

ECSG Metered Subgroup Minutes**26 April 2007**

Ofgem, 9 Millbank, London

Attendees

Alan Michie	(AM)	SP (DNO)
Mike Smith	(MS)	Western Power Distribution (DNO)
Chris Allanson	(CA)	CE Electric (DNO)
Keith Hodson	(KH)	Central Networks (DNO)
Brian Hoy	(BH)	United Utilities (DNO)
Chris Bean	(CB)	Power On Connections (ICP)
Dave Clare	(DC)	Mott Green Wall (ICP)
Roger Morgan	(RM)	Ofgem (Chair)
Nicola Love	(NL)	Ofgem
Alberto Prandini	(AP)	Ofgem
Katherine Pierzchala	(KP)	Ofgem (Minutes)
Michael Dooley	(MD)	Ofgem (Minutes)

1. Introduction and Apologies

RM opened the meeting and invited attendees to introduce themselves.

Apologies were received from Mark Smith, Neil Magrath, and Steve Scarisbrick who was replaced by Chris Allanson.

2. Review of previous ECSG minutes

There were no comments on the previous subgroup minutes.

Actions

RM ran through the actions of the previous meeting and provided the following update:

Actions from 03/04/07 meeting: Ofgem to amend and circulate revised reporting template.

RM explained that the template had been amended to reflect comments received during the previous subgroup meeting. NL explained that the revised template allows DNOs to capture instances where customers have failed to provide the minimum level of information or for customer failures in meeting the conditions precedent prior to the energisation date. .

BH suggested that the revised template was complex. NL explained that the amendments reflected the changes requested by DNOs. KH agreed with BH and suggested that some DNOs may face difficulties in recording the required information due to IT system constraints. RM urged DNOs to provide comments and added that a comprehensive reporting template was needed to support the proposed licence condition.

CA suggested that implementing a detailed reporting template would help DNO's internal audit arrangements. NL asked DNOs to comment on how the information should be submitted to Ofgem. DC suggested that in submitting the information to Ofgem, DNOs are protecting themselves from potential complaints regarding levels of service. He also suggested that the reporting template could help ICPs identify areas where they are failing.

KH updated the group on CN's proposals to utilise a web based system developed by UU in conjunction with a Manchester based company called MBA. KH added that the system was already in use in the UU area and other DNO's had shown an interest. It was considered that the system functions would assist in monitoring the day to day interface between the ICP/DNO and also assist in the retrieval of information for the proposed returns to Ofgem. KH agreed to send details to RM for distribution to other group members as required.

Action from 03/04/07 meeting: Attendees to send comments on reporting template to Ofgem for circulation among sub-group members.

It was agreed that this action would be rolled over to the next meeting.

Action from 03/04/07 meeting: Ofgem to circulate a link to the Gas Guaranteed Standards of Performance and gas connections Standards document.

Due to unforeseen problems with Ofgem's new website this action was not progressed. Ofgem agreed to circulate the link to the document. RM assured the room that the problem has since been rectified and that the links would be circulated shortly.

It was agreed that the following two actions had been completed.

Action from 03/04/07 meeting: CB to circulate a note that discusses phased energisation scenarios.

Action from 03/04/07 meeting: Ofgem to amend the final connection principals and circulate a revised version to the sub group.

Action from 03/04/07 meeting: Attendees to submit to Ofgem the conditions precedent aspect of their respective Adoption Agreements to aid drafting of the guidance document.

It was suggested that this action would be picked up later in the meeting.

3. Ofgems proposals document – overview of responses

RM explained that Ofgem had received 53 responses to the February Competition in Connections (CiC) proposals document. RM summarised the main comments raised by respondents:

- There was considerable support for moving to the new classification system of LV, HV and EHV connections;
- The majority of ICPs considered that quotations should be firm, rather than estimates;
- There was general support for a RIGs document to avoid misinterpretation of the licence condition and improve its operation;
- Some DNOs expressed concerns about the proposed timescales, and in particular regarding those relating to EHV schemes as these were viewed as being more complex; and

- DNOs were also concerned about the exclusion of IDNOs from the licence condition.

Provision of firm quotations

BH considered that providing firm quotations would require an extension to the proposed timescales. CA suggested that all DNO quotations have a level of uncertainty associated with them and that caveats are used to reflect this ambiguity. CA reemphasised that it is impossible to generate a 100% firm quote until the DNO has seen the ICP's design. CB recognised the possibility of scheme variance but suggested that there was no consistency between DNOs in the level of accuracy of quotations issued. CA suggested that where the DNO does not deviate from the quotation, they must be absorbing the costs of any subsequent variances.

