

## ECSG Meeting- 25 May 2011

ECSG regular meeting to discuss connections industry issues

Time of Meeting  
Location

10:30-16:00  
Ofgem Offices

Attendees	Company	Representation
Graham Cotton (GC)	ESP	IDNO
Jason Raymond (JR)	Premier Energy	Consultant
Steve Wood (SW)	UK Power Networks	DNO
Gareth Pritchard (GP)	ASLEC	Industry group
Tim Edwards (TE)	Local Authority	UK Lighting Board
Steve Bolland (SB)	AMEY	UCCG
Neil Fitzsimons (NF)	Inexus	IDNO
David Taylor (DT)	UPL	ICP
Bob Weaver (BW)	PowerCon	Distributed generation
David Clare (DC)	Davis Langdon	British Property Foundation & MCCG
Mark Johnston (MJ)	CE Electric (on behalf of Peter Thompson)	DNO
Chris Bean (CB)	Power On Connections	MCCG
Michael Smith (MiS)	Western Power Distribution	DNO
Dave Overman (DO)	GTC	IDNO
Ray Farrow (RF)	House Builders Federation	Customers
Alex Spreadbury (AS)	MEUC	Customers
Catherine Falconer (CF)	Scottish and Southern Energy	DNO
Michael Scowcroft (MS)	Scottish Power	DNO
Brian Hoy (BH)	Electricity North West Limited	DNO
Sue Standring (SS)	GTC (guest speaker)	IDNO
Dan Cattle (DaC)	GemServ/MRA (guest speaker)	Industry group
James Veaney (JV)	Ofgem (Chair)	Ofgem
Stacy Altman (SA)	Ofgem (Secretariat)	Ofgem
Rebecca Langford (RL)	Ofgem	Ofgem

### Apologies

Bob Stevenson, Sheffield County Council

### 1. Minutes of Last Meeting

#### 1.1. Any Outstanding Actions

- JV brought to the group's attention those actions that were outstanding, as listed below.

Actions outstanding/ongoing	Person - By	Update
DECC A&D fees	Ofgem	RL provided an update. DECC are currently taking stock of priorities with regard to policy goals for the next few months. Ofgem advised that there may be some merit to industry representatives approaching DECC to present a case for review of the current arrangements.

Circulation of letter on voluntary payments	Ofgem	This was circulated to members.
Circulate DG Direction and Guidance	Ofgem	complete
Ask DNOs for examples of budget estimates and quotations	Ofgem	On the agenda for this meeting
Write a letter to DNOs requesting details of the criteria where arrangements are in accordance with S22 or S23	Ofgem	Ofgem has written to the DNOs. The feedback received from this correspondence indicates that the majority of DNOs did not use Section 22 agreements. Ofgem are following up with those DNOs who had indicated that they use Section 22 agreements. Ofgem will update the group in due course.
Answer query relating to the regulated margin applying to out of area connections	Ofgem	On the agenda for this meeting
Write to DNOs to request details of how the regulated margin is being communicated to customers in quotations	Ofgem	Ofgem advised that it was possible this action was being covered off through the COG and that Brian Hoy would update the group on this.
Conduct a review of GSOP and to indicate a date when this is intended to be initiated	Ofgem	On the agenda for this meeting
Review the outstanding items list and update comments. Forward then to MCCG for prioritisation of issues which will then be taken to the DNO group	Ofgem & MCCG	Ofgem have updated their comments on the register and passed it back to MCCG for prioritisation.
Finalise and agree issues list at sub group level in time for next ECSG meeting in May	ECSG members/MCCG (April 2011)	It was noted that the agenda for this ECSG did not contain a high degree of nominated items from ECSG members. JV re-iterated his wish that parties/members that have issues should raise them first within their sub-groups and ECSG for the agenda.
To make 2nd comer data available to MCCG in order to present a business case to DECC with grounds for amending the current legislation	Ofgem	RL provided an update. DECC are sympathetic to the argument that the current arrangements disadvantage ICPs. However they would need a strong business case pointing to the specific detriment to ICP before they would be willing to review the current arrangements. They would be happy to review whatever evidence is brought to them. DECC's response raises again the issue of the provision of data by the DNOs to assist with the drafting of this business case. Members were reminded of the previous discussion where we indicated that data, in a useable format should be available as part of the RRP returns, which were initially due in June. The submission date has now been pushed back to end

