

ECSG Minutes**21 March 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
Chris Bean (representing MCCG)	(CB)	Power on Connections (ICP)
David Clare	(DC)	Mott Green Wall (ICP)
Mark Smith	(MS)	Scottish and Southern Energy (DNO)
Wayne Oxborough	(WO)	Central Networks (DNO)
Mike Haniak	(MHan)	United Utilities (DNO)
Jeff Hunt	(JH)	Scottish Power (DNO)
Paul Delamare	(PD)	EDF Energy (DNO)
Mike Harding	(MH)	Gas Transportation Company (IDNO)
Darren Grundy	(DG)	Laing O'Rourke Energy (IDNO)
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 asked attendees to introduce themselves.

Apologies were received from Vince Colby (VC) and Peter Whiffin (PWh).

RM explained that the main purpose of the meeting was to discuss with the ECSG, Ofgem's Review of Competition in Gas and Electricity Proposals document. RM explained that the meeting agenda was structured to discuss unmetered issues in the morning with the afternoon session focusing on metered connection issues.

2. Review of previous ECSG minutes.

There were no comments on the 23 January 2007 ECSG minutes.

Actions

Action from 23/01/07 meeting: JH and TS to update ECSG on discussions concerning cable fault definitions.

RM confirmed that this action is still outstanding.

3. JH and TS to update ECSG on discussions concerning cable fault definitions

RM invited JH and TS to update the ECSG. JH explained that this action has not been progressed. RM stated that this action would be carried forward to the next

ECSG meeting, however, if not progressed RM suggested that it would be removed from the ECSG agenda. PW commented that as this definition is used in the UMS SLA, which Ofgem have proposed to continue, it was important to settle this.

Unmetered Connections issues

4. LE and PW to update the ECSG on triangular arrangements

LE and PW were invited to update the ECSG on the tri-partite trial with Centre Great lighting (CGL).

PW pointed out that a meeting between Caerphilly County Borough Council (CCBC), CGL and WPD took place on 15 March 2007, during which all parties reviewed the operation of the trial agreement. PW set out WPD's views on the trial:

- The trial had been successful;
- The quality of the documentation submitted by CGL was satisfactory;
- A few limitations were identified in instances relating to electrical safety and cable laying depth, ie shallow cables; and
- WPD foresee no issues if CGL was to continue to work under the scheme for CCBC.

PW pointed out that the scope of the trial covered live jointing of 100 street lighting service cables greater than 1m from the main as measured along the service cable. PW added that due to the success of the trial involving these 100 joints, WPD had removed the 100 cap and the current arrangements with CGL/CCBC could continue. He added that on the basis of this experience WPD would be happy to discuss similar arrangements elsewhere in its service territory.

LE suggested that the trial was successful and thanked WPD for their efforts to date. LE added that a number of South Wales local authorities (LAs) were interested in developing the scheme, however, there appeared to be reluctance amongst some ICPs, and LAs to partake.

LE explained that although all DNOs have been asked by Ofgem to publicise their model triangular agreement on their respective website, he was of the view that this would not necessarily mean that the agreement would operate. LE added that for a scheme to progress, it requires all parties involved to develop the supporting contractual arrangements and that significant work took place to develop the agreement that operated in WPD's area.

RM explained that Ofgem has checked the websites of the respective DNOs for their availability of the triangular agreements. RM confirmed that:

- 1 DNO did not have the agreements available;
- 2 DNOs had their document in draft; and
- Only 4 DNOs had the agreements available.

RM thanked PW and LE for updating the ECSG and agreed to circulate their respective reports on the tri-partite trial (**Action: Ofgem**)

5. LE to update the ECSG on the LA Champions meeting

LE explained that the regional champions met on 13 March 2007 to discuss their views on Ofgem's proposals document, in particular, the proposed Service Level Agreement (SLA) benchmarks.

LE discussed the champions views on the SLA. LE explained that:

- DNO performance figures, ie response times are considered unsatisfactory;
- The communication between the DNOs and LAs is of concern;
- LAs support Ofgem's proposal that DNOs and LAs should agree SLA performance data in advance of submission to Ofgem. However, this may not be possible in all cases due to resource constraints on the smaller LAs.

LE emphasised that the SLA should not be operated on a trial basis and that penalties should be imposed on DNOs for non performance. He added that a number of LAs would prefer the 1 metre rule to be removed, to facilitate further competition in unmetered connections.

