

ANNEX 1

Commitments offered by SP Manweb plc (Company Number 02366937) ("SP Manweb") to the Gas and Electricity Markets Authority (the "Authority") pursuant to Section 31A of the Competition Act 1998, as varied

PART I - BACKGROUND

1. SP Manweb is an electricity distribution network operator ("DNO") whose distribution services area includes the cities of Chester, Liverpool and Wrexham. SP Manweb is a company within the Scottish Power UK plc group. SP Manweb sub contracts the day to day operation of its business to SP Power Systems Limited, which is a company within the Scottish Power UK plc Group.
2. Following receipt of a complaint from an Independent Connections Provider ("ICP") in 2002, the Authority identified potential concerns in respect of the activities of SP Manweb. These concerns relate to alleged potential anti-competitive behaviour in the provision of non-contestable connection services, including point of connection ("POC") information, final connections and design approval to ICPs. Of particular concern to the Authority is the nature of the relationship between SP Manweb and Core Utility Solutions Limited ("Core"). SP Manweb is the only provider of non-contestable connection services, including the provision of POC information, in its distribution service area. SP Power Systems acts as agent for SP Manweb in delivering non – contestable connection services to ICPs and carries out all of SP Manweb's day – to – day functions in that regard.
3. As a result of the concerns outlined above, the Authority considered that there were reasonable grounds for suspecting that there may have been an infringement of the prohibition contained in Chapter II of the Competition Act 1998 ("the Act") in 2002, and accordingly an investigation was commenced.
4. SP Manweb has made an offer to enter into binding Commitments that are intended to address, fully, the concerns of the Authority. These Commitments, including their duration, are set out at paragraphs 5 to 11 below. The giving of such Commitments by SP Manweb is in no way an actual or implied admission that SP Manweb has infringed or will infringe the Act, in any way, by, for example, discriminating in favour of any person in respect of POC information or in any other regard, but rather aims to allay the Authority's concerns that a breach of the Act might occur in the future.

PART II – COMMITMENTS

5. Provision of POC quotations

5.1 (Definition of POC Quotation). In this section a “POC quotation” shall mean a quotation issued by SP Manweb for the provision of non-contestable works in respect of a contestable connection project containing a statement of the non-contestable works required, a breakdown of charges for such works and any necessary supporting information, for instance maps.

A “Compliant Request” shall be a request from an ICP containing all relevant information. The information requirements referred to in the preceding sentences are specified within the SP Manweb document entitled "Design & Planning Framework for Greenfield Low Voltage Housing Estates and Associated HV/LV Distribution Substations", as set out at Appendix II to these Commitments.

5.2 (Discrimination). SP Manweb shall not unduly discriminate between Core and any ICPs in respect of:-

- (i) requests for POC quotations by, ensuring that such requests are treated according to the document headed "POC Quotation Process (Overview)", as attached at Appendix 1 to these Commitments; and
- (ii) the provision of POC Quotations and in respect of the timing of delivery of POC Quotations.

[5.3, 5.4 omitted]

5.5 (Adequacy of POC Quotations). SP Manweb shall, using Good Industry Practice take all reasonably practicable steps to ensure that POC quotations provided to ICPs are adequate and accurate and that POC quotations shall be disaggregated in the format specified by the Electricity Connections Steering Group as referred to in the Ofgem August 2002 Decision Document entitled “Review of Competition Gas and Electricity Connections – Report”. The format of the POC quotation is attached as Appendix III.

5.6 (Substance of POC Quotations). Where both Core and an ICP or two or more ICPs have made Compliant Requests for a POC quotation for the same development, and each POC quotation request specifies technical requirements that are similar in all material respects (for example the same point of connection, load requirements or same network design), SP Manweb shall using Good Industry Practice take all reasonably practicable steps to ensure that a POC quotation, which is similar in all material respects, shall be issued to each such person.

5.7 (Sub contracting). Where:-

- (i) Core makes a Compliant Request in respect of a development and no other person has made a Compliant Request in respect of the same development; or
 - (ii) both Core and an ICP make a Compliant Request at the same time in respect of the same development or an ICP makes a request after Core in respect of the same development;
- then, SP Manweb may (but shall not be obliged to) sub contract certain non-contestable design services, such as the preparation of a draft design of non-contestable works and list of materials required to Core.

Where an ICP has made a Compliant Request in respect of a development and Core has not made a Compliant Request in respect of the same development, SP Manweb shall not sub contract such services to Core.

Where such services are sub-contracted to Core, it shall be a term of such sub-contract that Core is obliged to provide such services in a timescale which permits SP Manweb to meet its obligations set out in paragraph 5.3 (Delivery of POC Quotation) (above).