		<p>September. DNOs were asked whether they would be in a position to provide it sooner for the business case. DNOs generally signalled their willingness but pointed out that the information may not be in the format or to the detail required in the RIGS. It was re-confirmed that DC and BW were leading on this work.</p> <p><b>Action was taken by the members to take this piece of work to the subgroups. Through this mechanism the members can decide what data could be made available and identify associated issues with the development of the business case. The findings of this engagement should be reported at the next ECSG.</b></p>
<p>Update the ToR ECSG structure</p>	<p>Ofgem</p>	<p>Complete</p>
<p>Take DG issues to DNO group</p>	<p>BW/MCCG</p>	<p>BW provided an update. A discussion was had with the DNO group regarding the specific DG issues BW wished to raise. He is awaiting DNOs’ responses to this discussion and then he can update the MCCG and ECSG members.</p> <p>BW pointed out that the recent open letter published by Ofgem regarding calls for agenda items for a DG forum was slightly early as the outcome of his discussions with the DNO group would take some time. He signalled that he would not have any suggestions to submit by the deadline. JV indicated that if key issues were brought to us at a date after the 31<sup>st</sup> May deadline for consultation, we would consider them for the forum.</p> <p>BW enquired about the progress on the LTDS work and whether the checklist provided by BW was taken forward or those issues were covered off.</p> <p><b>Ofgem took an action to follow up on the progress of LTDS work.</b></p>
<p>Report on the recommendation of the ENA regarding double pole cut-outs</p>	<p>NF</p>	<p>NF provided ENA’s informal view on this issue. There was a general consensus that this was not a problem and that there is not seen to be a safety breach of ESQC Regulations 7.1 as a result of providing this service. NF noted however that one DNO was still of the opinion that this service was in potential breach of this paragraph of the Regulations. In response to this, IPNL reviewed their understanding of the Regulations in relation to the physical provision of the double pole cut-</p>

		outs. In their view there could not be a safety breach of 7.1. There was discussion as to whether this response from the ENA needed to be formalised and therefore whether something from the HSE would also be required. The general feeling was that if the majority were satisfied that this was not an issue and did not constitute a breach, there was no need to 'close it down' or 'open it up.' It was also commented that in the case of the DNO who was in objection, it was up to them to decide whether they wished to provide this and that this constituted a DNO-specific view.
Send previous minutes of disconnections to KH	Ofgem	Complete
Email members all documents presented and discussed at the meeting	Ofgem	Complete
Respond to Ofgem in line with the membership criteria, the reasoning for continuing or new membership	ECSG members	Complete
Amend and re-circulate barriers to competition list and ask for responses from DNOs	Ofgem	Complete
DO to draft a formal proposal with regard to the issue he raised.	DO	DO asked for this to be carried forward as an action.
Submit nominations for the PoC sub group	ECSG members	This was done. However JV noted that there was only one non-DNO rep. It was commented that a second non-DNO rep had been nominated. An action was taken to re-send this nomination to Ofgem.
Re-circulate Terms of Reference of PoC group	Ofgem	Complete
Engage with DNO group with a proposal for a new voluntary standard for ICP applications for unmetered	SB	SB provided an update
Progress a proposal on 500 watt rule through the UCCG	SB/UCCG	On the agenda for this meeting

Actions	Person – By
ECSG members are to develop the business case and support a change to the 2 <sup>nd</sup> comer rule, through the subgroups. An update on this engagement must be brought to the next ECSG	ECSG
Ofgem took an action to follow up on the progress of LTDS work	Ofgem
Re-circulate other nominated members for the PoC group	DO
DO asked for his outstanding issue, regarding SLC 15 to be carried forward	DO

