

Electricity Distribution Price Control Connections Reporting - Regulatory Instructions and Guidance: Version 2

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Target audience: Electricity Distribution Network Operators, Independent Distribution Network Operators, Electricity Suppliers, consumers and consumer representatives

Overview:

This document provides instructions and guidance to Electricity Distribution Network Operators to enable them to complete the connections reporting requirements associated with the new price control arrangements (DPCR5) which run from 1 April 2010 to 31 March 2015.

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Context

This document contains the Electricity Distribution Price Control Connections reporting pack Reporting Regulatory Instructions and Guidance (RIGs).

The purpose of this document is to provide a framework to allow Ofgem to collect accurate and consistent connections data from the Electricity Distribution Network Operators (DNOs). A number of licence conditions require the DNOs to provide us with this information. The key licence conditions for the purposes of this document are standard conditions 15A (Connection Policy and Connection Performance), 46 (Incentive schemes for innovation funding and Distributed Generation), 47 (Reporting of Price Control Revenue Information) and 48 (Reporting of Price Control Cost Information) in the electricity distribution licence.

This document is one of two which together form the entire RIGs associated with DPCR5. The three further documents cover:

Associated Documents

- Electricity Distribution Price Control Review Final Proposals (144/09)

Table of Contents

Summary 4

1. Instructions for completing Connections reporting pack 6

 Introduction6

 Connections Reporting pack7

Appendices 29

Appendix 1 – The Authority’s Powers and Duties 30

Appendix 2 - Feedback Questionnaire 32

Summary

The fifth Electricity Distribution Price Control Review¹ (DPCR5) sets the maximum amount of revenue that Distribution Network Operators (DNOs) can recover from customers over the five-year period from 1 April 2010 and places a number of incentives and obligations on the DNOs. We collect data annually to allow us to monitor DNO performance against their incentives, monitor compliance with their price control obligations and to allow analysis between price controls and at the subsequent price control review. Annual data collection also allows Ofgem to identify issues of performance ahead of the next price control review and provide us with a more robust understanding of the DNO business.

The Regulatory Instructions and Guidance (RIGs) provide a framework that enables Ofgem to collect data from DNOs in a consistent format. The RIGs inform DNOs about the information we plan to collect, guide them on how to provide this information and enable the DNOs to put the systems in place to collect the data to the detail we require.

Since we introduced the annual regulatory reporting arrangements in 2005 there have been significant improvements in the quality of data DNOs have provided to us annually and as part of their Forecast Business Plan Questionnaire (FBPQ) submissions. These improvements allowed us to carry out more robust cost comparisons and cost assessments at DPCR5. However, there are still inconsistencies in the data provided to us by DNOs, and we will be looking for further improvements in the lead up to the next price control review, RIIO-ED1.

From the initial publication of the RIGs in April 2010, and the first submission in the new format in October 2010, there has been a considered effort to correct many inconsistencies in those documents. Through joint Ofgem and DNO working groups the RIGs workbooks and associated documents have been significantly refined in order to provide a more robust collection and explanation of the data required from Ofgem.

A significant change is the way in which the workbooks are now structured. The CRRIG and NADPR data have now been combined into one workbook. Where possible we have combined cost and volume information in order to produce a unit cost analysis. This will give clear visibility of this type of analysis to both the DNOs and Ofgem and allow for comparative summary for all DNOs.

Our electricity distribution annual report brings together and summarises a number of key indicators of performance in areas such as customer service, connections, the environment and providing network reliability in a cost effective manner. This provides stakeholders with a complete view of performance against each of the price

¹ Electricity Distribution Price Control Review Final Proposals, December 2009. Ref: 114/09

control incentives and allowances. We intend to widen the scope of this report in the future to include the new incentives and obligations introduced in DPCR5.

There are a number of conditions in the electricity distribution licences that require the DNOs to provide the information set out in the RIGs. These licence conditions also provided the procedure by which we amended the RIGs during the working groups. We intend to keep the RIGs reporting obligations under review and may seek to refine them further where gaps, duplication or more robust methods of collection are identified.

This guidance within this document relates only to the Electricity Distribution Price Control: Connections reporting pack.

1. Instructions for completing Connections reporting pack

Introduction

1.1. The purpose of the instructions and guidance in this chapter is to provide a framework for the collection and provision of accurate and consistent connections data from DNOs.

1.2. All costs included in the sheets that include a project-by-project breakdown (CN2, CN3 and CN9) are to be provided in pounds and pence whilst those sheets that are completed on an aggregate basis (CN4-CN11, CN14 and CI1-CI7) must be completed in pounds million.

1.3. The tables within the connections reporting pack are designed to monitor connection margins in accordance with the Charge Restriction Condition (CRC) 12(Licensee's connection activities: Margins and the development of competition). The tables also collect costs and volumes data in order to assess performance against the connection volume driver and the data will assist in an ex post assessment of DNO performance. These tables, along with tables CN11 and CN12 will also be used to inform the analysis within the Connections Industry Review (CIR) and will mean that DNOs will no longer be required to provide a stand alone CIR data submission.

