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Dear Rebecca,

Amey LG Ltd – Response to Ofgem Consultation on Extending Competition.

Please find enclosed our response to your schedule of questions regarding the proposed extension of contestable works.

We are in favour of the extension of contestable work to include connections to mains and associated operational activity and believe sufficient trials have been undertaken of unmetered connection to LV mains, to prove that competent ICP's can undertake these works safely and to a standard which in most cases has to be better than the DNO.

However, we are not yet satisfied that all DNO's have done enough to remove existing barriers to competition and developed their processes, policies and documentation enough to allow them to begin charging regulated margin on these activities. We are particularly concerned that one DNO does not yet offer Bi-Partite agreements. We also believe LV connections to main should not be made contestable unless the DNO offers a fair operational LV cable identification service or allows the ICP to do this work themselves.

We ask Ofgem to be selective in deciding which DNO's should be allowed to progress to charging regulated margin on these activities on the basis of evidence that they have business as usual processes and documentation which are fit for purpose and barrier free. This can be further confirmed by at least two Customers/ICP's with experience of the DNO's arrangements from each relevant market sector. This should form part of a DNO's request to Ofgem for approval of a change to their charging methodology, in order to start adding margin.

Yours faithfully,

S Bolland

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Ofgem - Competition in Connections - Consultation on extending contestability to jointing to existing DNO mains and associated operational activities

Consultation questions

1. In considering trials of contestable live jointing and associated operational activities offered and/or run by DNOs:

Amey LG's response is based on our experience as an unmetered customer with an ICP partner who has participated in trials in UKPN and WPD and as a customer who has sought to engage ICP's in trials in ENWL and NPN.

a1. Do you consider that trials have been a success? Yes

By what criteria has this been judged?

That despite the DNO's processes, agreements, audit regimes and lack of operational support, ICP's with the necessary Lloyds accreditation can complete unmetered connections to existing DNO LV mains safely and to the same standard as the DNO.

b1. Are the procedures and policies associated with the extension of contestability accessible and acceptable to competitors? No

If not, why not?

Not all DNO's have demonstrated that they have documented and established processes and policies in place. Those who are engaged in trials are developing these as they go with improvements drip fed as and when the DNO is ready to offer them.

All DNO's still retain some processes, policies and agreements that restrict ICP fair access to existing contestable works and those proposed for extension. The differentiator in DNO's is how quickly and co-operatively the DNO has been in modifying its current arrangements to support improved access and process efficiency.

For example ENWL stand out as the only DNO who remain reluctant to offer Bi-partite agreements in the unmetered sector.

b2. Have you seen any examples of best practice? Y

*UKPN's - response in trialling an LV cable positive identification service
WPD/NPG's - response in offering Bi-partite Agreements from the outset
WPD's - proposed online process
ENWL's - openness in offering trials to all ICP's
WPD's - weekly consultation workshops with trial participating ICP's
SSE & UKPN - recognition of the NERS scheme to avoid additional ICP trade testing.*

Examples of worst practice:

*WPD's - reluctance to offer an LV cable positive identification service within its trials
WPD/UKPN's - limiting access to trials to single LA areas and single ICP's
ENWL's - reluctance to offer Bi-partite Agreements after repeated requests
ENWL's - UM connection charges practice which is unfairly penalising existing customers whilst it retains the monopoly market share.
ENWL, SP, NPN - returning to trade testing every ICP jointer irrespective of experience*

All DNO's – examples of rigorously applying policy restrictions on ICP's through audits that they do not impose on their own staff and contractors.

b3. Do you consider that issues encountered during trials have been adequately addressed/resolved? No

If not, why not?

Whilst there are some good examples of a timely and supportive response to issues raised during trials, our experience suggests DNO's take too long to resolve them. This is often the case where departments beyond the front line connection business need to change their current position or practice.

c. Do you consider that DNOs will be able to implement the procedures/terms etc introduced for the trials on a business as usual basis? No

Please explain the reasons behind your view.

There are strong indications that some DNO's in offering trials are more motivated towards passing a competition test to increase revenue through unregulated margin, than they are to ensuring that their business as usual processes, policies and procedures are efficient and supportive of an open competitive market. Even so there are individuals within DNO's who have impressed us by their commitment to seeking long term improved arrangements.

We have a genuine concern that once the test is passed in a relevant market sector, that DNO's will lock down what ever they are currently offering in trials and loose interest in any further improvements. We also have a concern that the Regulatory framework will be too soft and hands-off once a test is passed, to encourage the DNO's to improve further.

d. Has there been any interest from competitors to undertake jointing to existing DNO mains and associated operational activity? Yes

If not, do you consider that interest would exist if the activities became contestable? ie, would promotion from trial status (including the associated margin arrangements) encourage competition in the provision of this service?

We believe all unmetered connections to existing DNO LV mains and all LV operational activity can be made contestable, but not all ICP's would have a business need to skill themselves up to undertake this work themselves. Moving this area of work from trial status to business as usual would not materially change the level of take up, as long as trials became opened up to all interested parties.

