review proposals. The presentation slides are available from Ofgem's website:

<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/connections/connectionanduseofsystemcode>

RM emphasised the importance of gathering industry views before publishing Ofgem's proposals document. RM pointed out that if industry participants opposed the package, Ofgem may pursue a market investigation reference to the Competition Commission.

RM welcomed views on each proposal in turn.

## **Licence modifications to support point of connection (POC) requests**

RM pointed out that Ofgem intended to propose licence modifications which embed the current CiC voluntary standards, with amended definitions. RM added that in light of concerns about how to progress proposed revisions to the CiC voluntary standards definitions submitted by ICPs, Ofgem facilitated a meeting in December 2006, involving a small number of DNOs and ICPs to discuss definitions to support the voluntary standards, and to inform a wider industry debate on the development of a formal standards of performance regime on DNOs.

RM discussed the main themes emerging from the December meeting:

- The voluntary standards definitions were considered to be complex.
- POCs should be based on LV (low voltage), HV (high voltage) or EHV (extra high voltage) instead of simple, complex and complicated.

RM explained that the licence modification was designed to achieve performance in all cases with a 90% backstop performance in place.

MC pointed out that Ofgem was still working on the drafting of a licence modification and stated that a statutory consultation would be conducted before its implementation in Spring 2007.

JH questioned whether it was Ofgem's intention to refer to the Competition Commission if a single DNO opposed the proposals, or if all DNOs would be referred.

MC pointed out that Ofgem has developed a reasonable package of proposals on which to gather industry views. MC added that if the licence modification was to be accepted by DNOs it would be subject to a collective licence modification process. To block the licence modification would require a number of licensees to oppose.

TS questioned whether the licence modification was for metered connections only or whether it covered unmetered connections. RM stated that the draft licence scope does not cover unmetered connections. MC added that the licence modification was to cover non-contestable activity only.

RM explained that the current definitions are subject to interpretation and that a number of ICPs have complained about schemes being inappropriately classed as complicated. RM suggested that LV, HV and EHV definitions may be easier to comply with and reduce the scope for misinterpretation.

WO commented that HV connections in particular need to be clearly defined and questioned whether HV covered upstream reinforcement and fault studies. He added that it may not be achievable to provide a HV connection quotation within 20 working days, as 15% of HV applications tend to require upstream reinforcement. WO was of the view that a HV connection requiring upstream reinforcement should be re-classified.

JH suggested that a 90% performance target for HV connection quotations was too high and suggested dropping the bar to 80%.

GS suggested that for HV connection quotations the timescale should be extended to 30 days. GS and WO stated that LV connection quotations within 15 days was achievable, although GS explained that in his experience DNOs have never met the 20 working day timescale for a HV connection quotation. GS pointed out that there was a need to set reliable performance targets.

JHa pointed out that HV connection quotations tend to involve different levels of complexity. He supported the view that 20 days was reasonable to provide a HV quotation but expressed concern that the timescale should be extended if there was a need for fault studies to be completed.

DC pointed out that there was evidence from the Review and Ofgem's August 2006 consultation that more than 10% of DNOs had fallen outside of the 90% performance target for issuing quotations. DC questioned whether there was a body of evidence that would suggest that an 85% performance target would be more acceptable rather than 90% or if 30 days for HV connection quotations would be more acceptable than 20 days.

JHa was of the view that a number of HV connections may involve upstream reinforcement and suggested that a 90% performance target for issuing such a quotation was an indicative figure and therefore disagreed with DC's view on there being historical evidence that suggested DNOs had fallen below target.

RM added that the DNO's performance reported through the CIR has not been independently verified. RM added that concerns have been raised over the accuracy of the reported performance. JH added that DNOs provide this data formally under their licence.

MC stated that the definitions need to be more customer friendly in terms of their terminology so that the customer would be aware of what category their quotation request would fall under.

PD stated that the licence would be based around reasonable endeavours on DNOs to meet in all cases. MC stated that in all cases DNOs should meet a 90% threshold target of performance and that the DNO would be in breach of its licence if performance was below 90%.

GS suggested that a 90% performance target for DNOs to provide a quotation would be reasonable if the DNO put in place the appropriate resources.

CB was of the view that the performance target level for DNOs should be 100%, whilst DC was of the view that the performance level should move closer to 100% only if timescales are extended. JH suggested that there would be a need to consider previous DNO performance data to establish an appropriate timescale for a performance target of 90%.

DC was of the view that s16 connections were absolute thus justifying 90 days to provide the quotation at a 100% performance level.

