

ECSG Minutes – 8 October 2008

Ofgem 9 Millbank

List of Attendees

Name	Organisation
Paul Darby (Chair) (PD)	Ofgem
Roger Morgan (minutes) (RM)	Ofgem
Andrew Chattrabhuti (AC)	Ofgem
Bob Weaver (BW)	NPower (ICP)
Alex Spreadbury (AS)	MEUC
Neil Magrath (NM)	EDF Energy (DNO)
Steve Bolland (SB)	CE Electric UK (DNO)
Chris Bean (CB)	Power On Connections (ICP)
Alan Hoyle (AH)	Walker Sime Utilities (Consultant)
Brian Hoy (BH)	ENW (DNO)
Tim Hughes (TH)	WPD (DNO)
Neil Fitzsimmons (NF)	IPNL (IDNO)
Mark Smith (MS)	SSEPD (DNO)
Kevin Smith (KS)	SPEN (DNO)
Andrew Walker (AW)	OFWAT
Jason Raymond (JR)	Premier Energy (Consultant)
Tony Nixon (TN)	National Grid Gas (GDN)
Dave Overman (DO)	GTC (IDNO)
Bob Stevenson (BS)	Sheffield CC (Local Authority)
Gareth Pritchard (GP)	ASLEC
Tony Stephens (TS)	Hampshire CC (Local Authority)

1. Introductions and apologies – Apologies were received from Stephen Morris (NFB), Keith Hodson (Central Networks) and Ray Farrow (HBF).

PD opened the meeting and asked all attendees to introduce themselves. PD explained that the agenda was structured to discuss metered issues in the morning with the afternoon session focussing on unmetered issues.

METERED CONNECTIONS

2. Review of metered minutes and actions

The ECSG agreed that the metered section of the minutes were an accurate reflection of discussions that took place.

Overview of actions and update

PD explained that the following actions from the previous meeting have been completed.

- Ofgem to circulate to the ECSG a link to the new Distribution licence **(action closed)**
- Ofgem to invite a Gas Distribution Network (GDN) to present to the ECSG their experiences on the development of competition in the gas connections market. **(action closed - see item 3 of minutes for Details of TN's presentation)**

- NF to circulate a discussion paper on operating in the gas market in advance of the next ECSG (**action closed - NF's paper circulated by Ofgem see item 4 of minutes for overview of NF's presentation**)
- MCCG to review draft list of outstanding issues before passing to Ofgem to circulate to ECSG (**action closed - MCCG's list circulated by Ofgem**)
- Ofgem to write out to DNOs to get a definitive position on each DNOs' approach to trade testing (**Ofgem's letter sent to DNOs on 10 October 08**)

3. National Grid Gas (NGG) – The introduction of competition in the gas market

TN presented NGG's overview of competition in the gas connections market. TN's slides provided in chronological order the changes undertaken by NGG to facilitate competition in the gas market.

As way of background, TN explained that a Gas Act enforcement order was placed on National Grid Gas (formerly Transco) in 1999. TN explained that NGG was experiencing difficulties in ensuring that its 12 regions interpreted Gas Act connections obligations in a consistent manner. TN added that the regulatory framework does not favour NGG owning the infrastructure laid by third party providers.

○ **Changes that took place in 1996**

NGG subsequently proposed a self lay framework in 1996. As a result, NGG started to receive multiple requests for the same sites and with NGG undertaking the majority of physical works, this created timing issues and knock on effects in relation to the completion of NGG's existing connection workloads.

○ **Developments in 2002**

Further developments took place in 2002 with NGG establishing its self lay framework and providing CD maps of its pipeline systems to other connection providers. 2002 also saw the introduction of the Gas Industry Registration Scheme (GIRS) and NGG empowered their period contractors to undertake works with less supervision. Further changes brought about the provision of guaranteed pressure information on loads based on gas mains size. This would apply to at least 90% of connections being progressed by third parties. Loads that fell outside these parameters are subject to bespoke quotes from NGG. TN explained that this change led to a reduction in multiple requests.

