



**National  
Federation of  
Builders**

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**National Federation of Builders' submission to the Office of Gas and Electricity markets (Ofgem) Review of Competition in Gas and Electricity Connections Proposals Document**

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**1. Background**

The National Federation of Builders (NFB) is the construction industry's longest established trade association. It represents some 2,000 builders and contractors across England and Wales.

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.

Companies cited these as the largest operational problems that they experienced on site. This caused delay to processes, and consequential financial losses. Furthermore, on certain projects, this resulted in imposed financial penalties.

An analysis of the results also suggested that problems are particularly acutely felt in housing, owing to the large number of units. Considering both the present housing shortage and the aims set out in the Barker Review, this issue has further repercussions than merely a technical difficulty in a single industry, while costs associated with the poor performance of the utility companies ultimately get passed to the consumer.

The introduction of competition in connections was meant to help resolve difficulties in connections. While this is partially true in the gas industry (after fines and stringent regulations), it has not resolved matters in electricity connections. Furthermore, the survey also found that 46% of those

responding to the survey had not heard of options of competition in connections available to them. Under half of those who had heard of such option had utilised them, and an even smaller number reported an improvement in the level of service received when using competition for the contestable parts of connections.

We seek to highlight the difficulties of companies in our membership, and furthermore, seek ways in which these problems might be resolved or mitigated.

## **2. General response**

The NFB survey results clearly demonstrate that a transformation and 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 DNOs are seemingly able to make competition in connections unfeasible for consumers.

Areas that are desperately in need of attention fall within four specific areas:

- i) Customer Service;
- ii) Affiliate connection businesses;
- iii) Connection processes;
- iv) Delivery within timescales.

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 for our members, although there is still room for improvement. It is noticeable to our members that the approach of the gas distributors is far more customer focused than that of the Electricity DNOs, 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 DNOs 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. Our members believe that definitive performance measures are essential.

(Para 3.18) It is the NFB's belief that this area requires greater thought. The DNOs 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 (4) Promotion of convergence and good practices in electricity connections**

The NFB 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, straightforward 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) Our members believe that rather than key account managers contacts, organograms of DNOs with essential contacts and an grater 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 the DNOs and all other stakeholders. We believe that this is an essential element in resolving the current poor performance with regards to electricity connections and clear 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) Our members strongly contend that the DNOs use their affiliates as shields to regulation and competition. This is an abuse of monopoly and highly anti-competitive.

(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 DNOs and their affiliates is essential. Our Members 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.

### **3.4 (5) Unmetered electricity connections**

This area is not relevant to members of the NFB.

## **4. Questions**

### **4.1 (3) Metered Electricity Connections: Introduction of a new license condition**

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

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?

While we agree with the targets and timescales set out in this document, we feel that tighter definitions are required (e.g. 'reasonable endeavours').

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

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?

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 DNOs.

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

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

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?

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?

We hope that Ofgem will clearly design the format of the reporting arrangements, and also consider penalties for DNOs that fail to meet their performance objectives.