### **Incomplete applications**

MC discussed incomplete applications and start/stop clock issues and suggested that judgement is involved on behalf of the DNO to determine whether an application is complete. WO questioned what the reasonable timescale would be to inform the customer that the application has been made. WO suggested the customer should be notified within 10 working days if the application is found to be incomplete and the process paused until complete information is submitted.

GS stated that he had no issue with the 'clock' being reset at zero if the DNO is of the view that the customer's application is found to be incomplete. CB expressed concern with the resetting of the 'clock' at zero and suggested that it could be done as long as the DNOs inform ICPs of incomplete requests in a timely manner.

RM confirmed that there should be a timescale for informing the customer that the application was incomplete.

**Application fees**

MC explained that there was a need for application fees to be clear and transparent and agreed that there should be some discussion through the ECSG on this. MC pointed out that the structure of the application fee was no excuse for the 'clock' to stop the application process.

JH pointed out that there should be a consistent charging methodology statement across the UK or an individual methodology for each DNO which would be cost effective/justifiable. MC pointed out that different DNOs have different practices and that the judgement on the best way forward was not obvious. MC added that there has been a strong view from customers who require more consistency in the application process. CB suggested that the charge for the application could be upfront as long as the fee was cost reflective and applied to both s16 and CiC applications.

DC raised the issue that information on the POC and size of contestable works should be provided prior to the completion of a s16 application. JH similarly pointed out that as part of a s16 application, the POC information should be made clear.

**Final connection principles**

CB discussed his paper on final connection principles which included:

- The maximum dates between the ICP's request to the actual final connection being completed;
- Certain agreement factors which need to be met in order for the ICP to be able to submit the request for connection on the basis of a forecasted connection date;
- Circumstances when the ICP would be liable for abortive costs;
- Circumstances when the ICP would not incur costs; and
- DNO's timescale response to ICP's submission of an Energisation Request for insertion of fuses or switching operation.

JH pointed out that he agreed with the principles and stated that they reflected what Scottish Power used to do. He added that the current principles were written as a licence draft and that they should be written as best practice guidelines.

WO questioned how the arrangements would be enforced. JHa further questioned whether such arrangements could differentiate the requester of the connection.

JHa explained that with regard to network energisation, the DNO would adopt the network and give access to it. He added that prior to the adoption the DNO would need to make sure that the asset was fit for purpose.

WO questioned whether partial network energisation would be a licence obligation or a voluntary standard. He suggested that network energisation may be best placed in an adoption agreement rather than a licence condition. RM confirmed that Ofgem is proposing to include final connections within the scope of a licence condition.

MC stated that through the ECSG meeting and the consultation document parties were provided with opportunities to put forward ideas on improvements. MC added that in the absence of specific suggestions from industry participants it was for Ofgem to develop a package of suitable proposals.

### **Summary of licence condition**

RM suggested that Ofgem's next steps was to publish the document with a licence condition. RM summarised ECSG discussions in particular noting concerns raised about the draft licence condition. MC added that attendees can submit specific views by the end of January and that they would be considered by Ofgem.

### **Good practice**

RM discussed good practice proposals set out in Ofgem's discussion paper. MB questioned how Ofgem intends to monitor best practice areas across the DNOs. RM stated that Ofgem proposes to develop a set of reporting arrangements for DNOs which would include, amongst other things, reporting on performance against providing s16 quotations within 90 day timeframes.

The ECSG discussed dispute resolution. MB stated that Ofgem currently determines disputes under the Electricity Act s23 and expressed concern that any alternative process involving an arbiter (or Ombudsman) would not sit easily within this process. MC clarified the concept that the use of an arbiter was to develop a dispute resolution process to resolve disputes about application delays and poor DNO performance rather than use the more formal s23 process. MC questioned what other instances could be put forward for a determination or an oral arbitration.

RF explained that the best way forward would be to try to resolve the issue at first hand rather than progress determinations.

MC suggested that the DTI is considering the most appropriate means of dealing with customer distributor disputes there was not yet a route that would deal with customer service. PD suggested a formal ombudsman scheme would be worthwhile to have. He explained that there was a need to have standards in place for a determination case, ie 10 days for a simple determination case. PW added that this would be a good idea for Ofgem to put forward for the proposal document their view on what it can do.

JH suggested that Ofgem should have a forum with a web link for customers. RM pointed out that Ofgem does have guidance for customers, and PD stated that if Ofgem does have it then it should promote it.