General principles

1.4. Within the reporting for DPCR5, the term 'connection' refers to the provision or upgrading of individual metered exit points, points of connection for independent networks and ICPs and Unmetered connection work. All provisions of new exit points or upgrades of existing exit points must be referred to as connections within the annual reporting for connections. The provision of each of these 'connections' must be delivered via a Connections project, which refers to each project covered by a connection quotation offered to a customer. It is the scope of work within a particular connections project that determines which market segment it is classified as belonging to.

1.5. As defined in the glossary, Upgrading Connection projects refer to connection projects that involve only the upgrading of existing exit points without the provision of new exit points. Within the RIGs, the upgrading of existing exit points must refer to projects that either;

- Increase the capacity available to an existing exit point of the DNO network – these projects should be included in table CN2
- Allowing an existing exit point to be able to feed a supply of electricity to a DNO network – these projects should be included in CN3

1.6. Details of each DPCR5 Demand Connection projects should be listed in table CN2, whilst details of each DPCR5 DG Connection project should be listed in table CN3.

Connections Reporting pack

CN 1 - Margin dates summary

1.7. This table must be completed with the dates on which the relevant margin levels (zero per cent, 4 per cent regulated and unregulated) have been applied to the different market segments.

1.8. The full period within the year must be covered by the table for each market segment, the earliest date to be put in one of the "from" columns must be the 1st April of the relevant reporting year whilst the latest input in the "to" column must be the 31st March of the reporting year. The first date of any new margin period starting within the year must be the date referred to in any notice given to Ofgem explaining the DNO's intention to change margin level. Dates must be selected from the drop down menu to ensure that they are entered in Excel recognised date format and shifts between zero margin and regulated margin must occur in all relevant segments at the same time. The dates for market segments that are excluded from the earning of any level of margin must not be changed at all by the DNO.

CN2 – DPCR5 Completed mtd cons

1.9. This table must be completed for each Connection projects; DPCR5 that is financially closed within the reporting year in question. As defined in the licence, a demand connection refers to any connection where the primary purpose of the connection is to enable premises to receive a supply of electricity from an electricity distributor's distribution system. To this end, connection projects which meet the criteria of the glossary definition of "Connection projects, DPCR5" should be included in this table.

Reference number/ project id

1.10. DNOs must provide a unique reference number or name to each individual DPCR5 connection project on a project-by-project basis. Where possible this reference must follow a logical pattern and when projects are re-opened across reporting years, the project reference must remain constant. However, it is understood that this reference is likely to differ from the original quote reference if this has been included in table CN9 in a previous year.

Connection / Customer type

1.11. All connection projects must be categorised into one of the connection types listed below with the corresponding Code entered in the relevant column;

Code	Category
LVSSA	Single service LV connection
LVSSB	Small project demand connection (LV)
LVAL	All other LV (with only LV work)
LVHV	LV end connections involving HV work
HVHV	HV end connections involving only HV work
LVEHV	LV end connections involving EHV work
HVEHV	HV end connections involving EHV work
EHV	EHV end connections involving only EHV work
HV132	HV or EHV connections involving 132kV work
132kV	132kV end connections involving only 132kV work

Provider of connection work

1.12. This column must reference the majority provider of the contestable works within each individual connections project. The majority provider must be determined as the party or parties that will undertake/have undertaken the greater value of contestable connection work, as prescribed by the details of the relevant DNO's charging methodology. Where a third-party connection has subsequently been adopted by the host DNO it must be recorded as an ICP connection. Where the third party retains ownership of the asset for an independent network it must be recorded as an IDNO connection. Where an ICP operates as the connecting agent for an IDNO, this connection project must be recorded as an IDNO connection. Where an IDNO company operates as an ICP, this connection project must be recorded as an ICP connection.

Offer date

1.13. This column must be completed with the date on which the DNO dispatched the first quotation that was subsequently accepted by the connecting party. This must be assigned to the nearest working day with quotations offered after 5pm rolling into the next working day.

Margin included in quote

1.14. This column must be completed with the margin (as allowed and defined in CRC12) in per cent above the DNO cost of completing the contestable sole use element of a connection placed on the customer quotation.

Completion date

1.15. This column must be completed with the date on which the project is completed. The completion date is defined as the financial closure of a project and is the later of the following dates:

- energisation of the cut-out,
- all cost transactions completed, or
- all invoices settled.

Previously closed job

1.16. This column must remain blank for all projects except those that have been reopened, either from a physical or financial point of view, having met the completion date criteria above in a previous DPCR5 reporting year. Projects that are marked as reopened against this column must always hold the same reference number as when they were previously closed off.

Number of exit points

1.17. These four columns must be completed for each connections project with the number of energised cut outs at exit points by voltage level (LV, HV, EHV and 132kV). These columns must be populated with all exit points connected to the DNO network through a connection project i.e. values must include exit points resulting from ICP connections. Where a connection project connects an independent network (categorised as "IDNO") one exit point must be logged, against the voltage at which the independent network is connected to the DNO network.

