



Roger Morgan
Senior Connections Policy Manager
Office of Gas and Electricity Markets
9 Millbank
LONDON
SW1P 3GE

98 Aketon Road
Castleford
WF10 5DS
www.ce-electricuk.com
Tel: 01977 605933
Fax: 01977 605811

30 March 2007

email: joseph.hart@ce-electricuk.com

Dear Roger

REVIEW OF COMPETITION IN GAS AND ELECTRICITY CONNECTIONS PROPOSALS DOCUMENT

I am writing on behalf of CE Electric UK Funding Company (CE), which is the UK parent company of Northern Electric Distribution Ltd (NEDL) and Yorkshire Electricity Distribution plc (YEDL).

Please find attached to this letter our response to the above proposals document. In this response we broadly welcome Ofgem's initiative to further develop the market in electricity connections.

We have responded to both the specific questions, and the detailed proposals put forward within the document. These have been covered in separate sections in our response.

Should you have any queries, please contact me on the above number.

Yours sincerely

A handwritten signature in black ink, appearing to read "J Hart", written over a horizontal line.

Joseph Hart
Network Connections Manager

1 Response to specific questions within chapters

1.1 Chapter 3

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

Whilst we believe that in the CE Electric UK licence areas the voluntary standards approach has worked well and definitely helped us focus on improving our performance, as exemplified by our work with the public lighting authorities, we accept that this may not have happened in all parts of the UK. It is a logical conclusion to draw that a licence condition should improve the consistency and standards of service experienced by connectees who are operating throughout the England and Wales.

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

We welcome the simplification of the categories associated with the classification of connections. We particularly welcome the clarity of definition on the scope of LV, HV and EHV connections and would endorse these classifications as being applicable to all connection enquiries, including for example EGS3. The performance targets themselves appear to present some challenges to current practices, particularly in respect of the delivery timescales for LV. This is at odds with the standards being applied within the Quality of Supply RIGs on the connection of LV supplies within either 30 or 40 days dependent upon the complexity of the work. We cannot see a rationale for discriminating in this way and would suggest that the timescales for all LV connections are aligned to those within the RIGs. Clearly the HV timescale will require adjusting to take this into account.

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

The draft licence modifications published at Appendix 6 of the consultation are defective in terms of drafting. We suggest that the joint DNO/Ofgem group that is reviewing the drafting of the Standard Condition of the electricity distribution licences should be given the proposed modification and asked to produce a revised draft of the condition that gives effect to the agreed policy intent.

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

We would support the development of RIG's for this licence condition. We believe that the adoption of RIGs on other licence conditions has significantly improved the application and measurement of the standards.

1.2 Chapter 4

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

Our detailed response to the individual proposals is contained in section 2, Response to specific proposals or issues raised within chapters below. However, we are in support of the vast majority of the package presented by Ofgem. Specifically, we see it as a step forward in improving the framework within which DNOs and customers operate in the, still emerging, competitive market.

Our specific areas of concern are:

1. Timescales on publishing the documentation proposed in section 4.8 of the proposal are very short and may preclude the opportunity to seek customers opinions on their content;
2. We would support a work breakdown (i.e. bill of quantities) approach to improving the clarity of charges, rather than Ofgem's proposal of labour, material and contract cost breakdowns;
3. Care must be taken in defining the duration for providing the quotation - a simple elapsed time measurement from application to delivery is likely to lead to difficulties due to the iterative nature of many quotations;
4. Whilst it is entirely feasible to provide the Point of Connection (POC) within an S16 quotation, the uses to which it can be put are limited. Specifically, unless an ICP copies the 'contestable' elements of the S16 quote identically then the POC may be of no practical value;
5. On reporting arrangements, we are aware that our public lighting authorities are concerned that nationally imposed standards may be introduced that would lead to increased costs that they have no control over. We have previously explained our joint approach to the balance of service and price to both our customers and Ofgem; and
6. The removal of the one metre rule in public lighting will require the establishment of appropriate risk management systems.

