

# WPD Competition Test Notice

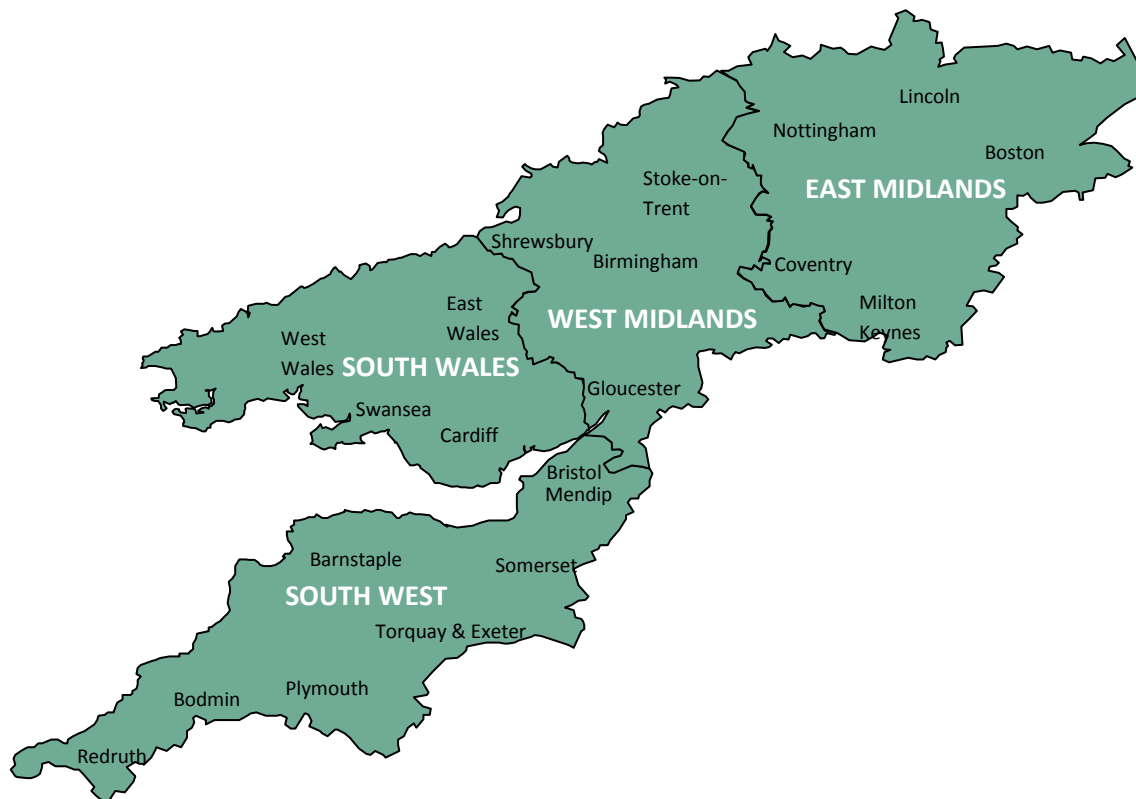
# WPD Competition Test Notice

## Executive Summary

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Western Power Distribution (WPD) owns and operates the electricity distribution networks in South Wales, South West England as well as the East and West Midlands that were acquired in April 2011.

We deliver electricity to over 7.7 million customers over a 55,300 sq kms service area with a network of 216,000 kms of overhead lines and underground cables, and 184,000 substations.



Since the acquisition of the East and West Midlands distribution areas WPD has applied the same ethos and core values to those areas. In particular, our policy in relation to Independent Connection Providers and Independent Distribution Network Operators (Independents) is the same as we apply to all customers which is to get it right first time, every time by treating our customers as we would wish to be

treated ourselves. We are committed to delivering outstanding customer service and we are proud of our reputation as the leading electricity distribution company in this respect.

As part of the DPCR5 Final Proposals, Ofgem required all DNOs to submit and pass a Competition Test (CT) for their connections activities by December 2013. In compliance with that requirement, this document constitutes WPD's formal Competition Test submission in respect of its four licences distribution networks:

Western Power Distribution (South West) plc

Western Power Distribution (South Wales) plc

Western Power Distribution (West Midlands) plc

Western Power Distribution (East Midlands) plc

Whilst market share is a significant indicator of the effectiveness of competition we believe there are a number of other factors that have an influence on competition and in making this submission WPD aims to demonstrate that in each Relevant Market Sector it has taken account of each of these factors:

- Barriers to competition
- Actual and potential competition
- Price and transparency of pricing to customers
- Promoting awareness of competitive alternatives
- Competition in connections procedures and processes
- Efforts to open up non-contestable activities to competition

We believe WPD's proactive approach has made a significant contribution to facilitating competition in WPD's distribution areas. Independents are already able to make final connections to WPD's existing overhead and underground low voltage distribution networks as business as usual competitive elements of work. We are also currently undertaking a trial to allow Independents to make final connections to WPD's existing high voltage underground distribution network.

In support of this submission we have evidenced the proactive approach we have taken and continue to take to develop competition in each of our distribution areas. In support of that evidence we have included testimonial letters from a number of the Independents who operate in our areas (see Appendix 11).

## Background

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As part of the DPCR5 Final Proposals, Ofgem set a requirement for DNOs to enter into and pass a Competition Test (CT) for their connections activities by December 2013.

In their Final Proposals Document for DPCR5 Ofgem's expressed their view that they were "concerned that competition is yet to develop effectively in all parts of the electricity connections market and that in most DNO regions many customers do not have effective choice". In order to drive their agenda of promoting competition to deliver choice and value to the consumer Ofgem has set the CT to "remove barriers to competition and provide an incentive for DNOs to proactively facilitate competition where competition is viable. By December 2013 at the latest, DNOs must provide detailed evidence to Ofgem to demonstrate that competition in their regional markets is working well for customers and there are no barriers to competition imposed by the DNO."

The requirements of CT are set out in Charge Restriction Condition (CRC) 12 under the Special Conditions of WPD's Distribution Licences.

## Purpose

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WPD are making this CT Notice to Ofgem which will allow them to take a holistic view of the connections markets in our regions and to prescribe what they consider an appropriate course of action from those laid down in the CT framework; i.e. allow regulated or unregulated margins, or deem that further work is needed to remove barriers.

The submission demonstrates the levels of competition in the WPD distribution areas and also the potential for competition from the opening up of connection activities to independents and the removal of any unintended barriers to completion by WPD

In the initial sections of this submission we detail the areas where WPD have assisted with development of competition in connections and removed potential barriers, both historically, now and moving forward. WPD maintain consistent structure and process across all our teams, however where necessary we have highlighted areas specific to a licence region and / or market segment.

Following on from the high level sections, we provide detail on levels of activity in each of the Relevant Market Segments for each of WPD's four licence areas. In these market segment sections we provide details of the levels of connection activity and the competition for that activity from independent connection providers and independent distribution network operators.

## The Legal Requirements Test

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There are two tests which make up the overall requirement for DNOs to meet the requirements of CRC12, the CT itself and the Legal Requirements Test

Under the Legal Requirements Test, WPD must have no enforced breaches or pending investigations in the regulatory year of the CT notice of the following legal requirements in respect of connection activities:

- ✓ standard licence condition 12.6(c): Requirement to offer terms for use of system and connection,
- ✓ amended standard licence condition 15: Standards for the provision of Non-Contestable Connections Services,
- ✓ new standard licence condition 15A: Connections policy and connection performance,
- ✓ standard licence condition 19: Prohibition of discrimination under Chapters 4 and 5, and
- ✓ the Competition Act 1998.

WPD can confirm that there have been no such investigations or breaches in respect of the above criteria and WPD therefore consider that we have passed the conditions of the Legal Requirements Test.

## Scope of the Competition Test

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This document constitutes WPD's formal Competition Test Notices under Charge Restriction Condition (CRC) 12 of the Special Conditions in respect of WPDs four licenced distribution networks:

- Western Power Distribution (South West) plc
- Western Power Distribution (South Wales) plc
- Western Power Distribution (West Midlands) plc
- Western Power Distribution (East Midlands) plc

WPD are submitting Notices for each of the licenced distribution networks above for each of the Relevant Market segments in CRC 12 and this document sets out the evidence to demonstrate that the requirements of the Competition Test have been met in each segment. This is summarised in the table below:

Licence Area	Relevant Market Segment								
	Demand Connections				Distributed Generation		Unmetered Connections		
	LV work	HV work	HV & EHV work	EHV work & above	LV work	HV & LV work	LA work	PFI work	Other work
WPD East Midlands	✓	✓	✓	✓	✓	✓	✓	✓	✓
WPD West Midlands	✓	✓	✓	✓	✓	✓	✓	✓	✓
WPD South Wales	✓	✓	✓	✓	✓	✓	✓	✓	✓
WPD South West	✓	✓	✓	✓	✓	✓	✓	✓	✓

In their DPCR5 final proposals document, Ofgem set out a high level scope as to what areas should be covered off by DNOs in their CT submissions:

- Barriers to competition
- Actual and potential competition
- Price and transparency of pricing to customers
- Promoting awareness of competitive alternatives
- Competition in connections procedures and processes
- Efforts to open up non-contestable activities to competition

Although the above is not an exhaustive list, it gives us a clear direction of the topics which are expected to be covered by the submission and forms the structure of this Notice.

## Barriers to competition

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WPD have been working with customers and independent connection providers / network operators to improve procedures and processes to better facilitate competition in connections and so avoid any unintended barriers, either real or perceived.

In early 2011 The ECSG produced a table of potential barriers to entry to the connections market. The list of issues in this table was a collection of the issues which had been flagged by and to the ECSG from independents regarding barriers to competition which might be addressed by DNOs. WPD has continued to work with the industry to remove these barriers wherever possible and our latest view of these barriers in the WPD connections market is provided as a summary in Appendix 2.

We have also provided an update of the list produced by the Competitive Networks Association on areas which could improve the framework for competition in the connections market presented to DNOs and Ofgem in July 2011 in appendix 3.

In this section we will go into more detail on how WPD has addressed these barriers through the existing practices and new initiatives.

## Availability of information

### Website

WPD have recently revamped the connection and CiC pages of our website in response to general feedback from stakeholders. The website is being updated in two stages, with this initial stage which went live in October 2012 being an update to the existing connections, CiC and Distributed Generation webpages. Stage two will be to overhaul the website from the ground up and will be taking place in early 2013. The WPD website can be found at [www.westernpower.co.uk](http://www.westernpower.co.uk)

The general feedback we had received from ICPs in our various seminars and in bilateral discussions had been that information available on the CiC webpages was not easy to find and that it would be useful for more information to be made available on the site. Taking this on board, WPD has improved the navigation of the site and added further useful information to improve the site for ICP and IDNOs along with customers looking into the choices they have when requiring a new connection.

The improvements made to the website include:

- Straightforward information and descriptions of competition in connections and its terminology
- Competition in connections access within two 'clicks' of the home page and directly from the connections page

- Improved documentation available for download including information leaflets, guidance, live jointing agreements and adoption agreements.
- Improved section on distributed generation with link from here to CiC pages.

The new page for ‘Connecting to our Network’ has CiC at the top of the page to help make sure that connection customers are aware of their option and that independents can quickly navigate to the CiC information they may require.

The revised ‘Competition in Connections’ page has now been improved to be easier to navigate and are aimed at both explaining CiC to connection customers and providing relevant information to independents. The pages are grouped into the following sections, linked from topic-related boxes which provide an explanation and / or summary and a link to further information:

<i>What is an ICP – description</i>
<i>Where can I find an ICP – description and link to Lloyds Register</i>
<i>What is an IDNO – description and link to Ofgem IDNO webpage</i>
<i>What work can be done by ICPs? – description of contestable and non-contestable works and link to a table of contestable / non-contestable activities</i>
<i>How to apply – link to process flow</i>
<i>Engineering Recommendation documents (G81) - description and link to ENA G81 docs and WPD appendices</i>
<i>Legal Permissions and consents – description and link to further pages of information including CiC specific guidance</i>
<i>Timescales – description and link to SLC15 standards</i>
<i>Pricing – description and link to WPD charging schedule in line with CCCM</i>
<i>Information for ICPs – further information on adoption agreements and Live jointing agreements.</i>

The legal permissions pages give help and guidance on what may be required for connection schemes and also has a specific page for CiC. The ‘Independent Connection Provides’ page under legal permission and consents provides specific guidance for independents with the process of obtaining landowner and other consents. This page has links to the guidance note with processes and timescales, the information leaflet (described below) and specimen sample documents to allow independents to discuss these with landowners when discussing cable routes etc.

