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*Our ref*

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*Date*

13 November 2008

Dear Rebecca

**Connections Industry Review 2008**

Thank you for the opportunity to comment on Ofgem's 2008 Review of the Connections Industry.

We note that Ofgem is considering what further action is necessary to take forward to DPCR5.

I attach detailed comments to address the specific questions raised in the Review document.

Yours sincerely



ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager



## **Gas and Electricity Connection Industry Review 2007 – 2008 Ref:143/08**

### **WPD response to questions raised within the Review**

#### **Chapter Two**

Chapter two relates to Gas connections so no response is given.

#### **Chapter Three**

Chapter three relates to GT performance against Guaranteed Connection Standards so no response is given.

#### **Chapter Four**

***Question one: Why has competition been slow to develop in electricity connections compared to gas, and what measures if any, should be taken to address this issue. In particular, we seek responses on the following theories for the relatively slow growth of competition in electricity connections:***

***a. The relative price control operating in gas gives IGTs a relatively high revenue compared to their underlying operating cost, whereas margins are slimmer for IDNOs?***

We have no comment to make on IDNO margins.

Caution is required when drawing parallels between gas and electricity due to differing safety risks particularly relating to live jointing on an existing wide range of cable types on DNO distribution systems. WPD and, other DNOs have accepted live jointing by accredited ICPs on new developments, where the development of the network clearly only entails jointing of new (Wavecon) to new cable. It was the ICPs that were concerned about the start up costs associated with requirements to train for jointing on all LV cable variants, and identification of HV from LV, and this “new” to “new” provided a solution to that concern, addressing the vast majority of jointing associated with a new housing development. WPD would not permit any party, including it’s own staff, to undertake jointing for which they had not been trained; to do otherwise would be illegal under Health & Safety legislation.

WPD has witnessed a constant level of POC applications from IDNO’s over the last 2 years and has seen a small increase of applications from ICP’s. An organisation’s competitiveness in the market is measured by both the cost of connection and levels of service provided. These are the factors a prospective customer will judge competitors upon. In our experience IDNO’s/ICP’s are competitive on cost. We believe that WPD’s reputation for the reliable quality of service has enabled us to retain business with customers and regain it from those who may have tried an independent operator.

In terms of numbers of gas vs electricity connections it should be recognised that there are still wide areas of our service territory where mains gas supplies are not available.

***b. There remain significant barriers to competition in electricity, whether real or perceived, which prevent effective competition from IDNOs and ICPs. If so, we seek consultation responses on the nature of the barriers, and what measures should be implemented to address them?***

WPD does not believe there are significant real barriers to competition in electricity connections in our service areas. As a Company we have actively and positively supported the work of ECSG through membership from the outset. The implementation of the G81 Framework documents, development of the National Electricity Registration Scheme and introduction of performance standards for non-contestable services have all helped to mitigate any perceived barriers. WPD have been at the forefront of facilitating competition in street lighting work through the creation and wide deployment of “triangular agreements” with Local street lighting authorities, and have been recognised for this.

The work of the Electricity Connections Steering Group continues to focus on the evolution of competition in electricity connections.

We are disappointed that Ofgem continues to rely on subjective assessments when the setting up of Licence Conditions requiring mandatory reporting systems provides a mechanism for tracking performance. These were widely debated within ECSG and subject to public consultation and should form the basis for analysis.

## **Chapter Five**

***Question one: Why has there been limited reporting against the SLA 15 performance standards, and what measures should be taken to address this issue?***

The number reported by WPD has been limited because the majority of connection applications from IDNO's and ICP's request WPD carry out some proportion of the contestable work. Standard LC15 only applies where the applicant's request is limited to the provision of non-contestable services by the licensee. The majority of applications are therefore excluded.

WPD highlighted this issue at the time of drafting of the licence condition and during subsequent consultation with Ofgem under their review of Competition in Connections but in the absence of contrary advice we have strictly interpreted the condition. The outcome is that the majority of IDNO/ICP applications have been excluded from the report.

