

# Unite Submission to the Office of Gas and Electricity Markets Electricity Distribution Price Control Review Policy Paper Consultation

## 1. Introduction

- 1.1 This response is submitted by Unite the Union. Unite is the UK's largest trade union with 2 million members across the private and public sectors. Unite's members work in a range of industries including energy, manufacturing, construction, engineering, transport, information technology, finance, local authorities, education, health and not for profit sectors.
- 1.2 Unite has approximately 8000 members employed throughout the Distribution Network Operator (DNO) sector in Scotland, England and Wales. Our members are employed in all operational activities carried out by the DNOs and Unite is uniquely placed to comment and contribute to the development of Ofgem's thinking on increasing efficiency, reducing labour costs and delivering better service to electricity customers.
- 1.3 It is interesting to observe that companies with the highest rates of return revealed by the RORE approach detailed in the consultation document are not those who in our view are the best in terms of efficiency, investment, training, reliability and customer service.
- 1.4 Our submission, set out below, focuses on:
- The recruitment and training of key operational staff
  - The personal development of craft personnel
  - The need for companies to restructure their operations
  - Regional pay and pensions

## 2. Recruitment and Training

- 2.1 Last autumn, Unite conducted an in depth survey of recruitment and training across all DNOs. There was a good level of cooperation with the exception of Scottish and Southern Energy who provided apprentice information at their contracting subsidiary SEC, without breaking down the information between electricians, other trades and DNO type craftsmen. There was no detail of those apprentices allocated to the main distribution company. Their inability or lack of willingness to present the data as requested, which should be an easy task, was disappointing.
- 2.2 The table in **Appendix 1** shows craft apprentice intake for the 5 year period 2004/05 to 2008/09. **Appendix 2** shows the number of apprentices per km of network.

- 2.3 Unite believe that the results speak for themselves. With the exception of Western Power Distribution (WPD) companies are clearly failing to invest in the craft skills which are essential to the future success of the distribution sector. This picture is surprising given the age profile of DNOs and the need to have qualified, skilled staff to meet the challenges of future asset replacement and distributed generation.
- 2.4 Unite believe that companies who have not invested in training hide behind claims of skill shortages and the elongated discussions at the EU skills council.
- 2.5 Unite would urge Ofgem to take a very hard line on this and introduce financial incentives to reward those companies that train staff and penalise financially those companies who do not.

### **3. Personal Development**

- 3.1 Unite believe that productivity is a real issue in the DNO sector and this needs to be addressed if companies are to give better service and value for money to the customer.
- 3.2 Historically it was extremely difficult for DNO craftsmen to progress beyond the craft level. The issue of safety documents, which is a crucial element of operational field work, was almost entirely restricted to degree/HND qualified engineers. This is an outdated restrictive practice and its elimination across the sector would result a dramatic improvement in productivity and customer service.
- 3.3 WPD were first movers in this area and the results of our recent survey of DNOs ( **Appendices 3 and 4** ) shows what can be achieved in productivity and absolute cost gains when technician / craftsmen are trained and qualified to issue their own safety documents.
- 3.4 WPD stands out in terms of implementing the technician grade and the trained numbers attributable to the south west were established in partnership with Unite 12 years ago. When WPD acquired the networks business in South Wales the practice was extended.
- 3.5 With the exception of WPD, craft staff across the DNO sector are frustrated that their potential is not being fully utilised.

### **4. Productivity**

- 4.1 Unite believes that most companies in the sector have done very little to reduce costs and improve service and productivity through restructuring and elimination of restrictive working practices.

- 4.2 It is clear to Unite that some companies have too many levels of management and are slow to tackle historical demarcations and out of date working practices. The slow introduction of the 'technician' role is symptomatic of a lack of action and unwillingness to take on difficult issues.
- 4.3 Generally speaking, staff (traditional engineers) performing operational tasks in the field cost as much as £15,000 per annum more than technician staff (drawn from the craft grades) performing the same role. Continuing this practice is clearly not in the interests of the customer.
- 4.4 Introduction of technicians would reduce costs considerably, result in fewer personnel being on-site and result in essential documentation being issued faster. This would reduce waiting time and speed up fault restoration times. These benefits would be clearly seen at times of storms. This was confirmed in the Department of Trade and Industry's October 2002 Power System Emergency Post Events Investigation Overview Report (DTI/PSER/001) which was carried out by an independent company i.e. British Power International.

## 5. Regional Pay and Pensions

- 5.1 Unite believes that Ofgem's approach based on a method promoted by EDF to regional pay is wrong. The route to reducing labour cost and achieving real gains in productivity and customer service lies in the points made above.
- 5.2 In the 20 years since the industry was privatised the relative pay levels of staff between companies has changed very little. This is not surprising given that the key benchmark job within the industry is the craft role and at times of pay negotiation all companies compare their rates of pay with those of the others in the sector and the Joint Industry Board for the Electrical Contracting Industry (JIB). Accordingly, pay is largely uniform across the sector with the exception of London where a London allowance was applied.
- 5.3 DNO annual pay settlements since privatisation have kept pay differences within a narrow band, usually around the prevailing level of RPI. **Appendix 5** shows the position on craft pay across the sector as at the end of 2008, some 15 years after the introduction of local pay bargaining and company level agreements.
- 5.4 EDF Energy recently circulated a regional pay proposal within the industry. The CE Electric dispute in 2008, settlement of which narrowly avoided strike action, had a central issue of NEDL pay being lower than YEDL pay for comparable jobs.
- 5.5 Clearly any 'efficiencies' claimed by lowering craft pay via the EDF route shows a fundamental lack of appreciation of the reality of collective

bargaining in the DNO sector and the potential negative impact on good, stable labour relations by seeking to reduce base pay.

- 5.6 With the exception of WPD there continues to be a wide range of additional allowances which are a real cause for variations in actual pay and which continue because of managements' failure to tackle their elimination.
- 5.7 The Unite position on pensions position is very clear. The vast majority of staff in the DNO sector are protected from having their pension benefits reduced by legislation introduced at the time of privatisation.
- 5.8 Unite understand why Ofgem is looking at pensions in the current economic climate. However, the current state of pension deficits is due primarily to economic circumstances outside the control of companies and their staff and changes introduced by the Pensions Regulator to make underlying assumptions more prudent.
- 5.9 Unite would suggest that closing schemes to new members who work in distribution has a negligible effect on deficits and costs generally given the comparatively low turnover rates and the tendency for staff in DNOs to be long serving.
- 5.10 Unite would urge Ofgem to understand fully the emotional aspect of changes to pension provision and the potential for widespread and concerted industrial unrest on a scale unprecedented in the electricity sector.

## **6. Conclusion**

- 6.1 Unite welcomes the opportunity to contribute to Ofgem's thinking on the shape of the next price review. We encourage Ofgem to challenge companies on what they have actually done not what they propose to do.
- 6.2 As a major stakeholder in the DNO sector and the largest trade union, Unite trust that our contributions to the debate will be taken seriously and acted on. We would be willing to amplify anything set out in this submission via a meeting with Ofgem.