### *DG Connections Webpages*



For the DG RMSs the WPD website has an improved section 'Generation Connections' providing information and guidance to customers considering DG connections. This page also has a link to the CiC pages on the website to ensure that DG customers are also aware of their options when considering their connection.

### *On-going development - provision of Policy documents and specifications*

WPD are currently developing a website to allow independents to have login-access to all relevant WPD policy and specification documents which may be required for the design and construction of connection assets to be adopted by WPD.

Currently these documents are provided on request by the local Planners but individual feedback by a number of independents and at the Live LV jointing and HV jointing Seminars in February and August, was that it would be much more useful to have these documents available online. The new website will be available before the end of 2012.

### Leaflets

We provide guidance leaflets on our website and send them out to customers providing information on competition in connections and also for understanding legal permissions on connections schemes.

Our 'A guide to understanding legal permissions' leaflet explains the legal permissions that may be required to construct connections, what they are, why they are required and the sort of timescales involved. The leaflet is also explains to developers and connection providers the process where an ICP is designing and installing equipment for adoption by WPD under competition in connections. Legal permissions are an area of the connections process where service timeframes can fall out of the hands of WPD or the connection provider and in to third parties; this leaflet has been produced to help manage the expectations of customers and to help them understand why this may occur.

Our 'Competition in Connections' leaflet provides customers with the information about the choices they have when seeking a new or modified electricity connection. The leaflet explains the connections process from application to energisation and the different aspects of the process which are contestable and non-contestable.

### Call Centre guidance

Our Call Centre handles queries from all types of customers about all types of query topics. To ensure that customers are aware of their options when seeking a new connection we have provided our Call Centre with some guidance to help them answer customer questions on Competition in Connections.

This guidance explains key questions customers may ask regarding competition in connections such as what is contestable and non-contestable works but also offers guidance to help manage customers' expectations and understand that not all connections will be attractive to independents.

This guidance has been briefed out to our call centres and made available to them on the WPD intranet for reference. The document is provided in appendix 4

### *Geographic Asset information*

To assist ICPs and IDNOs in planning their connections schemes WPD makes our geographic asset information available in the following ways:

- *WPDWebMap Facility*

Our WPDWebMap site available via the WPD website ([location of apparatus](#)) allows users to log in to request and receive asset plans via email from our geographic information system. Users are able to select an area, or route from the online map and the relevant WPD plans are then requested and returned to the user via email, usually in a matter of minutes.

- *EMU Asset Data*

For independents that require a large volume of plans and / or further asset information regarding the WPD network, WPD provides a service to sign up to receive licensed asset data from our EMU geographic information system with monthly updates.

This information is provided free of charge and can then be used (if required using the optional WPD viewing software licensed at a cost) to view geographic asset information at HV and LV, substation and feeder information and LV schematics.

### *Online Generation Capacity Map*

To assist both our competitive and non-competitive connection customers who are seeking to connect distributed generation to the WPD network, WPD developed the Generation Capacity Map available on our website.

This capacity map gives an indication of the potential capacity for the connection of large generators to the 11kV network in the East and West Midlands regions (with plans to make this available for the South West and South Wales regions).

By using the information provided on the map, individuals can get an indicative capacity of generation that can be connected to the network at a substation or within 5 kilometres of a location.

The purpose of this information is to assist connecting parties when initially assessing sites for DG installations, to formulate plans prior to the submission of a budget or formal application for connection.

In providing this information there is the potential for an increased rate of growth in competition in the DG market segments by facilitating independents making assessments prior to having to apply to WPD.

### Contractual Arrangements and documentation

With the recent work done in extending contestability to LV live jointing works and trialling HV jointing works, WPD has endeavoured to create new contractual arrangements which are far less unwieldy to administer for both the independents and for WPD.

As explained later on in the section on 'Efforts to open up non-contestable activities to competition', WPD produced a bilateral combined Network Access and Adoption Agreement for the LV works which did not require the independent to seek any additional documentation from their customer. The agreement also covered all requests for live jointing works in WPD's four licence areas without the need for additional agreements or further contracts for each new connection scheme. This agreement has then been extended to cover the works in the HV trial.

WPD are currently reviewing the existing contractual agreement and documentation following the positive feedback from the independents on our approach to the LV and HV agreement described above. The current Adoption Agreement used in WPD is a tripartite agreement which is required for each CiC scheme, using the learning from the Live LV and HV agreement we will look to develop an overarching agreement which will remove some of the paperwork administration required on each scheme.

### Service Timeframes

WPD's organisational structure determines that both CiC and non-competitive connections are dealt with by the same teams within their geographic regions and this helps to ensure that these enquiries are handled in the same timeframes for the equivalent elements of the work (see section 'Completion in connections procedures and processes for further details).

The standards of service which apply to competitive and non-competitive connections, under Standard Licence Condition (SLC) 15 and SLC 15a respectively, ensure a backstop minimum level of service timeframes for connections activity. WPD not only endeavours to carry out activities as soon as practicable rather than just meet the timescales set out in these standards there are also additional internal targets set against connection activities to ensure service levels are maintained.

One such area which is not covered by specific standards of service is the sourcing of legal permissions for connections schemes. WPD has recently developed internal targets and guidance related to legal

permissions on connections schemes using feedback from an ICP Stakeholder who contacted us to discuss our processes (see section on 'Efforts to open up non-contestable activities to competition'). This development ensures a consistency of process and service level across WPD.

With the extension of contestability to HV jointing and LV mains jointing works in WPD's area (see section on 'Efforts to open up non-contestable activities to competition'), the HV and LV works which would have previously been carried out by WPD can now be carried out by accredited connection providers. In some cases connection providers may still request WPD to carry out these works, however because the works are now contestable they no longer fall under the standards of service in SLC15. WPD has agreed to Ofgem's request that the standards of service which would have previously been applied, now be applied on voluntary basis to ensure that service levels are maintained where customers are unable to carry out the works themselves.

WPD are also applying voluntary standards to where there are new non-contestable activities linked to the new processes for the extension of contestability. In the LV live jointing works trial and as part of the on-going development of the BAU process, WPD has liaised with ICPs to ensure the service timeframes for WPD's roles in the process are acceptable to the ICPs. The feedback we have had has been positive and that the service timeframes do allow for the ICPs to have a workable process (see testimonial letters in Appendix 11).

## Contestable and non-contestable charges

WPD does not discriminate between class of customer, however there is a necessary difference in costs between the cost for non-contestable connections activities on competitive and non-competitive quotes because of the additional activities of inspection costs, preparation of the adoption agreement and design approval.

Due to the way in which WPD is structured, both competitive and non-competitive connections schemes are managed by the same Network Service Team in each of our regional areas. It is because of this structure that the costs of delivering the non-contestable works on a competitive scheme are the same as for a non-competitive scheme. The only difference in costs therefore comes from the additional non-contestable services carried out by WPD on a competitive scheme compared to the non-competitive equivalent. Although the independent has the additional cost for design approval, our charges for this recognise that we generally have less assessment to do than for non-competitive schemes because we are only assessing the point of connection and not the entire scheme, these costs are therefore not largely different to the non-competitive scheme. The inspection costs can be the largest variance as these will relate to the size and complexity of the scheme, whether or not WPD is to adopt the network and the inspection level of the independent.

### Developing relationships

WPD has always tried to maintain good working relationships with ICPs. The relationships between companies are developed through industry forums and stakeholder seminars held by WPD, we often also have bilateral meetings with independents to discuss issues and ideas for improvements and WPD is always open to these interactions as a way of building positive arrangements.

As part of the extension of contestability in live LV jointing and HV jointing along with the implementation of the CIRT system WPD has held seminars inviting independents to discuss the new processes involved and gain feedback. These Seminars are key to the successful implementation of these new processes and are a way of developing stronger relationships.

Throughout the proof of concept for the Live LV jointing process, the weekly meetings held up to the launch of the new process and the subsequent fortnightly meetings were a vital part of the development of the final process. These meetings facilitated the feedback on how the process was working for the ICPs and or WPD and meant that the process which was rolled out was a working BAU process. We have had very positive feedback from the ICPs involved on WPDs approach to this, the value of these meetings and that WPD did use their feedback to develop the process (see testimonial letters in Appendix 11).

We have used a similar approach in the development of the CIRT system (see section 'Competition Procedures and Processes') working with two more ICPs to ensure that the system met requirements.

WPDs structure, as explained in more detail later in this notice, by being organised into teams responsible to local geographic patches facilitate the development of relationships with independents working in those areas with most issues that arise being dealt with locally also. These teams are also targeted with contacting customers within two days of receiving a competitive or non-competitive connection request, this ensures that a discussion takes place about the connection scheme very early on and helps to ensure that WPD understands what the customer needs rather than second-guessing.

If issues arise on a scheme locally or on a more general basis, the WPD policy section will communicate out any learning points, policy changes etc to avoid the issue being repeated in another area. Any changes of practice will normally be fed back to WPD teams via issue of a standard technique / guidance document, with training / briefings where necessary.

To ensure that training and best practice has been rolled out effectively and consistently, WPD employs management information reporting to monitor performance. For example, when the target of contacting the customer within two days was implemented we also implanted monitoring so that Team Managers were able to check that contacts were being made and a report was developed for the Network Service Managers to inform them if any targets had not been met. There is also a range of jeopardy reporting used to monitor targets which are used to ensure these targets are met and will flag

up any issues with processes. WPD carries out internal and external audits on connections Guaranteed Standards of Performance (GSOP) which can flag up if there is any inconsistency in process and GSOP returns are prepared quarterly rather than annually to make sure any issues would be picked up more quickly if they developed.

## Resolving disputes

WPD has a philosophy of working to a standard that customers are treated in a way that we ourselves would like to be treated. In this our approach is not to discriminate between classes of customers and therefore independents are treated the same as customers requesting non-competitive connection schemes. WPD is judged on the quality of its customer service, which is why our teams work to an ethos of getting things right first time, every time. Our aim is to reply to customers' enquiries swiftly, preferably providing a response on the day an enquiry is received.

However, even though our aim is to deliver first class customer service, from time to time things do go wrong and a complaint is received from a customer. We are very keen that customers contact us so that we can sort things out as quickly as possible.

There are a number of ways a complaint can be made, including a freephone phone number, writing to us, emailing us or visiting us in person at any one of our offices. All the relevant information is held on our website.

There are 4 steps a customer can take when making a complaint;

- Step 1 – review by local Manager

This involves a phone call from the local manager responsible for the part of the electricity network the customer or the connection site is situated on. The aim is for this call to take place on the same day as receipt of the complaint.

- Step 2 – referral to a senior Manager

If the customer is not happy with the reply from stage 1, a customer can ask to speak to a senior manager. The customer will be contacted within 3 working days either by telephone or a personal visit. The senior manager will work with the customer to find a solution.

- Step 3 – Final Review by Complaints Manager

If the customer is still not happy, the complaint is reviewed by WPD's Regulation and Government Affairs Manager, Alison Sleightholm. She will call and send a letter setting out WPD's final position

within 1 week. The aim will be to resolve the complaint within 8 weeks with an apology and an explanation of what went wrong.

- Step 4 – Energy Ombudsman

If still not happy the customer can go to the energy ombudsman for a final position.

The WPD website lays this complaints process out and also details other useful contact phone numbers and website addresses.

## Price and transparency of pricing to customers

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We currently enclose a breakdown of costs with all Connection Offers that fall into the 'Single LV Service Demand Connection' and 'Small Project Demand Connection' market segments and also for service alterations that fall into the preceding categories.

The breakdown allows the customer to compare their connection charge against the indicative charges set out under Section 7 of our Statement of Methodology and Charges for Connection and if they wish to dispute those charges they may using our on-line Quotation Accuracy Scheme challenge process.

For larger schemes requiring works with costs in excess of £20,000 we have been providing the split between the charges for the contestable and non-contestable elements of the work to help customers make comparison between the competitive and non-competitive connection route.

To provide a greater level of transparency for connections customers WPD have been developing a more detailed cost breakdown which is detailed below.

## Connection Offer Breakdowns

The feedback we have received via the ECSG, through individual customer requests on specific schemes and through the DG connections survey WPD commissioned (see section on 'Promoting awareness of competitive alternatives') has been that customers would like more information included with their connection offer regarding the breakdown of costs on their scheme. Both competitive and non-competitive customers are looking for more transparency in connections costs with more detailed information and breakdown.

