

Our ref: MS/0019

Connections Policy
OFGEM
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Dear Sir,

COMPETITION IN GAS AND ELECTRICITY CONNECTIONS: PROPOSALS DOCUMENT 26/07

Background

Core Utility Solutions was established in 2002 as a joint venture between Alfred McAlpine and Scottish Power(SP). The strategy for Core was to compete in the emerging competition in connections market. Over the last five years, Core has successfully completed over 40,000 multi utility (electricity, water and gas) connections. We are currently working in nine of the original distributors areas and are currently "live jointing" on over 80 sites within the UU area. We have also held discussions with CN and YEDL to participate in live jointing trials in their distribution service areas.

In October 2005, Core became a wholly owned, ring fenced subsidiary of Scottish Power. Core is treated equally with other ICPs who compete in the SPD and SPMANweb areas and this has been enforced through the commitments given by SPMANweb under section 31A of the Competition Act. We believe these commitments should become the industry "standard" in the future.

It is Core's strategy to continue to grow in the connections market and we believe that Core is one of the leading ICPs in the UK. The market is however changing and it is our view that in the future ICPs will not offer assets to the DNO for adoption but they will be "sold" to the iDNO offering the highest asset value. Because of this it is crucial that independent ICPs are not disadvantaged against ICP/iDNO companies.

The proposals

In response to the proposals document we will comment on the questions set out in the document.

Chapter Three

Question 1: Do you agree with our (OFGEM) proposals to introduce a licence condition?

We agree with OFGEMs assessment of the importance of the DNO meeting prescribed levels of performance against the three key non contestable services of:

- Provision of POC;

- Design approval;
- Completion of connection to the (DNO) network.

Unfortunately voluntary standards have failed, particularly in the south of the UK, where the level of competition is low and the host DNOs have not set up robust processes to deal with competition in connections enquiries. We therefore believe that a licence condition is probably the only way forward.

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

We support the new simpler classification of jobs by voltage. We believe this split by voltage is simple and is easily understood by all parties.

We agree with the split and proposed standards set out in your table 3.1 (summary of proposed standards of service), however the performance target of 90% seems unreasonably biased in favour of the DNO. We believe there needs to be a backstop whereby for example, the DNO must provide the service within the timescale with a 90% performance, but that the DNO should provide the service within timescale + 5 days and achieve 100% compliance.

task	Maximum voltage	timescale	Performance target	timescale	Performance target
Provide POC	LV	15 days	90%	20 days	100%
	HV	20 days	90%	25 days	100%
	EHV	50 days	90%	55 days	100%
etc. for the other standards of performance					

We suggest this is written into the licence amendment.

We strongly disagree with the “switch off” provision for iDNOs. Whilst we accept that the iDNO market is at an embryonic stage at a UK level, we believe it is highly developed in some areas with ICPs affiliated with iDNOs being much more successful than independent ICPs. We have found that iDNOs are installing infrastructure for land developers who then sell a “serviced site” to housebuilders or other developers.

We have already had occasion where we needed to apply for a POC from an iDNO. Unfortunately we never received a POC and consequently we never quoted the scheme. We can see no reason at all for the licence obligation to be “switched off.” This situation cannot be allowed to develop as the U.K. market will become biased towards the iDNOs and mirror the market we are already experiencing in certain areas. OFGEM must recognise that ICPs need to be able to compete on a level playing field with iDNOs and their affiliate ICPs.

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

Subject to the comments listed, we believe the structure and drafting of the licence condition is clear.

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

It is our view that a supporting guidance document would be beneficial to DNOs, ICPs and customers. A guidance document would be the first point of reference and may offer a quick resolution to any disputes that arise.

Chapter Four

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

The promotion of customer awareness of the connections application process and also of the options available to a prospective customer would, in our view, be a positive step.

We would support the idea that the DNO should develop a customer satisfaction survey. We believe the results of the survey should be in the public domain, as should the proposed action plan the DNO develops, in response to the survey.

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

The application for a connection is carried out by a wide variety of people with all levels of technical knowledge, from the homeowner, extending his property, to the national housebuilder, with a dedicated services co-ordinator. We have found the process to differ from DNO to DNO, all with different types of styles and forms. Any move to develop an industry standard will be of significant benefit to all customer groups.

As an ICP, obtaining clarity of non contestable charges is crucial to the presentation of a quote to a customer. The customer should see the same level of non contestable charges from each ICP and he will then make his decision to award the contract, based on the cost of the contestable work and his view of the ICPs ability to deliver the connections to his timescales. The development of a national template of non contestable charges will assist all parties in understanding what work the DNO has to do. However it is our view that OFGEM need to go further and determine why non contestable charges vary so greatly from DNO to DNO.

We agree with OFGEMs view that “business disputes” are not effectively resolved through Energywatch. We support the proposal that the DNO provides an internal dispute mechanism, through an independent manager within the DNO, and that if the dispute could not be resolved, then referral to OFGEM for determination.

It is our view that the most effective way of developing competition is by extending the scope of “contestable” work and reducing the amount of work that is “non contestable”. We therefore support the proposal to make overhead lines a contestable activity. We also believe that partly funded diversions and reinforcement, that is electrically separate from the DNO network, is a key area of work in large (load) connections, particularly in city centre locations. We are disappointed OFGEM have not chosen to develop proposals to allow this work to become contestable and would urge that this is brought forward into the next steps of the process.

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

As stated previously, we believe the SPManweb commitments should become the industry “standard.” The proposed licence amendment in the consultation goes some way towards addressing certain aspects of the commitments, however, the ability to have the same access to IT systems and records is not the industry norm. We believe OFGEM should promote the SPManweb commitments as the “standard.”

We do agree that as SLC 4C has only been in place for one year that it is too early to determine the effectiveness of the arrangements.

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?

Our experience of the unmetered SLA is fairly limited and as such we have no specific comments to make.

Summary

In summary, we broadly support the proposals set out in the consultation document, however, we believe it is essential that OFGEM include the following additions:

- The licence amendment to include for the DNO (and iDNO) to comply with the standards of performance, with a backstop of timescale + 5days to meet 100% compliance;
- The licence amendment is not switched off for iDNOs;
- OFGEM review DNO non contestable costs and determine why there is such large variation in charges for the same work;
- Work to continue to allow partly funded diversions and reinforcement to become a contestable activity;
- SPMANweb commitments to become the industry “standard” for all DNOs.

Yours faithfully,

George Kirk
Commercial and Risk Director
Core Utility Solutions