

**ECSG Minutes****7 June 2007**

Ofgem, 9 Millbank, London

**Attendees**

Chris Bean	(CB)	Power on Connections (ICP)
David Clare	(DC)	Mott Green Wall (ICP)
Keith Hodson	(KH)	Central Networks (DNO)
Phil West	(PW)	Western Power Distribution (DNO)
Alan Michie	(AM)	SP Energy Networks (DNO)
Mike Haniak	(MH)	United Utilities (DNO)
Chris Allanson	(CA)	CE Electric UK (DNO)
Paul Francis	(PF)	CE Electric UK (DNO)
Ray Farrow	(RF)	Home Builders Federation
Lee Evans	(LE)	Caerphilly County Council
Mark Smith	(MS)	Scottish and Southern Electricity (DNO)
Paul Edwards	(PE)	Gas Transportation Company (IDNO)
Darren Grundy	(DG)	Laing O'Rourke (IDNO)
Bob Weaver	(BW)	npower (ICP)
Roger Morgan	(RM)	Ofgem (Chair)
Simon Polley	(SP)	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 Jeff Hunt (JH), Wayne Oxborough (WO), Mike Harding (MH) and Tony Stevens (TS).

RM explained that the main purpose of the meeting was to discuss with the ECSG, Ofgem's ongoing Review of Competition in Connections (CiC), in particular the Unmetered Service Level Agreement (SLA) performance and the progress of the Licence Condition (LC) / guidance 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 minutes.**

There were no comments on the 21 March 2007 ECSG minutes.

**Actions**

Actions from 21/03/07 meeting:

- JH and TS to update ECSG on discussions concerning cable fault definition (see section 3 of minutes).
- RM to arrange analysis and report findings of high priority fault repairs (see section 4 of minutes).

RM confirmed that the following actions from the previous ECSG meeting were closed down:

- RM to circulate WPD's and Caerphilly County Borough Council's report on the tri-partite trial.
- RM to circulate unmetered / metered sub-group papers to ECSG.
- Ofgem to circulate Commercial Operational Group's (COG) note and its progress on the development of changes to Licence Condition 4B template, Charging Methodology Statement ('the 4B Statement') and non-contestable charging template.

### **Unmetered issues**

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

AM pointed out that JH (Scottish Power) and TS (Hampshire County Council) met to discuss the above. As a result of the discussion, a number of arising questions emerged which formed the basis of two papers compiled by Scottish Power.

AM tabled two papers by Scottish Power:

*'Definition and responsibilities for faults on unmetered supplies'* which discussed the following:

- Definition of a fault;
- Responsibilities under fault conditions;
- Supply failure; and
- Voltage and frequency variations.

*'Unmetered Supplies–Technical questions for DNOs'* which discussed a number of arising technical issues and detailed questions concerning:

- Work on non-standard service cables;
- Cut out specification;
- Modernisation of obsolete cut-outs; and
- Earth loop impedance.

#### **Non-standard service cables**

PW questioned whether work on non-standard service cables as discussed in the *'Unmetered Supplies–Technical questions for DNOs'* paper was outside the remit of the ECSG. LE agreed and added that ownership of non-standard service cables is a particular problem in South Wales. LE explained that he is aware of instances where a DNO has questioned the ownership of a non standard steel service cable that it installed and connected to its networks. LE added that issues concerning ownership over non-standard service cables are frequently encountered by LAs.

Several DNOs agreed and CA added that these issues raise legal and technical issues that require careful consideration.

RM questioned how the issues discussed in the *'Unmetered Supplies–Technical questions for DNOs'* paper could be taken forward. RM added that the issues raised fall outside of the scope of the ECSG as they are of a technical nature and do not relate to Competition in Connections.

AM stated that Scottish Power were happy to set out their own views on the arising questions. RM asked remaining DNOs to submit their views to Ofgem, who would collate and circulate these to the ECSG.

**ACTION:** DNOs to send responses to the technical questions as outlined in *Unmetered Supplies–Technical questions for DNOs* to Ofgem.

**ACTION:** Ofgem to collate responses received and circulate to ECSG.

#### **4. Ofgem to present analysis on percentage of faults classed as high priority by Local Authorities (LA).**

RM explained that Ofgem was asked (at the previous ECSG meeting) to undertake analysis on the percentage of faults classed as high priority by LAs. RM added that Ofgem undertook an action to analyse the number of high priority faults raised by LAs. RM tabled analysis by DNO which detailed the average number of high priority faults across DNOs, and compared 2005-2006 results with 2006-2007. The analysis provided a DNO breakdown of average performance, highlighting specific DNOs that received a large number of high priority faults.

