

ECSG – CiC Review update

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Overview of Slides

- CiC Review – background, progress to date
- August 06 consultation – overview of responses
- Ofgem's policy proposals (electricity connections only)
 - standards of performance
 - good practice
 - contestability
 - unmetered connections

CIC Review - Background

- Ofgem corporate plan objective to review competition in connections - Aims of Review:
 - Consider progress so far
 - To identify industry sectors where more regulation or more measures to support competition may be required
 - To identify industry sectors requiring less regulatory oversight
 - To consider the scope of contestability in certain industry sectors

CiC Review – Progress to date

- Review initiated in May 06
- Detailed consultation document published August 06
- Consultations supported by industry workshops
- Ongoing dialogue with the industry:
 - Bi-lateral meetings
 - Meetings with all DNO reps
 - ECSG
 - Meeting on Voluntary Standards

Responses - Metered connections

- Themes emerging:
 - Support for introducing formal standards
 - Improve communication interfaces and improve customers awareness
 - Standardization, convergence of DNOs' approach and promotion of good practices
 - Structural changes not widely supported

Responses - Unmetered connections

- National SLA trial
 - mixed views over need for financial penalties vs. continuation of monitoring and reporting to Ofgem
- Triangular arrangements and Rent a Jointer schemes have proved unattractive to Local Authorities
 - general support for removal of the one metre rule
 - difficulties to approach and deal with DNO approved contractors

Ofgem's Policy proposals

- Overview of proposals:
 - Licence modifications to support POC quotations
 - Set out and promote good practice guidelines
 - Promote customer awareness initiatives
 - Encourage standardization and convergence of approaches
 - Develop pack of reporting instructions
 - Continue with SLA, introduce key performance indicators
 - Scope of contestability based on accreditation not 1m rule
- If this package is opposed, we may pursue a market investigation reference to the Competition Commission

Licence modification

- Scope - voluntary standards, with amended definitions
- Key features:
 - reasonable endeavours to meet standards in all cases
 - 90% performance targets
 - simplified definitions – LV, HV and EHV
- Details being resolved
 - treatment of incomplete applications
 - application fees

Good Practice - Overview

- Increasing customer awareness
 - develop customer information packs, leaflets
 - website guidance, such as FAQ for subsets of customers

- Connections application process
 - standardise certain aspects of applications
 - develop web-based tools for applications, tracking, etc.
 - provide breakdown of costs to all schemes
 - provide POC information to certain S.16 requests (>£10k?)
 - clarify application fees (national template)
 - user friendly interface for estimates – web based?

Good Practice (cont)

- Establish effective dispute resolution process
 - Better communication between parties and online publication of the dispute resolution process
 - Internal escalation mechanism, backed by referral to independent arbitrator

- Use of customer surveys
 - Survey connections customers
 - Use feedback to make improvements

Contestability

- In principle, support for extending contestability where practical: duty for DNOs under licence and Competition Act
 - Overhead lines – contestability widely supported
 - Partly funded diversions and reinforcements – significant work required
 - Transmission – developments forthcoming ?
- Extend contestability to overhead lines
 - Voluntary initiatives not to be discouraged or prevented
 - ECSG to discuss changes required if initiatives materialise

Unmetered

- National Service level Agreement (SLA)
 - Continue National SLA on a voluntary basis
 - establish minimum benchmarks that all DNOs will be expected to achieve and report 2007/08 performance against these benchmarks
- Scope of works open to competition driven by contractor accreditation
- Promote competition
 - rent-a-jointer / triangular arrangements
 - provide list of approved contractors

Next steps

- Proposal Document to be published mid February 2007
- Statutory licence mod consultation to follow
- Develop package of reporting instructions



Promoting choice and value for all
gas and electricity customers