UMS

1.18. This column must be completed with the number of unmetered connection works (exit points provided, transfers or disconnections) provided as part of a metered demand quotation. Unmetered numbers should only be included here where there are accompanying metered volumes and costs within the quoted project.

Involving onsite diversionary works as part of project

1.19. This column must be completed with a capital "D" where the connection project on that line involves any diversion work wrapped up within the quote, within the sole-use contestable category. Where a project has no diversionary work involved, or if this work is separately quoted as a separate service, this column should be left blank.

Export MPAN in quote

1.20. Where a connection project's quotation includes the installation of an Export MPAN, a "Y" should be entered in this column. If the installation of an Export MPAN is not included in the quotation, this column should remain empty.

Post 2005 DG included in scheme - Type of Generation

1.21. This information will provide information on the relevant costs of connecting different types of DG. This information will inform the development of the DG incentive, as referred to in SLC 46, for future Price Controls.

1.22. Where a demand connection project involves the installation of any DG, this column must be completed with the type of generation plant that is to be connected to the Distribution network as part of the demand connection project. One (and only one) option from the following list (provided in a drop-down list in the relevant column of the sheet and defined in the Glossary) should be selected for each connection project,

Onshore wind
Offshore wind
Tidal stream & wave power
Biomass & energy crops (not CHP)
Hydro
Landfill gas, sewage gas, biogas (not CHP)
Waste incineration (not CHP)
Photovoltaic
Micro CHP (domestic)
Mini CHP (<1MW)
Small CHP (>=1MW, <5MW)
Medium CHP (>=5MW, <50MW)
Large CHP (>=50MW)
Other generation

1.23. Where more than one of the above types of generation plant are being connected as part of a connections project, the generation type that has the highest individual MW capability, as defined in the "Generation Capacity" column should be selected.

Post 2005 DG included in scheme - Generation Capacity

1.24. This must be completed with the highest active electrical power (MW) that can be generated (or the relevant incremental change of this amount in cases of the expansion of existing DG plant) as a result of the DG installed within the particular demand connection project for the reporting year. Where applicable, this column must be completed in accordance with the connection and use of system agreement(s) in force on 31 March of the relevant year, or notification in cases of generation covered by Engineering Recommendation G83/1. For projects that do not involve any installation of DG, the relevant cell in this column should remain blank.

Final Quote Value

1.25. The final quote value must relate to the full and final amount quoted for the cost of completing each element of a connection project, including additional charges or any refunds provided.

Element of connection that is Sole Use funded

1.26. This is defined as the element of a connection that will only be used by the connecting party after completion of the work, and is therefore fully funded by this party. All connection jobs/projects that involve the provision of new exit points must have a sole use element. Upgraded connection projects are the only projects that are able to have no element of connection that is Sole Use funded.

Element of connection subject to the apportionment rule

1.27. Where a connection project requires the reinforcement of existing assets or involves the installation of new assets that will not be used solely by the connecting party, the funding will be split between the new connectee and the wider customer base through DUoS funding. This funding is split using the apportionment rules as detailed in DNO connections charging methodologies.

1.28. The portion funded by the connecting customer is referred to as "Element of connection subject to the apportionment rule – Customer Funded". Note that this funding refers only to the element funded by the customer under the apportionment rule, rather than the total connecting customer contribution.

1.29. The portion that is funded by the wider customer base through DUoS is referred to as "Element of connection subject to the apportionment rule – DUoS Funded".

Contestable

1.30. Contestable refers to contestable connections work; work that can be carried out by a non-affiliated 3rd party with the relevant accreditation.

Non-contestable

1.31. Non-contestable refers to non-contestable connection work; work that can only be carried out by the host DNO/licence holder.

Direct costs

1.32. The costs associated with direct activities; those which involve physical contact with system assets.

Indirect costs

1.33. The costs associated with indirect activities; those which do not involve physical contact with system assets.

Final Quote value - Element of connection that is Sole Use funded – Contestable - Direct (£)

1.34. This column must be completed with the direct cost quoted by the DNO for completing all direct contestable work that forms part of the sole-use element of each connection project. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

1.35. NB: where a connection project involves any diversionary works, the costs for these works must be included in this category.

Final Quote value - Element of connection that is Sole Use funded – Contestable - Indirect cost (£)

1.36. This column must be completed with the indirect cost quoted by the DNO for completing all indirect contestable work that forms part of the sole-use element of each connection project. As this value is to be estimated, we would expect it to be derived from overall indirect allowances and direct costs. DNOs must explain the general assumptions and calculations that have been used in setting these quoted values. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value - Element of connection that is Sole Use funded – Non-contestable - Direct cost (£)

1.37. This column must be completed with the cost quoted by the DNO for completing all direct non-contestable work that forms part of the sole-use element of each connection project. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value - Element of connection that is Sole Use funded – Non-contestable - Indirect cost (£)

1.38. This column must be completed with the indirect cost quoted by the DNO for completing all indirect non-contestable work that forms part of the sole-use element of each connection project. As this value is to be estimated, we would expect it to be derived from overall indirect allowances and direct costs. DNOs must explain the general assumptions and calculations that have been used in setting these quoted values. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