Taking this feedback on board, we have recently developed a new Connection Offer breakdown for connection schemes that fall outside of the QAS market segments (i.e. Segments other than the Domestic LV work and One-off Industrial and commercial work Excluded Market Segments under CRC12). The breakdown has been developed to provide the customer with a structured and transparent

split of the elements of work involved in order to obtain a clear understanding of the work involved. This breakdown will be implemented in mid-November following the testing period which is currently taking place. A typical example is shown in Appendix 12 as part of an example Offer letter.

The breakdown is split into the following constituent parts:

#### *Fees*

This will include labour charges for design and assessment and, where appropriate, design approval and obtaining wayleaves and consents.

#### *Works*

These are broken down by voltage of works and work type, for example, substations, cable laying, cable jointing and service termination. For CiC schemes the number of inspections will also be included. Each of these categories contains an itemised list of activities against which are noted the quantity required and the non-contestable/contestable split.

#### *Reinforcement*

Where reinforcement of the distribution system is required we will include a breakdown of the charges associated with the customer funded part. We also indicate the level of customer contribution required against each of the work categories. This provides the customer with a clear indication of what proportion of the costs we are asking them to contribute toward the reinforcement work.

#### *Summary*

The summary table provides a quick overall reference point for the main categories split by Fees, non-contestable and contestable work. Where other charges are appropriate they will also be listed, for example, charges for capitalised operation, repairs and maintenance or payments due under the Electricity (Connection Charges) Regulations. If a refund is due we will also itemise this.

## Promoting awareness of competitive alternatives

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Ensuring that customers are aware of the choices they have when seeking a new or modified connection is an area WPD has been continuing to improve to make certain that any unintended barrier to entry is removed in that customer understands they have a choice.

As detailed elsewhere in this notice, WPD have made improvements to our website and the information available to customers and provided guidance to our Contact Centre to help customers with questions around CiC and raise awareness.

## Distributed Generation Customer Survey



From previous feedback from our customers and our on-going experiences with distributed generation projects, it is clear that distributed generation (DG) customers have a diverse set of requirements of their connections providers, some of which align with those of customers for load connections and some of which are distinct.

In order to understand the expectations of customers in this market segment in more detail, WPD conducted a Customer Satisfaction Survey of customers requesting budget and formal quotations and of customers completing DG connections by both the competitive and non-competitive routes.

The purpose of the survey was to explore the customers' experiences of working with WPD, to further understand the expectations and priorities of customers in the DG market. We wanted to gather constructive feedback on areas in which WPD performs well and areas that could be improved. We also wanted to examine DG customers' awareness of Competition in Connections, and WPD's communication and performance as part of the process.

The survey was carried out in way that allowed comparison with the Ofgem Broader Measure survey. 374 surveys were conducted, of which 317 considered quotations (budgets and formal offers) and 57 completed work, achieving an even split across the four licence areas

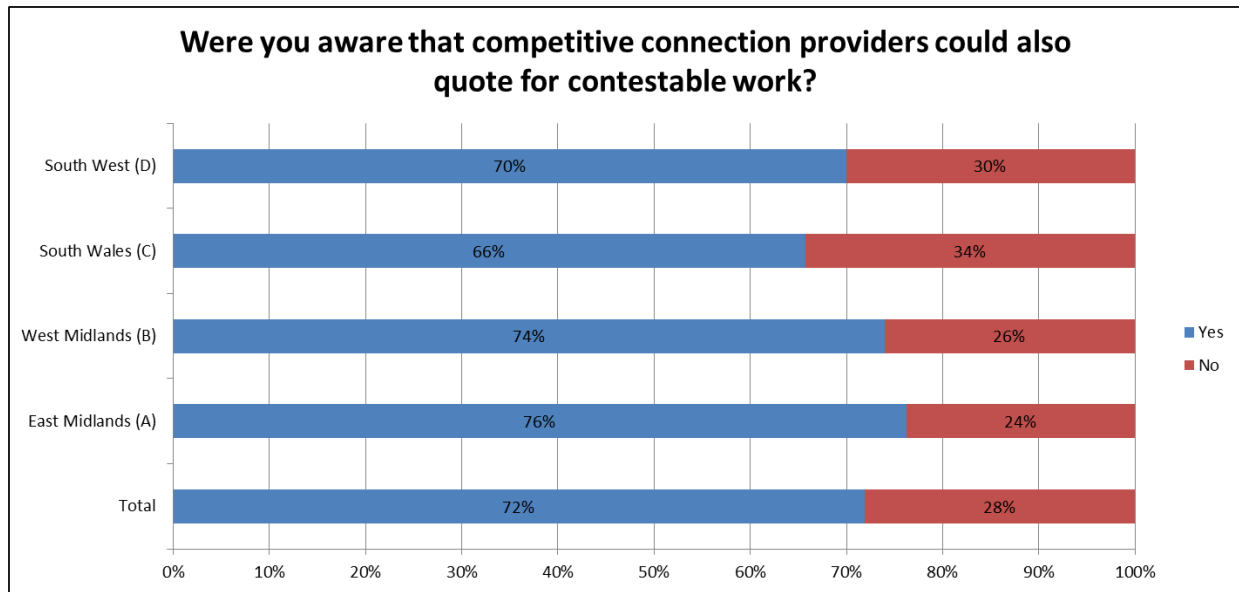
Licence Area	Surveys conducted (quotations/completed work)	% of total
WPD East Midlands	101 (89/12)	27% (28%/21%)
WPD West Midlands	100 (93/7)	27% (29%/12%)
WPD South Wales	73 (57/16)	20% (18%/28%)
WPD South West	100 (78/22)	26% (25%/39%)
Totals	374 (317/57)	

The RMS-specific results of the survey in relation to Competition in Connections can be found in sections 5 and 6 of the Relevant Market Segment analysis for the DG LV and DG HV & EHV market segments respectively, with overall results shown below.

## General Results

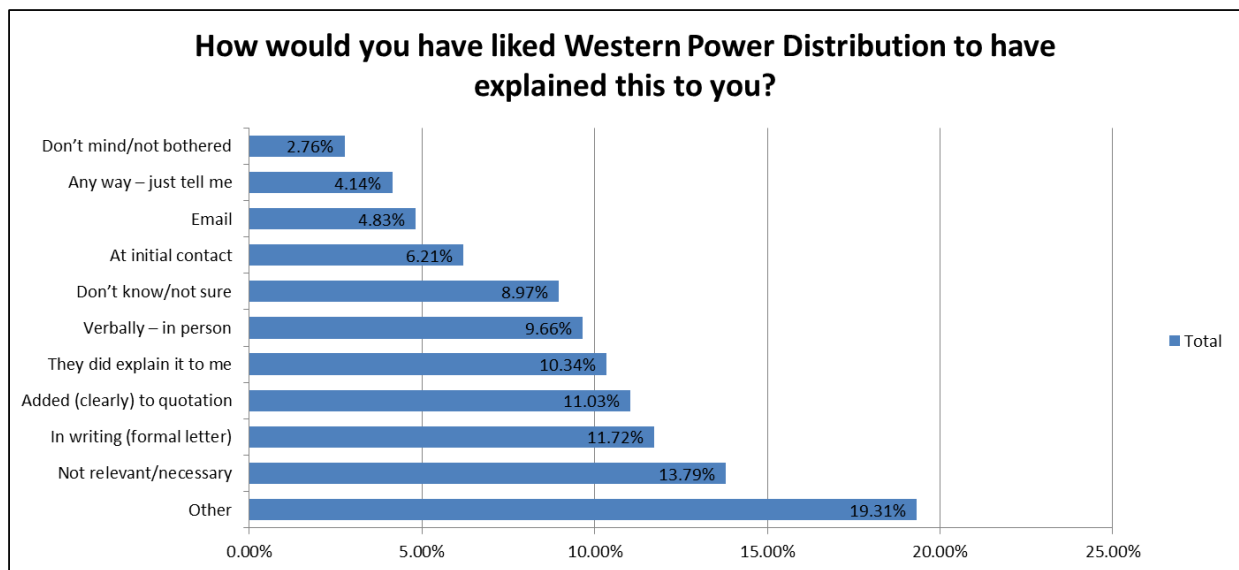
### *Awareness of Competitive Alternatives*

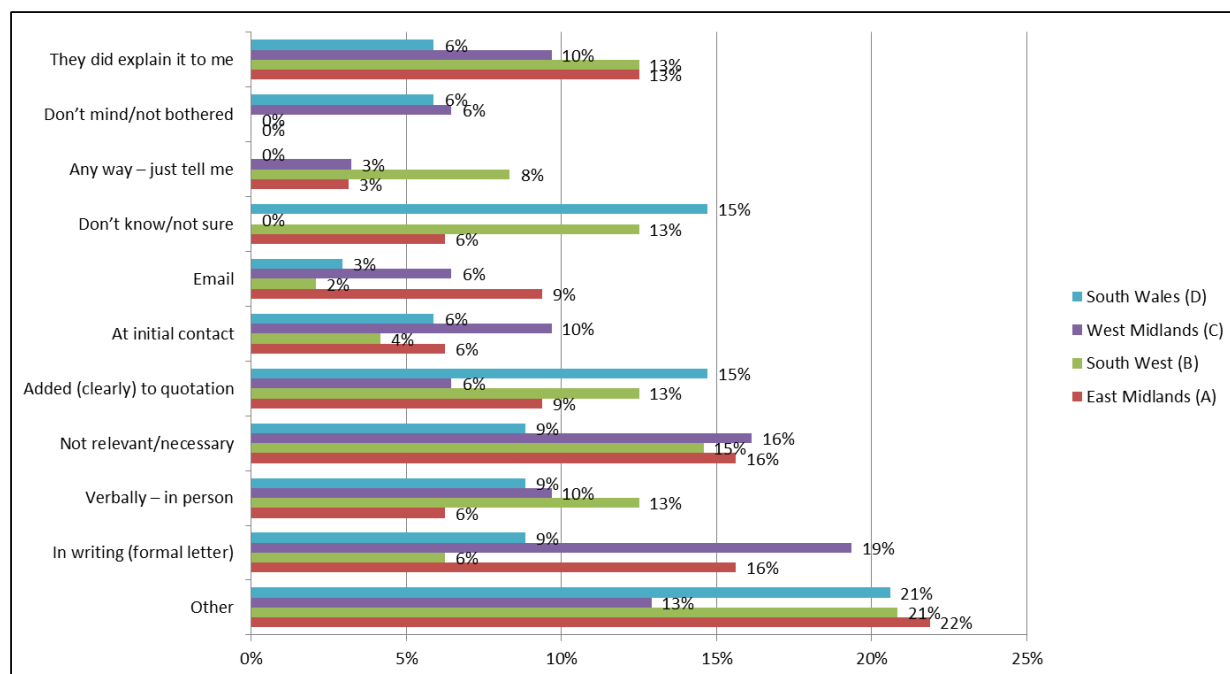
Overall, 72% of those surveyed were aware of competitive alternatives for contestable works.



Regarding communication about contestable works and the CIC process, the majority of respondents did not have a preference on the method used, or the information was not necessary or had been explained previously (26%). Where preferences were expressed, suggestions included written methods (letter, email or leaflet), by phone or in person.

On the whole, in writing (12%) at the quotation stage (11%) was the overall preference. Some other respondents requested that they were made aware of Competition in Connections at the very beginning of the process (6%), with 10% preferring verbal or face-to-face methods.





Following these results, WPD has instigated a number of initiatives to improve customer awareness and the communication process about Competition in Connections.

A new leaflet has been designed which will be included in every quotation sent to a customer, providing written reference material for customers which clearly explains the process and the options available to them. Written methods were particularly favoured by customers in the East and West Midlands.

Further guidance material and training has been given to the Contact Centres to ensure information on Competition in Connections is available to customers who make contact by phone (see appendix 4).

The WPD website has been improved to include much more information for customers considering connecting generation to the network including their options for seeking competitive alternatives.

WPD has also been trialling “customer surgeries” at their depots in the South Wales as a solution for customers with the strongest preferences for verbal communication or explanations in person. The surgeries allow customers to come and see employees and ask generic or specific questions about connections and the local electricity network, making WPD personnel more accessible and providing a further method of communication to encourage awareness of Competition in Connections.

