



To: Electricity Distributors,
Independent Connection
providers and other interested
parties.

*Promoting choice and
value for all customers.*

Our Ref: SLC4F_Formal_Constult
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Date: 13 July 2007

Dear Colleagues

Standard Licence Condition 4F - Standards for the provision of non-contestable connection services ("SLC 4F") – Formal licence modification

Purpose of this letter

We are seeking to modify the Electricity Distributors Licence by introducing a standards of performance regime covering non-contestable connection services provided by Electricity Distribution Operators (DNOs)¹. The modification is being progressed through the Electricity Act section 11A (Modification of standard licence conditions) arrangements for a 28 day period.

This letter accompanies Ofgem's attached section 11A formal licence modification notice and also details:

- Ofgem's Competition in Connections Review through which we have developed and progressed the licence condition and accompanying guidance document on which we are formally consulting; and
- Views raised by respondents to our informal consultation on the proposed licence condition and Ofgem's consideration of these views (see Appendix A).

SLC 4F - guidance document

We are also consulting in parallel and on a formal basis on a licence condition guidance document. The guidance document is a feature of SLC 4F and is closely aligned to the licence condition. The purpose of the guidance document is to provide further clarity concerning the requirements of the licence and the associated reporting arrangements.

To implement the guidance document Ofgem is required to consult formally. This consultation is subject to a separate covering letter which details the rationale for the guidance document, its purpose and objectives.

Ofgem's Competition in Connections Review

In May 2006, Ofgem launched a review of competition in connections through a consultation letter². We sought views on the proposed scope and objectives of the review

¹ Formerly referred to as Public Electricity Suppliers (ex PES licensees)

² May 2006 Ref: 81/06 Review of Competition in Gas and Electricity Connections – Open consultation letter

and supported the consultation by hosting a workshop during which industry participants presented their views on the connections market. Feedback we received suggested that formal obligations on Gas Distributors in the gas market works well. However, significant concerns were expressed about the operation of the electricity connections market, in particular, DNOs performance against the voluntary standards in relation to the provision of non-contestable information and services.

Through consultation³ and further industry workshops we have received feedback on the operation of the electricity connections market and having considered these views we set out proposals in February 2007⁴. A key feature of our proposals was to introduce a licence condition on DNOs governing the provision of non-contestable information and services. The proposals document appendices⁵ set out for consultation, in draft form, a licence condition to formalise the provision by DNOs of non-contestable information and services. We also set out in this document our intentions to issue a formal consultation on a licence modification.

Development of SLC 4F

It is important to point out that since the publication of the proposals document and receipt of responses we have developed the licence condition further. In particular, we have:

progressed arising policy issues, discussed proposed reporting arrangements and considered the extent of supporting guidance required via a sub-group of the Electricity Connections Steering Group (ECSG); and

amended the legal drafting in light of proposals provided by DNOs through the Energy Networks Association (ENA).

As a result of the above industry liaison we have subsequently amended the licence condition to build on the policy development progressed through the ECSG sub-group and legal drafting clarifications progressed with DNOs. The formal licence modification is the next step in this process and is attached to this letter (see Appendix B section 11A notice and proposed SLC 4F).

Next steps

The consultation process on the formal licence modification is due to run until 5pm 10 August 2007 and we propose that the licence condition takes effect from 1 October 2007. Responses to the formal consultation should be sent to the following email account: connections@ofgem.gov.uk

If you wish to discuss any aspect of this letter please do not hesitate to contact me.

Yours sincerely



Roger Morgan
Senior Manager, Connections Policy

³ 31 August 2006 Ref: 159/06 Review of Competition in Gas and Electricity Connections - Consultation document

⁴ 16 February 2007 Ref: 26/07 Review of Competition in Gas and Electricity Connections - Proposals document

⁵ 16 February 2007 Ref: 26a/07: Review of Competition in Gas and Electricity Connections Proposals Document - Supplementary Appendices

Appendix A

Responses to Ofgem's informal licence condition consultation

Set out below is a summary of responses to our informal consultation on the proposed licence condition, with an explanation of Ofgem's views.

Please note text in bullet point denotes views provided through the informal consultation with Ofgem's response to each point directly below.