RM explained that if an LA is raising high volumes of high priority fault repairs, this matter should be discussed between the DNO and the respective LA. DNOs suggested that progressing high volumes of high priority fault repairs may skew overall SLA performance data and such data should be discounted by Ofgem.

PW commented that the analysis was very helpful and clearly indicated the bounds of the percentage faults classed as high priority by all but a few LAs. PW and LE pointed out that under the SLA raising high priority fault remains within the LA's discretion. PW added that LAs raising high priority fault repairs inappropriately are not operating within the 'spirit' of the SLA and any analysis or reporting of performance should exclude such LAs. LE acknowledged that some LAs may have misinterpreted the definition of high priority fault repairs and added that he will reiterate to LAs (on a national basis) what is meant by a high priority fault and that this classification should be used judiciously.

**ACTION:** Ofgem to circulate to ECSG analysis on high priority fault repairs.

#### **5. CiC Review.**

##### **Unmetered presentation**

RM presented an overview of the CiC Review, covering the following areas:

- Overview of responses to the SLA proposals document
- Update on unmetered sub-group
- Unmetered sub-group recommendations
- Amendments to SLA definitions
- SLA performance – year 1 / year 2 comparison
- SLA next steps

The ECSG raised the following points:

**Reporting performance of LAs not participating in the SLA**

MS raised concerns with regards to the reporting of SLA figures, pointing out that a particular DNO did not collect performance figures because it had no participating LAs.

RM explained that the ECSG sub group recommended that DNOs with no participating LAs should report their performance to Ofgem as they are still progressing, for example, faults on behalf of LAs. RM added that this particular point should be considered and discussed further by the ECSG.

LE explained that LAs operating outside the SLA will raise faults to the host DNO, and questioned why the DNO would not want to report performance. LE added that the LA is a DNO customer irrespective of its participation in the SLA and should expect a good standard of service. MH agreed with LE that those LAs that are not participating in the SLA should still be receiving a good level of service from DNOs.

MH was of the view that reporting for all LAs not participating in the SLA should not be an issue, provided that the performance figures are presented separately for those LAs that participate in the SLA.

RM stated that DNOs should report performance to Ofgem, irrespective of whether LAs are participating in the SLA or not. RM added that a LA operating outside the SLA should not receive a lesser service from the DNO, as compared to those LAs which are operating in the SLA. RM explained that it was important for Ofgem to understand fully the performance DNOs provide to all LAs.

RM suggested that a template for the SLA performance arrangements which cover the same services should be presented but on separate terms, ie those LAs that are not participating in the SLA should be clearly identified as 'non participating LAs,' and should not be included in the overall SLA performance statistics. RM questioned whether this was an acceptable way forward.

**Options for SLA reporting**

MS outlined 3 possible options for the reporting arrangements of the SLA, which included:

- 1) DNOs to report to Ofgem only on those LAs which have signed up to the SLA;
- 2) DNOs to report to Ofgem on all LAs whether signed up to the SLA or not. The DNO is to meet the benchmark target in all cases; or
- 3) DNOs to report to Ofgem on all LAs whether signed up to the SLA or not. The DNO is to meet the benchmark target only in cases where the LA is signed up to the SLA.

MS pointed out that the third option is a new option and as such has not previously been forwarded to the ECSG.

After further debate the ECSG agreed that DNOs should report performance even if LAs are not participating in the SLA and there was general support by the ECSG for option 3.

CA stated that he will discuss the options at CE's street lighting sub-group. SP added that option 3 allows for transparency, ie if there are some differences in

performance by the DNO in respect of the LAs that have signed up to the SLA to those that have not.

LE pointed out that he does not want to agree with any arrangements that may disadvantage LAs. He stated that the LAs that do not participate in the SLA should not be discriminated against. LE explained that he disagreed with the intent of option 3 as it suggests that the benchmark performance level does not apply to the DNOs if a LA is not participating in the SLA. He suggested that the option should be re-worded, to 'All LAs have to be reported upon, with performance figures produced separately by those LAs which are participating in the SLA and those which are not.'

### **Glide path analysis**

MS questioned why a glide path analysis is provided to those DNOs exceeding the benchmark proposed. MS explained that it is unacceptable that if the glide path is subject to change, then a DNO in the upper quartile of the performance standard, ie one of the best performing DNO, may become non compliant, albeit being performing well above the national average and the current benchmark.