## 2. Work-stream updates

### 2.1. Disconnections forum update (Dan Cattle, GemServ)

- DaC provided an update on the progress of this work stream.
- There was discussion about certain support activities to embed the new practices, which may need to be picked up by the ECSG. These were: the drafting of a common form for developers to complete when requesting a disconnection; a possible guidance document; understanding of the process that DNOs will follow during the 25 working day period after notifying Suppliers of a planned disconnection.
- It was noted that Supplier meter recovery costs were not considered in this work stream.
- It was also clarified that once the time period for recovery of the meter has lapsed, the disconnection will go ahead whether the Supplier has chosen to recover their assets or not.
- It was noted that there needed to be clarity around whether the developer would be asking for the site to be cleared, which would include disconnection of street furniture, or whether the disconnection related to specific sites/premises etc.
- It was commented that the proposed Working Practice is a radical shift from the current arrangements in allowing DNOs to direct the coordination of this activity and advise the Supplier accordingly about the planned disconnection and the timescale in which meter recovery could be carried out.
- It was noted that an additional activity on the last slide should be consideration of the disconnection cert.
- It was also clarified that commercial arrangements and Supplier arrangements associated with disconnections would need to be taken to other fora such as Elexon or DCUSA for discussion.
- Slides for this presentation will be circulated to the distribution list.

JR agreed to produce a draft of a common template for DNOS to consider.

### 2.2. EoC update (Rebecca Langford)

- The minutes are on the website.
- Meeting was delayed as we made our concern about lack of progress of trials clear. Trials are now underway - ENWL, UKPN and SP areas and others are open to/in the process of setting up trials.
- SLC 15 – whether this is a potential barrier has been discussed. It has been decided that at the present time it is not preventing contestability being extended. If it does become a problem, Ofgem will revisit it.

- Learning regarding Ordnance survey licences was shared.
- Next meeting: Discussing the way forward, what the trials have taught us, consider process and timescales for the roll out of EoC, when the trial stage over.

Action	Person – By
Slides for the disconnections presentation will be re-circulated	Ofgem

### 3. Stakeholder Group updates

#### 3.1. UCCG update (including “500 watt rule”)

- Terms of reference for the UCCG are on the website.

#### Barriers to competition work

- Provided feedback to the UCCG members on the DNO responses to the barriers to competition. The general feeling was that DNOs were being generous in how much they were actually doing. In the unmetered sector at least, there was a feeling that more could be done. SB stated that they are advising members that where they have specific issues, they should approach the DNOs.

#### Connections Industry Review

- SB brought the feedback that UCCG members feel that their perception of the performance of the connections industry is contrary to the results published in the CIR. In some cases, the feeling was either that the results represented more optimistic or pessimistic views of performance. JV requesting further clarity on this regarding specific areas and to allow Ofgem to follow up, if necessary.

#### Regulated margin

- Members of the UCCG would like clarity with regard to the regulated margin on every quotation rather than only general guidelines on DNOs’ websites.

#### GSOP

- SB noted that this was still new. UCCG members have been advised to keep a monitoring brief and to collect their observations and comments together such that, when Ofgem undertakes a review of the GSOP, they will be in a position to provide evidence and comment. UCCG members generally do not want to wait 12 months before a review.
- UCCG members identified that their major concern was the number of exemptions being applied by DNOs for unmetered jobs.

#### EoC group

- Commented that progress had been made on this group with regard to unmetered sector.

#### Double pole cut-out

- Will feedback the ENA position.

### Electricity (Unmetered Supply) Regulations (EUSR)-500W rule

- An action was taken to circulate this paper, prepared by GP and SB, with the minutes.
- It was commented that the DNO group as a whole needed to have a look at this proposal.
- A summary of the paper was provided and some discussion on various issues and related issues were raised.
- TE commented that in his opinion it was unfair that DNOs required a meter to be fitted at the exit point to the network. He considered that the EUSR should be applied.
- It was agreed that there was a difference between issues that pointed to a change in legislation which would be a lengthy process and agreeing a standard interpretation.
- An action was taken by the DNO group to review the document to add anything relevant, specifically in relation to the scenarios set out.
- The next UCCG meeting has been rescheduled to 20<sup>th</sup> June. MCCG are planning to follow suit and have their meeting on the same day.