○ **Further developments**

TN explained that the sale of its four GDN networks in 2005 led to all GDNs adopting the same principles that were developed by Grid. Over time, GDNs have made their own changes and established different working practices. TN discussed final works and explained that contractors are able to undertake final connections and added that NGG is made aware of connections to its network at least five day before final completion of works. TN explained that Grid has developed its own permit scheme and details of competent persons are kept on a database. IGTs and third parties are allowed to do final connections and Grid relies on the terms of its adoption agreement/the NERS scheme and its passport scheme to police these activities. TN discussed main location arrangements and explained that there have been instances where a Grid map details a pipe that happens to be in another location. TN added that in such circumstances, Grid will pay the reasonable costs incurred in locating that main.

In summary TN explained:

- 95% of third party connection requests are self lay
- Third party providers prefer to undertake standard jobs and more complex connection works are undertaken by Grid
- The contractual framework developed by Grid requires test certificates and 'as laid' records to be transferred to Grid once works are completed
- Allowing third parties to self connect reduces the risks on Grid in relation to competition challenges and reduces the possibility of failures against established standards

Arising questions

The ECSG noted that the funding of reinforcement is different between GDNs and DNOs. A number of ECSG members enquired about how reinforcement works in the gas industry. In particular, the extent of the GDN's contribution was discussed.

TN explained that the majority of reinforcement is funded by GDNs due to the application of an economic test. That is, if over a 20 year period the GDN can recover its contribution it will fund the reinforcement. However, in some cases, customers will contribute towards reinforcement schemes.

TN explained that third parties can lay mains that are deeper into Grid's network. In such cases Grid may ask the third party to lay such mains but would expect the third party's costs to be reasonable. TN added that in circumstances when multiple users are competing for the same capacity, Grid tends to offer capacity on a first come first served basis.

TN was asked to explain whether IGTs install gas pressure reduction units.

TN explained that some IGT schemes do have pressure reduction units embedded on their networks and are responsible for the upkeep of these assets.

TN was asked to explain how Grid's relationship with the HSE works.

TN explained that Grid explained its processes to the HSE and that the necessary checks and controls were put in place to support competition and safe working on Grid's networks.

The ECSG thanked TN for his presentation.

(ACTION – Ofgem to circulate to the ECSG TN's presentation)

4. NF discussion paper on operating in the gas market compared to the electricity market

NF presented his paper on the above and explained that the objective of the paper was to identify best practice in the gas industry and how this can be transferred / related (where appropriate) to the electricity connections market. NF explained that the MCCG forum and IDNOs supported the paper. NF added that the paper identifies quick wins and medium to longer term aspirations.

- **Closing Joints**

NF explained that closing joints is currently a non-contestable activity and the forum supported making closing joints a contestable activity. NF added that a number of third party providers have obtained NERS and standard closing joints for standard LV & HV Polymeric cables could be considered as contestable.

Arising question

A number of DNOs asked for clarity on the benefits of allowing ICPs to undertake closing joints.

CB explained that the 20 day standard for HV closing joints has resulted in operational issues being experienced by ICPs, for example, cancellation for minor non-conformances and additional bureaucracy has been added into the process by some DNOs. CB added that allowing ICPs to undertake final joints would alleviate pressures on DNOs to conform to standards and avoid non-compliance issues.

○ Quick wins

NF explained that process improvements are also crucial enablers of competition. NF discussed potential quick wins that would reduce administration burdens on DNOs. These are:

- allowing third parties access to DNO substation loading records which are currently made available to the DNO business and their contractors
- the standard communication of POC in line with G88 rather than the existing arrangements which vary by DNO

NF discussed partially funded diversions and reinforcements and suggested that Ofgem should write to DNOs and explain that such schemes should be classed as contestable. PD explained that Ofgem is developing a consultation paper on partially funded reinforcement schemes. A number of ICPs expressed dissatisfaction with progress and asked that Ofgem progress the consultation in a timely manner. PD added that resources have been diverted to the up and coming Connection Industry Review (CIR) publication which will seek views on a number of issues related to competition in connections.

○ Long term issues

NF set out two priorities:

- DNOs non-contestable costs should be cost-reflective. That is, POC and final connections. Concerns were expressed about final joint in some cases costing between £4k - £5k
- The communication of POC. DNOs should provide records of their networks to allow ICPs to identify their own POC and submit a design. The design could be supported through the ENA or NERS in the form of standard agreed guidance document. The DNO would validate the ICP's design rather than approve it per se
- Electricity reinforcement should linked to the gas market i.e DNOs to fund the majority of reinforcement. To move this forward would require price control proposals by Ofgem.