### **Contestability**

RM explained that Ofgem supported extending contestability where practical and would expect DNOs to meet their duties under licence and Competition Act. RM pointed out that it would be feasible to extend contestability to overhead line connections, transmission connections and partly funded diversions and reinforcements. He stated that through the Review, contestability in overhead line connections was widely supported, and that this would be approved by Ofgem, but that significant work would be required to support competition to partly funded diversions and reinforcements. RM pointed out this was a low priority for the Review and would not be progressed at present. RM added that proposals may be forthcoming in relation to extending the scope of contestability to

transmission connections and that it may require the ECSG to consider proposed changes.

### **Unmetered connections**

RM discussed the future of the National Service Level Agreement (SLA) and competition in unmetered connections. He explained that the SLA was to continue on a voluntary basis and that Ofgem proposes to establish minimum benchmark performance levels that Ofgem would expect DNOs to achieve and report on in 2007/08. He added that there were mixed views through the Review on whether DNOs should be subject to incentives.

RM suggested that the scope of contestability should be based on contractor accreditation rather than the 1 metre rule, and to promote competition DNOs should increase awareness of competitive options through rent-a-jointer schemes, triangular arrangements with local authorities (LAs) and that DNOs should publish their list of approved contractors.

JH asked RM to clarify the intended status of the SLA going forward. He expressed concern that the LAs tend to distort the SLA as they do not sign up to it.

LE commented that he was disappointed with the SLA continuing to operate as a trial. He stated that the SLA should be used on a national basis. LE expressed concern that the key performance indicators (KPIs) were worse than expected. He added that the performance figures of 70% were unacceptable and emphasised the point that the SLA was put in place to improve performance. LE suggested that a 90% performance level would be acceptable.

WO questioned whether Ofgem has sought input from the LAs on this. RM commented that Ofgem based proposals on the average performance over the reporting period. He added that the general views expressed by the LAs were that the SLA should be formalised instead of it being on a voluntary basis. He stated that there was a need to consider what reasonable set of KPIs should be put in place.

LE explained that the SLA was initially run as a trial for a 6 month period, then it was extended to 12 months and now it has been running as a trial for 2 years. He emphasised that the LAs would not accept the performance figures of 70% and that these views would be expressed in responses to Ofgem's Consultation.

MC suggested that the first priority was for Ofgem to achieve a reasonable standard of performance. He pointed out that Ofgem is happy to take views and comments on this. The DNOs which were found to be below the standard would need to perform better than average.

TS questioned what measures Ofgem is to take to improve the level of performance.

MC pointed out that there were already 2 consultations on this issue and added that Ofgem welcomed further ideas on how to take this forward.

PWh suggested that in order for DNOs to meet their performance targets under the SLA, a year on year improvement strategy should be put into place. TS suggested that despite the SLA applying to participating LAs, it should not be discriminatory and therefore should apply to all.



LE explained that there should be a national SLA in place with agreed performance levels and with penalties imposed. He expressed concern that if Ofgem does not determine the way forward for the SLA, the SLA would run for another 12 months as a trial.

JH stated that the performance targets were based on reported statistics, and that the proposed KPIs are quite challenging. He pointed out that it would be unacceptable for DNOs to accept standards until LAs sign up to the SLA. He added that it was important to reach agreement on definitions and emphasised that operating the SLA on a national basis does not prevent the LAs from negotiating higher target levels.

LE expressed concern that the LAs experience difficulties knowing when the DNOs programme work and when it is completed. He added that a performance target of 70% was unacceptable and suggested that future work needs to be done on reporting arrangements.

JH suggested LAs should be invited for a meeting to commit to the SLA. PD stated that it was up to the LAs to put forward their responses to the consultation. LE stated that in South Wales most LAs were interested in operating a SLA and discussions about this would take place in spring/summer 2007.

LE pointed out that the removal of the 1 metre rule still restricted the jointing contractors to connections upon the service cable only, and would not allow connections directly upon the main cable. PW highlighted that there are less risks associated with service cable work.

CB explained that if the contractor is accredited to carry out work then he should be able to do so. WO added out that a list of approved contractors to carry out contestable works under triangular agreements is held on Lloyds website.

RM pointed out that the proposal document will include KPIs and invited views from industry participants before the end of the month.

### **Next steps**

RM explained that Ofgem is to publish proposal document in mid February 2007. A statutory licence modification consultation is to follow, and a package of reporting instructions is to be developed.

### **Any other business**

No other business was discussed.

RM thanked attendees for their input and pointed out that the presentation and a set of minutes would be circulated.

MC stated that Ofgem welcomed suggestions from the respondents by the end of January 2007 and suggested that it may be appropriate to structure the ECSG to discuss metered connections in the morning and unmetered connections in the afternoon.

### **Date of next meeting.**

The next meeting is scheduled for 21 March 2007.