5.8 (Provision of information and sub contracting). SP Manweb shall secure that Core shall not provide any of the following non – contestable services (even if any sub contracting occurs) to ICPs in respect of contestable projects:-

- approval and provision of point of connection information;
- approval and provision of non contestable designs; and
- approval and provision of non-contestable project quotations.

Where any services referred to in paragraph 5.7 (Sub contracting) above are sub-contracted to Core, such sub-contract shall expressly provide that Core shall not undertake the non-contestable services referred to in this paragraph.

5.9 (Provision of designs provided by Core). Where Core provides a design for a non-contestable project, SP Manweb may, following approval of that design by SP Manweb and preparation of the quotation by SP Manweb, provide that design and quotation to ICPs. SP Manweb shall not notify Core of the provision of any such designs or quotations to any ICPs, nor shall it disclose to Core in any circumstances that an ICP has made a request for a POC Quotation (compliant or otherwise) or otherwise disclose to Core the fact that an ICP is interested in any project relating to a connection to the SP Manweb distribution system.

6. SP Manweb non-contestable works – Initial Making Live

6.1 (Definitions). In these Commitments, the initial connection of a new network (the New Network) (or a part of such New Network) constructed by the ICP to the existing SP Manweb distribution

system shall be defined as the “Initial Make Live”. The subsequent connection of a further part of the New Network shall be referred to as the “Subsequent Make Live”. Making Live means the connection of contestable assets or a part thereof so that electricity can flow from the SP Manweb distribution system to the contestable assets or such part thereof (as the case may be) and Make Live shall be construed accordingly.

[6.2 - 6.6 omitted]

6.7 (Subcontracting – Initial Make Live). SP Manweb shall not use Core to provide the Initial Make Live services to an ICP without the consent of the relevant ICP.

7. ICP contestable work – Subsequent Making Live

7.1 (Live Jointing trials). SP Manweb currently permits, on a trial basis, ICPs to carry out live low voltage jointing to new assets installed by an ICP within the boundaries of greenfield or brownfield new housing developments provided that the ICP meets certain criteria. This trial may come to an end for non – discriminatory and objective reasons, such as a change in the law affecting the trial or a change in the interpretation of the law by a regulatory body that affects the trial. SP Manweb shall notify the Authority if it brings the trial to an end.

SP Manweb shall apply non–discriminatory criteria in deciding whether an ICP can participate in the trial and carry out such live low voltage jointing (for so long as SP Manweb permits such live jointing trial to take place, as explained above). SP Manweb shall always be permitted to refuse such permission for safety reasons. SP Manweb shall publish the criteria that it applies to any withdrawal of permission to participate in the trial on the website referred to at paragraph 9.5 (Website).

[7.2 – 7.7 omitted]

7.8 (Subcontracting – Jointing). SP Manweb shall not use Core to provide Initial Make Live or Subsequent Make Live services to an ICP without the consent of the relevant ICP.

7.9 (Discrimination and Adoption Agreements). SP Manweb shall not unduly discriminate as between ICPs and Core and/or as between ICPs in respect of the terms and conditions applicable to the adoption of contestable networks in the relevant agreement (“the Adoption Agreement”).

8. Approval of contestable designs by SP Manweb

[8.1, 8.2 omitted]

8.3 (Non discrimination – Approval) When SP Manweb receives contestable design proposals for approval from both Core and one or more ICPs, it shall ensure that such design proposals will be subject to the same approval criteria and information requirements, to ensure that Core and the ICPs are treated fairly and without undue discrimination in this regard.

9. Information requests and information provision

9.1 (C-Ram and PC Map Access). SP Manweb shall, using Good Industry Practice, take all reasonably practicable steps to make available and keep available to all connections market participants, on a non- discriminatory basis, the IT systems C-Ram, (a system for connections registration and management); and PC MapAccess (a system that provides access to certain maps of the SP Manweb network).

Where any such IT system is replaced, SP Manweb shall, using Good Industry Practice, take all reasonably practicable steps to make available and keep available to all connections market participants such replacement, on a non- discriminatory basis, only to the extent that such access is required to provide to such market participants access to similar information and services that they were able to obtain from C-Ram and PC Map Access (as the case may be).

9.2 (Plants and Circuits Queries) SP Manweb shall using Good Industry Practice take all reasonably practicable steps to secure that, within a reasonable time from receipt of a request, (in writing), from an ICP requesting access to the IT system Plant and Circuits Queries (a system which shows certain details of SP Manweb plant and apparatus) (which is scheduled for introduction in late 2005) (or any replacement, to the extent that such replacement provides similar information and services) to make available and keep available to all connections market participants, on a non- discriminatory basis, such IT system. The extent of such access shall be no different to any access granted to Core.

9.3 (Other IT Systems) When any other IT system that could be used by an ICP or Core in the preparation of a draft POC quotation (or otherwise in respect of matters related to POC design matters) is made available to Core or an ICP by SP Manweb, SP Manweb shall, using Good Industry Practice take all reasonably practicable steps to make such IT system available to any other ICP and Core (should any such ICP or Core request access), subject to the provisions of this paragraph and on a non- discriminatory basis.

