

EoC subgroup minutes – 27 January 2011

Working Group established to enable the implementation of the recommendations of the ENA's Connections Working Group report 'Proposed Extension of Contestability for Competition in Connections'.

From
Date and time of Meeting
Location

Rebecca Langford
27 January 2011
13:00-16:30
Millbank

1. Present

James Veaney (JV) (chair)	Ofgem	Regulator
Rebecca Langford (RL)	Ofgem	Regulator
Stacy Altman (SA)	Ofgem	Regulator
Keith Hodson (KH)	Central Networks	DNO
David Ball (DB)	Electricity North West	DNO
Kevin Smith (KS)	Scottish Power	DNO
Neil Magrath (NM)	UK Power Networks	DNO
Gareth Pritchard (GP)	ASLEC	UCCG
Steve Bolland (SB)	AMEY	UCCG
Chris Bean (CB)	Power on Connections	MCCG
David Overman (DO)	GTC	MCCG
Patrick Daly (PD)	PN Daly	MCCG

2. Absent

Martin Gillick – SSE
Tim Hughes - WPD
Ian Carnes - CE
Mike Cahill - Lloyds Register

3. Review of actions from 24 November 2010 meeting

3.1. Ofgem confirmed that the subgroup's terms of reference (ToR) had been circulated and comments received had been noted. It was confirmed that the TOR would be agreed at the ECSG on 2nd February 2011.

ACTION

OWNER

Subgroup members to submit any further comments to Ofgem prior to 2 nd February 2011	Ofgem
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3.2. Ofgem confirmed DNO responses to the ENA recommendations had been re-circulated to subgroup members.

3.3. Ofgem confirmed that the actions to consider the implications of extending contestability on the Interruptions incentive scheme (IIS) and SLC 15 would be discussed under agenda items 6 and 9.

3.4. CB confirmed subgroup discussions had been fed back to NERSAP.

4. Feedback from DNOs on how trials are progressing

Scottish Power

- 4.1. KS confirmed that SP had four parties interested in entering into trials including metered (LV/HV) and unmetered (existing mains). SP are currently finalising a process/procedure document and engaging with Lloyds Register on accreditation. He expected that by mid March there will be agreement on a process.
- 4.2. The group discussed whether DNOs should share their proposed procedures with all ICPs, i.e. ICPs they are not in direct discussion with about trials. It was agreed that customer and ICP representatives would raise the issue of extending contestability at their various forums and encourage interested parties to approach DNOs to get views of and potentially comment on procedures.
- 4.3. Whether DNOs should have an open door policy to trials was also discussed. Kevin considered that it might not be appropriate to have a large number of trials running at the same time, e.g. 20 at once. CB thought that ICPs that do a lot of work in an area should not be excluded from trials. The group agreed that it was important that trials did not last indefinitely and that procedures became standard practice after initial trials were complete. KS stated that he expected SP would be in that position in 3 to 6 months.
- 4.4. At present no ICPs, who have expressed an interest in a trial, have been turned away from participating.

ACTION

OWNER

MCCG / UCCG to broadcast availability of these documents for ICP review	CB / SB
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ENW

- 4.5. DB confirmed that ENW is working with two ICPs and that draft policy documents (one metered, one unmetered) are being reviewed internally.
- 4.6. The first ICP is interested in trials for unmetered and it is hoped that they will agree design and how the process will work in January and that ENW hope to start trials in mid march. If the trials work (the ICP complies with policy documents, ENW does not find any defects and documentation is accurate and timely) they will support the ICP working on similar sites in the future.
- 4.7. The second ICP is interested in HV energisation work. ENW are taking a 2 stage approach to this; 1st stage – jointing work, 2nd stage – handing over an isolated piece of their network to the ICP to be passed back once work is complete (ENW performing switching). DB confirmed that ENW are happy for trials to eventually move onto a 3rd stage – ICPs undertaking operational activity, however, some work would need to be done to ensure arrangements would work for everyone. Chris Bean was concerned that the DNO undertaking operational activity may be duplicating work. He stated he would not be happy with this as the end position but was happy with it for initial trials.
- 4.8. DB confirmed that ENW now have 5 local authorities signed up to tri-partite agreements. They will do transfers and disconnections to start with but may move on to live jointing. He explained that if a new ICP approached ENW to perform live jointing having previously not worked on the ENW network they would have to consider

the ICP's individual situation, e.g. experience in other areas, experience of employees etc.

