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Our ref

Your ref

Date

27 March 2007

Dear Roger

**Review of Competition in Connections – Response to Ofgem Proposals Document 26/07**

This letter provides Western Power Distribution's (WPD) response to the above consultation.

Comments are provided in the attachment to this letter, referenced by paragraph number of the Ofgem 26/07 Proposals Document

I hope the above comments will be of assistance. If you have any queries please call Phil West on 0117 933 2413.

Yours sincerely



ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager



### Proposed Licence Condition

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

Ofgem's Review of Competition in Connections document 159/06 August 2006 included in Tables 3.1, 3.2 and 3.3, information on performance against the very similar voluntary standards of service, and indicated that these were being met nationally in 84%, 90% and >98% of cases.

Although there was some variation between DNOs, those performance figures alone do not support the comments in 3.3 of 26/07 regarding delays and DNO performance against voluntary standards or suggest that a Licence Condition is necessary.

Whilst Ofgem report increasing complaints from users, the Review does not indicate what checks Ofgem undertook to confirm veracity. Therefore WPD is not in a position to assess whether or not the proposed licence condition is necessary

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

It is prudent to base standards of service on the existing voluntary standards in order to reduce timescales for these to be communicated and understood, and minimising the need for further changes to internal monitoring processes.

WPD agree with the point raised at ECSG on 21<sup>st</sup> March, that the timescale for approval or reasoned rejection of design of EHV schemes is unrealistic. We would suggest that the wording be amended that the target should be that a date should be provided within 10 working days, stating when approval or reasoned objection will be made.

The framing of the proposed standards contains an interdependency between timescale and % target, and both aspects should be reviewed after a year's operation to confirm validity in the light of current volumes and mixes of the connection classifications included. (For example, if there were to be a rise in the numbers of LV generation requests, the work involved in responding to these could impact on attainment of other performance targets.)

Considerable care will be needed in setting out the conditions precedent issues associated with these standards.

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

No. The standards need to include exclusions for matters / timescales outside the DNO's control, (eg. mandatory consultations and consents including planning consent) and other specific guidance on the operation of the standards. Section 17 of the Electricity Act (as amended) ("The Act") is of particular relevance here.

- WPD do not believe that the definition of “Customer” as presently worded, captures ICPs and IDNOs. As it stands the definition is constructed as ...customers or prospective customers of [list of bodies which includes ICPs and IDNOs] or any other person. It then hinges on whether an ICP or an IDNO is classed as a “person”.
- The LC needs to incorporate all the conditions precedent – reference to s17 of the Act and those listed in Chris Bean’s “Final Connection Principles” would suffice as a straw man.

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

Yes – Ofgem should develop Reporting Instructions & Guidance. These should be referred to within the Licence Condition with appropriate change control procedures.

The guidance should include exclusions such as matters / timescales outside the DNO’s control (mandatory consultations and consents including planning consent) and other specific guidance on the operation of the standards including.

### **Promotion of convergence and good practices in electricity connections**

Scope of contestability

WPD support the extension of contestability to fully funded overhead line works in accordance with ENA Engineering Recommendation G81 Part 7, which has recently been published.

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

WPD already advise Customers of their rights to contest elements of work and provide a range of documents to assist different groups of Customers in understanding the process.

Once a connection request has been received it is passed to a named Planner who subsequently acts as the single point of contact, with a notified direct dial ‘phone number. This approach is designed to be Customer friendly and avoids the issue of Customers “being passed from pillar to post”, and aligns with para 4.14. Because WPD already provide such service, and having regard to complexity, cost and IT security, together with the standards imposed under the proposed Licence Condition, we do not support the suggestion contained in 4.21 for on-line web tracking of connection requests. Customers can simply ‘phone the Planner and have a far more detailed and productive communication than for example simply seeing one of three LC milestones and a date on a website and then having to ‘phone up anyway.

We are happy to discuss possible standardisation of elements of forms used by third parties to apply for connection.

WPD believe that the proposal that a POC and non contestable element quote aligned to the POC be provided with s16 quotations above a given threshold is a useful initiative. It would significantly streamline the process enabling developers to seek ICP offers directly without the

DNO having to incur additional work in handling multiple requests for the same job. However, we believe that the “generally” (4.26) £20k threshold is too low (a view we understand is shared by at least some ICPs), and propose that it should be £50k.