9.4 (Conditions of Access) Access to the IT systems set out above (other than C- Ram) is conditional upon the requesting ICP being registered for design accreditation under the National Electrical Registration Scheme operated by Lloyds of London.

Access to such IT systems is also conditional upon the agreement of appropriate commercial terms (for example as regards price), governing such matters between SP Manweb and any ICP requesting access. In offering such commercial terms, and in the making available of all such IT Systems SP Manweb shall not unduly discriminate between Core and ICPs or as between ICPs.

Access to such IT systems shall also be subject to the compliance by the relevant ICP with the requirements and conditions of any licensor and/or other provider of such systems.

SP Manweb may withdraw access to such IT systems on giving no less than three month's notice to any users of such systems. Such withdrawal shall be on a non-discriminatory basis.

9.5 (Website) SP Manweb shall publish, on the internet, (i) pages giving an overview of key aspects of SP Manweb's processes and procedures regarding competition in connections including the availability of access of the IT systems listed above and (ii) any documents, produced by SP Manweb of general application to ICPs that are made available to ICPs provided that such publication does not or is not likely to cause SP Manweb to breach any legal obligation.

PART III - TIMING

10.1 (Implementation) SP Manweb shall ensure that the Commitments set out in paragraphs 5, 6, 7, 8, 9 and 10 above are fully incorporated into SP Manweb's operational procedures no later than 90 days after the date of signing these Commitments. SP Manweb shall notify the Authority when such incorporation takes place (the "Incorporation Date"). The Commitments shall remain in full force and effect from the Incorporation Date until the date occurring three years after the Incorporation Date at which time they shall cease to be operative.

10.2 Any reference to Core in Part II of these Commitments only shall also be construed as a reference to, in addition to Core:-

- (i) any company which is competing with ICPs to provide contestable connections to developers in respect of projects in the SP Manweb distribution services area which is an affiliate (as defined in the SP Manweb Distribution Licence) of SP Manweb; or an undertaking in which SP Manweb has a participating interest (as defined in the said Distribution Licence) or
- (ii) any company (the Acquirer) to which Core transfers all of its business pursuant to an agreement between Core and the Acquirer.

10.3. SP Manweb shall notify the Authority as soon as reasonably practicable after the occurrence of the following events:-

- (i) the commencement of a business which competes with ICPs to provide contestable connections to developers in respect of projects in the SP Manweb distribution services area by an affiliate of SP Manweb; or an undertaking in which SP Manweb has a participating interest; or
- (ii) the transfer by Core of all or part of its business to any person;
- (iii) the sale by SPPS or Scottish Power UK plc of any of their shares in Core to another person; or
- (iv) the award of a contract to any person other than Core by SP Power Systems Limited for the provision of non-contestable connection services including non-contestable design services.

Any reference in this paragraph 10.3 or paragraph 10.2 above to a “person” shall be construed without limitation to affiliated or related persons to SP Manweb.

PART IV –OTHER MATTERS

11.1 (Exceptional Circumstances) The fulfilment of the following provisions of the Commitments, namely 5.3 (Delivery of POC Quotation); 5.4 (Non- Compliant Requests); 6.2 (Initial Make Live); 6.3 (New Dates – Initial Make Live); 6.4 (Provision of Information – Initial Make Live); 7.2 (Requests for Live Jointing etc); 7.3 (SP Manweb and provision of live jointing services); 7.4 (New Dates – Subsequent Make Live); 7.5 (Provision of Information – live jointing); 8.1 (Design Approval); 8.2 (Reporting – Design Approval); 9.1 (C-Ram and PC Map Access); 9.2 (Plants and Circuits Queries); 9.3 (Other IT Systems); and 9.5 (Website) shall at all times be subject to events and/or exceptional circumstances beyond the reasonable control of SP Manweb (for example) act of God, strike, lockout, war, terrorist act, riot, lightening, fire, storm, flood, act of vandalism, civil disturbance, failure of plant and apparatus (which could not have been prevented by Good Industry Practice) and explosion, but only to the extent that such events or circumstances cause SP Manweb to be unable to fulfil these Commitments.

SP Manweb shall act in accordance with Good Industry Practice to remedy its inability to fulfil these Commitments as a consequence of such events or circumstances as soon as reasonably practicable. SP Manweb shall notify the Authority as soon as reasonably practicable if such events or circumstances cause SP Manweb to be unable to fulfil the commitments. Such notice shall set out, in reasonable detail, the relevant events or circumstances and the relevant affected obligations.

In these Commitments the phrase “Good Industry Practice” shall have the meaning ascribed to it in the document entitled the Connection and Use of System Code, as made pursuant to the National Grid Company plc Transmission Licence and as designated by the Secretary of State in September 2004.