CB suggested that DNO systems should be able to factor in variances and generate highly accurate quotations. He reiterated the fact that ICPs found wide variation between DNOs in this area. CA suggested price controls imposed on DNOs has resulted in a reduction in labour force, leading to fewer site visits and more desktop generated quotations. He stated that ICPs should be encouraged to enter into a contract for the elements of the works that have a generally firm or fixed price, i.e. jointing. BH suggested that DNOs could provide ICPs with firm quotations by removing the variable elements altogether. CB suggested ICPs do not want absolute costs as this would impact timescales for delivery, but that they want a true costing that is reflective of the information available at the time.

CA suggested that DNOs are currently given a choice of making an initial firm quotation and so incur potential commercial risk, or offering a firm quotation only once the design has been approved. CB stated that waiting for design approval before making a firm quotation could cause severe delays and would require the DNO to examine the quotation twice. CA considered a scenario where more than one ICP requested a quote for a development site. He stated that not all ICPs will require a firm quotation as only one will be contracted to do the work. He added that the strict timescales place limitations on how accurate a quotation can be. RM suggested that DNOs need to act reasonably and that the information ICPs receive from DNOs should be sufficient to allow the ICP to enter into a contract. Attendees agreed that quotes can include clauses mitigating future amendments, provided that these clauses are reasonable. Both DNO and ICP attendees agreed that DNOs should be able to provide firm quotations on this basis.

KH explained that CN endeavour to stick to their quotations and generally absorb any variances. NL suggested that quotations will always have caveats to account for unpredictable elements but considered that quotations need to be accurate.

Delays

CB and BH agreed that reinforcement and diversions are the cause of the majority of quotation delays. CA expressed concern that some customers fail to provide a sufficient amount of information in their applications. NL emphasised the minimum information and conditions precedent sections of the reporting template as a means of identifying customer failures.

KH suggested that legal rights and consents were a main cause of delays for DNOs. He added that this work was contestable and could be taken up by the ICP. CB accepted the possibility of variances but suggested that these should be fully justifiable. CA suggested that the new licence condition should adopt

elements from section 16 of the Electricity Act in order to address which parts of a quotation are subject to variance.

4. Revised draft licence condition

RM tabled the revised draft licence condition. RM explained that the revised version is a working draft incorporating many useful comments provided and is based on drafting provided by the ENA's Distribution Licence Review group. RM emphasised that before a formal consultation on the licence is progressed, Ofgem would welcome written comments regarding this revised edition. NL went on to discuss the changes between the revised draft licence condition and the draft provided as part of the February proposals document. NL commented on each section as follows:

1. Newly introduced to improve licence condition clarity.
2. Same as former part 1.
3. Refers to the appendix.
4. Refers to clock start and minimum level of information.
5. DNO obligation with regards to applicant providing less than the minimum level of information.
6. DNO obligation with regards to timescales.
7. Refers to exemptions, section extended and section 16 exemption dropped due to 1(b).
8. Unchanged.
9. Information reporting arrangements.
10. May be removed, addition from Roger Barnard.
11. May be removed, addition from Roger Barnard.
12. Allow Ofgem to make DNO exempt from timescales.
13. Allow Ofgem to make DNO exempt from timescales.
14. Definitions, minor changes.
15. Restructured appendix, 2(c) added for EHV.

RM emphasised that there would be another chance for attendees to submit formal comments and that the meeting was an opportunity for Ofgem to receive preliminary informal comments.

DC expressed concerns regarding appendix 2(a). He suggested that the 72kV ceiling made it possible for some DNOs to withhold information concerning connections over this threshold. DC and CB both considered EHV to fall between 22kV and 132kV and questioned where the 72kV ceiling had come from. DC suggested that he had no concerns over the 3 month timescale encompassing EHV projects, but considered that by limiting the definition to 72kV, some DNOs may take advantage of these schemes falling outside the licence condition. It was agreed that an ICP should receive notification within 30 days, or as soon as is practicable, if a scheme has been classified as 132kV. BH confirmed that good communication between ICPs and DNOs was needed to avoid misinterpretation of the definitions.