WPD are happy to provide a two stage in-house dispute escalation process and to publish details on our web-site

WPD support the proposal for a national template of non-contestable charges, but note that build up of the costs included under such standardised headings could still be subject to variation in approach by different DNOs due to different approaches for the split and allocation of overheads. For example some may charge an up front design fee whilst others recover via an overhead on another activity within the template. Consequently work on developing such a national template could be more complex than first appearance might suggest. The March deadline stated in 4.41 is untenable given that the close date for this consultation is 31<sup>st</sup> March, and then DNOs would have to await Ofgem’s report on the consultation.

The wording of para 4.9 in the Review document is ambiguous, as it could be taken to mean that the quotation had to be without condition rather than the date by which a quotation was provided was without condition. Ofgem confirmed at ECSG on 21<sup>st</sup> March that quotations could contain conditions such as receipt of planning consent. This is consequently aligned with s17 of the Act which sets out a number of exceptions.

The proposal in 4.25 and 4.43 for a breakdown of costs should be for the same breakdown as already set out in previous Ofgem CiC Final Proposals August 2002 Section 5, and already made available by WPD. WPD can see no value in quoting the number of days taken to produce a quotation, when response performance is already proposed to be captured under the LC. The “days taken”, will in all probability not equal the elapsed time for the LC, because of “queuing”/first in first out of requests, and may be the sum of “part days” whilst waiting for other information possibly involving a range of third parties.

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

Yes. In addition to the proposals made in the Review, WPD believe that Trade Associations who represent and are in close contact with various customers groups also have an important role to play in improving customer awareness of competitive connections options.

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

Reporting should not increase existing Regulatory burden, and requirements should be based on existing returns. Some guidance is necessary in relation to numbers of disputes, as some may be spurious, not caused by DNO or, occasionally, simply vexatious.

We accept that customers who receive poor service should receive voluntary goodwill payments. However, the proposal in 4.65 for standard arrangements for payments to Customers needs careful debate and clarification.

### **Unmetered electricity connections**

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

The framing of the proposed standards contains an interdependency between timescale and % target, and both aspects should be reviewed after a year's operation to confirm validity. On the basis of the benchmarks contained in table 5.1 and the need for review after one year's operation, and noting the bi-lateral duties imposed WPD would accept these KPI reporting parameters in respect of those streetlighting authorities who had agreed to participate.

WPD believe that more work is needed to improve the definitions. Experience to date indicates that some have taken very different interpretations than others on "High Priority Fault Repairs", and may be abusing use of this category. We have undertaken an analysis of the % which Local Authorities have classed as high priority fault repairs against the total of faults under the SLA for each authority. It vividly demonstrates that whilst many authorities use the classification sparingly; in the case of the authorities in South Wales, in less than 2% of the total, other authorities apply the class to hundreds of faults representing up to 50% of the total. This shows that the present definition is unacceptable and cannot be used to fairly or meaningfully provide a metric of DNO performance. The source data is that already provided to authorities and Ofgem and so is available for comparison with those applying in other parts of the country. (Annex 1 of this letter provides a copy of the graphs illustrating the variability, as tabled as ECSG on 21<sup>st</sup> March.).

WPD believe that the SLA KPI monitoring can only proceed if the widely differing interpretation of High Priority Fault Repairs is first addressed. This might be by significantly tightening the definition, or by applying a cap, which could be set by removing outliers from the presently available statistics on which the proposals have been drawn. On the basis of the approach taken by the South Wales Authorities we would suggest that a cap of no more than 3% faults be declared as High Priority is reasonable. As Ofgem already have the source data for other Authorities a similar analysis might indicate that a slightly different figure was appropriate.

It is difficult to envisage a situation under High Priority Fault Repair which requires the removal of supplies, which are not an immediate danger to the public or property. The one day target for this class is too short.