## Competition in connections procedures and processes

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### WPD Structure

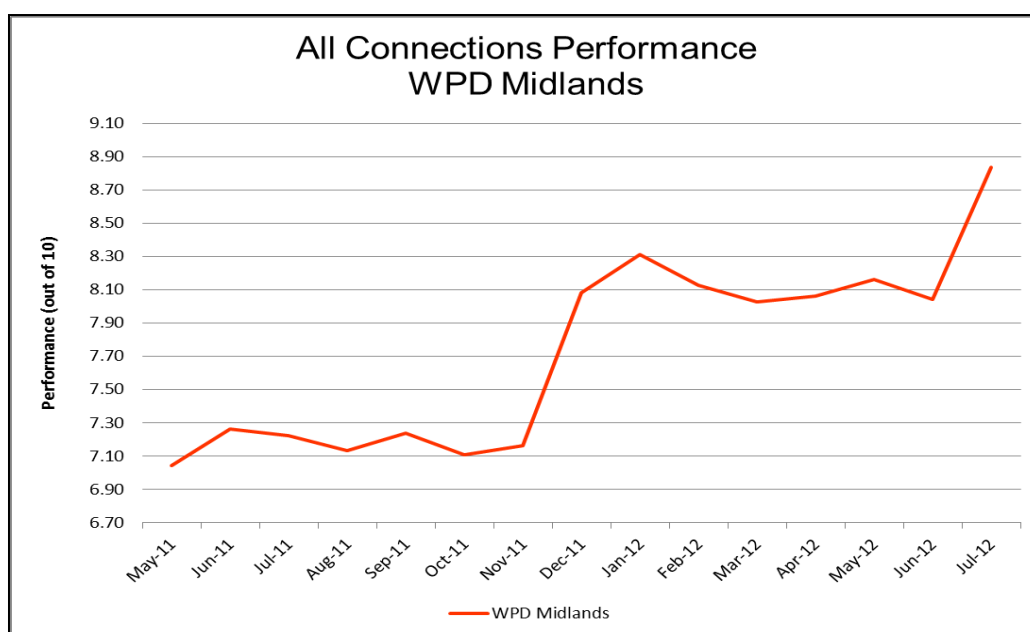
WPD operates a geographically organised team based approach where each team is responsible for the planning and delivery of network activities including connections. These Network Service teams handle all competitive and non-competitive connection enquiries up to 11kV.

It is this structure which ensures that all connections schemes are handled equally and give the customer / connection provider a local contact with knowledge of their network area from the outset of their application. The localised teams minimize the risk of variance between designs for multiple applications for the same scheme.

Above 132kV, connections schemes are handled by specialist planning teams in the central offices of the four licence areas. The planners of these teams still have their own patch of the network which they are responsible for so the approach of local knowledge and single points of contact is maintained.

We have had positive feedback in conversations with independents in the Midlands area that the change from centralized delivery team structure to localised delivery has been an improvement to the service provided. The independents have commented on the benefit of having a consistent local contact with the team responsible for constructing the non-contestable works. This also helps with the on-going development of productive relationships with independents between the people who are delivering the work at each company. This is especially the case where there may be a need to quickly resolve any issues which may crop up on a connection scheme and having good local relationships can be of great benefit to this.

The feedback we have received is echoed in the Broader Measure customer survey results for all connections performance in the Midlands where the rollout of the WPD structure at the end of November 2011 has seen a significant jump in customer satisfaction levels as shown in the graph below.



## Online job tracking for CiC Schemes

In the Midlands regions an online work tracking system that allows independents to apply for and track CiC schemes has been running since 2009. Following the acquisition by WPD of East and West Midlands distribution businesses, and after receiving positive feedback in conversations with independents, the decision was taken to roll out a system with similar functionality to all four WPD license areas. Feedback from Independents has been that the ability to submit applications and track work online, rather than emailing / posting and phoning WPD to ask for updates on a scheme's progress, provides a much more effective way of working. The independents were very keen that WPD kept this functionality and indeed expanded it to cover the South West and South Wales regions.

The sections below go into more detail on these systems, their development, function and usage.

## Connections Liaison Management System (CLMS)

Implemented in 2009 and developed with MBA Geosoft, the CLMS online work management database was introduced in the Midlands to enable the management of the competition in connection process from application through to final delivery, connection and commissioning. CLMS became the primary tool for processing CiC schemes for ICPs, embedded networks and the public lighting live jointing trial (for transfers, disconnections and rent-a-jointer activity). The aim of CLMS was to improve response and service levels following the introduction of Standards of service in Standard Licence Condition (SLC) 15 and it was developed with input from an ICP.

By having an online database which was used by our people for work management, it allowed real-time monitoring of schemes by independents with access to information both in and out of normal working hours.

CLMS was used by over forty independents with over four hundred users being registered since its introduction. There were user guides available for training for both internal and external users and assistance provided where required by our people and by the developers, MBA Gesoft.

We feel that the development and implementation of CLMS, demonstrates our genuine commitment to improving our interaction, service levels and timescales for CiC schemes.

### Crown Internet Routing & Tracking (CIRT)

Following the acquisition by WPD of the Midlands distribution networks, and in response to strong feedback from independents in conversations we had with them, the decision was made to not only maintain the CLMS database as a tool for information exchange and work tracking in the short term, but also to develop this functionality to create a system which links with the WPD Crown database's routing and tracking function. The system which has been developed, CROWN Internet-based Routing and Tracking (CIRT) is the replacement for CLMS and enables the roll out of this functionality across the South West and South Wales distribution areas for independents to have a single system and process for the whole of WPD's area.

#### *Key features of CIRT:*

- Online access for Independents to apply for and track CiC schemes from start to completion.
- online ability to upload and submit accompanying documents
- interacts with WPD's Crown Routing and Tracking database with activity statuses for each application updated daily
- 'Whereabouts' calendar based schedule for independents works and WPD inspections
- online submission of Design Approval, Final Works and Energisation requests

#### *Development of CIRT*

Developed in-house by WPD IR developers, WPD included ICPs in the development of CIRT to ensure that it met their requirements.

For the development and testing two ICPs were engaged to take part. Each ICP tested both the functionality and usability of the new system, providing feedback on both. This was important as WPD wanted to ensure that the end product was useful for the ICPs and would become their preferred method of interacting with WPD for CiC schemes.

#### *Rollout*

A seminar was held 11<sup>th</sup> October 2012 for interested ICPs / IDNOs to explain the new system and invite them to register as users. User guides have been produced and WPD will be providing contacts within our Records Team and IR team to assist with any troubleshooting that may be required.

Internally, CIRT has been trained out to the required Teams within WPD with training sessions for 'super users' and user guides. We also made a CIRT test system available to the WPD teams so that they could see and be familiar what their external customers would be using.

CIRT is planned to launch on 5<sup>th</sup> November 2012 and to avoid the need for any of the independents who have been using CLMS to manage their work with WPD on two systems, 'live' schemes in CLMS are being migrated into the CIRT system to provide continuity.

CIRT will provide WPD with the platform to extend internet based routing and tracking to all customers for all enquiries.

The presentation used at the CIRT launch seminar can be found in Appendix 8 shows screenshots of the CIRT interface.

## Efforts to open up non-contestable activities to competition

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WPD has taken a proactive approach, keeping pace with the industry on extending contestability and moving ahead in certain areas, whilst ensuring that the processes put in place to extend contestability are practical and workable so that independents take them up.

Throughout the development of processes to allow the extension of contestability we have engaged with independents and their stakeholder input has helped to develop efficient and flexible processes. The Business as Usual Processes we have implemented are practicable for the independents and allow an efficient service from our teams, making refinements where necessary and where identified by stakeholder feedback

### LV Live jointing

Following the acquisition by WPD of the former East and West Midlands distribution networks, WPD decided to develop the extension of contestability to enable live jointing to existing LV mains throughout WPD's licence areas. WPD held a seminar in April 2011 to outline a proposed proof of concept trial and seek volunteers to participate in this trial.

#### *Proof of Concept*

The proof of concept trial commenced in June 2011, with two ICPs agreeing to sign up to a live jointing agreement that allowed them access to the network.

The trial consisted of live LV jointing of mains and service cables for new unmetered supplies (plus the already contestable transfers and disconnections) in the East and West Midlands licence areas and involved two ICPs, one operating in the East and one in the West Midlands. During the trial we held weekly review meeting to feedback on progress and experiences on both sides.

During the trial it became evident that one of the key criteria for a success from the point of view of the ICPs was flexibility of working arrangements and because of this WPD offered to move from three days notification of one day's work to an extended working window of a full calendar week for the ICPs to complete work without having to confirm specific daily whereabouts. This allowed the ICPs to programme work in a way that allowed for unforeseen circumstances.

One of the other areas of particular concern was the requirement to have in place a tripartite agreement that involved customers of the ICPs such as the street lighting authorities signing on to separate adoption agreements. Because of this, during the course of the trial we developed a bilateral agreement that is between the ICP and WPD as detailed below

The criteria we used to determine the trial's success were:

- ✓ Analysis of any reportable incidents relating to electrical safety
- ✓ Quality of work as demonstrated by audit compliance.
- ✓ Level of ICP participation in the trials – i.e. were they engaged and was there demand from the ICP.
- ✓ Development of an effective BAU process – including the development of appropriate systems and contractual arrangements

The trial was extended into 2012 to allow for further system and process development in readiness for a business as usual process rollout in May. There are currently some 11 ICPs signed up to the bilateral agreement.

The ICPs who participated in the trial were actively engaged in making it a success. The ICPs commented that WPD had been ready to accommodate requests for more flexibility from the original process of the trial – an example being the move from a three day notice of one day's work to a wider seven day working window with seven days' notice.

Although each of the success criteria listed above were ticked off by the proof of concept, this has not prevented continued refinement and development of the process, using internal and external feedback.

### *Bilateral Network Access and Adoption Agreement*

In developing the contractual arrangements for the live LV jointing works, WPD took on board comments from independents on existing agreements regarding the complexity, unwieldy process and



requirement for tripartite agreements that involved customers of the ICPs such as the street lighting authorities signing on to separate adoption agreements. Using this feedback WPD developed an overarching combined Network Access and Adoption Agreement which covers all four licence areas and all projects rather than having a separate agreement for individual projects. The subsequent applications for live jointing on individual projects are then covered by this agreement.

The agreement is also a bilateral agreement which does not require the ICP/IDNO to request that their customer signs on to the agreement or provides a letter of authority.

The two aspects of the agreement described above, have been well received by stakeholders as a positive step forward in enabling competition in connections.

As part of the rollout, the new bilateral Network access and adoption agreement was made available and sent out to independents for comment, the feedback we received was then used to refine the final agreement. We have since made further development to the agreement based on feedback from stakeholders as part of the rollout of the HV jointing trial (see section below).

### *Business as usual rollout*

In February 2012 a seminar was held with ICPs to explain the progress which had been made in the proof of concept trial and to introduce the business as usual process across all four WPD licence area for metered and unmetered connections activity (see presentation in Appendix 9). Following the finalisation after comment, the Network Access and Adoption Agreement was made available from the beginning of May for independents to sign on to and begin the process of gaining authorisation and requesting works under this live jointing regime. The key points of the regime are listed below:

- Bilateral agreement between WPD and ICP / IDNO
- Agreement covers all four WPD areas in one
- Standard Agreement for all
- Covers LV mains and service connections
- Metered and unmetered connections
- Overhead and underground connections
- Authorisations under WPD Distribution Safety Rules
- Inspections by WPD
- Electronic request, completion notice and records submission
- Process accommodates independents with full and partial NERS accreditations

During the course of the rollout and for new participants in the live jointing regime, WPD offered training and support to participants at their own locations. This was taken up by most ICPs and WPD have visited ICP / IDNO offices to demonstrate and train their staff on the live jointing application and

completion notice submission to help ensure the process runs smoothly from the start for the participants.

### *Flexibility of Process*

As mentioned above, WPD wanted to implement a process which would facilitate competition and not be overly bureaucratic or inflexible in allowing ICPs to manage their own timetables and work programmes for their clients.

As part of the on-going development throughout the proof of concept we took on board the ICPs' feedback that they needed flexibility to deal with the unavoidable real-world occurrences that can sometime lead to work programmes having to change at short notice to make sure clients are connected on time. We therefore developed a process which allows for a weekly whereabouts notice rather than a daily notice which allows movement of the works within the week of the notice. This allows for situations where, for instance a joint hole cannot be dug on the day it was planned for due to an obstruction in the road. In this process the works can be moved to another day in the 7day notice period and the connection can still be made.

Taking on further feedback, there are instances where connections may become urgent and even the process described above is not flexible enough to accommodate the connection. To try to align what the ICP is permitted to do with what we as the DNO are able to do at short notice, we have also implemented a High Priority works process.

For High Priority Works, the ICP / IDNO is able to contact WPD in or out of hours to request consent to carry out a high priority LV joint. If there are no objections due to other works on the network for instance, then WPD will give consent to this joint / connection outside of the normal one week's notice of one week's work.