1.39. NB: Costs assigned to indirect activity such as ICP design approval must be included here.

Final Quote value – Element of connection subject to the apportionment rules – Customer Funded – *Contestable - Direct cost (£)*

1.40. This column must be completed with the direct cost quoted by the DNO for completing all direct contestable work that forms part of the customer funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value – Element of connection subject to the apportionment rules – Customer Funded – *Contestable - Indirect cost (£)*

1.41. This column must be completed with the indirect cost quoted and assigned by the DNO as associated with the completion of all indirect contestable work that forms part of the customer funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value – Element of connection subject to the apportionment rules – Customer Funded – *Non-contestable - Direct cost (£)*

1.42. This column must be completed with the direct cost quoted by the DNO for completing all direct non-contestable work that forms part of the customer funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

1.43. N.B. DG high cost charges must be categorized here with relevant indirects included below.

Final Quote value – Element of connection subject to the apportionment rules – Customer Funded – *Non-contestable - Indirect cost (£)*

1.44. This column must be completed with the indirect cost quoted and assigned by the DNO as associated with the completion of all indirect non-contestable work that forms part of the customer funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value – Element of connection subject to the apportionment rules – DUoS Funded – *Contestable - Direct cost (£)*

1.45. This column must be completed with the direct cost quoted by the DNO for completing all direct contestable work that forms part of the DUoS funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied

Final Quote value – Element of connection subject to the apportionment rules – DUoS Funded – *Contestable - Indirect cost (£)*

1.46. This column must be completed with the indirect cost quoted and assigned by the DNO as associated with the completion of all indirect contestable work that forms part of the DUoS funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value – Element of connection subject to the apportionment rules – DUoS Funded – *Non-contestable - Direct cost (£)*

1.47. This column must be completed with the direct cost quoted by the DNO for completing all direct non-contestable work that forms part of the DUoS funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Final Quote value – Element of connection subject to the apportionment rules – DUoS Funded – *Non-contestable - Indirect cost (£)*

1.48. This column must be completed with the indirect cost quoted and assigned by the DNO as associated with the completion of all indirect non-contestable work that forms part of the DUoS funded element of works that are subject to the apportionment rules. The value entered in this column must only relate to the bare cost of the works, without any margin applied.

Other Charges – Cost App Future Comer - Rebate to initial connectee £

1.49. This column is to be completed only where a connection quotation includes a value assigned to cover a customer-to-customer rebate where the connection involves the utilisation of capacity of assets installed as part of a new connections project completed within the previous 5 years. The value entered must equate to a relevant proportion of the customer funded cost of the installation of the original asset under the apportionment rule.

Other Charges – Cost App Future Comer - Rebate to DNO £

1.50. This column is to be completed only where a connection quotation includes a value assigned to cover a rebate to the DNO where the connection involves the utilisation of capacity of assets installed as part of a new connections project completed within the previous 5 years. The value entered must equate to a relevant proportion of the DUoS funded cost of the installation of the original asset under the apportionment rule.

Other Charges – Cost App Future Comer – Original project ID £

1.51. The unique job reference must be entered for instances where a particular project involves a future customer funding a rebate to either the original customer or DNO (or both) and where the original connection job has been completed under DPCR5 RIGs.

Other Charges - O & M charges

1.52. This column is to be completed with any quoted costs associated with connecting party funded ongoing operation and maintenance costs.

Final Quote value - Element of connection that is Sole Use funded - Direct including margin

1.53. This is a calculation cell which will show the amount quoted to the customer for the direct contestable sole use element of a connection once the relevant margin has been applied.

Final Quote value - Element of connection that is Sole Use funded – Indirect including margin

1.54. This is a calculation cell which will show the amount quoted to the customer for the indirect contestable sole use element of a connection once the relevant margin has been applied.

Final Quote value - Element of connection that is Sole Use funded – Direct & Indirect including margin

1.55. This is a calculation cell which will show the amount quoted to the customer for the direct and indirect contestable sole use element of a connection once the relevant margins have been applied.

Final quote value – Total charged to customer

1.56. This is a calculation cell which will show the total value of the quote which is to be funded by the customer, including relevant margins.

Final quote value – Total direct cost of project

1.57. This is a calculation cell which will show the total value of the quote for the direct cost of the physical connection work being carried. This will not include any of the cost categories identified as “Other Direct Costs” since these are not costs associated with work that is being carried out.

Cost of doing the work

1.58. This refers to the actual direct costs incurred by the DNO for completing all physical work that forms part of the completed connection project.

Cost of doing the work - Element of connection that is Sole Use funded – Contestable - Direct cost (£)

1.59. This column must be completed with the actual direct cost incurred by the DNO for completing all contestable work that forms part of the sole-use element of each connection project.

Cost of doing the work - Element of connection that is Sole Use funded – Non-contestable - Direct cost (£)

1.60. This column must be completed with the actual/eventual direct cost incurred by the DNO for completing all non-contestable work that forms part of the sole-use element of each connection project.