New Licence Condition should be applied to all Independent Distribution Network Operators (IDNOs) to ensure a consistent service to all connection providers.

Currently, the vast majority of competitive connection activity is taking place on DNO networks. Through the connections review we made it clear that proposals to introduce formal standards of performance are directed towards DNOs, rather than IDNOs. Therefore, we do not propose to switch on for IDNOs when the licence goes live. However, we will keep this matter under review and assess periodically whether it is appropriate to activate the licence for IDNOs.

Licence condition should be explicit that requests under section 16 are outside the scope of SLC 4F.

The accompanying licence condition guidance document confirms that bundled requests for contestable and non-contestable services are outside the scope of SLC 4F. However, requests for non-contestable services only are within scope of the licence.

Distributors expressed general concerns about proposed timescales across the range of services within scope of SLC 4F and suggested that timeframes are extended. In particular, timescales for EHV quotes and design approval were of concern.

The timescales proposed in SLC 4F are based on the voluntary Competition in Connection standards. The timeframes proposed reflect what can be reasonably achieved by distributors to allow a third party connection provider to complete each stage of the connections process in a timely manner.

In light of representations, we have subsequently amended the timeframes for the provision of LV generation quotations from twenty working days to thirty working days in recognition that DNOs may receive large numbers of LV generation requests. Also, design submissions for extra high voltage connections have been extended from fifteen to twenty working days to reflect the additional complexity involved.

One distributor suggested that a 90% performance target is not appropriate due to the nature of its Distribution Service Area (DSA) and recommends that Ofgem implement an 80% performance target.

The distributor concerned did not provide sufficient evidence to justify this suggestion. We consider that all DNOs should organise themselves to achieve the proposed timescales in almost all cases, with the 90% threshold as a backstop.

A number of distributors suggest that paragraph 5 of the licence condition which obliges the distributor to inform the applicant that minimum information has not been provided should be extended from five to ten working days.

This standard is to provide some certainty that requests for services under SLC 4F will be checked by the DNO to ensure that the information required to meet the standards has

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been provided by the applicant. It is Ofgem's view that five working days seems reasonable to check requests that are submitted and inform an applicant that it has not provided the minimum information. Therefore, we do not propose to extend the timescales to ten working days.

- *Distributors requested further clarity concerning measurement of the standards ('start / stop clock' issues).*

The accompanying licence condition guidance document (chapter two) has been amended and provides clarity in this respect through a working example.

- *For the purposes of SLC 4F distributors expressed differing views on what constitutes a working day. For example, one distributor suggested that the 5pm end of working day should be replaced with midday on that working day. One distributor suggested that 5pm deadline should be rescinded as their IT systems do not work to a 5pm working day.*

The licence condition does not include a working day definition. However, the guidance document is explicit on this matter and confirms that the working day (excluding weekends and bank holidays) will end at 5pm. Ofgem will discuss specific concerns about IT systems with individual distributors.

- *A number of third party connection providers request that the scope of SLC 4F should be extended to 132kV schemes. On this issue, distributors have expressed concerns about extending the scope of SLC 4F to 132kV schemes.*

1 (f) of appendix one of SLC 4F (which details the services and standards covered) confirms that the provision of quotations for connection requests that are not covered by 1 (a) to (e) will be provided by the distributor within three months of receiving the request. Therefore, for the avoidance of doubt 132kV schemes are covered by 1(f).

The current draft of SLC 4F does not include timescales for the provision of 132kV design submissions. It was not intended to exclude 132kV designs from the scope of SLC 4F, therefore, we have made a minor amendment to ensure that 132 kV design submissions are covered by the licence and have adjusted the timescales for EHV design submissions from fifteen to twenty working days.

- *A number of distributors have requested clarification on when the licence will be implemented. Concerns have also been expressed about when reporting under the standards will commence.*

We propose that the licence comes into effect on the 1 October 07 (start of reporting quarter). This provides distributors with additional time to progress the necessary changes that are required to comply with the reporting arrangements. We propose that distributors should report on a quarterly basis for at least two years of operation of the licence, so that we can gather detailed reporting on performance and assess the effectiveness of the standards.