Although the intention is that the ICPs / IDNOs limit the level of work applied for in this category we have had feedback from the ICPs in the proof of concept that this is useful and does help with the delivery of work for their clients (see testimonial letters in appendix 11).

### *Participation*

The success of the proof of concept and the rollout of the BAU regime may be measured by the number of participants and the volume of work being undertaken.

For the proof of concept, from June 2011 to May 2012 the two participating ICPs completed over 4,000 new unmetered connections (plus over 20,000 transfers and disconnections) in the East and West Midlands areas.

From May to September 2012 there were 11 independents signed up to the live jointing agreement and they have completed 16,643 live jointing activities on LV mains and service cables across the four WPD

Licence areas (see table below), these include live joints on metered connection schemes and unmetered new connections, transfers and disconnections. Of this total 2,577 joints were completed under the newly contestable live joints to mains for metered and unmetered connections.

- Table of completed live LV jointing activities by ICPs between May and Sept 2012

Licence Area	Volume of live joints completed (unmetered new connects transfers and disconnects)	Volume of live joints completed (metered connections)
South West	1295	-
South Wales	275	-
East Midlands	9065	9
West Midlands	6008	11

### *Extending contestability*

On completion of the Proof of Concept phase and the rollout of the business as usual process, WPD made a successful modification application to Ofgem to amend our Common Connection Charging Methodology to change LV jointing on existing mains to be a contestable activity in June 2012.

## HV Jointing Trial (WPD Distribution Safety Rules (DSRs))

Although we have not yet proposed a modification to the CCCM we have listened to and acted on our stakeholders desire to compete for business in this area. This activity is now open to competition in each of our regions and we welcome participation by any independent that would like to participate in this market segment.

### *Process development*

Applying the learning points and feedback from independents in the development of the live LV jointing regime, we have utilised the process and system developments created for this as the basis of what is now effectively a BAU process. This has ensured that the process we have in place is efficient and familiar to both independents and WPD staff. This approach allows an equivalent level of service as if the works were carried out as non-contestable by WPD.

### *Rollout*

An initial seminar was held for independents in August 2012 to rollout WPD's proposals for the trial and seek feedback from interested parties (see presentation attached in Appendix 10). The proposals for the trial are set out below:

- Update of the LV bilateral Network Access and Adoption Agreement to extend for HV jointing works
- Works to be carried out under WPD DSRs and Permit To Work Receive authorisation (PTWR)
- ICP jointers will need WPD training to facilitate PTWR
- WPD arrange shutdown and noticing
- Date for works agreed within 20 working day standard
- WPD SAP to carryout operational activities (switching, pressure test, phasing etc.)
- ICP jointer carryout spiking and jointing

The activity has been opened to all interested parties with the relevant training course for jointers made available at WPD training centres.

### *Contractual arrangements*

Using the LV works Network Access and Adoption Agreement as a starting point WPD have extended this agreement to accommodate the HV jointing works. Taking on the feedback from the industry, of the need to reduce the complexity of contractual requirements, this means that the independent only has to sign on to one agreement for WPD to carry out these works for live LV jointing and HV jointing to existing network.

A number of independents felt that the unlimited liability clause in the existing agreement created an unintended barrier to competition. As a result of this feedback we have taken this opportunity to amend the liabilities clause to introduce a cap that removes this unintended barrier.

The combined HV and live LV jointing Network Access and Adoption agreement remains a bilateral agreement, covering all four WPD licence areas and is a standard agreement to all ICPs / IDNOs.

The agreement was made available for signing up to the trial in September 2012.

### *Voluntary Standards*

As part of Ofgem's decision in principle regarding extension of contestability, they requested that DNOs voluntarily apply guaranteed standards to elements of CiC activities carried out by the DNO which would not fall under SLC15. WPD has applied these voluntary standards and included them in the extension of contestability for LV works and as part of the process for the HV.

For the HV trial, the shutdown and switching required to enable the jointing works is provided within the 20 working days of the request from the ICP as aligned with the equivalent standard under SLC15 for the DNO to carry out all of the works.

### *Rollout of Trial*

The trial commenced in September 2012 and training courses were made available and organised at WPD training centres to enable the independents who wanted to participate to gear up for their jointers

to carry out the works. So far, two training courses have been held in October 2012, with 9 staff being trained from 4 different independents.

### *Participation*

At the time of submission there are 5 independents signed up to the new combined live LV and HV jointing Network Access and Adoption Agreement one of which has transferred from the original LV only agreement.

### *Extending contestability*

WPD plan to make a modification application to Ofgem in the first quarter of 2013 to amend our Common Connection Charging Methodology to change HV jointing to be a contestable activity. This will allow there to have been sufficient time to assess the effectiveness of the trial and ensure the support of independents through their feedback.

## Proposed HV and LV Operational Access and Connections (ICP DSRs)

During the stakeholder presentation we held on the 20<sup>th</sup> August 2012 we raised the issue of allowing independents operational access to WPD's HV network to allow them to carry out HV jointing activities. There was significant interest in this option that is a significant departure from our current process that allows independents to carry out such works under WPD's DSRs.

We have been engaged with independents in the development of this process that will be based on the existing proven processes for LV and HV jointing to the existing network using WPD's DSRs. This will ensure that the process will again be efficient and familiar to both independents and WPD staff.

We are holding a stakeholder presentation on the 15<sup>th</sup> November 2012 where we will roll out this option that will be available to all ICPs early in the New Year – the WPD internal policies and processes are complete and waiting final sign off to allow this implementation.

## Low Voltage Cable Identification

A number of independents have commented that where they make connections to WPD mains they have significant issues where cable identification is necessary as the only option available to them is to expose mains to known connection points such as an LV service or link box. This can result in significant additional cost and disruption and create an unintended barrier to competition.

WPD are starting to look at methods to allow independents operational access, using their own DSRs to the LV network to allow them to use intrusive cable identification techniques such as the "LV Grumbler". In order to assist WPD in the development of this process we have put in place an interim process that will operate in the Birmingham area using WPD DSRs. This is now available to any ICP operating in that area.

WPD has committed to providing exactly the same standards of cable identification for independents as they would for WPD staff.

The independent is responsible for exposing all cables at the point of work prior to WPD attending site to assist in identifying the correct cable by connecting and operating the signal device. When the correct cable has been identified WPD clearly and unambiguously marks the correct cable whilst the independent is present to witness the identification. The independent is then responsible for putting its own staff to work.

At our stakeholder presentation on the 15<sup>th</sup> November 2012 this will be part of our presentation and we will be seeking comment and views from those present.

### Point of Connection Self-Determination

Through the extension of contestability to Live LV jointing, WPD has made it possible for independents to self-determine their own points of connection for unmetered services. WPD provides network information via either the online map request service, WebMap or via the option of receiving a monthly EMU data set with geographic and cable information (see Provision of information section). This information enables independents to submit plans for any new unmetered connection for WPD consent to connect one week ahead of the week in which the independent wishes to connect. Our Network Service Teams are targeted with contacting the independent if there are any issues with the proposed connection within two days of them receiving the live jointing notice.

WPD have a project running with an ICP to identify what the requirement would be for WPD to provide information to allow independents to determine their own points of connection the WPD's network. A workshop and discussions have been taking place with the ICP involved and sample schemes are being used to assess the type of information that is required and can be provided. The intention of this is to then make this relevant information available and take this forward to a BAU-style trial.

### IDNO Legal process

In an effort to further extend the scope of activities open to independents, WPD were keen when approached by GTC to implement best practice in this area in allowing the IDNO to take the lead in the legal process themselves. WPD has worked on this with GTC and has now agreed this process with GTC so that after the initial agreement with regard to the point of connection and confirmation of WPD's requirements, they have full control of the legal process. WPD is not involved unless amendments are required to the set of WPD template agreements. Where such amendments are required these are notified to WPD's solicitors' who then liaise with the instructing officer at WPD in negotiating the amendments. If no amendments are required then WPD are simply notified upon completion when a copy of the completed document is sent to the Company's solicitors for checking.

We have received positive feedback from GTC that the process has achieved what was intended, which was to simplify the process and significantly cut delays.

WPD are keen to extend this best practice as a standard approach and have written to all IDNOs to invite them to adopt this process also.

## Actual and potential competition

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In this section we present analysis of the connections market in WPDs four licence areas. For each of the Relevant Market Segments (RMS) separate analysis is provided to show the levels of competition in each region and the historic trend leading up to their current status.

### Measures of competition

In order to facilitate an assessment of the level of actual and potential competition in WPD's regions and the RMSs, we have provided analysis over a variety of different measures so as to provide a holistic view of the market. The rationale behind the use of these measures is explained below.

#### *Completed Connections*

The number of connections which have been completed in a region and by which connecting party, is the traditional measure used historically in the industry for levels of competition in connections. This measure has been used for several years by Ofgem in the Connections Industry Review (CIR) and it is a concrete measure of the level of competition 'on the ground' since it measures the activity completed for end customers by the DNO, ICP or IDNO. The volumes of connections in this measure gives a view which can be thought of as an historic level of competition since many of these connections would have been contracted with the customer by the DNO, ICP or IDNO months or even years ahead of the connection being made.

- In the RMS analysis below the connection data is based on the numbers of connections completed by WPD, adopted from ICPs and completed by IDNOs. The IDNO data is sourced from data used for IDNO billing purposes by WPD and is based on the meter installation date as the substitute for the connection date. The data used is from the 2011/12 Regulatory year.
- Where reporting numbers which had been categorised in the DPCR4 categories of connection voltage rather than the DPCR5 market segments, we have split the volumes in these DPCR4 categories by the proportions of the DPCR5 data.

#### *Quotations*

Analysis of the number of quotations being provided by WPD for competitive POCs and non-competitive connection schemes gives a measure of the level of CiC activity and interest in carrying out competitive schemes in the WPD areas. Looking at the numbers of different ICPs and IDNOs requesting quotations in the various RMSs demonstrates this interest and the number of parties actively seeking CiC work is a

measure of how open competition is in the in the connections market of WPD's regions. This measure gives a more up-to-date measure of competitive activity compared to the number of connections completed since it demonstrates the level of competitive activity for new and prospective developments.

- In the RMS analysis below the quotation data is based on the numbers of quotations provided to non-competitive connection requests, ICPs and IDNOs. The data used is from the 2011/12 Regulatory year.

### *Acceptances*

To give a view of the current levels of competition in the connections market in WPD, analysis of accepted schemes demonstrates both the level of competitive activity and also the level of market share currently being won and lost by WPD, ICPs and IDNOs. This is measure is perhaps the most up-to-the-minute measure of the levels of competitive activity, giving the proportions of who end-customers are contracting with for their current connection requirements.

- In the RMS analysis below the acceptance data is based on the numbers of quotations provided to non-competitive connection requests, ICPs and IDNOs which were subsequently accepted. The data used is from the 2011/12 Regulatory year.

### *Acceptances - value of non-contestable costs*

The analysis of accepted connections schemes described above illustrates the picture of the market share of connection schemes in volume only. Within the LV Work and HV work RMS in particular, there are a wide range of types and sizes of connections schemes, therefore in order to add another dimension to the level of market share in accepted schemes we have included analysis of the value of the non-contestable works on these schemes.

Since we do not have sight of the value of the contestable works on the competitive connection scheme, as these are quoted for by the independents to their customers, the value of non-contestable work is the aspect of cost on each scheme we are able analyse for competitive and non-competitive schemes. This value of non-contestable work, which is mainly the cost of the point of connection plus any required upstream reinforcement therefore gives an indication of the size of the overall scheme.

We have included this analysis of non-contestable costs with the analysis of the LV Work and HV Work RMS. In the remaining RMS the volumes of schemes are not large enough for the use of this analysis.

- In the LV and HV RMS analysis below the acceptance data is based on the numbers of quotations provided to non-competitive connection requests, ICPs and IDNOs which were subsequently accepted and the total value of the non-contestable costs on these schemes. The data used is from the 2011/12 Regulatory year.



## Relevant Market Segment Analysis

### 1. LV Work

#### *1.1. Market segment Summary*

##### *1.1.1. Summary Description*

This market segment relates to the provision of low voltage connections to five or more domestic premises or two or more commercial or industrial premises where the work is entirely at low voltage. Note that domestic connections to less than five properties or single commercial or industrial connections fall into excluded market segments.

There are a wide range of connection scheme types encompassed within this RMS, from small domestic and commercial schemes to large domestic developments by IDNOs with multiple LV points of connection. This range of schemes means that there is also a wide range of competitive activity from a wide range of independents with interests in different types of development.