Cost of doing the work – Uplift in cost of Element of connection that is Sole Use funded as a result of work identifiable as being undertaken solely to accommodate the installation of a DG

1.61. Where a demand connection project includes the installation of some post 2005 DG, this column must be completed with the total sole use costs that relate only to any specific fault level reinforcement carried out solely to accommodate the DG onto the DNO network. If the DNO is unable to identify these costs, the column should be left blank.

1.62. Additionally, where DNOs are able to accurately capture any other incremental costs incurred on the scheme as a result of the DG installation, these can be entered in this column. However, the DNOs should identify where they have included these costs in this column within their commentary and explain how they have calculated these costs in general terms and be able to demonstrate on request the process for each individual project.

Cost of doing the work - Element of connection subject to the apportionment rules – Customer Funded – Contestable - Direct cost (£)

1.63. This column must be completed with the actual/eventual direct cost incurred by the DNO for completing all contestable work that forms part of the customer funded element of works that are subject to the apportionment rules.

Cost of doing the work - Element of connection subject to the apportionment rules – Customer Funded – Non-contestable - Direct cost (£)

1.64. This column must be completed with the actual/eventual direct cost incurred by the DNO for completing all contestable work that forms part of the customer funded element of works that are subject to the apportionment rules.

Cost of doing the work– Element of connection subject to the apportionment rules – DUoS Funded – *Contestable* - Direct cost (£)

1.65. This column must be completed with the actual/eventual direct cost incurred by the DNO for completing all contestable work that forms part of the DUoS funded element of works that are subject to the apportionment rules.

Cost of doing the work– Element of connection subject to the apportionment rules – DUoS Funded – *Non-contestable* - Direct cost (£)

1.66. This column must be completed with the actual/eventual direct cost incurred by the DNO for completing all contestable work that forms part of the DUoS funded element of works that are subject to the apportionment rules.

Cost of doing the work – Element of connection subject to the apportionment rules – *Uplift in cost of Element of connection that is subject to the apportionment rules as a result of work identifiable as being undertaken solely to accommodate the installation of a DG*

1.67. Where a demand connection project includes the installation of some post 2005 DG, this column must be completed with the total costs subject to the apportionment rules (both Customer and DUoS funded) that relate only to any specific fault level reinforcement carried out solely to accommodate the DG onto the DNO network. If the DNO is unable to identify these costs, the column should be left blank.

1.68. Additionally, where DNOs are able to accurately capture any other incremental costs incurred on the scheme as a result of the DG installation, these can be entered in this column. However, the DNOs should identify where they have included these costs in this column within their commentary and explain how they have calculated these costs in general terms and be able to demonstrate on request the process for each individual project.

CN3 – DPCR5 Completed DG conns

1.69. This table must be completed for each DG Connection Projects; DG (DPCR5) that is completed within the reporting year in question. As defined in the Glossary, a DG Connection Project refers to any connection project that connects a post-2005 DG without the requirement for a demand connection, or where any demand connection is subject to the connection of the DG.

1.70. This sheet must be completed in the same manner and on the same basis as the DPCR5 completed metered sheet. The only differences come in the Connection/Customer type column, which must be completed with either of the classifications in the table below, and that there is no need to include the percentage uplift associated with the connection of the DG, as 100 per cent of the costs will flow into the DG incentive;

Code	Category
DGLV	Connection involving post-2005 DG with LV as the highest voltage worked on.
DGHV	Connection involving post-2005 DG with HV or EHV as the highest voltage worked on.

CN4–CN6 – UMC sheets (No margin, regulated margin & Unregulated margin)

1.71. Each of these three unmetered sheets are to be populated on the same basis, with the level of margin applicable to work at the time the quotation was accepted indicating which sheet a project must be included in.

1.72. All unmetered connection work undertaken throughout the year must be aggregated by market segment and then disaggregated by who it was connected for and whether it was done by the DNO, ICP or IDNO.

Connection/Customer type

1.73. All unmetered connection work must be categorized into one of the connection types listed below with the corresponding code entered in the relevant column of the unmetered sheets:

Code	Category
UMLA	Unmetered Local Authority connections
PFI	Unmetered connections provided under Private Finance Initiative
OUMC	Other unmetered connections (non-LA or PFI)

Connected for (ie: name of local authority etc)

1.74. This column must be completed with either:

- Name of Local Authority, if a Local authority connection,
- Name of PFI if a PFI connection, or
- Company funding other connection (e.g. BT)

Provider of connection work

1.75. This column must reference the majority provider of the contestable works within each individual connections project. The majority provider must be determined as the party or parties that will undertake/have undertaken the greater value of contestable connection work, as prescribed by the details of the relevant DNO's charging methodology. Where a third-party connection has subsequently been adopted by the host DNO it must be referred to as an ICP connection. Where the third party retains ownership of the asset for an independent network it must be referred to as an IDNO connection.