- *A number of third party connection providers suggest that Ofgem should consider implementing financial penalties if DNOs fail to meet the performance targets.*

We are not proposing to introduce financial standards for individual cases alongside the licence condition. Ofgem can only introduce financial penalties through the introduction of a guaranteed standards of performance regime (GSOP). The Electricity Act restricts us in the application of guaranteed standards. That is, we are able to introduce a GSOP regime that applies to end users (customers) only and not ICPs or IDNOs. If any DNO breaches the licence condition, our normal enforcement policy will apply.

Appendix B

Notice under section 11A(3) of the Electricity Act 1989

The Gas and Electricity Markets Authority ("the Authority") hereby give notice pursuant to section 11A(3) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify the electricity distribution licence ("the Licence"), granted or treated as granted to electricity distributors ("the Licensees") pursuant to section 6(1)(c) of the Act by introducing standard licence condition 4F (Standards for the provision of non-contestable connection services) ("SLC 4F"), in the manner set out in the Schedule to this Notice.
2. The reason why the Authority proposes to introduce SLC 4F is to better facilitate the effective development of competition in electricity connections by ensuring that the non-contestable connections services detailed in SLC 4F are provided by Licensees in a timely manner.
3. Further detail on the purpose and effect of this modification can be found in the document published by the Authority on 16 February 2007 titled - *Review of Gas and Electricity Connections Proposals Document Ref: 26/07*. A copy of the document is available (free of charge) from the Ofgem library, 9 Millbank, London SW1P 3GE (020 7901 7003) of the Ofgem website (www.ofgem.gov.uk).
4. A copy of the proposed licence modification SLC 4F can be found in the Schedule to this Notice.
5. Any representations or objections to the proposed licence modification may be made on or before 10 August 2007 and should be addressed to Roger Morgan, Senior Manager, Connections Policy, Ofgem, 9 Millbank, London SW1P 3GE (020 7901 7346) or roger.morgan@ofgem.gov.uk



Martin Crouch
Director - Electricity Distribution
Authorised on behalf of the Authority

13 July 2007

Schedule

Condition 4F. Standards for the provision of non-contestable connection services

Introduction

1. This condition applies where:
 - (a) a person (“the applicant”) has asked the licensee to provide any of the services mentioned in paragraph 2 in relation to the connection of premises to the licensee’s distribution system; and
 - (b) the applicant’s request is limited to the provision of non-contestable connection services by the licensee.
2. The services covered by this condition are the services of:
 - (a) providing quotations (including point of connection information) in relation to the provision referred to in paragraph 1(b);
 - (b) responding to design submissions for connections; and
 - (c) completing final works and phased energisations as non-contestable services.
3. Those services and the standards that apply to them are specified in greater detail in the Table of Services and Standards (“the Table”) set out at Appendix 1, which is part of this condition.
4. A request received by the licensee under paragraph 1, in relation to a service referred to in paragraph 2, becomes effective for the purposes of this condition when the applicant has supplied:
 - (a) all of the information that the licensee, in statements it has made available relating to the purposes of this condition, has specified are reasonably required to enable it to provide that service; and
 - (b) payment of any charges that may apply in relation to the provision of that service.
5. If a request received by the licensee under paragraph 1, in relation to a service referred to in paragraph 2, does not contain all of the information required under paragraph 4, the licensee must inform the applicant within five working days of receiving the request.

The relevant services and their standards

6. Where this condition applies, the licensee, in relation to each of the services specified in Column 1 of the Table, must:
 - (a) use reasonable endeavours in every case to provide the relevant service to the applicant; and

- (b) without limiting the general effect of that obligation, provide the relevant service to the applicant in at least 90 per cent of all cases,

in accordance with the corresponding standard specified in Column 2 of the Table.

- 7. The licensee is not required to comply with its obligations under paragraph 6:
 - (a) if and to the extent that the Authority consents otherwise;
 - (b) if the applicant asks for a lower standard than is set out in the Table to be applied to a relevant service in any particular case;
 - (c) if compliance by the licensee would be likely to cause the licensee to breach regulations made under section 29 of the Act (so long as the licensee has taken all reasonable steps to prevent such breach from occurring);
 - (d) if the licensee is prevented from doing so by circumstances not within its control; or
 - (e) if it is not reasonable in all the circumstances of the case for the licensee to be required to do so.