RM explained that Ofgem is not proposing to introduce financial penalties. RM added that the best practice guidelines set out in the proposals document apply to LAs and discussed the need for LAs and DNOs to engage in regular liaison meetings to foster closer working relationships. RM pointed out the SLA performance reporting should be robust and suggested that the data should be agreed (by DNOs and LAs) where possible before submission to Ofgem on a quarterly basis.

6. Ofgem presentation: Unmetered proposals

RM presented an overview of the Connections proposals document which was published in February 2007 and covered the following unmetered issues:

- Overview of latest SLA performance statistics (to include 1st and 2nd year comparison statistics, first 3 quarters figures, emergency fault repair, high priority fault repair, multiple unit fault repair, single unit fault repair, New Works 1-10 jobs, and New Works 11-50 jobs statistics);
- Competition in unmetered connections (including triangular contract and rent-a-jointer scheme); and
- Proposed next steps – the establishment of an ECSG sub-group

The presentation slides are available from Ofgem's website:

http://www.ofgem.gov.uk/Networks/Connectns/IndSteerGrpElec/Documents1/ECSG%20%20SLA%20presentaion%2021_03_07.pdf

RM pointed out that the presentation material will be circulated to the ECSG members. The ECSG discussed the following points:

SLA/ latest performance statistics

LE expressed concern over the SLA statistics presented by Ofgem. In particular, the comparison of first year and second year DNOs performance data. LE added that the data illustrated poor performance and suggested that incentives were required to bring about improvements.

TS questioned how Ofgem derived the proposed SLA performance targets. RM clarified that the proposals were based on the previous year's SLA performance data as published in Ofgem's August 2006 consultation document.

JH suggested that the SLA should be supported by Regulatory Instructions and Guidance (RIGs) to clearly define the standards of performance under the SLA.

RM explained that Ofgem is seeking guidance from the LAs and DNOs on the most appropriate SLA performance benchmarks. RM encouraged DNOs and LAs to submit their responses on the proposed benchmarks.

High priority fault repair statistics

PW expressed concerns about the volumes of street lighting faults classified as 'high priority' under the SLA by some Lighting Authorities in WPD's area. He tabled graphs showing, by Lighting Authority, the percentage of all faults under the SLA declared as high priority, based on the agreed data already submitted to Ofgem for 21 months operation of the SLA. He pointed out that some LAs in the South West have declared up to 50% of their faults as high priority, with one LA in particular raising 300 high priority faults. In contrast PW added that all LAs in the South Wales region have raised low volumes of high priority faults; less than 2% over the same period. PW expressed concerns that DNOs performance will be distorted if LAs are inappropriately classifying faults. PW questioned the appropriateness of SLA fault definitions and suggested that these should be reviewed and refined. There was widespread agreement from the DNOs and IDNOs that the present situation where the LA was the sole arbiter of what constituted a high priority fault, was unacceptable. JH added that it is incumbent on LAs to use high priority faults sparingly. PW requested that Ofgem undertake the same analysis on percentage faults declared as high priority, by LA, using the SLA data which it already had, to assess the national variation. He added that this information would then be used to either set a cap, or to identify outliers which would be excluded from ongoing SLA monitors. Ofgem agreed to undertake such analysis.

ACTION – RM to arrange analysis and report findings at next ECSG.

NL pointed out that Ofgem reports on the performance data that is submitted by DNOs and has no control over the volumes of high priority faults raised. RM added that difficulties of this nature should be raised with the respective LA(s) and appropriate measures should be taken to ensure that faults are categorised appropriately.

RM stressed the importance for LAs and DNOs to meet regularly to discuss performance under the SLA and added that LAs and DNOs should set out their views through the consultation process and that Ofgem would consider whether further changes are required.

RM summarised ECSG discussions and recommended establishing a sub-group to discuss:

- SLA fault definitions; and
- the extent of improvements to the reporting arrangements;

The ECSG supported establishing a sub-group and agreed to meet on 3 April 2007. RM agreed to circulate a draft agenda and terms of reference.

ACTION – RM to circulate sub-group papers to ECSG.

Metered issues

7. Metered Issues - Connections proposals document

RM presented an overview of the Connections proposals document and covered the following metered issues:

- Draft Licence Condition – key features
- Proposed reporting arrangements (scope, timing)
- Promotion of good practice proposals – next steps
- Competition in Connections (CiC) Review next steps/timetable.