Arising discussion points

BH expressed concerns about DNOs not charging on a cost reflective basis and that this was a licence requirement on DNOs. BH added that charges may vary on a DNO to DNO basis due to different allocations of overheads and costs. BH added that if ICPs required a standard set of charges it would require input from Ofgem similar to the way Ofgem has required commonality on Use of System charges. BH added that to reform reinforcement would have a major impact in terms of reinforcement costs going forward in DPCR5 and should be notified to DNOs if this was proposed or possible.

SB questioned why design approvals are an issue for ICPs. CB explained that DNOs should be pragmatic in their approach and resolve issues off-line rather than rejecting or requesting a resubmission. CB added that DNOs may be taking this approach due to the standards that are now in place. NF added that an industry wide guidance document would reduce the burden on DNOs as designs submitted should conform to a national standard.

MS added that from experience the quality of design varies considerably. In some cases, ICPs submit designs which are wholly inadequate, and are submitted in order for the DNO to turn this into an adequate design. This calls into question their competence as designers, and their continuing accreditation for carrying out design works.. CB suggested that in such cases, matters of non-conformance should be addressed by NERS and stronger measures should be put in place to address repeated non-compliance.

(ACTION – DNOs to confirm at the next ECSG how they manage NERS non-conformance issues)

(ACTION – CB to raise non-conformance issues at NERS)

The ECSG thanked NF for his presentation.

5. Connections Industry Review (CIR)

PD discussed the CIR and explained that this year's CIR has been expanded to discuss a number of wider points relating to competition in connections. PD added that Connections is a high profile issue for the DPCR 5 process and comments we receive from the CIR will feed into Ofgem's deliberations on DPCR5. PD explained that publication of the CIR is imminent and asked all parties to review and submit their responses.

6. Assessment and Design fees

RM updated the ECSG on Ofgem's recent consultation. RM explained that the practice of levying upfront A&D fees before a connection offer is provided appears to be unlawful. RM added that Ofgem's consultation letter set out the legal advice obtained and through off-line discussions a number of DNOs have confirmed that they will no longer charge, or have suspended up-front A&D fees. RM explained that responses are being analysed by Ofgem and non-confidential responses will be placed on Ofgem's website.

CB questioned whether DNOs should be levying upfront A&D fees. RM added that the legal advice is clear and DNOs should not be levying upfront A&D fees. CB noted that Ofgem may seek an amendment to the Act and added that ICPs would wish to ensure that any amendment to the Act also covered second comer issues (which is not related to A&D fees). NM added that since Ofgem's consultation letter, EDFE have received a significant number of requests, which equates to a

350% increase in activity. MS added that SSE has experienced a three fold increase in activity in distributed generation connection applications. RM concluded that those DNOs experiencing an increase in activity should provide details on this and costs incurred to Ofgem.

(ACTION – DNOs to submit to Ofgem information on increased activity and costs incurred as a result of not being able to levy upfront A&D fees)

7. ICP priority list

CB discussed the background to the compilation of the MCCG priority list and explained that ICPs were concerned that a number of matters remained outstanding and are not being progressed by Ofgem. CB discussed the specific items in the priority list i.e model adoption agreement, partially funded reinforcement schemes, final connections, multiple trade testing for unadopted connections works and explained that input from Ofgem would be required to establish priorities.

A number of DNOs whilst supportive of the list expressed concerns that some matters required input from Ofgem in terms of whether items should be closed down/require additional works. CB and a number of ICPs expressed concerns about progress in the ECSG and added that Ofgem would need to provide a steer on a number of issues for progress to be made. PD acknowledged concerns and explained that in the first instance the CIR is setting out a number of issues in relation to competition in connections and that further progress would be made through the DPCR 5 process.

(ACTION – OFGEM to circulate latest version of priority list to ECSG)

(ACTION – OFGEM to provide a position against each of the issues identified on the ICP priority list)

8. A.O.B metered issues

▪ Disconnections

JR expressed concerns about slow service / poor performance in relation to gas/electricity disconnections particularly in relation to large local authority developments that are being refurbished. AS expressed similar concerns and suggested that a number of his members have experienced a poor performance in this respect. PD suggested that the CIR would provide an opportunity for industry participants to express their concerns in this respect as the CIR will seek views on whether the existing standard of performance in place on GDNs / DNOs are appropriate.

UNMETERED CONNECTIONS

9. Review of unmetered minutes and actions

The ECSG agreed that the unmetered section of the minutes was an accurate representation of discussions that took place.