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

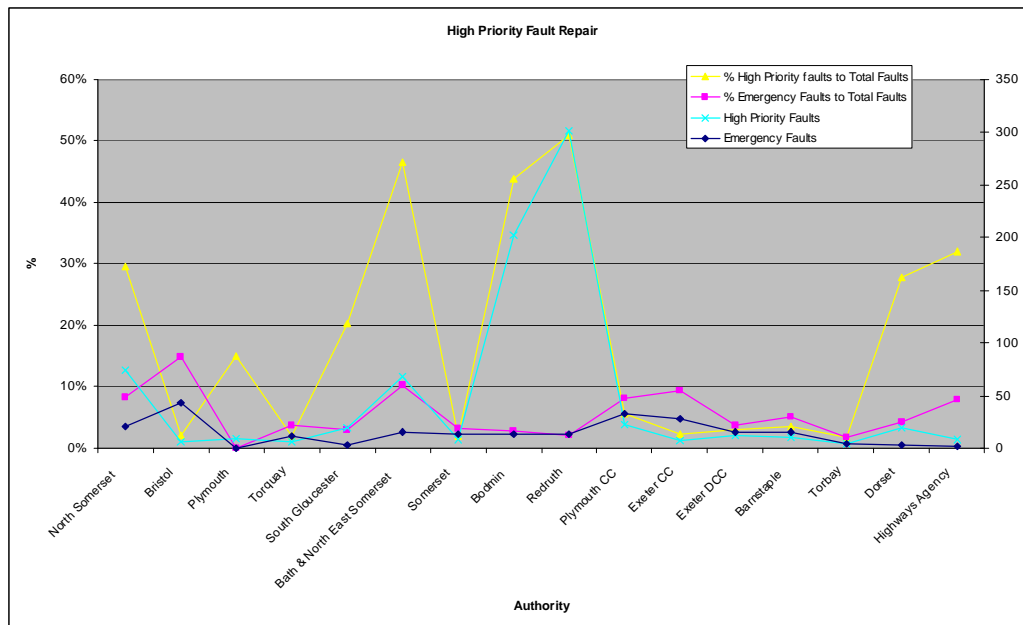
Yes, subject to entering into suitable agreements in the fashion of those already published by WPD in respect of its live jointing trial. WPD believe that the Lloyds Register list of accredited contractors, with their type of accreditation should form the published list, and not a DNO list as proposed in 5.9 and 5.17.

In relation to the proposals contained in 5.13 –

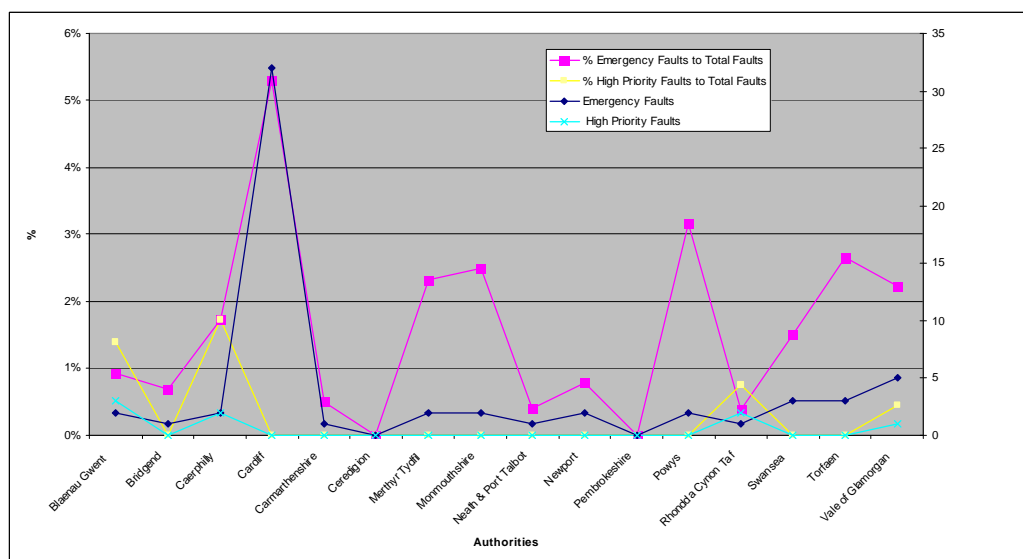
- Allowing live working on the service cable up to the joint; - agreed for suitably accredited contractors working under Agreement
- Allowing live work on self-lay mains as well as service cables; - as above. providing these are fully funded street lighting mains
- Allowing [unmetered] work on [existing] DNO laid mains – as above, providing fully funded, and that Contractor has accreditation covering the full range of LV cable types employed by WPD and HV and LV cable identification knowledge.

**Analysis of variation in classification of Emergency and High Priority streetlighting faults for 21 months of operation of SLA in participating Authorities in S Wales and S West England , to end December 2006.**

Left hand axis % of all SLA-monitored faults classified Emergency or High Priority, right hand axis shows volume. NB – the scales of the two graphs are significantly different



**SOUTH WEST**



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