Audit of service provision and information reporting

- 8. The licensee must, by 30 June each year, unless otherwise agreed by the Authority:
 - (a) undertake an audit relating to its provision during the previous financial year of the services to which paragraph 2 refers;
 - (b) inform the Authority of the nature and scope of that audit; and
 - (c) if asked to do so by the Authority in writing, review the audit and the manner in which it is being operated, with a view to determining whether any change should be made to it or the manner of its operation.
- 9. The licensee must, by 30 June each year, provide the following information in respect of the previous financial year to the Authority:
 - (a) the number of requests that the licensee has received for each of the services specified in Column 1 of the Table;
 - (b) the time taken in each case to provide the relevant service;
 - (c) for requests where the licensee's provision of the service failed to meet the corresponding standard specified in Column 2 of the Table, a commentary on those failures;
 - (d) the number of requests in relation to which any of sub-paragraphs (a) to (e) of paragraph 7 has applied; and
 - (e) the results of any audit carried out under paragraph 8.

Power to direct exemption

10. The Authority may give a direction to the licensee that this condition shall not have effect in its licence from the date and for the duration specified in that direction.
11. The Authority's power to give a direction under paragraph 10 includes power to revoke that direction upon reasonable notice to the licensee following consultation with it.

Guidance concerning this condition

12. The Authority may issue, and may from time to time revise, guidance on any of the provisions of this condition, with a view to:
 - (a) removing or reducing inconsistencies between electricity distributors in their interpretation and application of those provisions; and
 - (b) improving the form or manner in which information is to be collected, provided, or reported under any requirement of this condition,so as more effectively to achieve its purposes.
13. Where any guidance is in force under paragraph 12, the licensee must act in accordance with that guidance.
14. Before issuing guidance under paragraph 12, the Authority, by notice given to all electricity distributors, must:
 - (a) state that it proposes to issue guidance and specify the date on which it proposes that this should take effect;
 - (b) set out the text of the guidance and the Authority's reasons for proposing to issue it; and
 - (c) specify the time (which must not be less than a period of 28 days from the date of the notice) within which representations or objections with respect to the proposal may be made,and must consider any representations or objections which are duly made and not withdrawn.
15. In paragraph 14, "issuing guidance" includes issuing any revision of it.

Interpretation

16. For the purposes of this condition:

references to information are references to information that is accurate in all material respects.

“associated works” means any works required in order to provide a connection to the licensee’s distribution system, including any necessary reinforcement works or diversionary works.

“demand connection” means a connection the purpose of which is to enable the premises to receive a supply of electricity from the licensee’s distribution system.

“diversionary works” means the service consisting of the moving of any electric lines, electrical plant, or electricity meters in order to facilitate the extension, redesign, or redevelopment of any premises on which those things are located and to which they are connected.

“energisation” means the licensee’s taking of the steps necessary to enable an electrical current to flow from (or to) the licensee’s distribution system to (or from) the point of connection, in response to a request from the applicant.

“final works” means the installation of the connection equipment in such a way that, subject to energisation, the premises are physically able to receive a supply of electricity from the licensee’s distribution system or (as the case may be) the licensee’s distribution system is physically able to receive a supply of electricity from the premises.

“generation connection” means a connection the purpose of which is to enable the licensee’s distribution system to receive a supply of electricity from the premises.

“phased energisation”, in relation to a part only of the premises, means the physical ability, subject to the completion of final works, to allow an electrical current to flow from (or to) the licensee’s distribution system to (or from) that part by means of the insertion of a fuse or as a result of a switching operation.

“point of connection” means the point on the licensee’s distribution system at which the premises will be directly or indirectly connected to that system.

“premises” includes any land, building, or structure and any distribution system other than the licensee’s.

“quotation” means information provided to the applicant in writing and includes information relating to the point of connection, a statement of the charges that will apply (subject to any terms of the quotation) in accordance with the licensee’s statement prepared under standard condition 4B (Connection Charging Methodology), and any other information reasonably required by the applicant.