- 4.9. DB confirmed that they have discussed procedures with all ICPs that have approached them including where they do not have current work in ENW's area. He also confirmed that ENW would publish the procedure on the website when it was bedded in. He was open to circulating the procedure to ICPs before publication if that would be helpful.
- 4.10. There was a discussion of who should make the decision whether a joint should be made on a live or dead network. It was agreed that if subgroup member's thought this was an issue that required further discussion, and a specific issue could be pinpointed, who should make the decision whether a joint should be made on a live or dead network could be added to the agenda for the next meeting.

CN

- 4.11. KH explained that CN were working on documentation and that it was almost finished. They are introducing an operational connection agreement for LV, HV and operational work and a separate agreement for ICPs who only want to do LV work. He explained the process for live working:
- there would be a one off signature agreement, not one for each specific site, and that the normal process would be followed for design approval.
 - if the ICP indicated at the design stage that they wanted to do the connection/operational activity CN would issue consent to connect.
 - the ICP employee would have to be interviewed for access to the LV control system to ensure that the ICP employee met their own organisations criteria and then at that on passing they would be issued with a network access certificate.
 - once the ICP employee has the certificate they can phone CN to get an authorisation number and carry out works.
 - for unmetered CN would hand over a bit of network, witness ICP tests of their work, then re-energise.
- 4.12. KH explained that CN would educate employees on the processes in February and likely invite ICPs to a workshop. CN hope that by the end of February / early March they will have live working jobs. KH explained that CN were not looking at these jobs as trials but "proof of concept".

- 4.13. KH indicated that the next stage of extending contestability (switching) will be more complicated and that it wouldn't work with a 'hands off' arrangement.

UKPN

- 4.14. NM explained that UKPN was working on documents and processes internally and that they needed to start discussing the documents with ICPs. He confirmed that initially UKPN will run trials for unmetered, followed by metered LV and eventually HV. He also explained that UKPN were in the process of putting consent to connect processes in place as these have not previously existed in their areas. UKPN have only had interest from one ICP on the unmetered side so far
- 4.15. The group were concerned that running staged trials could cause delays to extending contestability in UKPN's area. JV told NM that UKPN need to alleviate any concerns they have and work through solutions to get HV trials up and running. KH

indicated that he was happy to share learning/best practice including operations and safety.

- 4.16. DO stated that he had been in discussions with UKPN about trials; NM and DO to follow up outside of the meeting. SB stated that there was more than one ICP in UKPN’s area interested in unmetered live jointing.

CE / SSE/ WPD

- 4.17. Since these DNOs were not at the meeting, RL to follow up and circulate their trials update alongside the minutes.
- 4.18. The group discussed the importance of having a named contact at each DNO for ICPs to approach about live trials. Ofgem agreed to get named contacts from CE, SSE and WPD.

ACTION

OWNER

Ofgem to get an update on progress of trials and a named contact for interested ICPs from CE, SSE and WPD.	Ofgem
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5. ENWL and CN update on their framework for best practice

- 5.1. It was agreed this item had already been covered under agenda item 4.

6. Ofgem feedback on the IIS

6.1. JV explained that Ofgem did not consider that customer should be excluded from the protection of the IIS. The IIS is in place to protect customers and minimise interruptions, we need to ensure that customers are not decremented by the extension of contestability. He indicated that Ofgem considered this to be an issue that DNOs and ICPs could address through commercial arrangements.

6.2. DO and CB explained that they could not agree with this position. CB reiterated his position from the last subgroup meeting that DNOs were exposed to both incentives and penalties under the IIS, ICPs should not be exposed to only the penalties. He explained that ICPs are liable for direct costs incurred due to a fault occurring. DO stated that this was one of the issues that slowed down the development of the competitive gas connections market when Transco wanted unlimited liability to be passed to ICPs.

KS explained that interruptions was a real issue since if an ICP knocked off the wrong feeder when undertaking operations work that could knock off 70,000 customers. He considered that the ICP should be liable for that liability. PD considered that if a DNO approved a switching programme any issue caused by that switching programme should be the DNOs responsibility if switching was performed correctly. However, if the ICP did something that was not agreed with the DNO then that should be the ICP’s responsibility.