Unmetered Connection Work- Exit points

1.76. This column must be completed with the number of unmetered exit points completed for each local authority, PFI scheme or other unmetered customer as identified in the "Connected for" column.

Unmetered Connection Work- Transfer

1.77. This column must be completed with number of occurrences of a service cable being transferred from one street lighting column/ equivalent to another by the party in the "connected for" column. Although the service cable is usually cut and replaced by a new cable to the new column, the work must be counted as one transfer rather than one disconnection and one reconnection.

Unmetered Connection Work- Disconnections

1.78. This column must be completed with the number of disconnections of service cables for each party in the "connected for" column. This quantity must NOT include any service cable disconnections provided as part of a service cable transfer.

Estimate/Standard charge

1.79. These columns must be completed with either the quoted values of the total work elements, split by contestable and non-contestable services (in the case of a non- Local Authority connection) or the summation of the standard Local Authority charges, split by contestable and non-contestable services for the jobs that make up the total job volume for each party in the "Connected for" column.

Actuals

1.80. These columns must be completed with the actual total cost of the volumes of work identified within the activity columns.

CN7 – Metered In-year

1.81. This sheet is for the input of data relating to in-year metered connection activity.

1.82. The sheet contains two tables; one which collects the in-year cost data relating to connection projects that are financially closed within the year of report and one that collects this data for connection projects that are not financially closed within the year of report. The tables require this data to be further split by whether the exit point of the project is provided by the DNO or a third-party.

1.83. All costs required to be entered in the table are to be direct costs and entered in pounds million.

1.84. Key terms for this table are defined in the glossary and include;

- Connection projects completed within year
- Connection projects; DG (DPCR4)
- Connection projects; DG (DPCR5)
- Connection projects; DG - Zero margin
- Connection projects; DG - Reg. margin
- Connection projects; DG - Unreg. Margin
- Connection projects; DPCR4
- Connection projects; DPCR5
- Connection projects; DPCR5 - Zero margin
- Connection projects; DPCR5 - Reg. margin
- Connection projects; DPCR5 - Unreg. Margin
- Connection volumes; P.O.C.s to ICPs
- Connection volumes; P.O.C.s to IDNOs
- Connection Work – started in a previous year
- Connection Work - In-year total
- Connection Work - started in year

CN8 – Unmetered In-year

1.85. This sheet is for the input of data relating to in-year unmetered connection activity.

1.86. The sheet contains two tables; one which collects the in-year cost data relating to connection projects that are financially closed within the year of report and one that collects this data for connection projects that are not financially complete within the year of report. The tables require this data to be further split by whether the exit point of the project is provided by the DNO or a third-party.

1.87. All costs required to be entered in the table are to be direct costs and entered in pounds million.

1.88. Key terms for this table are defined in the glossary and include;

- Connection projects completed within year
- Connection projects not completed within year
- Connection projects UMC; DPCR4
- Connection projects UMC; DPCR5
- Connection projects UMC; DPCR5 - Zero margin
- Connection projects UMC; DPCR5 - Reg. margin
- Connection projects UMC; DPCR5 - Unreg. Margin
- Connection volumes; P.O.C.s to ICPs
- Connection volumes; P.O.C.s to IDNOs
- Connection Work – started in a previous year
- Connection Work - In-year total
- Connection Work - started in year

CN9 – Annual DPCR5 quotations

1.89. This worksheet is to be completed with all quotes that are provided by a DNO within the reporting year. The columns must be completed in the same manner, and using the same basis and definitions as used in table CN2. It is accepted that it is impractical to expect completed project references in table CN2 to be traceable back to any original quotations through the project reference id. However, Ofgem expects DNOs to keep records in a logical way which allows for the location, on request, of the original quote information for any completed or ongoing connections project.

CN10 – Connection volumes

1.90. This table is for the input of the annual volume of exit points and Points of Connection provided through connection projects.

1.91. The table requires the volume of exit points and Points of Connection provided to both ICPs and IDNOs to be split by their voltage, the market segment to which the their connection project belongs and whether the connection project they are attached to included any costs subject to the apportionment rules.

1.92. Exit points adopted from ICPs are required to be provided by voltage

1.93. The volumes recorded in this table should relate to all exit points and points of connections provided within the year, including those that have been provided as part of a connection job which is not financially complete at the end of the reporting year in question, as well as points of connection (P.O.C.s) provided to IDNOs and ICPs.

1.94. Key terms for this table are defined in the glossary and include;

- Connected exit points provided as part of a connection project which has an element subject to the apportionment rules
- connected exit points provided as part of a connection project which has no element subject to the apportionment rules
- Connection volumes; exit points adopted from ICPs
 - Connection volumes; P.O.C.s to ICPs
 - Connection volumes; P.O.C.s to IDNOs

CN11 – CIR data

Connection of embedded networks

1.95. Each DNO must state the number of completed connection points between their network and embedded networks, at each voltage level detailed, in the relevant period.