##### *1.1.2. Initiatives*

We have demonstrated our support of the extension of contestability by making available safe and practical processes to allow independents to make final connections to WPD's existing overhead and underground low voltage distribution networks as business as usual competitive elements of work. This enables independents to further penetrate this market segment with control over the end to end construction process without the need to involve WPD other than notify whereabouts.

##### *1.1.3. Conclusions*

Although WPD offers the same service levels and opportunities for independents to compete with WPD in each of its four licensed areas the activity levels are significantly different across each area. In the East and West Midlands the level of connection activity and number of competitors is significant whereas in South Wales and the South West the level of activity is relatively low in comparison.

The difference in the level of activity across WPD's four licensed areas is because the general level of activity in the Midlands gives the independents access to sufficient volumes of work to allow them to be able to spread their fixed costs. This tends not to be the case in South Wales and the South West where the level of activity is lower. Where activity is lower it is more difficult for independents to build economy of scale through multiple schemes and are therefore more attracted to the larger developments. Many of the independents are based in / have bases in the midlands and so this makes small to medium schemes more attractive to compete for, whereas where this is not the case in the South West and South Wales the additional overhead in delivering a scheme in another geographic area is less attractive.

Another factor that impacts on the independent ability to compete effectively is access to local sub-contractors and again this tends to be easier in the Midlands area.

The implementation of the WPD structure in the Midlands has seen an increase in customer satisfaction (as shown in the WPD structure section above) and we have had feedback from individual independents at our seminars that this is also delivering improved services 'on the ground' for their schemes. With this structure being in place for many years in the South West and South Wales, connection customer satisfaction has meant they are less likely to seek an alternative and therefore this has kept competition lower than in the Midlands.

There has however been an increase in competition in the South West and South Wales (demonstrated by the increase in IDNO connections in Appendix 1) and the Work WPD has done in putting processes in place such as to allow the extension of contestability to LV work is increasing the potential for growth in this RMS in these regions as well as the Midlands.

The market share which is being won by IDNOs has been increasing rapidly over the last few years and can be seen in the analysis of total IDNO connections across all voltage in each region in Appendix 1. This rapid growth further underlines the analysis below showing the established competitive connections market in the two Midlands regions along with the growth and potential in the South West and South Wales regions.

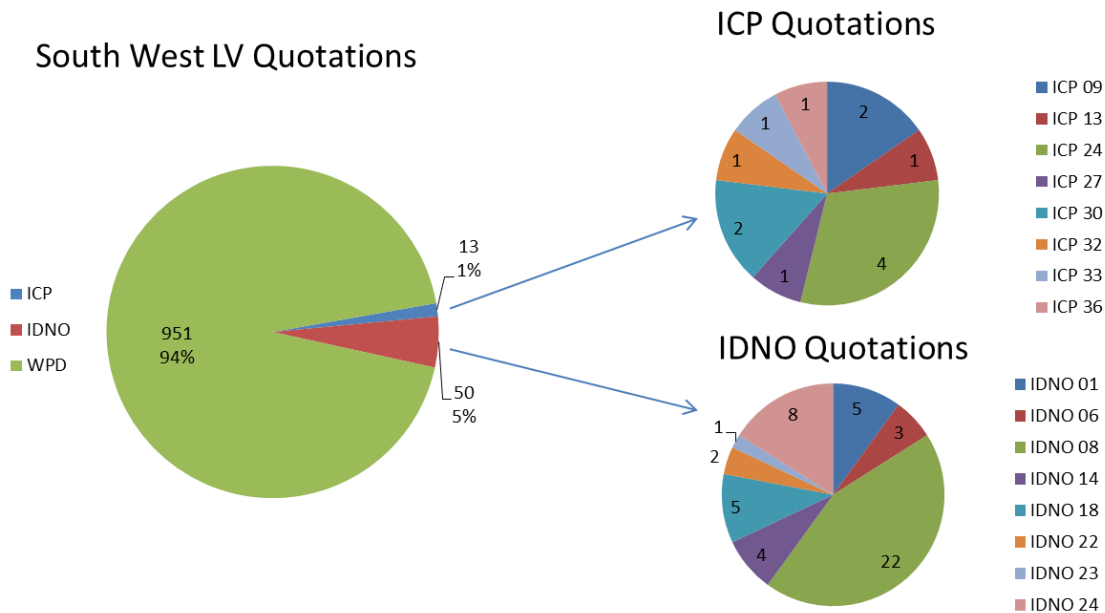
## *1.2. Analysis*

### *1.2.1. WPD South West*

#### *1.2.1.1. Quotes*

In the 2011/12 regulatory year, there were 8 parties requesting quotations for ICP type works and 8 for IDNO works demonstrating a level of interest by a number of independents in this area.

WPD provided a total of 1,014 quotations of which 63 were for competitive POC requests that equates to 6 % of the total volume.



#### 1.2.1.2. Acceptances

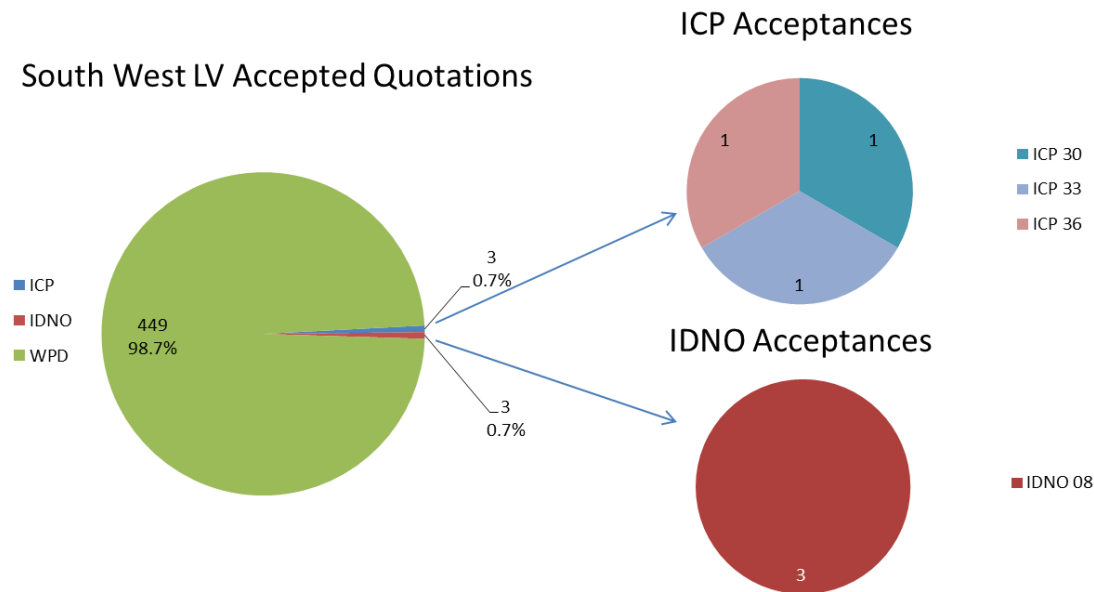
The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes.

Of the total competitive quotations provided by WPD for ICP type work 3 (38 %) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 1 (13 %). This indicates that both ICPs and IDNOs are being selective about the work they wish to carry out in this area.

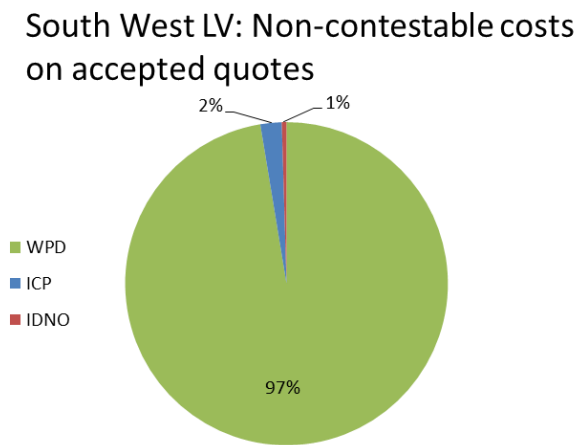
In this region competitors have been successful with 1.4 % of the total number of schemes. This however equates to 3 % of the non-contestable costs on those quotes accepted meaning that competitors have on average successfully compete for larger schemes than those retained by WPD.

This indicates that on average independents accept quotations for schemes that are on average twice as big as the average WPD scheme. This is likely to be because independents are generally not located in

this area and are only prepared to travel for larger projects.



Value of non-contestable works on accepted schemes:

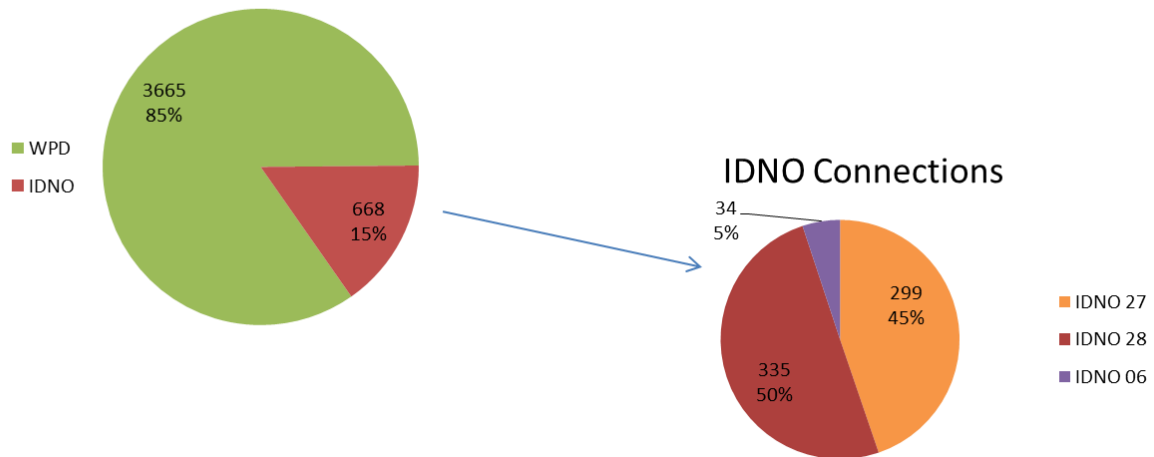


1.2.1.3. Connections

Of the total number of metered connections in this area 15 % have been undertaken by independents with IDNOs completing all of these. As with quotations and acceptances this indicates that independents

are generally not located in this area and are only prepared to travel for larger projects.

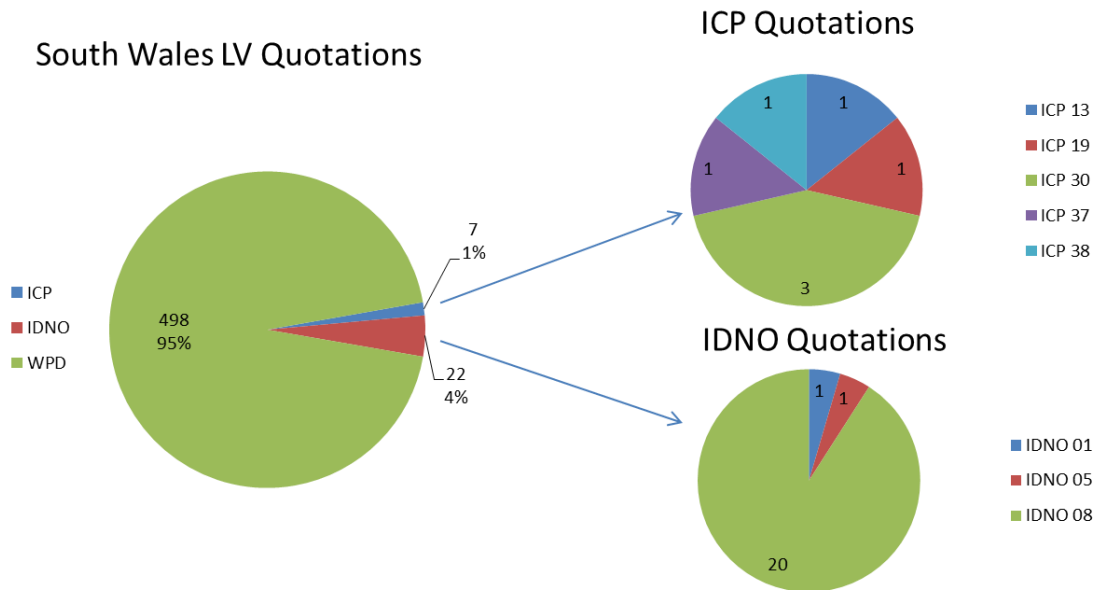
### South West LV Connections



#### 1.2.2. WPD South Wales

##### 1.2.2.1. Quotes

In the 2011/12 regulatory year, there were 5 parties requesting quotations for ICP type works and 3 for IDNO works demonstrating a level of interest by a number of independents in this area. WPD provided a total of 527 quotations of which 29 were for competitive POC requests that equates to 5 % of the total volume.