**Question two: There are standards relating to the provision of non-contestable services where the connection is being provided by an alternative provider. However, the vast majority of contestable activity is still carried out by the incumbent and not all of this activity is covered by service standard reporting. We would welcome feedback on whether it is appropriate to extend the scope of service standard requirements / reporting to the provision of connections not currently covered, and if so, what form the scope extension should take? For instance, we have 30 and 40 day standards for straightforward connections, but no comparable service standards with regard to non-straightforward connections (i.e. the majority of larger connections).**

WPD believes the existing number of service standards is sufficient and that further increasing the administrative burden on the DNO by extending the scope holds no great benefit for the DNO or applicant.

With regard the specific example, DNO's are already obligated to report under LC19 on timescales for provision of formal quotations, split by voltage of connection (i.e. LV, HV, EHV, generation). Larger connections invariably have longer lead in times for connection and energisation so WPD generally find these easier to manage and schedule.

**Question three: Data generally suggests that standards are being met. However, this is not consistent with the fact that we receive significant numbers of complaints with regard to service quality from end customers, ICPs and IDNOs. Why is there an apparent inconsistency between reported standards, and the level of complaints received? How should this issue be addressed?**

Our feedback from IDNOs and ICPs is that they are generally satisfied with our service. Subject to the requirements of our Licence in ensuring that we provide a non-discriminatory service, in order to ensure that LC15 standards are met, ICP/IDNO connection applications do tend to receive a priority service.

WPD has a formal complaints process and to date, is not aware of any complaints received with regard to the quality of non-contestable service. If Ofgem has received any complaints about WPD, we would like to have the opportunity to discuss them with the customer and their independent connections provider in order to understand where the problems lie and find ways to address them.

We would welcome greater transparency in the reporting of connection complaints received by Ofgem from IDNOs and ICPs. Ofgem could provide a breakdown of complaints in future Connections Industry Reviews. This could form a basis for discussion in ECSG. We believe that a thorough analysis of this data would provide a positive way forward by providing a better understanding of the specific customer service problems.

## Chapter Six

***Question one: In the light of generally disappointing performance, Ofgem seeks views from interested parties on whether they believe that it is appropriate to continue with the current voluntary arrangements, or whether Ofgem should seek to introduce either financial incentives (as part of DPCR5) or specific licence conditions with regard to performance standards in unmetered connections.***

As this is the only the first year of reporting against a series of KPI's for unmetered connection service standards we believe it is appropriate to continue with the current voluntary arrangements.

Whilst the overall results appear disappointing there has been some uncertainty over exact reporting requirements, including ambiguity in reporting definitions which may have coloured results. WPD supported by the then current LA Street lighting Representative on ECGS, previously voiced concern over the categorisation by some LA's in South West England over misuse of the high priority fault repair classification. Ofgem undertook their own analysis last year and reached the same conclusion ("Trial Unmetered Service Level Agreement, High Priority Faults" Paper by Ofgem circulated to ECGS Members on 7 June 2007). Whilst this misuse of the "high priority" fault classification has continued into 2007/8, Ofgem have made no mention of it in the CIR; this is not helpful to the meaningful comparison of performance.

This issue has been raised at ECGS level and our belief is that although things have improved, the overall results will however have been influenced by this factor. WPD believe that more work is needed to improve the definitions.

We also believe that unless present definitions are tightened significantly some of the targets are unrealistic. As an example, the figures for undertaking 50% of high priority fault repairs within one working day (Table A8.2, Appendix B) demonstrate a large bandwidth that DNO's are reporting upon, ranging from single figure returns to numbers in the hundreds.

## Chapter seven

***Question one: In the light of experience, did Ofgem's Good Practice Review target the appropriate areas?***

We believe the Good Practice Review did generally target the appropriate areas although we do not agree that some of the individual good practice areas highlighted were necessarily relevant or required.

***Question two: Do the DNOs' reports of their own performance in implementing the Good Practice measures (as per our checklist) accord with their customers' and other market participants' perceptions of their performance? (See Appendix 10 for details of the checklist items, and the traffic light scores for each checklist item.)***

We are not aware of a misalignment between WPD's own performance report and the customer's perceptions of our actions.