RM ran through the unmetered actions and provided the following update:

- Ofgem to provide disaggregated KPI performance data by DNO for discussion at the next ECSG **(action ongoing – Ofgem to circulate KPI data to TS for onward transmission to LA champions)**

- Ofgem to write to DNOs to check that they are happy with their disaggregated LA specific data being circulated to LA champions **(action closed – all DNOs have responded and agreed to have data circulated to LA champions – some DNOs have requested specific footnotes are added to their data)**
- DNOs to send through their responses to ASLEC paper to Ofgem in two weeks. Ofgem to collate and circulate responses to the **ECSG (action closed – responses provided, summarised and circulated to the ECSG)**
- Ofgem to review ASLEC paper and consider the most appropriate way forward **(action closed – Ofgem inviting views on unmetered issues via the CIR)**
- Ofgem to check original drafting of KPI regime and confirm scope of KPIs **(action closed – Ofgem wrote to ECSG and confirmed that the SLA covers street furniture where it is owned/controlled by the LA)**

10. Unmetered KPI data

PD circulated analysis of KPI performance data produced by Ofgem. TS explained that the reporting is likely to be skewed due to inconsistencies in the way DNOs are reporting data. TS specifically referred to DNOs that report on unit / jobs or both. BH added that the Local Authorities (LAs) in ENW's DSA prefer measurement based on lamp units. PD suggested that Ofgem would attempt to improve the presentation of DNO data and indicate against each DNO how they have reported KPI data. PD added that the reporting should identify good performers and poor performers.

BS suggested that LAs are concerned that the KPIs are not backed up by a formal redress mechanism. That is, if performance is poor there is no incentive on DNOs to improve their performance.

11. Unmetered work Backlogs

RM discussed this item and explained that Ofgem chased a number of DNOs to provide their unmetered backlog data. RM explained that all DNOs had now provided their backlog data and that analysis of the data indicated that one DNO has a significant backlog compared to others. RM added that specific queries would be raised with that DNO. Once complete, Ofgem would circulate backlog data to ECSG.

(ACTION – OFGEM to circulate unmetered backlog data to ECSG)

12. Unmetered KPI Definitions – including street furniture in reporting

PD explained that the scope of the KPI regime does include street furniture that is under the ownership of LAs. NM questioned whether DNOs should report work that is carried out under a PFI contract. TS suggested that major PFI works are outside the scope of the KPI regime in terms of connections because of the large number of units involved; however, faults to units operated under a PFI should be reported against.

(ACTION – OFGEM to amend definitions to make it clear that the unmetered KPI regime covers street furniture under the ownership of the LA).

13. IDNO unmetered issues

PD referred to the document produced by NF and queried whether there were any outstanding issues for the ECSG to consider.

TS suggested that LAs are concerned about IDNO inventory arrangements and setting up specific energy accounts for IDNOs. NF added that these issues are set out in the IDNO unmetered document. RM added that the Institute of Lighting Engineers (ILE) suggested that it would circulate the IDNO document to its members.

14. A.O.B (unmetered)

- LA's concerns about 'approved' specifications for plant and equipment and inventory control was not discussed by the ECSG and will be carried forward to the next meeting.
- GP explained that ASLEC is planning to produce for its members a document on competition in connections as well as identifying the decisions made by Ofgem in this respect.

PROPOSED DATE OF NEXT MEETING: 21 January 2009

SUMMARY OF ECSG ACTIONS

Metered

- 1. Ofgem to circulate to the ECSG TN's presentation**
- 2. DNOs to confirm at the next ECSG meeting how they manage design non-conformance issues**
- 3. CB to raise design non-conformance issues at NERSAP**
- 4. DNOs to submit to Ofgem information on increased activity and costs incurred as a result of not being able to levy upfront A&D fees**
- 5. OFGEM to circulate latest version of priority list to ECSG**
- 6. OFGEM to provide a position against each of the issues identified on the ICP priority list**

Unmetered

- 1. Ofgem to circulate KPI data to TS for onward transmission to LA champions**
- 2. OFGEM to circulate unmetered backlog data to ECSG**
- 3. OFGEM to amend definitions to make it clear that the SLA covers street furniture under the ownership of the LA**
- 4. LA's concerns about 'approved' specifications for plant and equipment and inventory control (carried forward from previous ECSG meeting)**