The presentation slides are available from Ofgem's website:

http://www.ofgem.gov.uk/Networks/Connectns/IndSteerGrpElec/Documents1/ECSG%20Metered%20Connections%2021_03_07.pdf

The ECSG raised the following points:

Draft Licence Condition (LC)

PD pointed out that EDF remain unclear as to the definition of a Point of Connection (POC) quotation and questioned whether it includes upstream reinforcement.

RM emphasised that the draft LC includes a quotation definition. NL clarified that the proposed licence quotation definition relates to non-contestable services and information only and not s16 requests. A number of DNOs sought clarification over which parties would be entitled to submit requests under the licence. NL explained that the draft LC covers requests submitted by IDNOs as well as ICPs and added that the LC includes a definition of a customer.

Transparency of s16 connection quotations

PW and MH questioned why s16 quotations should be split into contestable and non contestable elements. NL explained that this split enables a customer to understand the extent of works that are open to competition and if appropriate alternative quotations can be sourced for contestable activities.

RF explained that a number of developers have expressed concerns about s16 quotations. For example, lack of transparency over costs. RF added that developers would support measures that seek to provide clarity over non-contestable costs. JH pointed out that the characteristics of POC, ie its capacity and location within the provision of a s16 quotation are identified clearly.

Design approvals / Final connection

JH expressed concerns about the design approval obligation set out in the draft licence condition. JH suggested that the quality of some ICPs' designs vary and in some cases multiple design schemes are submitted before approval is granted.

WO pointed out that there is currently no specific metric for completing final connections. He explained that the same jointing resource is utilised in CN's distribution service area for completing Low Voltage (LV) and High Voltage (HV) connections, therefore CN is unable to support the differing timescales for completing the two different joints. WO added that 20 working days for completing a final connection is not practical due to programming and raising appropriate control room notifications/consents. He suggested that 25 working days is more practical.

A number of DNOs suggested that the timescale for providing a quotation for extra high voltage (EHV) connections should be extended as EHV connections are generally complex and often require detailed system studies.

Generation connection quotations

A number of DNOs sought clarity on generation connection quotations. NL explained the following:

- LV quotations should be issued within 15 working days;
- HV quotations issued within 20 working days; and
- EHV quotations issued within 50 working days.

CB emphasised that if reinforcement work is to be included under LV, HV, EHV connections, this should be made clear within the timescales. CB discussed the conditions precedent arrangements detailed in the LC and suggested the need for a standard approach. CB suggested that the conditions precedent should be agreed by industry participants and not be at the discretion of DNOs. RM explained that Ofgem intends to issue supporting guidance and that it may be appropriate for conditions precedent to be detailed in a LC guidance document.

Regulatory Instructions and Guidelines (RIGs)

PD suggested that Ofgem should develop a detailed RIGs document to support the proposed LC. RM confirmed that Ofgem intends to develop detailed supporting arrangements but was undecided on whether a RIGs approach or guidance document was appropriate.

JH supported a RIGs approach and emphasised the need to understand the impact of reporting arrangements on existing systems and processes. JH added that early sight of a draft reporting template would be of benefit. RM explained that a draft reporting template had been developed and that Ofgem would circulate this shortly. RM emphasised that the draft template is in line with the scope of the LC and in the event that the LC is amended a revised template would be developed.

PW enquired on the timescale for the introduction of the LC. MC explained that Ofgem plans to issue a formal licence consultation in May 2007 with a view to establishing the LC in July 2007. RM added that Ofgem would welcome views on the LC and that if in light of responses further changes to the LC are proposed, Ofgem would circulate a revised version for further comment before issuing a formal licence modification.

Promotion of good practice

RM explained that the proposals document set out a number of good practice measures that are designed to improve, amongst other things, the way DNOs manage customer interfaces. RM discussed the following:

- Increasing customer awareness (use of plain English information packs/guidance);
- Managing customer interfaces (ie establishing liaison meetings);
- Standardising the application process (standard forms, on line applications etc);
- Effective dispute resolution process (covering domestic and business disputes);

- Customer satisfaction (obtaining customer feedback to identify improvements); and
- Voluntary payments to customers where the DNO has not provided an adequate service.

RM added that a number of DNOs are taking forward these proposals and Ofgem plans to review progress in this respect during Summer 2007.

Next steps

RM explained that Ofgem's consultation closes out on 30 March 2007 and that views are invited on the LC in particular. RM added that further work is required to develop arrangements that support the operation of a licence condition and noted that guidance and developing conditions precedent were key issues. To take this forward, RM suggested that an ECSG subgroup should be established. RM added that the sub-group would not discuss the scope and requirements set out in the draft licence condition as this would be progressed separately through the consultation process.