### 3.2. MCCG update

- Minutes of the last MCCG are in circulation now for formal publication by Ofgem once approved.
- They have collated the responses of the MCCG to the barriers to competition questionnaire and sent this on to Ofgem.
- On the perception questionnaire, the MCCG are currently formulating results to be sent to Ofgem. It was suggested that overviews would also be sent to the individual DNOs as well.
- There is an expectation that where there are specific issues, the individual respondents are raising their issues with the DNO in question.
- The outstanding actions register has been updated and forwarded to MCCG members for comment.
- Have kept MCCG and NERS members abreast of the progress of the EoC group. Have advised them to approach individual DNOs if they wish to participate or initiate a trial.

### 3.3. DNO group update

- BH gave an update on the DNO group as well as the COG.
- BH presented a summary of the newly proposed ToR for the DNO group. The rationale for the working of the DNO group is to receive issues from the MCCG and UCCG and seek to resolve outside the ECSG.
- It was noted that where items were brought that had Competition Act implications, the DNOs would not be happy to discuss these without the presence of Ofgem. This was acknowledged by the group.

- It was stated that it was up to customers to take their issues to the DNO group and utilise this subgroup facility.
- BH pointed out at certain points during the meeting that DNOs have finite resources, but where an issue is brought to them and was indicated as a priority that customers wish to progress with the DNO group, they will of course endeavour to progress it through the group.
- Under the COG update, BH highlighted that the previous ECSG action relating to the communication of the application of the margin to customers was being reviewed under this group. He reported that the suggestion is for a table to be inserted into the Common Connection Charging Methodology. This would be completed as part of each individual DNO’s statement indicating in what sectors they were applying the margin. BH would provide updates to the ECSG as this work-stream progressed.

Action	Person – By
SB to provide some clarity on exact perceptions raised by the UCCG members with regard to the CIR	SB
Circulate the 500 W rule paper	Ofgem
DNO group to review the 500 W rule paper	DNO group

**4. Barriers to Competition- presentation on best practice in legals (GTC and UKPN)**

- Guest speaker GTC’s Sue Standing presented on a best practice solution brokered with UKPN for improving the efficiency of the legals process.
- GTC acknowledged that the solution they came to is their preferred option, short of the instance where legals were not required at all.
- SS reported that since this new process launched, relations between the parties had improved and that there had been to date, no developers who had wished to alter the terms of the template agreement (6-9 months so far of this new process with 30 jobs being processed).
- It was commented by RF that this solution was an example of better regulation which is good news. RF later commented that if this received wider implementation, he would want to present the findings and framework of this scheme to a wider group.
- Action was taken to engage with the ENA in an effort to see whether the rest of the IDNO(s) (excluding those who provided their comments and/or support at the ECSG meeting), also agree with the process as a common working practice for all IDNOs.
- Action was taken by the DNOs to discuss this proposal with their own legal teams to discover whether this process could become a standard practice.
- AS suggested that one option to simplify the process was to allow end customers, in cases where they had odd sorts of jobs, to apply for themselves. BH responded that this issue was a subset of the broader legals issue.