RM stated that the analysis is for illustrative purposes and explained that the aim of a glide path is to improve the standards across the DNOs, ie to facilitate ongoing performance improvements. RM added that if a glide path approach was to be implemented, more debate would need to take place around setting the glide path for each DNO.

The ECSG discussed the SLA benchmarks set out in Ofgem's Proposals document. CA suggested that performance benchmarks for the SLA operating in CE's area are set in the SLA and that a move to tighter benchmarks may increase the price of new unmetered connections.

LE did not believe that Ofgem's proposed benchmarks were acceptable and have been widely rejected by LAs. LE suggested that a benchmark should be set as a starting point for a glide path towards improving performance. LE raised concerns over the length of time it would take those DNOs which are currently under-performing to reach the benchmark target. LE suggested that Ofgem should make a decision and did not support further debate over proposed benchmarks.

### **8. Electricity Unmetered Supply Regulations 2001 (500w limit for unmetered connections).**

LE pointed out that under Regulation 3 of the Electricity Unmetered Supply Regulations 2001, an unmetered supply may be given where:

- (a) the electrical load is of a predictable nature, and
- (b) either—
  - (i) the electrical load is less than 500W; or
  - (ii) it is not practical for a supply of electricity to be given through an appropriate meter at the premises (due to anticipated metering costs and technical difficulties).

LE is of the view that Caerphilly Council satisfies the conditions as listed on page 7 of the Regulations and therefore is entitled to have an unmetered supply for loads over 500W, where meter installation is not economically or technically practicable.

LE explained that in a situation where the 500W threshold was exceeded, WPD refused an unmetered supply, thus requiring installation of a meter on site. LE pointed out that in this particular situation, installing a meter on the site proved to be non practical. He added that this would increase traffic management costs which will fall back onto the LA.

CA commented on the Balancing and Settlement Code (BSC) 520. He stated that the issue not only involves the DNOs since they are audited by Elexon and have to comply with BSC 520.

SP stated that the issue can be referred to Ofgem for a determination on behalf of the Authority. RM added that the regulations do contain provisions to refer disputes to the Authority.

### **Metered issues**

### **COG update**

RM invited CA to give an update from COG on the development of the template for the 4B Statement.

CA stated that the COG is to meet on 12 June 2007. He added that the new developed template is to contain a standard list of common sections and headings for DNOs to put in their policies. CA explained that there has been an informal consultation through the ECSG on the 4B Statement to give ICPs the opportunity to provide comments on what they approved / disapproved of it and in turn provide feedback on how to proceed with the Statement. CA gratefully acknowledged receipt of two responses, one from npower and another from Power on Connections. He added that the ICPs were of the view that the existing 4B Statement includes comprehensive information but requires a more consistent approach to non-contestable charges. CA further explained that version 2 of the template includes sections on methodology, charges (including non contestable charges), customers and information on competition, which will require Ofgem's explicit approval. He added that there may be a version 3 of the template developed at a later stage.

**ACTION:** CA / Chair of COG to update Ofgem on the 12 June 2007 COG sub group, including next steps for the 4B template.

The ECSG raised the following points with regard to the 4B Statement:

### **Application of charges**

RM commented that at present there is no consistency over how charges are applied by the DNO in the 4B Statement. CA expressed concerns on the part of COG members that setting charging categories could potentially be deemed in breach of competition law. He added that there is also an issue with regard to how the DNOs recover their costs. He pointed out that this will be raised at the COG.

BW pointed out that he would like to see the 4B Statement sooner rather than later, questioning whether inspection charges are to be included. CA pointed out that some DNOs charge per visit whilst others charge per hour for inspection. He made clear that each DNO would retain its charging policy.

CA pointed out that as an example the Modification process needs to be discussed with Ofgem, in terms of track-changes requirements and Modification proposals.

CA stated that the Licence Condition 4B requires the DNO to have a Connection Charging Methodology Statement, which includes a schedule of indicative charges. He added that the 4B Statement is currently a multi-purpose document that goes beyond licence requirements, since it includes both illustrative and actual charges.

CA pointed out that the February 2007 Proposals document states that Ofgem reserve the right to take the non-contestable Statement forward if the DNOs themselves fail to develop a template at the end of March 2007. He added that the 4B Statement is intended for more than one audience, including ICPs and therefore pay dual regard to it being a multi purpose document.