“reinforcement works” means works required on the licensee’s distribution system to accommodate a new or an increased connection.

17. Appendix 1 follows immediately below.

Appendix 1: Table of Services and Standards

COLUMN 1 – SERVICE	COLUMN 2 – STANDARD
<p>1. Provision of quotations</p> <p>Provide a quotation:</p> <p>(a) low voltage demand: for a new demand connection to the licensee’s distribution system where the highest voltage of the assets at the point of connection and any associated works is not more than one kilovolt.</p> <p>(b) low voltage generation: for a new generation connection to the licensee’s distribution system where the highest voltage of the assets at the point of connection and any associated works is not more than one kilovolt.</p> <p>(c) high voltage demand: for a new demand connection to the licensee’s distribution system where the highest voltage of the assets at the point of connection and any associated works is more than one kilovolt but not more than 22 kilovolts.</p> <p>(d) high voltage generation: for a new generation connection to the licensee’s distribution system where the highest voltage of the assets at the point of connection and any associated works is more than one kilovolt but not more than 22 kilovolts.</p> <p>(e) extra high voltage demand: for a new demand connection to the licensee’s distribution system where the highest voltage of the assets at the point of connection and associated works is more than 22 kilovolts but not more than 72 kilovolts.</p> <p>(f) other connections: for a new connection to the licensee’s distribution system that is not included within the preceding sub-paragraphs.</p>	<p>within fifteen working days of receiving the request</p> <p>within thirty working days of receiving the request</p> <p>within twenty working days of receiving the request</p> <p>within fifty working days of receiving the request</p> <p>within fifty working days of receiving the request</p> <p>within three months of receiving the request</p>
<p>2. Information and design submissions</p> <p>(a) point of connection information: provide the technical information necessary to enable the applicant to identify the proposed location and characteristics of the point of connection of the premises to the licensee’s distribution system, where the highest voltage of the assets at that point or any associated works is more than 22 kilovolts but not more than 72 kilovolts.</p>	<p>within thirty working days of receiving the request</p>

COLUMN 1 – SERVICE	COLUMN 2 – STANDARD
<p>(b) design submissions for low voltage and high voltage connections: in response to a design submitted by the applicant for the licensee’s approval, outlining a new proposal for connecting premises to the licensee’s distribution system, provide a written approval of the proposed design, or a written rejection stating reasons for rejection.</p> <p>(c) design submissions for extra high voltage and other connections: in response to a design submitted by the applicant for the licensee’s approval, outlining a new proposal for connecting premises to the licensee’s distribution system, provide a written approval of the proposed design, or a written rejection stating reasons for rejection.</p>	<p>within ten working days of receiving the proposed design (unless any part of it would require or directly affect the use of extra high voltage assets)</p> <p>within twenty working days of receiving the proposed design</p>
<p>3. Final works and phased energisation</p> <p>Subject to all conditions precedent being met:</p> <p>(a) low voltage connections: complete the final works for a low voltage connection.</p> <p>(b) high voltage connections: complete the final works for a high voltage connection.</p> <p>(c) extra high voltage connections: inform the applicant of the date by which it is proposed to complete the final works for an extra high voltage connection.</p> <p>(d) low voltage energisation: complete low voltage phased energisation works.</p> <p>(e) high voltage energisation: complete high voltage phased energisation works.</p>	<p>within ten working days of receiving the request</p> <p>within twenty working days of receiving the request</p> <p>within twenty working days of receiving the request (and complete the works as soon as reasonably practicable)</p> <p>within five working days of receiving the request</p> <p>within ten working days of receiving the request</p>
<p>note: the conditions precedent to be satisfied for the purposes of Part 3 of this Table are those specified by the licensee and agreed by the applicant under the provisions of the Construction and Adoption Agreement (as defined in Engineering Recommendation G81 of the Energy Networks Association) or such similar agreement as the licensee may from time to time adopt.</p>	<p>calculation of time: where a request is received or a service is provided by the licensee under the provisions of this Table after 5 pm on any working day or at any time on any other day, it is deemed to have been received or provided on the next following working day.</p>