RM expressed some concern regarding the addition of new obligations on DNOs. KH suggested that a formal offer was normally sent within days of POC information. He considered that it would be difficult for DNOs to deliver POC information for projects over 132kV in less than 3 months due to the complexity of the scheme. CA expressed further concerns regarding third party influences on 132kV projects. He suggested that National Grid may inadvertently delay the project as they are required to examine all schemes at 132kV; he suggested that such external involvement reduces the DNOs' control over the quotation delivery date.

CA raised some concerns regarding the definitions of “reinforcement works” and “premises”, suggesting that the later was open to legal interpretation which may affect the point at which the apportionment rule is applied. RM explained that the definition of reinforcement works had not changed. He also reminded attendees that they would have another chance to submit formal written comments to Ofgem through a further consultation period.

5. Licence condition guidance

Conditions precedent

RM explained that to facilitate debate in the sub-group the components of the guidance document had been broken down into various sections. RM explained that he would table for discussion each section and would welcome views from the sub group on the content, particularly in terms of the scope and level of detail included.

RM briefly discussed the format of the guidance document and explained that it will include an introduction, a background section, and various chapters covering the scope of the licence condition. RM emphasised that if the licence condition is amended then the guidance document will change accordingly.

Draft - Requirements on DNOs and IDNOs under SLC 4F – Provision of non-contestable information and services

RM introduced a table which summarised the obligations placed on licensees by the licence condition. The table outlined relevant definitions and the corresponding annual performance target for each proposed standard.

RM asked if the ECSG subgroup had any objections to summarising the licence condition in a tabulated format. The group agreed that the format was a sensible way of detailing the standards.

Draft – Definitions

RM tabled a document outlining the key definitions that will be included in the guidance document. He pointed out that the definitions are in layman’s terms to ensure clarity. RM added that he would welcome comments from the ECSG sub group on the definitions. Several DNOs questioned the definition of reinforcement work, and agreed that there needed to be consistency amongst the definitions. NL stated that Ofgem would welcome written comments from the group on the definitions.

Draft – Exemptions

RM tabled the section which explained the exemptions relevant to the licence condition. RM stressed that this document, like the definitions section, has been written to provide clarity and so should be easy to follow.

RM and NL emphasised that all the circulated documents are currently in draft form and are subject to change following amendments to the draft licence condition. They added that Ofgem would welcome specific comments on the content of each section and in the level of detail required.

ACTION: Ofgem to email the draft licence condition guidance material to the sub group by 27 April 2007.

ACTION: Sub group to provide comments to Ofgem within one week of receipt of email.

Conditions Precedent

RM circulated documents which focused on various DNOs' conditions precedent as submitted to Ofgem following the previous subgroup meeting. The pack included the following:

- A draft final conditions precedent (Amended by/Owned by whom?);
- United Utilities' conditions precedent arrangements;
- SP Energy Networks' general conditions for the adoption of contestable works;
- Central Networks' extract of its Adoption Agreement; and
- EDF's conditions precedent.

NL pointed out that it is Ofgem's intention to include a section on conditions precedent in the guidance document.

RM added that CB's paper on Final Connection Principles (FCPs) was discussed at the previous sub group meeting on 3 April. He questioned whether the sub group would like to include any other items within the current draft. MS commented that he was pleased with the FCPs as discussed at the 3 April 2007 sub group meeting.

BH pointed out that it is expected that the conditions precedent will also be included within each DNO's Adoption Agreements, and as such CB emphasised that there needs to be consistency between DNOs. It was stressed that there has been previous discussion at the ECSG regarding convergence of Adoption Agreements for all DNOs. RM suggested that this could be taken forward at a later date and that discussions should focus on the conditions precedent only.

CA raised a concern that the licence condition as drafted could be interpreted as obliging DNOs to adopt connections once the ICP has met the conditions precedent. NL stated that the intention of the conditions precedent was to allow ICPs and other parties to make an advanced request for a completion date provided that the requesting party meets the conditions precedent before the works can take place. NL stressed that it is not intended that the conditions precedent will place a requirement on DNOs to energise or connect where it is not suitable for them to do so. DC agreed that the conditions precedent is not intended to replace the terms of the Adoption Agreement.

CA stated that he was willing to make some drafting changes to the current conditions precedent document.

ACTION: CA to revise the conditions precedent draft and circulate to sub group by Tuesday 1 April 2007.

BH stated that there should be clarification within the Adoption Agreement about when energisation of the network can take place. BH pointed out that all conditions precedent need to be met prior to energisation of the network and that if this is not the case then the DNO should be able to require the ICP to submit a new request for energisation.