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

We believe that this represents a comprehensive review of the electricity connections market. It is imperative not to expand the scope beyond what has been proposed in this document to ensure that DNOs and customers can focus on delivering what is set out here.

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

See our response in section 1.1.4.

1.3 Chapter 5

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

We are concerned that the proposed benchmarks are different to those that we have agreed in close working with our public lighting authority customers. They believe that we have reached an acceptable balance between the cost of the service we provide and the performance levels that they can expect from us. They would be extremely reluctant to accept a nationally imposed SLA which led to increased costs that they do not wish to incur. This will clearly be an important consideration in developing the SLA and we welcome the formation of the ECSG sub-group to review this area.

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

See our response in section 2.2.3.

2 Response to specific proposals or issues raised within chapters

2.1 Chapter 4

2.1.1 Connections application process

2.1.1.1 *Increasing customer awareness*

We agree with Ofgem's proposals for the standardisation of key messages for customers. The amount of work involved in this should not be underestimated, particularly if, as implied within the proposals, this would be a national standardisation, and we would therefore suggest that it is more realistic to have developed and implemented supporting documents across all the areas by Autumn 2007. Within this slightly extended timescale it would be possible to ensure that there is an opportunity for consultation with customers on the content of these documents, which would not necessarily be feasible within a Summer 2007 timetable.

2.1.1.2 *Managing customer interfaces effectively*

The proposals put forward by Ofgem reflect the need for DNOs to adopt modern communication channels that customers are increasingly expecting. We have been working with our customers to understand their requirements and we are finding that they are generally in line with these proposals. As such we have already begun work on identifying the implementation opportunities but would be concerned at any attempt to integrate these documents, web-pages etc. into the Connection Charging Methodology documents. We are firmly of the view that such documents are not appropriate to be included in methodology statements. Whilst having formal change control on how the charges for customers are derived is important, we believe that putting such a constraint on the development of customer-facing documents would inappropriately stifle the development of the documents in response to customer feedback. This will particularly be the case in the early stages of these documents being available.

2.1.1.3 *Streamlining the application process*

We already have standard application forms for connection requests, but will carry out a review of them by Summer 2007 to ensure that they readily identify the mandatory information requirements. It should be noted that whilst Ofgem are somewhat critical of a lack of standardisation between S16 and ICP applications, the reason for this is that S16 lays down a prescriptive set of criteria that constitute a formal notice under the Act. ICP applications are not subject to the same tests. We therefore believe that the basis of the mandatory information should be based on the S16 criteria for all applications.

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

Taking each of the elements of the proposal in turn:

1. Breakdown of costs - we agree that there should be greater transparency of the costs of connection being provided to customers. It is our belief that such information should be provided on the basis of a work breakdown (i.e. a headline bill of quantities) that the particular project requires, rather than a cost breakdown (labour, material and contract split) which does not explain to the customer what they are actually buying and may also be commercially sensitive. A work breakdown approach would enable

- customers to compare the costs of work from different providers and genuinely improve their decision making ability.
2. Number of days to provide a quotation - we are concerned that a simple calculation based on the elapsed time between receipt and quotation delivery runs a significant risk of presenting a misleading picture of the actual time taken to produce the quotation. This is because it will ignore the iterative nature of many enquiries, e.g. the regular feature of projects being put on hold whilst the customer provides more information.
 3. Providing POC information within S16 quotations - Ofgem's proposals in this area are somewhat unclear, as there is unlikely to be a common understanding of what the statement 'POC information' actually constitutes across different stakeholders:
 - On one hand it could be merely to mark the POC location on a map, thereby theoretically enabling a customer to seek a competitive option for the downstream works. However, the POC provided under such circumstances would only be valid if the ICP directly copies the relevant part of the S16 quotation and we certainly could not automatically accept a contestable design for approval against a POC that had been identified within a S16 quotation.
 - At the other end of the spectrum the POC information could be conceived to be a fully worked up detailed POC quotation to be provided alongside the S16 quotation. This would clearly cause a considerable amount of wasted effort on the part of DNO design staff, due to the low acceptance rates of detailed quotations. Our view is that as the POC is a function of the contestable design, it is not possible to provide a detailed POC quotation until such time as that has been prepared. We absolutely support the provision of an indicative POC and costs at the initial stages.
 4. We are comfortable with the proposed threshold for projects requiring such a detailed breakdown.