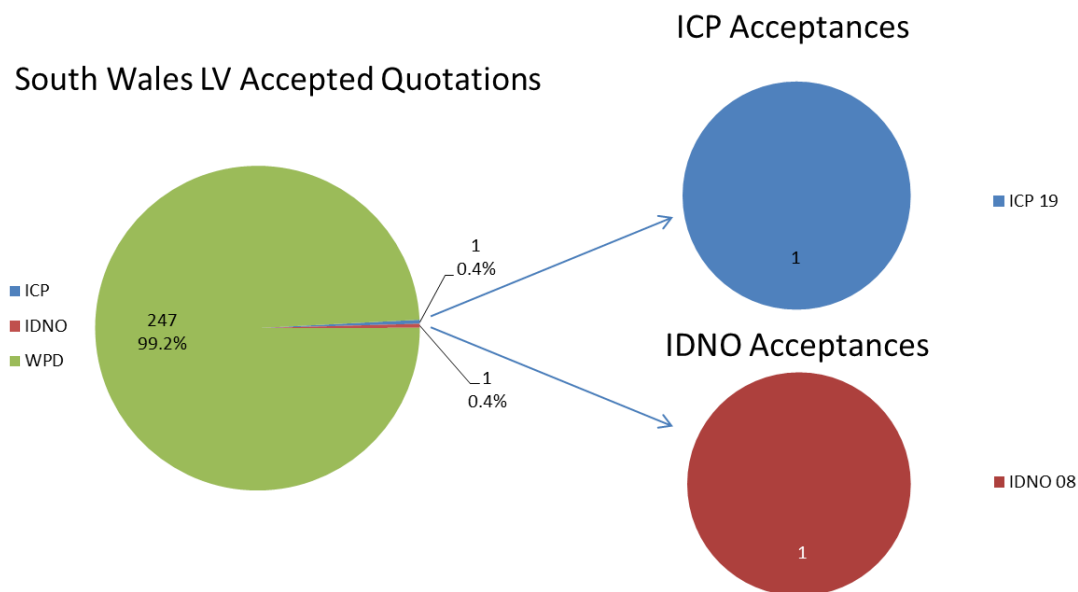


#### 1.2.2.2. Acceptances

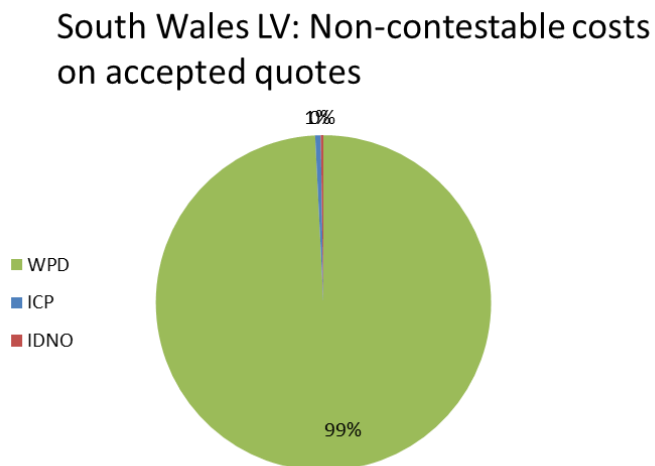
The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes.

Of the total competitive quotations provided by WPD for ICP type work 1 (20 %) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 1 (33 %). This indicates that both ICPs and IDNOs are being selective about the work they wish to carry out in this area.

In this region competitors have been successful with 0.8 % of the total number of schemes. This equates to 0.8 % of the non-contestable costs on those quotes accepted.



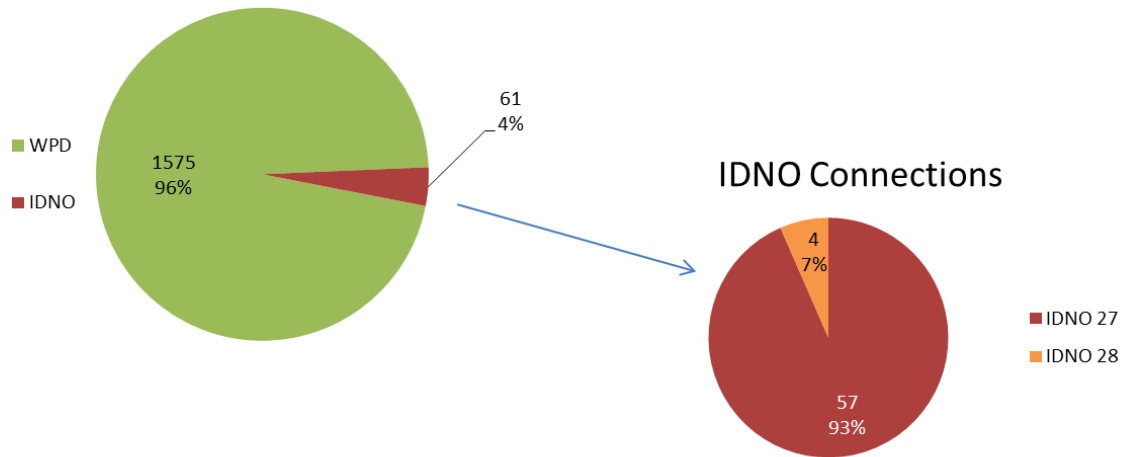
Value of non-contestable works on accepted schemes:



### 1.2.2.3. Connections

Of the total number of metered connections in this area 4 % have been undertaken by independents with IDNOs completing all of these.

## South Wales LV Connections



### 1.2.3. WPD East Midlands

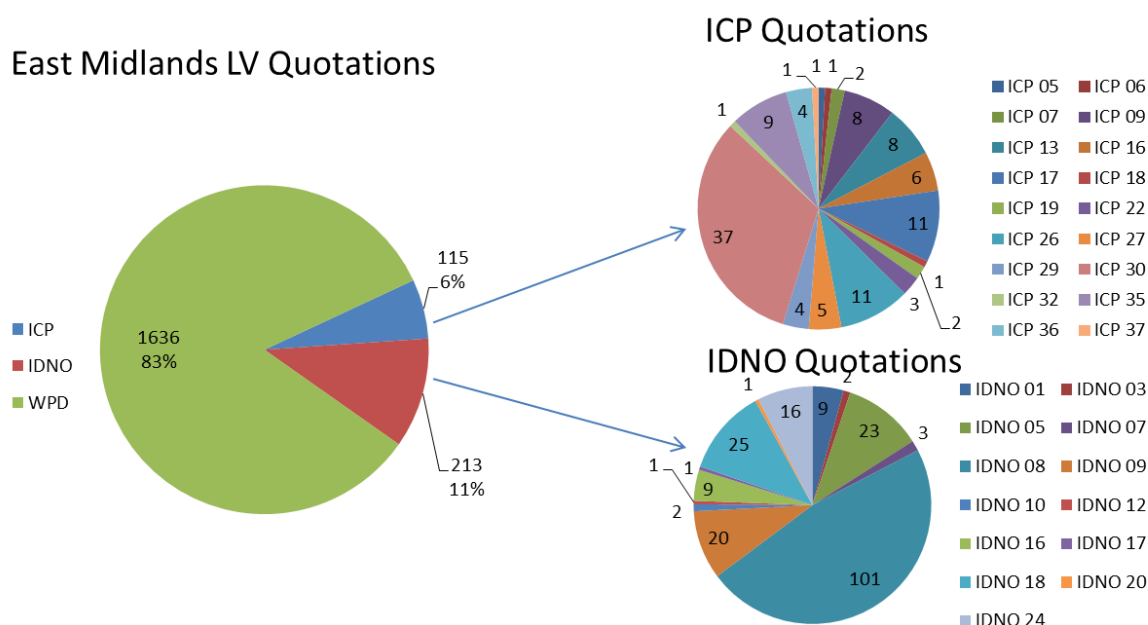
#### 1.2.3.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 18 parties requesting quotations for ICP type works and 13 for IDNO works demonstrating the high level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations indicates that there is a lack of perceived barriers to entry by WPD's competitors and the fact that this perception translates into actual quotes for competitive POC requests, highlights that competition is effective.

WPD provided a total of 1,964 quotations of which 328 were for competitive POC requests that equates to 17% of the total volume.





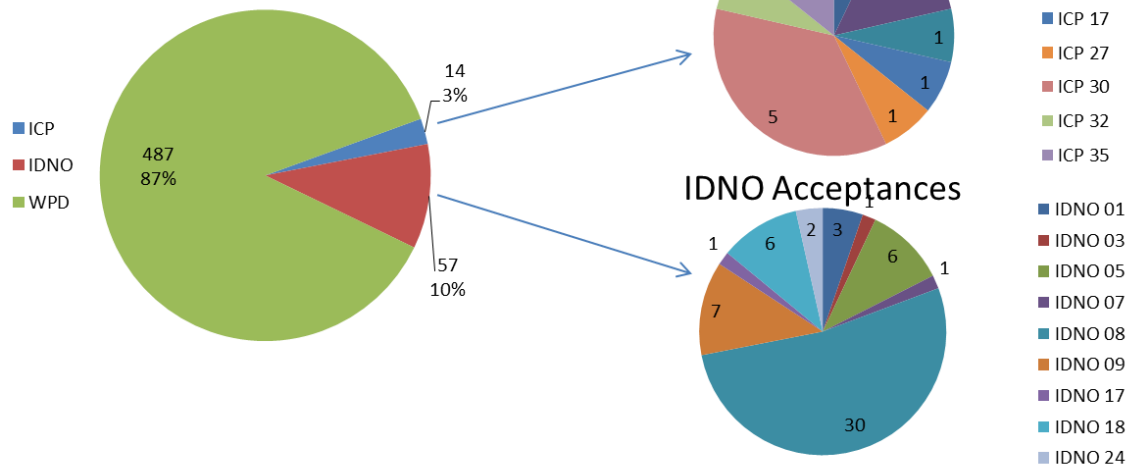
### 1.2.3.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes.

Of the total competitive quotations provided by WPD for ICP type work 8 (44%) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 9 (70%). This illustrates that a large number of parties are successfully competing for and winning business in this area.

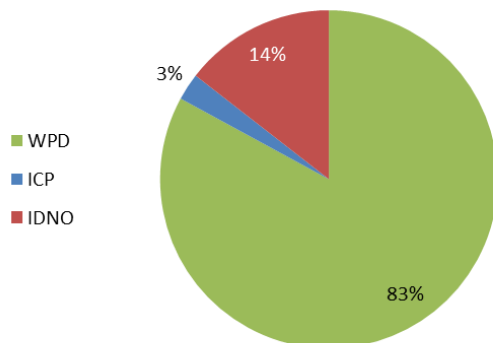
In this region competitors have been successful with 13% of the total number of schemes. This equates to 17% of the non-contestable costs on those quotes accepted meaning that competitors have on average successfully compete for larger schemes than those retained by WPD.