CB pointed out that communication between ICPs and DNOs is essential for the new arrangements to work properly. He added that ICPs accept that certain

conditions have to be met before final connection can be undertaken by the DNO. NL added that if the ICP requests a forecasted date for connection then it is expected to ensure that conditions precedent are met. If the ICP fails to do so then the ICP will be liable for abortive costs. The emphasis is therefore on the ICP to build a good relationship with the DNO by meeting the obligations required and allowing works to proceed as planned. NL stated that paragraph 1.4 of the conditions precedent places an incentive on the ICP to notify the DNO if the planned final connection date is not achievable.

The sub group raised the following with regard to the draft conditions precedent:

- Reference 1.2(1) – ‘Legals’ should be referred to as the Adoption Agreement, and the status for legals defined;
- Reference 1.2(3) – unsure whether NRSWA notice is appropriate to allow final connection works to be completed;
- An additional statement should be added, to stress that ‘these conditions are not intended to replace the Adoption Agreements’;
- Commercial arrangements, should not be included in this document; and
- There is a need for DNOs to confirm that work has been completed.

CB stated that there are 3 main issues from an ICP’s perspective with regard to the conditions precedent. He explained that the conditions precedent should:

- Have specific detailed dates for final connection that all DNOs understand;
- Be based on issues that cannot run in tandem, rather than afterwards; and
- Allow requests to be made in advance of completion of works.

DC questioned whether the term “final connections” is appropriate for the conditions precedent. CB explained that this phrasing is the industry standard, and RM added that the licence condition refers to “final works”.

KH questioned whether the timescales for cancellation of final connection works under the conditions precedent are finalised. RM stated that the draft will be issued for another round of consultation.

Draft – Measurement Definitions

RM tabled a document that is designed to give guidance on the monitoring and measuring of performance in individual cases and against the annual performance standards. He added that the definitions are drafted in simple terms and should be easy to follow. He further added that the definitions provide more detailed guidance relating to clock start/stop issues.

Draft – Reporting performance to Ofgem

RM tabled a document which describes the reporting template and explained that that performance should be sent to Ofgem on a quarterly basis. NL stressed that performance would be measured at the end of each financial year and that this would be clarified in the licence condition.

Action – Ofgem to circulate all documents for comment

Action – Attendees to provide comments within 1 week

6. Phased Energisation

CB talked through his paper on phased energisation, in terms of 4 scenarios:

- Scenario 1 – Phased HV connections;
- Scenario 2 – Phased HV and LV connections;
- Scenario 3 – Phased LV energisation; and
- Scenario 4 – Phased HV energisation.

CB agreed that the document could be circulated with the other guidance documents for comment.

Action – Ofgem to circulate CB’s phased energisation document for comment.

There was general agreement that the terminology in Ofgem’s guidance document and licence condition should specify “phased energisation” rather than “phased connections”. NL agreed that this would be amended.

Action: Ofgem to re-draft the licence condition to refer to “phased energisation”.

KH stated that CN use the term “make live” rather than phased energisation. Several DNOs commented on the differences between final connection works and phased energisation. CB explained that the difference between is that the former requires physical works and installation of equipment while the latter requires switching or the insertion of fuses; this could also be described as making the connection live. He stated that there needs to be agreement on terminology and would welcome comments on the draft.

NL pointed out that the phased energisation document could be included as an appendix to the guidance document. CB agreed that he was happy with this approach.

Action – Ofgem to include CB’s phased energisation document within the guidance document

7. Next Steps

RM emphasised that the purpose of the documents circulated at the meeting is to indicate the level of detail that Ofgem is planning to set out in the guidance document. He added that the individual sections will be drafted into a single guidance document, similar to a RIGS document. NL added that Ofgem will informally consult on the document.

RM explained that Ofgem plans to issue a draft licence condition for a 2-week informal consultation in May 07. He pointed out that the current version of the licence condition will be subject to change before this consultation. Following this consultation, Ofgem will consider responses and progress a formal licence modification consultation. RM added that Ofgem plans to consult informally on the guidance document at the same time. NL explained that the formal licence consultation would be for one month, with the licence condition then taking effect provided that no objections are received.

The guidance document will be issued for formal consultation after this time. RM suggested it would be worthwhile to have another sub group meeting to discuss the guidance document.

Action – Ofgem to set up a sub group meeting to discuss the guidance document following informal consultation.

ACTION: Ofgem to circulate a timetable outlining our proposed next steps.