Action	Person – By
Action on GTC to take this proposed working practice to the CNA to see whether all IDNOs (excluding those who responded at the meeting) agree with this proposed working practice	DO



Action on the DNOs to consider this best practice solution and discuss it with their legal teams	DNOs
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## 5. Budget estimates vs. quotations

- RL provided background and update on this action for Ofgem
- Ofgem received sample budget estimates and quotations from the DNOs and sought to get an understanding of the difference between a budget estimate and a quotation.
- Ofgem understands from reviewing the samples that a budget estimate is a desktop exercise, which is not accepted, is dependent on way-leaves being obtained and tends to assume that capacity is available on the network and does not consider whether reinforcement is required
- Ofgem understands that a quotation has conditions but can be accepted, considers the reinforcement required, is dependent on way-leaves being granted, dependent on the DNO being able to carry out the works when planned and within normal working hours, dependent on the price of materials remaining fixed. It was also noted that the price in a quotation was dependent on the customer fulfilling their obligations and the price could change due to unforeseen engineering difficulties.
- Ofgem concluded that most caveats with a quotation seemed reasonable. However Ofgem did have some concerns that caveats that existed because a site visit had not taken place may not be appropriate in all circumstances, for example on EHV quotes where DNOs have 65 working days to provide a quotation.
- It was commented that if a DNO offered a job with no site visit, the associated risk should be borne by the DNO.
- JR raised the question as to whether the quotations were considered against the common charging methodology statements to see if the costs matched and that the customer could understand the costing. Ofgem took an action on this.
- It was noted that there was customer confusion between a budget estimate/budget quote and quotation. It was confirmed that the samples provided were clearly marked either budget estimate or quotation.
- It was commented that possibly a budget estimate should take account of some level of reinforcement as otherwise it was not a very useful indicator of the final potential cost.
- Members asked whether Ofgem was intending to set out in writing a set of standards to identify and differentiate between a budget estimate and a quote.
- JV commented that Ofgem would like to see ICP and IDNO quotations and budget estimates for comparison.
- DT challenged where caveats appear to be unfairly invoked and therefore unreasonable
- DC commented on the fact that behind a quotation is a contract. That a quotation is based on price and therefore some part of it should be variable, i.e. some sort of threshold of variability should be reasonable and set out as a feature of a quotation. In contrast the contract is not so variable and there should be clarity well in advance of those things susceptible to change.

- JV agreed with this comment and set out an additional concern that Ofgem has relating to the policy for re-quoting. JV questioned at what point, or how much a price change/quotation change should occur before a re-quote is required.
- It was commented that Ofgem were interested in the paper trail provided to support a cost variation leading to a re-quote or some other variation of the quotation. A customer should have a reasonable understanding and expectation of the costs associated with the work required. Where there is a significant change in either the cost or works required, the customer should understand this and have given their agreement to these revisions.
- It was noted that customers find it hard to sign up to a quotation where there are excessive caveats and unlimited liability. BH commented that in most cases a variation to the quote is their practice.
- BH commented that where a customer has an issue, all caveats in a quotation are determinable and otherwise customers can choose another provider. However members responded that even where this is the case, there is no option with non-contestable works.
- It was noted that potentially PFI quotations should also be reviewed, especially as in some cases they are having issues with receiving entitlement to a quotation.
- It was also commented by BW that S5.4.7<sup>1</sup> needed to be reviewed to understand the implications for DG.
- SB also commented about the experience with diversions works. It was felt that whilst they would not be looked at, as connections would be the focus, perhaps there could be some learning points that would benefit diversions.
- SB commented that quotations for street lighting would also be useful
- A number of ECSG members offered to submit example quotations to Ofgem. JV advised members that submissions should be sent to RL.
- Ofgem took actions to circulate their findings, engage with stakeholders and draft a set of guidelines for tabling at the next ECSG.
- RF commented that within the HBF there is a project to develop a database to hold information on quotations including multi-utility. RF will report back to Ofgem on the progress of this work.