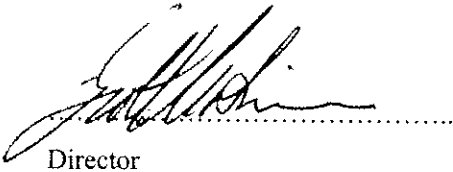
Where these Commitments refer to the provision of information to the Authority such information shall be provided in writing, in a format to be agreed between the Authority and SP Manweb from time to time.

Where SP Manweb sub contracts any part of non – contestable work, such sub – contracting shall not relieve SP Manweb of any liability for performance under these Commitments.

11.2 (References to documents). Any reference to the SP Manweb document entitled "Design & Planning Framework for Greenfield Low Voltage Housing Estates and Associated HV/LV Distribution Substations" shall be to the document with reference ESDD-02-12 of that name (which should be read together with the Energy Networks Association document "Engineering Recommendation G81"), and as amended, varied or replaced from time to time. That document shall be made available to ICPs by SP Manweb.

11.3. Where reference in this document is made to the disclosure of a person's identity to the Authority, such disclosure shall also include such persons name and address. However such disclosure is subject to such person's consent being obtained by SP Manweb, so as to secure compliance with applicable laws such as the Data Protection Act.

Signed on behalf of SP Manweb plc

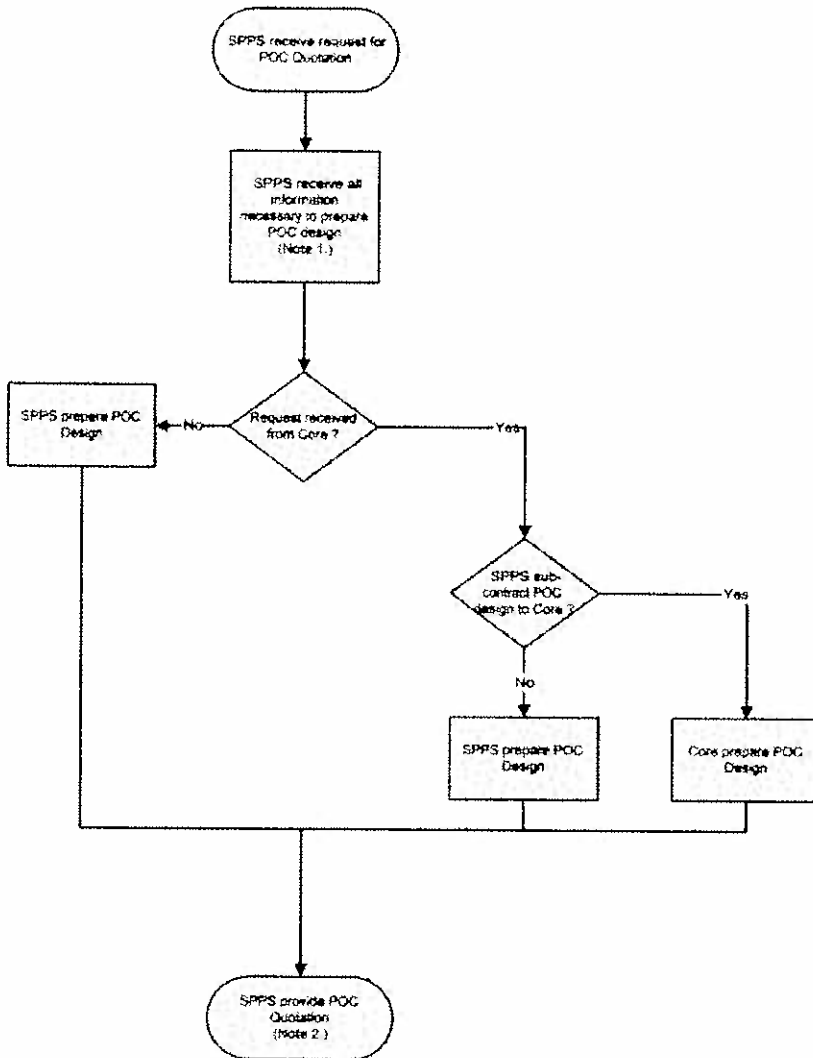


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Appendix I

POC Quotation Process (Overview)



Note 1 - Information requirements specified in SP document ESDD-02012 Appendices A and B (PWO specific EN 081 appendix)

Note 2 - POC quotation disaggregated in format specified by Organ in August 2002. Descriptive document. Also includes POC information - e.g. site plan, design parameters, etc.

Appendix II

Design & Planning Framework for Greenfield Low Voltage Housing Estates and Associated HV/LV Distribution Substations

APPENDIX III

POC Quotations:- Format specified by the Electricity Connections Steering Group as referred to in the Ofgem August 2002 Decision Document.