

The background of the slide features a large, semi-transparent white arrow pointing from the left towards the right. Behind the arrow, there is a blurred image of mechanical gears, with one gear in the foreground being blue and others in the background being light brown or tan. The overall lighting is bright and slightly hazy.

Potential barriers to competition and DNO best practice

2 February 2011
ECSG

Increasing competition in connections is a priority for 2011

- We note that work is already underway to address the following issues:
 - Partially funded reinforcement remains non contestable (extension of contestability)
 - Reliance on DNOs to provide the final joint (extension of contestability)
 - ICPs remain reliant on DNOs for POC information (Self-PoC)
 - Poor disconnections service (Disconnections Working Group)
 - Competition test
 - Guaranteed standards
- We have limited resources:
 - we have set the ECSG objectives for 2011
 - while we can offer support to other DNO/ICP initiatives
 - we have extremely limited ability to take forward more work streams at this time.
- We hope DNOs can share learning and best practice to remove barriers to competition without Ofgem always needing to take the lead.

We consider that identifying areas of DNO best practice and sharing these to be an important step in removing barriers to competition and increasing competition in connections.

Are these the 'barriers' DNOs should be addressing?

- We asked DNOs for feedback on what they are doing to address potential barriers to competition:
 - availability of information
 - adoption agreement security arrangements
 - inspection and monitoring practices
 - terms in connection agreements/types of agreements available
 - inconsistent practices regarding letters of authority
 - service timeframes SLC 15 and other non-contestable services
 - DNO/ICP relationships
- We hope to use this session to:
 - discuss whether these are the barriers that need addressing
 - get feedback on DNO initiatives and consider best practice.

Are these the right barriers?
Do they affect all ICPs?

Best Practice

- Availability of information
 - all DNOs said information was available or that they were reviewing their systems to look at making the information more easily available.
- Adoption agreement security arrangements
 - bonds are only required in certain circumstances, most DNOs have never required one
 - ICPs are looking into the possibility of a central insurance policy
 - responses do not indicate DNOs are looking into changing their processes.
- DNO inspection and monitoring practices
 - 5 DNOs said they followed Ofgem's best practice guidelines, 1 DNO said they went further and automatically applied their lowest charge unless they found a problem
 - 1 DNO said they use the same audit team and same audit regime for both S16 and competitive connections
 - there were no indications in responses that DNOs were looking to change their processes.
- Letters of Authority
 - there is inconsistency in what DNOs require from ICPs
 - no DNO indicated that they were reviewing their policy

Best Practice (cont.)

- Terms in connection agreements / types of connection agreements available
 - some DNOs required bi-partite agreements, others tri-partite, only 1 DNO said they offered bilateral/trilateral agreements as required
 - 2 DNOs said that they were considering their arrangements, another said they would welcome a review of adoption agreements to see if a unified approach could be attained.
- Service timeframes
 - most DNOs did not describe whether they apply SLC 15 timeframes for all non-contestable services (i.e. If any fall outside SLC15)
 - most DNOs do not track their performance by ICP customer (2 do)
 - No DNO indicated that they were reviewing their policies
- Developing ongoing relationships
 - one DNO provides a single point of contact, two DNOs use a geographic team arrangement
 - three DNOs discussed the importance of having an active dialogue with ICPs
 - no DNOs explained how they would avoid issues repeating
 - One DNO thought they could be more proactive

Do ECSG members have any feedback on DNO initiatives?

Are there any DNO initiatives that can be considered best practice and replicated by other DNOs?



Promoting choice and value
for all gas and electricity customers