

CRUDEN CONSTRUCTION LIMITED

Cruden Construction's submission to the Office of Gas and Electricity markets (Ofgem)
Review of Competition in Gas and Electricity Connections Proposals Document

1. Background
2. General Response
3. Detailed Response
4. Questions

1. BACKGROUND

Cruden Construction is an SME Constructor operating in the North West of England. Our Group turnover is circa £85m per annum. In the North West we are a leading member of the National Federation of Builders.

During 2006, the NFB ran a survey of member's experiences of service levels received when seeking to new connections to the utility networks, and the implications of these to their businesses. This survey was run in conjunction with the National Contractors Federation (NCF) and the Major Contractors Group (MCG). The three organisations together represent around 75% of the industry by turnover.

The survey found that some 85% of sites reported experiencing some form of problem with at least one utility, while only 15% had no problems at all. Electricity was the worst performer, with 64% of sites reporting a problem, while gas followed with 44% of sites reporting a problem. Many of these problems were caused by relationship issues, while there were also issues surrounding adherence to agreed programmes, agreement on cost and the length of time taken in issuing quotations and agreeing to supply.

Our own experiences confirm many of the points of the NFB survey results.

We believe that the operation of affiliate companies is a major and primary blockage to progress in service delivery and competition in the electrical connections arena.

In terms of improving service, we believe that until this issue is strongly regulated that all other issues, will not deliver improvements within a reasonable timescale.

We seek to highlight the difficulties experienced by our Company and to seek ways in which these problems can be resolved within a swift timescale.

2. GENERAL RESPONSE

Our own experiences, confirmed by the NFB Utilities survey results clearly demonstrate that a transformation change of process regarding connections needs to be made.

Performance of the electricity network companies has been particularly poor. Even with the introduction of competition, they have not improved, while DNO's are seemingly able to make competition in connections unfeasible for consumers.

All these areas are dealt with within our detailed point by point responses under these headings below.

3. DETAILED RESPONSE

3.1 (2) Gas Connections

Competition in gas connections seems to have delivered better service although there is still room for improvement. It is noticeable that the approach of the gas distributors is far more customer focused than that of the Electricity DNO's, while competition is far more encouraged and developed.

3.2 (3) Metered Electricity Connections: Introduction of a new license condition

(Para 3.3) When providing POC quotes, it is essential that timescales are calculated and measured from set and defined points. At present, the DNO's have too many get out clauses that stall timescales and processes.

(Para 3.16) The proposals should not compromise with "reasonable endeavours". What is considered to be "reasonable" in this case requires a clear definition. We believe that definitive performance measures are essential.

(Para 3.18) We believe that this area requires greater thought. The DNO's and especially their affiliate companies already have very favourable terms and conditions that are at variance to all other suppliers in the construction sector's supply chains.

3.3 Promotion of convergence and good practices in electricity connections

We believe that improved customer interfaces and standardised practices are essential. Meetings should be held that include regular procurers of services such as Developers, Housing Associations and Contractors.

(4.7) We agree that the current methodology statements are not user friendly and are not in easy, straight forward English.

(4.7-4.10) We believe that the context here is acceptable, however, we strongly contend that further definition is required. This does not currently set standards of service.

(4.12) We believe that rather than key account managers contacts, organograms of DNO's with essential contacts and a greater and clearer complaints process would be a better remedy to this shortcoming.

(4.16&4.17) We thoroughly concur that a more streamlined process is essential and believe that the difference between a Statutory Quote and a Quote needs highlighting to all other stakeholders. We believe that this is an essential element in resolving the current poor performance with regards to electricity connections and clearly highlighting would improve services to all users.

In practice the POC is frequently changed due to substation capacity, cables not being located as record drawings and cables being in unexpectedly poor conditions in service.

(4.27-4.32) We strongly contend that the DNO's use their affiliates as shields to regulation and competition. This is an abuse of monopoly and highly anti-competitive.

We believe the Ofgem's proposals fail to understand how the unsatisfactory relationship between DNO's and their affiliates effect competition and service delivery within the electrical connections arena. We totally believe Ofgem need to rethink this section of the proposal.

(4.46) We wholeheartedly support this paragraph.

(4.48-4.49) We most strongly disagree with this approach and believe that the de-merger of DNO's and their affiliates is essential. We believe this to be the key weakness in Ofgem's proposals.

(4.61-4.65) We are keen to see these reporting arrangements developed to include the very best of "Best Practice". We would wish to see this published with a real emphasis on the customer.

4. QUESTIONS

4.1 (3) Metered Electricity Connections: Introduction of a new licence condition

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

Response 1 We believe that a change in licence condition is necessary to enforce the standards and timescales in Chapter 3. Voluntary standards clearly have not worked,.

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

Response 2 While we agree with the targets and timescales set out in this document, we feel that tighter definitions are required.

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

Response 3 Further definition and clarity might very well be required in order for a wide range of customers seeking new connections to understand and make the most of the new conditions.

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

Response 4 Because of the wide range of customers seeking new connections, it is vital that full supporting documentation is provided, that clearly presents the new obligations of the DNO's.

4.2 (4) Promotion of convergence and good practices in electricity connections

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

Response 1 We fully agree with the package of best practice principles.

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

Response 2 We would like to underline the need for performance to be monitored. If these new standards fail to improve levels of service, more stringent standards, with appropriate penalties will need to be enforced.

Question 3 Do you agree with the reporting arrangements set out in this chapter. Are specific guidelines required?

Response 3 We hope that Ofgem will clearly design the format of the reporting arrangements and also consider penalties for DNO's that fail to meet their performance objectives.