The ECSG agreed to the establishment of a sub group to take place on 3 April 2007 (afternoon start time). Ofgem agreed to circulate an agenda, draft terms of reference to the ECSG (**Action:** Ofgem).

Standard template for non contestable charges

RM pointed out that through the through Commercial Operation Group (COG) DNOs plan to develop (where possible) standard 4B connection charging methodology statements. The COG is seeking views on the scope of this work by 10 April 2007.

MC stated that a priority for the Review is the development of a standard non-contestable charging template.

ACTION – Ofgem to circulate COG's note.

8. Multiple trade testing – update on NERSAP discussions

CB updated the ECSG on NERSAP discussions. CB explained that there was no consistency in approach across DNOs and that this created difficulties for ICPs. For example, ICPs may be required to undertake a 1 day familiarisation of the principal differences of joint techniques/materials required by one DNO whereas another DNO will insist on the ICP completing tests of the full voltage range of joints.

CB added that the NERSAP passport was designed to minimise the need for ICPs to undertake multiple trade testing. CB explained that NERSAP agreed that each DNO should present their respective policies on trade testing and craft skills for working on a currently unadopted asset still owned and worked on by the ICP, should not be confused with DNO operational authorisation for working on a live asset owned by the DNO which was a separate issue. CB added that the EU Skills Council should also be included in the process as they should be involved in establishing a standard set of trade tests and approving test centres where trade testing may be performed and accepted by all DNOs.

CB explained that the EU skills Trade Test Analysis report had been discussed by NERSAP which indicated that as the number of trade tests performed did not appear to be significant. In practice, the DNOs appeared to have a more

pragmatic approach compared to their policies. Most DNOs reviewed the individual NERS Passports of ICP staff rather than insisting carte blanche on trade testing. CB added that discussions amongst the NERSAP indicated that bringing the DNO trade testing policy in line with what is actually practised would be beneficial. It was proposed that each DNO is asked to set out their policy on trade testing to then review against actual current practice.

9. Any other business

Draft new ENA Engineering Recommendations on multi occupancy buildings (ER G87) – consultation and givernance

JH discussed G87 arrangements and explained that the Distribution Code (D Code) panel recently discussed the governance of G87. JH explained the D Code's recommendations:

- G87 is intended for the provision of low voltage (LV) connections to multiple premises and can be used by IDNOs, ICPs and DNOs and potentially other exempt parties;
- G87 should be subject to a wider consultation for all parties to be involved in its drafting;
- In terms of governance the D Code suggests that it should be brought under the governance of the ECSG and written into the annex 2 of the D Code.

The ECSG raised the following points. PD explained that the D Code review panel is subject to established governance arrangements and as the ECSG is a discussion group the G87 should be governed by the D Code.

There was no consensus on whether the G87 should be governed by the ECSG and JH added that he has no preference over whether it should be governed by ECSG or D Code. JH agreed to take this matter back to the D Code.

PW commented that he had previously advised ECSG on the development of this draft ER and had asked for parties interested in commenting to make contact with Energy Networks Association (contact was Andy Bower) as referred to Item 5 of the ECSG minutes of 8TH June 2005.

Partially funded reinforcement and diversionary works

CB discussed Ofgem's proposals not to extend contestability to partially funded reinforcement and diversionary works. CB suggested that ICPs were interested in pursuing these schemes and questioned whether Ofgem would pursue contestability at a later date. RM added that this was not a priority for the Connections Review, however, Ofgem suggested that this may be progressed by the ECSG at a later date.

National Adoption agreement

CB discussed DNOs' adoption agreements and explained that the MCCG supports the development of a national adoption agreement. RM explained that the proposals document outlines the need for convergence of approach and that a standard adoption agreement may be beneficial to competition. RM added that to develop such arrangements would require the involvement of DNOs and ICPs.

MC discussed the Connections Review and explained that Ofgem is committed to delivering competition in connections and urged all parties to submit

representations by the end of March 2007. MC stated that it is important that all parties engage fully in the consultation process and urged any party that does not support Ofgem's proposals to say so as soon as possible. MC added that the parties should not delay progress as this would damage the reputation of the industry and that Ofgem is working towards progressing the review in the timescales set out in the proposals document.

10. Date of next ECSG meeting

The next meeting is scheduled for 7 June 2007.