1.96. Connection for the purpose of this question means a new or upgraded connection.

1.97. The voltage segment within which an embedded network connection falls will depend on the work undertaken by the DNO to connect that network. The segmentation is based on the voltage at the point of connection, not at the point at which it is metered. Segmentation is as detailed in table 10.1 of the Electricity Distribution Price Control Review – Initial Proposals Incentives and Obligations consultation². An embedded network is a network in the DNO's distribution service area (DSA) that is operated by a party other than the DNO.

Unmetered connection activities provided under "Rent-a-Joiner" or equivalent schemes

1.98. Each DNO must state the number of unmetered connections completed in the period under "Rent-a-Jointer" or equivalent schemes.

1.99. "Connection" for the purpose of this question means an unmetered connection work, as defined in the RIGs Glossary.

1.100. For unmetered connection work reporting must be disaggregated by the provider of the contestable elements of the connection. For this question "provider" means the majority provider of the contestable works within each individual

²

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=255&refer=Networks/ElecDist/PriceCtrls/DPCR5>

connections job. The majority provider must be determined as the party or parties that will undertake/have undertaken the greater value of contestable connection work, as prescribed by the details of the relevant DNO's charging methodology (even if fulfilment is through an affiliate/related undertaking or sub-contractor).

1.101. For unmetered connection work provided under tri-partite or equivalent arrangements, each DNO must state the number of unmetered connection activities completed within the reporting year under the relevant schemes.

1.102. For this question "provider" means the majority provider of the contestable works within each individual connections project. The majority provider must be determined as the party or parties that will undertake/have undertaken the greater value of contestable connection work, as prescribed by the details of the relevant DNO's charging methodology. (even if fulfilment is through an affiliate/related undertaking or sub-contractor).

Charges made for metered connections completed out-of-area

1.103. Each DNO must state the charges it levied for metered connections it made outside of its distribution services area that were financially completed within the reporting year.

1.104. "Connection" for the purpose of this question means a new or upgraded connection.

1.105. Charges entered must be consistent with the amounts included as connections contributions in the Licensee's regulatory accounts (where applicable).

1.106. The voltage segment within which an embedded network connection falls will depend on the work undertaken by the DNO to connect that network. The segmentation is based on the voltage at the point of connection, not at the point at which it is metered. Segmentation is as detailed in table 10.1 of the Electricity Distribution Price Control Review – Initial Proposals Incentives and Obligations consultation³.

Charges made for unmetered connection activities completed out-of-area

1.107. Each DNO must state the charges it levied for unmetered connections activities it made outside of its distribution service area that were financially completed within the reporting year.

³ Electricity Distribution Price Control Review Final Proposals – Incentives and Obligations, 7 December 2009. Ref: 145/09

1.108. "Connection" for the purpose of this question means an unmetered connection activity, as defined in the RIGs Glossary.

1.109. Charges entered must be consistent with the amounts shown as connections contributions in the Licensee's regulatory accounts (where applicable).

Adoption payments made by DNO

1.110. Each DNO must state the value of payments (£) made to parties within the period for the adoption of assets.

1.111. Payments made to affiliates and related undertakings must be reported separately to payments made to third parties.

Connection enquiries handled

1.112. This information is to be collected as part of the Connections Industry Review (CIR). This information gives a broader understanding of the volume of activity impacting on a DNO's connections team and allows a calculation of the proportion of enquiries that actually develop into completed connection jobs across the different DNO areas.

1.113. Each DNO must report the number of enquiries it received during the period.

1.114. Enquiries must be reported irrespective of whether or not they resulted in connections work or services being provided. Enquiries must include those handled by DNO staff or by staff of an affiliate/related undertaking acting as the DNO's agent in this respect – but not enquiries handled by an affiliate/related undertaking acting on its own behalf. Enquires means any enquiry verbal, written or electronic regarding a new or upgraded connection.

1.115. Each DNO must report the number of requests they receive from independent connection providers for non-contestable quotes within the relevant regulatory year.

1.116. DNOs must also report how many of the requests received, from independent connection providers for non-contestable quotes, resulted in the offer being accepted.

1.117. DNOs must report the number of requests it received in the period for demand connection offers and separately the number of requests it received in the period for distributed generation (DG) connection offers.

1.118. "Connection" for the purpose of this question means a new or upgraded connection

1.119. "Request" for the purpose of this question means an initial application rather than when all of the information required to formulate the offer was received.

CN12 – Annual Out of Area cons

1.120. This table must be completed with the volume of connection projects carried out by the DNO out of area. These volumes are to be entered against the host DNO of the Distribution Service Area (DSA) in which they took place. Where a DNO carries out a connection on an existing IDNO, this should be captured within the "Other (ie: IDNO)" row of the table.

1.121. The totals on this sheet must agree to the total shown at question 4 on Sheet 1, "CIR data".

CN14 – DPCR5 Completed summary

1.122. This table summarises activity relating to connection projects that are completed within the reporting year as captured within tables CN2 and CN3. The only input required within this tab refers to the level of Related Party Margin (£m) that has included in the market segment breakdown of total costs.