2.1.1.5 Dispute resolution process

2.1.1.5.1 Customer disputes

We believe that most disputes can be avoided by improving communication with customers via the other measures within these proposals. When disputes do arise, we believe that we have appropriate internal escalation processes which enable us to respond to customers in a timely and effective manner. We are always open to improvements that can be made in this area and await with interest Ofgem's further deliberations on the implications of the new consumer redress measures.

2.1.1.5.2 Business disputes

We believe that the appropriate way forward for dispute resolution is through improving the account management of such customers and providing clear escalation steps through the line management of the connections business. We recognise that we have some work to do in this area and are in the process of reviewing our business processes to move in this direction. However, we do believe that we operate in an open way with business customers, including ICP's to resolve issues.

2.1.2 Connection Charges

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

We are committed to developing a standard format for non-contestable charges via the ENA Commercial Operations Group project. However, we do not believe that it will be possible to achieve this by the end of March, and would propose that the end of May is more realistic. If this date is agreed then we would concur that it would be best for Ofgem to take the initiative forward.

2.1.2.2 *Detailed costing for schemes*

See response in section 2.1.1.4 Extension of the breakdown of charges and provision of POC information above.

2.1.3 Structure and transparency

2.1.3.1 *Affiliate connection businesses*

We have no comments to make under this section.

2.1.4 Scope of contestability

We agree with this proposal as it represents an appropriate prioritisation and focus of effort. We would expect any further extension of contestability to be tabled through the ECSG governance process.

2.1.5 Protection where competition is not effective

2.1.5.1 *One-off connection charges*

We believe that the methodology route is the appropriate method of ensuring the cost reflectivity of charges to all customers.

2.1.5.2 *Customer Satisfaction*

We already carry out customer satisfaction surveys to assess how we should develop our business to improve customer service. This covers seeking feedback from customers on specific projects that we have carried out for them all the way through the process, from initial contact through the quotation process and then into the delivery of their project.

2.1.6 Reporting arrangements

Whilst we agree to the scope of the proposed reporting arrangements and the suggested process for finalising them through the ECSG we would be concerned if such an approach took away the opportunity for agreeing alternative service levels locally, particularly in respect of the unmetered SLA. The local authorities that we work with have determined that a slightly different set of service levels are appropriate which they would be unlikely to wish to move away from.

On the standard payments for inadequate service delivery further work will be required, again probably best through the ECSG, to establish an appropriate framework and scale of payments.

2.1.7 Other issues within Chapter 4

Paragraph 4.9 states 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. We believe that this statement is incomplete. S16 lays

down conditions that must be satisfied prior to a request being accepted as a formal notice. The 3 months comes from the licence and that too has conditions attached to it.

2.2 Chapter 5

2.2.1 Trial unmetered SLA

We agree and will continue to work closely with our LAs to review the service we provide. As discussed above, we will continue to wish to agree local performance targets with our customers as appropriate.

2.2.2 Competition in unmetered connections

We are happy to provide appropriate information to assist local authorities in seeking out competitive options and we will be discussing your proposals at future streetlighting steering group meetings.

2.2.3 The one metre rule

We support the removal of the one metre rule subject to the establishment of appropriate risk management arrangements to be worked on with ICPs. It should be noted that there is however no currently agreed national standard for the assessment of the competency of contractors as there is with metered connections. It would seem sensible to encourage the development of such a framework as a matter of urgency to avoid disparate views of competency being applied in different locations and thwarting competition. It should be recognised in developing this framework that live jointing on newly laid cables is subject to more than just the competency of individuals, including the organisations safety management system.

On the scope of works that can be done under live working arrangements we support the involvement of safety practitioners to advise on the appropriate way to develop this. It is absolutely necessary to ensure that safety is not compromised in seeking to develop competition.