Action	Person – By
Ofgem to circulate initial findings	Ofgem
Ofgem to table a set of guidelines for the next meeting	Ofgem
Ofgem to engage with DNOs and stakeholders	Ofgem
ICPs and IDNOs to submit quotations and budget estimates	ECSG members
RF to keep Ofgem updated on the progress of the development of a database on multi-utility quotations	RF

## 6. Any other business

### 6.1. Out of area connections

<sup>1</sup> The Electricity Distribution Code of Great Britain

- RL reported that on reviewing this query, Ofgem realised that there was a wider issue relating to allowed margins. She reported that a letter had been circulated outlining Ofgem's interpretation of the Act and the licence in relation to the charging of a margin on out of area connections.
- RL confirmed that currently it is not allowed for a margin to be charged by a DNO where they are connecting to distribution networks out of area.
- RL explained that further to this, responses had highlighted that Ofgem's interpretation of the Act/Licence also prevented IDNOs from charging a margin. Ofgem explained that the amendments made to the Licence in April 2010 to facilitate the introduction of the competition test were responsible for this change. Ofgem understands that the current drafting is not necessarily in line with the intended policy.
- Ofgem will re-circulate the letter to all members.
- CF reported that SSE like WPD have a different view on the interpretation of the Act and licence. Ofgem explained that they had considered SSE's view and that rather than debating the interpretation of the licence we now sought views on whether margins were a priority to be addressed/whether the current situation should change at all.
- Ofgem confirmed that it expected that a change to the margin arrangements for out of area connections and IDNOs would only involve a licence change.
- Ofgem took an action to review the interpretation in the scenario where an ICP affiliate is working for an IDNO or DNO out of area.
- Action was taken by ECSG members that those who wished for change, should submit their comments for Ofgem to consider in deciding whether to progress this change forward at this time.

## 6.2. Connections GSOP review

- SA provided an update on Ofgem's intention of conducting a review of the connections guaranteed standards.
- SA explained that Ofgem had identified some categories of review:
  - clarity on definitions,
  - clarity on 'what, who, when' and associated timescales,
  - what is not covered in the standards and why,
  - any changes to the standards and why,
  - consistency, performance and interpretation.

Outside of the review, Ofgem was aware of the need to assess the fit of the standards with the licence obligations and that this would be progressed as a separate work-stream.

- It was indicated that Ofgem is still considering the best way to progress this review, whether through an open letter for evidence, an audit (in conjunction with the normal costs visits) or a reconvening of the working groups that developed the standards.
- Ofgem intends to review unmetered connections in August/September when there has been 3 quarters' worth of data submitted and assessed by Ofgem. It is intended for the metered standards to be reviewed once a full year of data has been received,

i.e. the end of the year. Ofgem is still considering how and when to review the DG standards, whether as part of the other reviews or separately.

- An action was taken by Ofgem to ask members to submit suggestions for this review. It was also suggested for Ofgem to share the high level issues that have been raised.
- JR commented that he would like to see more clarity in the guidance regarding clock starts and pauses. It was commented that resets appeared to be used excessively.
- DNOs took an action to discuss their performance together in the DNO group in an effort to compare reporting and interpretation.
- JV indicated that even informal submissions and issues at this stage would assist with the direction of the review and to build up a spreadsheet of common issues.

### 6.3. Governance- Electricity Connections Charging Methodology Forum (ECCMF) (Brian Hoy)

- BH presented on the work that had been done so far on introducing common and open governance arrangements for the Common Connection Charging Methodology (CCCM). He explained that this was envisaged that this would involve a new working group.
- The group would broadly be taking over from the previous work-stream 4 group and it would consider potential CCCM mods. He explained that it was envisaged that group would meet via teleconference and set up working groups of interested parties as potential mods arose.
- BH requested feedback from the ECSG as to whether the TOR/membership of such a group should be consulted on. It was the group and Ofgem's view that this did not appear immediately necessary.

Action	Person – By
Circulate the letter on out of area connections to all members	Ofgem
Review the interpretation in the scenario where an ICP is working for an IDNO	Ofgem
ECSG members that those who wished for change to the current out of area arrangements for margins should submit their comments for Ofgem to consider.	ECSG members
Ask members to submit suggestions for the GSOP review.	Ofgem
Ofgem to share the high level issues that have been raised with regard to the GSOP	Ofgem
Discuss their GSOP performance together in the DNO group in an effort to compare reporting and interpretation.	DNOs

## 7. Date of next meeting: 27<sup>th</sup> July 2011