CI1 – Direct RPM

1.123. This table is for DNOs to input the level of Related Party margin relevant to connection activity disaggregated by market segment, level of margin and;

- Element of connection that is Sole Use funded - Contestable (£m)
- Element of connection that is Sole Use funded - Non-contestable (£m)
- Element of connection that is subject to the apportionment rules - Customer funded (£m)
- Element of connection that is subject to the apportionment rules - DUoS funded (£m)

1.124. Key terms for this table are defined in the glossary and include;

- Related Party Margin on direct costs

CI2–Indirect cost allocation

1.125. The first part of the table is for the input of indirect costs that relate to connections activity within the year.

1.126. DNOs are to input the total level of indirects relating to connections activities against the same categories that they will have input total indirects for all activities within table C1 of the Cost and volumes reporting pack. The three categories of indirect cost that make up "connection indirects" are;

- Closely associated indirects
- Business support costs
- Non-op capex

1.127. DNOs are to split the total amount of "connection indirects" by the amount that will flow into the RAV and the amount that falls outside of the price control settlement.

1.128. Key terms for this table are defined in the glossary and include;

- Outside of Price Control
- Within RAV
- Total Indirects relating to all connection activity in year

1.129. The second part of the table is for the input of the indirect costs identified in the first part of the table as being incurred across the connection costs types at the within the reporting year and then a further allocation at the end of the year by the level of margin applied to the projects that the indirects are being allocated to.

1.130. The DNO is also required to identify the amount of total connection indirects, both within and outside of the price control, that are business support costs.

1.131. Key terms for this table are defined in the glossary and include;

- Connection projects completed within year
- Connection projects not completed within year
- Connection projects; DG
- Connection projects; DG - Zero margin
- Connection projects; DG - Reg. margin
- Connection projects; DG - Unreg. Margin
- Connection projects; DPCR4
- Connection projects; DPCR5

- Connection projects; DPCR5 - Zero margin
- Connection projects; DPCR5 - Reg. margin
- Connection projects; DPCR5 - Unreg. Margin
- Connection projects UMC; DPCR4
- Connection projects UMC; DPCR5
- Connection projects UMC; DPCR5 - Zero margin
- Connection projects UMC; DPCR5 - Reg. margin
- Connection projects UMC; DPCR5 - Unreg. Margin
- Connection volumes; P.O.C.s to ICPs
- Connection volumes; P.O.C.s to IDNOs
- Connection Work - brought forward
- Connection Work - In-year total
- Connection Work - started in year
- Relating to Connection projects which would be classified as Network Investment(RAV) within table C1 of the cost and NADPR combined pack
- Relating to Connection projects which would be classified as Non Price control within table C1 of the cost and NADPR combined pack
-

CI5–Indicative margins

1.132. This table is for the indicative view of returns made on connections activity using two methodologies;

- Direct margin on completed jobs with a calculated view of potential indirect margin on completed jobs
- Margin on in-year direct and indirect connection activity as well as a view on overall annual gross margin

1.133. DNOs are required to input the in-year income received, split by whether it relates to payment for direct or indirect work, and should correspond with the DNO's balance sheet values for income.

1.134. It is to be noted that the indirect margin identified on this tab is only an indicative measure of what the actual rate of return made on the relevant indirect connection activities might be.

1.135. Key terms for this table are defined in the glossary and include;

- Connection Work - brought forward and completed in year;cost in year
- Connection Work - brought forward and not completed in year;cost in year
- Connection Work - started in year and completed in year;cost in year
- Connection Work - started in year and not completed in year;cost in year
- Cost associated with completed jobs (£m)
- Cost in year (£m)
- In year gross margin on total in-year cost (%)
- In year gross margin on total in-year cost (£m)
- Income from completed jobs (£m)

- Income in year (£m)
- Margin on completed jobs (%)
- Margin on completed jobs (£m)

CI6–Brought fwd

1.136. For 2011, the DNO is to populate this tab with the their best estimate of the amount of direct and indirect expenditure (£m) that was spent in previous years on connection projects which were incomplete on 1 April 2010 disaggregated by the rows within the table. DNOs will need to satisfy Ofgem that the methodology used to arrive at these figures is appropriate and provides as robust figures as possible.

1.137. For future years, these numbers will be directly linked from the previous year CI7 – Carried fwd.

Appendices

Index

Appendix	Name of Appendix	Page Number
1	The Authority's Powers and Duties	137
2	Feedback Questionnaire	139

Appendix 1 – The Authority’s Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority’s powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.⁵

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly⁶.

1.4. The Authority’s principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of existing and future consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- the need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- the need to secure that all reasonable demands for electricity are met;
- the need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁷;
- the need to contribute to the achievement of sustainable development; and
- the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.⁸

⁵ Entitled “Gas Supply” and “Electricity Supply” respectively.

⁶ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

⁷ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- promote efficiency and economy on the part of those licensed⁹ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity; and
- secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- the effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- the principles under which regulatory activities must be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation¹⁰ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

⁸ The Authority may have regard to other descriptions of consumers.

⁹ or persons authorised by exemptions to carry on any activity.

¹⁰ Council Regulation (EC) 1/2003

Appendix 2 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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