DG questioned whether the 4B Statement is to be adopted by the IDNOs. RM stated that it could be if reasonable. DC and CA agreed to have an IDNO representative on the COG.

CA agreed that there is no uniform template for non-contestable charges. KH pointed out that once the template has been agreed on each DNO will have to fill in their information which will subject to legal approval etc.

**ACTION:** COG to deliver timetable on next steps to circulate to ECSG.

### **Metered presentation**

RM presented an overview of the CiC Review, covering the following areas:

- Overview of responses to the proposed Licence Condition (LC)
- Ofgem update – ECSG metered sub-group
- Ofgem update – Licence Condition / Guidance Document
- Next steps – bi lateral meetings with DNOs

The ECSG raised the following points:

### **LC / guidance document**

RM pointed out that if there are no objections to the LC then it is to be effective from 1 August 2007 if consulted on for example 1 July 2007. He explained that Ofgem has engaged in as much debate as possible on the LC before progressing the formal consultation. He added that Ofgem is considering the legal drafting and progressing an accompanying LC guidance document. RM pointed out that the informal consultation on the LC is due to close on 11 June 2007.

DC was of the view that there may be some iterations to go through the guidance document. He pointed out that if there are objections to the guidance document during the informal consultation period then this would mean that there will be objections to the LC itself.

RM pointed out that the guidance document:

- Should be a mirror of the LC;
- Will be consulted on formally, since the LC will be as well;
- Needs to be robust and inconsistencies removed;
- Advanced draft circulated by 15 June 2007; and a
- Detailed version circulated before next sub-group meeting on 22 June 2007, where a page turning exercise of the guidance document will take place in order to emit any errors.

RM added that the reporting template is to be developed in a user friendly way and any comments on it to be submitted to Ofgem by 11 June 2007.

RF requested Ofgem to provide a timetable with target dates for the actions going forward for the LC and guidance document consultation, which Ofgem agreed to.

**ACTION:** Ofgem to supply ECSG with a timetable for taking forward the good practice arrangement as detailed in the February 2007 Proposals document.

### **Issues raised on LC**

The ECSG debated the inclusion of "completion of upstream reinforcements" within the condition precedents arrangement. CB considered that conditions for final connections and date for energisation are detailed in the offer and any other non-performance would not be excused. CA expressed concern that a blanket rule of this kind would take precedence over a date set out in individual offer letters. DG pointed out that LC 4F refers to the Construction and Adoption Agreement, which in turn includes reinforcements within the pre-conditions for connection. A number of DNOs reiterated their concern that common sense is different from legal drafting. RM considered that the purpose of the guidance document is indeed to reconcile common sense and legal drafting.

RM explained that the feedback received through the informal consultation has shown that the DNOs have concerns mainly in 2 areas:

- 1) The 5 working day period to inform the applicant that they did not provide the minimum information requested; and
- 2) EHV schemes and the need for longer timescales.

Re. 1), MS questioned whether the clock would be reset in case a DNO realises that relevant information is missing after the 5 working day period has elapsed. DC replied that the clock would be paused until the applicant submits the requested information, but would not be reset to day zero.

Re. 2), MS pointed out that EHV schemes are costly and time-consuming to assess, since there are usually other works to be carried out away from the site. He added that in relation to timescales for complete applications, the shortened timescales proposed of 50 working days instead of 63 working days is difficult to achieve because of authorisation and sign off. He also added that the cost and complexity of EHV reinforcement increases the further away from the site.

### **10. AOB.**

RM pointed out that the G87 arrangements which were discussed at the previous ECSG meeting have been referred to Dcode for a wider consultation.

BW questioned whether there was an action on DNOs to give a breakdown on Section 16 non contestable charges, ie breakdown of contestable and non contestable costs.

RM pointed out that the February 2007 Proposals document, proposed that more detailed information should be provided for certain s16 requests and should include POC and contestable / non contestable elements, for schemes that are attractive to connection providers (generally those that are above the £20,000 threshold). RM added that it was good practice for DNOs to provide a breakdown of costs for all schemes to all customers requesting a connection,



BW pointed out that he has concerns from an ICP perspective on the application of the "second comer" rule contained in the Electricity (Connection Charging) Regulations 2002, as amended, and as such will flag up with RM.

**ACTION:** BW to write to RM setting out concerns on "second comer" rule.

**11. Date of next ECSG meeting.**

The next meeting is scheduled for 16 August 2007.