The efficiency of the DNO's business as usual processes and the DNO's willingness to offer a fair LV cable identification service or allow the ICP to undertake this works themselves are the keys to increased take up of contestable unmetered connections to LV main.

We maintain that Ofgem's encouragement of DNO's to charge margin and push up their costs so that customers are driven to seek an ICP alternative, is an unnecessary distortion of the unmetered connections market. Some DNO's unmetered connection charges are already unjustifiably high allowing ample head room for ICP's, without the addition of margin.

It is not sufficient for Ofgem to declare activities to be contestable and insist DNO's conclude trials, without also ensuring each DNO's has sought to adopt efficient best practices and remove all remaining barriers which restrict fair access to these activities.

e. What are the views of respondents that have not had the opportunity/wanted to participate in trials?

Amey has benefitted from being able to access trials with ICP partners in all the DNO's where we have had the work type, volume and wish to do so. We are aware of other ICP's who have been refused access to trials by some DNO's through our involvement in the UCCG. These ICP's and their respective LA customers have expressed their frustration and unfairness with those DNO's who have imposed restrictions on the number of trial participants, where other DNO's have offered open access to all.

2. a Do you consider that competitors should be able to compete with DNOs to undertake live jointing and associated operational activities? Yes

b If yes, in which segments of the market do you consider that contestability should be extended?

	Jointing to existing main	Associated operational activities
Unmetered	Y	Y
Metered low voltage	Y	Y
Metered high voltage	Y	Y

3. a. We note that, as yet, not all DNOs have completed trials at all voltage levels. Do you agree that learning from trials in one DNO area at one voltage level can be applied across all DNOs? Yes

If not, why not?

b. Do you agree that learning from trials at one voltage level can be applied across other voltage levels? No

If not, why not?

There are too many operational differences between LV and HV activities for this to be applied.

4. Do you consider that there are any Distribution Service Areas (geographical DNO areas) where live jointing and associated operational activities should not be made contestable or should these activities be made contestable in principle across all DSAs? Please explain the reasons behind your view.

As previously stated only DNO's who also offer an LV cable identification service or allow the ICP to undertake these works themselves and those DNO's who offer Bi-partite agreements, should be allowed to treat unmetered connections to LV mains as contestable and apply margin.

We would accept that the additional operation constraints of working on UKPN's Central London interconnected LV network, makes ICP competitiveness less likely.

5. If we decide that in-principle contestability should be extended:

a. Do you consider that where an ICP does not hold the accreditation required to joint to existing DNO mains, DNOs should continue to provide this service to the timescales set out in SLC 15 (the existing standards of service associated with the provision of non-contestable final connections services)? **Yes**

Please explain the reasons behind your view.

To remove this guaranteed standard of performance unfairly penalises ICP's for choosing to not invest in training and resources which they may rarely need. The ICP having to depend on the DNO for a contestable service at their current high costs and limited GSOP performance incentive is disadvantage enough.

b. Do you consider that Ofgem should set a deadline by when it expects DNOs to amend their charging methodologies, **Yes**

or should it rely on the Competition Test to incentivise DNOs to extend contestability? **No sure why this is an "or"?**

Please explain the reasons behind your view.

It is a long establish principal that DNO's should make clear their approach to calculating charges in their published methodology statement, in-advance of any changes that impact on customers. Not all DNO's are providing the current required breakdown of charges in individual quotations that Ofgem have already asked for so they cannot be relied on to provide adequate explanation of contestability and margin at the time of quotation.

The application of margin to a connection activity or scheme is a significant change to customers' current understanding of DNO practice and so Ofgem should insist that DNO's modify and publish their methodology in a clear format approved by Ofgem, before any change is implemented.

DNO's who have cleverly worded existing statements to allow margin to start being charged on individual activities or relevant market segments where they previously were not, should be made to modify their statements to be more specific.

ENWL is a case in point where they have just published new unmetered connection rates declaring the application of "unregulated margin" (letter dated 3rd Jan) without modifying or obtaining Ofgem approval for a new charging methodology statement.

Ofgem's competition test is not sufficiently robust or understood to be the sole means of a DNO demonstrating compliance with its obligations to inform customers of its method for calculating connection charges.

c. Do you consider that there is scope to extend contestability further in the future? **Yes**

If so how?

The following could be opened to competition in those DNO's which can show very efficient and supportive ICP processes.

The extension to the low cost small connections market is much more sensitive to DNO process restrictions and non-contestable charges. Trial's to prove the DNO's process efficiency is essential.

- ***1-4 New Domestic metered LV connection activity***
- ***3 phase metered and unmetered street furniture service connections***
- ***Single and 3 phase metered service alterations***

The following activities are also suitable for the extension of contestability if DNO's will co-operate in allowing an appropriate commercial and regulatory framework to support it.

- ***Rechargeable HV & LV Mains Diversions***
- ***Partially funded reinforcement (network reinforcement work necessary for the ICP's scheme to go ahead)***
- ***Opportune DNO funded network improvement (improvement works the DNO chooses to do on its associated network, at the same time as the ICP's scheme)***