6.3. DO asked what amount of the DNO penalty ICPs would be exposed to if the DNO incurred a penalty under IIS and an ICP had caused an interruption that contributed to that penalty. KS did not think that the level of penalty ICPs would be exposed to would be an issue as only a small number of interruptions are caused by connections. PD asked whether third parties were exempt from the IIS and if so whether ICPs were considered third parties.

ACTION**OWNER**

Ofgem to confirm whether interruptions caused by third parties are exempt from the IIS. If they are, Ofgem to also confirm whether ICPs are considered third parties.

Ofgem

7. The contestable / non-contestable split

7.1. RL explained that Ofgem considered only activities where there is a realistic likelihood of ICPs competing should be made contestable. The reason for this being that DNOs were likely to be allowed a margin on any newly contestable activities and customers should only be exposed to this if they have the choice of using an ICP.

7.2. DO explained that previously he had submitted a paper to Ofgem on the benefits to customers of extending contestability. DB agreed and added that the DNOs had also submitted a paper on the issue from their point of view. Both agreed to re-circulate these papers to Ofgem.

ACTION**OWNER**

DO and DB to circulate papers on the benefits of extending contestability for customers.

DO, DB

7.3. DO suggested that the extension of contestability could be a staged process with HV operational work left to a later stage when competition in other areas had had the chance to develop. CB considered that DNOs should not be allowed to charge a 4 per cent margin until competition had developed. RL pointed out that the purpose of the headroom principle was to allow competition to develop. JV agreed that Ofgem could not open up an area to the market and then suppress competition by not imposing a regulated margin on DNOs.

7.4. PD considered that Ofgem needed to take a broader view on extending contestability including looking at design. RL explained that it was intended this would be looked at by another subgroup of the ECSG. PD considered the two issues should be looked at together. DO considered that nobody would know if an activity was likely to attract competition until the market had been opened up.

8. Margins and competition tests

8.1. JV reiterated Ofgem's initial thinking that DNOs would charge a regulated margin on newly contestable activities. He went on to discuss the competition tests DNOs must pass in order to be allowed to charge an unregulated margin. He explained that he was uncomfortable allowing DNO's who pass their competition test to automatically be allowed to charge an unregulated margin on newly contestable activities if those activities had not been considered as part of the DNOs competition test application. JV explained that Ofgem's initial thinking was that if newly contestable areas had not been given any consideration in the competition test, DNOs may need to submit a separate application to charge an unregulated margin for those activities.

9. The future of SLC 15 – impact of extending contestability

- 9.1. RL explained that as an action from the last meeting Ofgem had considered the impact of extending contestability on SLC 15 and had circulated some questions to the subgroup for consideration. She explained that Ofgem wanted to be clear on how the standard was currently being applied and whether subgroup members thought that SLC 15 was an issue affecting the extension of contestability or whether the extension of contestability could affect SLC 15. RL asked subgroup members whether, when contestability was extended, DNOs would still apply the SLC 15 standards for quote, design approval, POC etc (non-contestable activities) if an ICP requested that the DNO completed the final joint (a contestable activity).
- 9.2. CB considered that the easiest way to get this information was to write to each DNO. He noted that there would be an interim period where not all ICPs are ready for live jointing especially those new to the market. CB considered that as the market was evolving DNOs should also continue to provide final connections (where they are asked to complete them) to the SLC 15 standard. It was agreed that this would have to be a voluntary arrangement.
- 9.3. KS considered that SLC 15 should apply to all non-contestable services provided by the DNO. It was agreed that any new SLC 15 standards could only be introduced once there was experience of live working.

ACTION

OWNER

Ofgem to write to DNOs to get their position on application of the SLC 15 standards.	Ofgem
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10. Any other business

- 10.1. DO highlighted that the group needed an update on Lloyds progress on NERs modules. DB and KH stated that they had both been speaking to Lloyds in developing their proposals.
- 10.2. CB explained that the agreement with Lloyds was for DNOs to start trials and for that learning to be fed in to NERs.

ACTION

OWNER

Ofgem to speak to Lloyds about providing an update for the next meeting.	Ofgem
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- 10.3. Required changes to G81 were briefly discussed. The CWG proposal indicated that an 8th document was required to cover operational activity. The group also considered that any additional DNO specifications for joints will need to be added to G81.

ACTION

OWNER

DO to find out what is happening with G81 including who is taking this work forward and provide an update.	DO
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11. Date of next meeting

- 11.1. Ofgem stated that the next meeting would be at the start of April to allow the progression of trials before the meeting.