### East Midlands LV Accepted Quotations



- Value of non-contestable works on accepted schemes:

### East Midlands LV: Non-contestable costs on accepted quotes

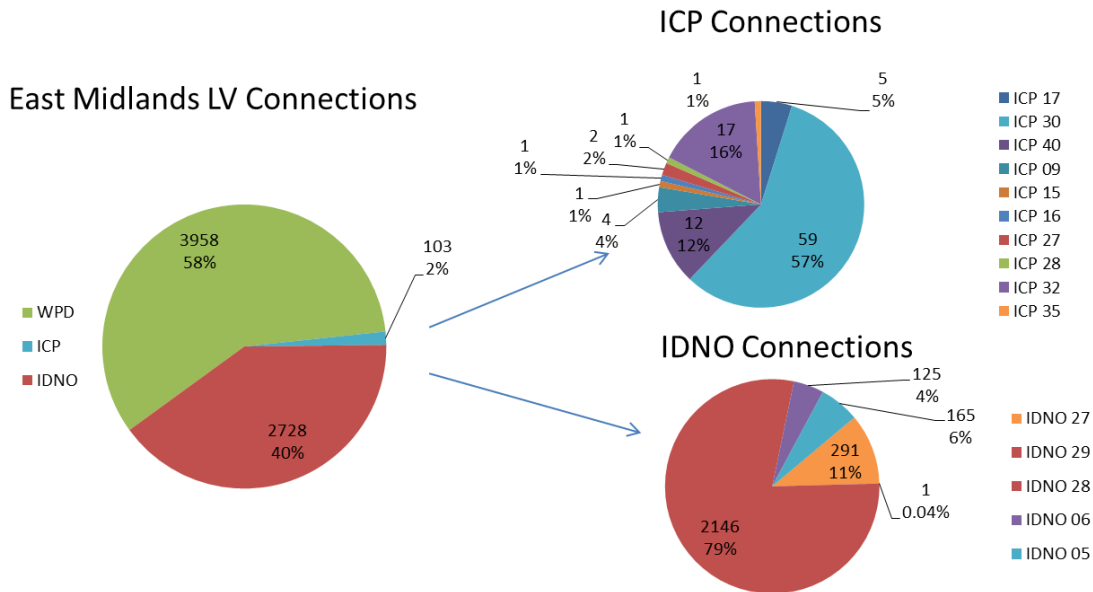


#### 1.2.3.3. Connections

The volume of connections completed by competitors to end customers is a strong indication of the level of success in this area as is the number of successful competitors.

Of the total number of metered connections in this area 42% have been undertaken by independents with IDNOs completing 40%. As with quotations and acceptances, there are many individual

independents completing connections. Completed connections are an indication of the level of competition in the past as these connections would be contracted and 'won' by the successful competitor in previous months and so this is an indication of the growth in competition in this region.



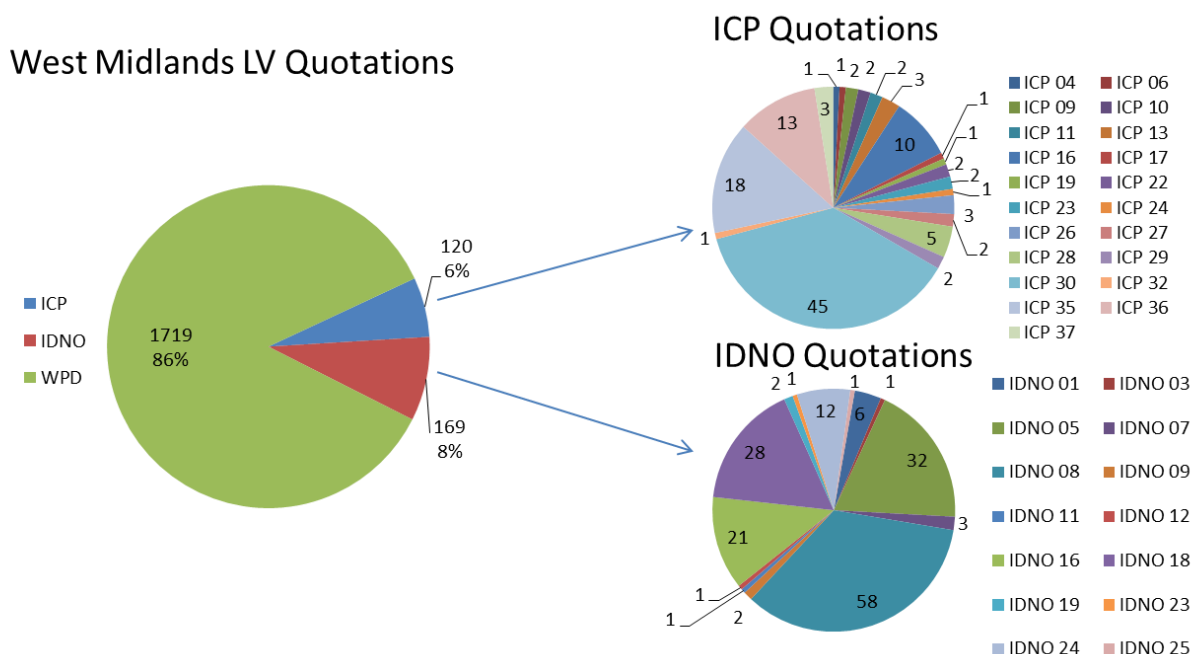
#### 1.2.4. WPD West Midlands

##### 1.2.4.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 21 parties requesting quotations for ICP type works and 14 for IDNO works demonstrating the high level of interest in competing for work in this area.

This number of different parties requesting quotations indicates that there is a lack of perceived barriers to entry by WPD's competitors and the fact that this perception translates into actual quotes for competitive POC requests, highlights that competition is effective.

WPD provided a total of 2,008 quotations of which 289 were for competitive POC requests that equates to 14 % of the total volume.



#### 1.2.4.2. Acceptances

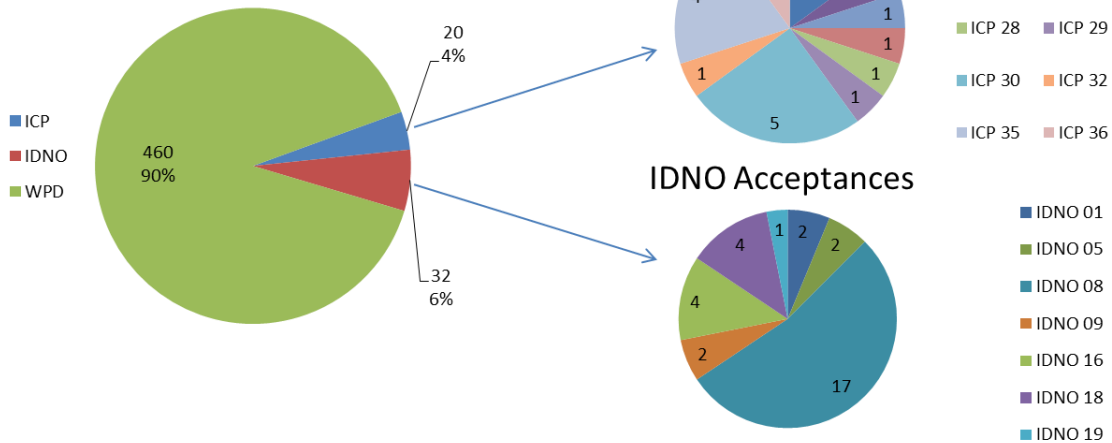
The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes.

Of the total competitive quotations provided by WPD for ICP type work 10 (48 %) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 7 (50 %). This illustrates that a large number of parties are successfully competing for and winning business in this area.

In this region competitors have been successful with 10% of the total number of schemes. This equates to 14 % of the non-contestable costs on those quotes accepted meanings that competitors have on

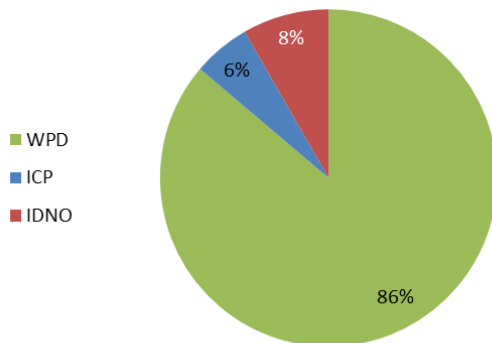
average successfully compete for larger schemes than those retained by WPD.

### West Midlands LV Accepted Quotations



Value of non-contestable works on accepted schemes:

### West Midlands LV: Non-contestable costs on accepted quotes

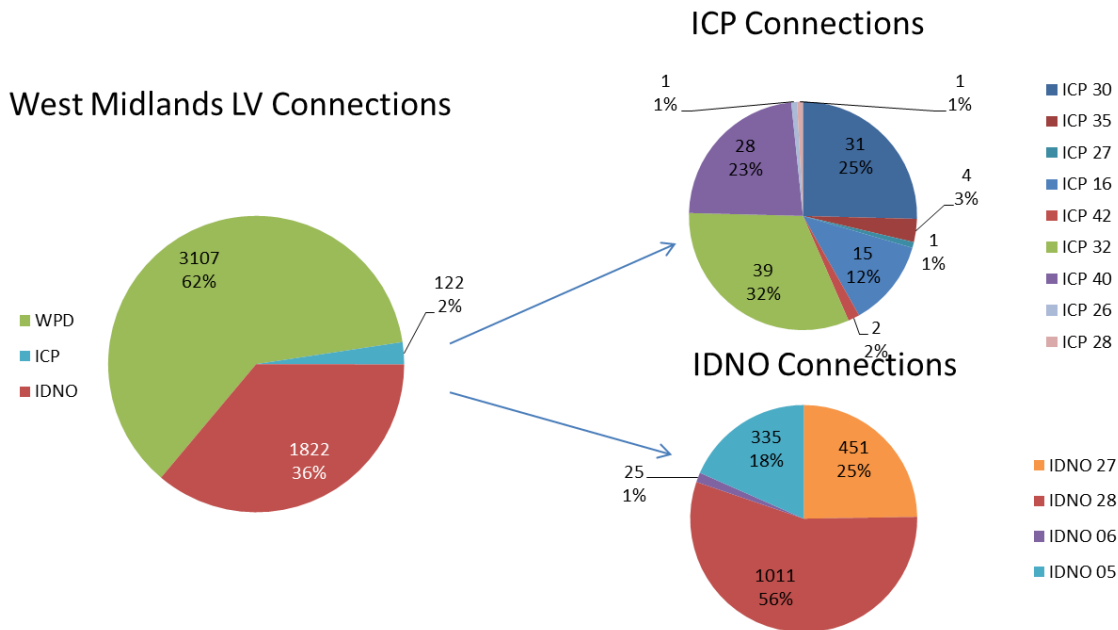


#### 1.2.4.3. Connections

The volume of connections completed by competitors to end customers is a strong indication of the level of success in this area as is the number of successful competitors.

Of the total number of metered connections in this area 38 % have been undertaken by independents with IDNOs completing 36 %. As with quotations and acceptances, there are many individual

independents completing connections. Completed connections are an indication of the level of competition in the past as these connections would be contracted and 'won' by the successful competitor in previous months and so this is an indication of the growth in competition in this region.



## 2. HV Work

### 2.1. Market segment Summary

#### 2.1.1. Summary Description

This market segment relates to the provision of high voltage connections that have no element of extra high voltage work as well as any low voltage connection that incorporates an element of high voltage work. For WPD, the vast majority of HV connections in this category are at 11kV with loads up to around 10MVA. There are also some connections at 6.6kV and also a range of LV connections with HV works.

Independents operating in this area are capable of undertaking connection works involving domestic housing developments that require 11kV distribution substations and associated low voltage distribution networks – both mains and services. They also compete for connections to large commercial and industrial premises.

#### 2.1.2. Initiatives

We have demonstrated our support of the extension of contestability by making available a trial that will allow independents to make final connections to WPD's existing underground HV distribution networks. This trial is available to any independent that wishes to participate and we have already developed processes that will allow a seamless transfer to business as usual operations. The process enables

independents to further penetrate this market segment with control over the end to end construction process and this increases the potential for growth in competition in this RMS in all WPD regions.

### *2.1.3. Conclusions*

Although WPD offers the same service levels and opportunities for independents to compete with WPD in each of its four licensed areas the activity levels are significantly different across each area. In the East and West Midlands the level of connection activity and number of competitors is significant whereas in South Wales and the South West the level of activity is relatively low in comparison and independents are more selective regarding schemes they are competing for.

The difference in the level of activity across WPD's four licensed areas is because the general level of connections activity and development in the Midlands gives the independents access to sufficient volumes of work to allow them to be able to spread their fixed costs. This tends not to be the case in South Wales and the South West where the level of activity is lower. Where activity is lower it is more difficult for independents to build economy of scale through multiple schemes and are therefore more attracted to the larger developments: in the South West and South Wales the size of the accepted schemes tends to be larger (by value of non-contestable costs) on average than the average WPD scheme.

In the Midlands region completion has built up more rapidly in comparison to the South West and South Wales regions where the take up has been much slower. Many of the independents are based in / have bases in the Midlands and so this makes the volume small to medium schemes more attractive to compete for, whereas where this is not the case in the South West and South Wales the additional overhead in delivering a scheme in another geographic area is less attractive and independents are more selective over which schemes they will compete for to deploy their workforce to.

The implementation of the WPD structure in the Midlands has seen an increase in customer satisfaction (as shown in the WPD structure section above) and we have had feedback from individual independents at our seminars that this is also delivering improved services 'on the ground' for their schemes. With this structure being in place for many years in the South West and South Wales, connection customer satisfaction has meant they are less likely to seek an alternative and therefore this has kept competition lower than in the Midlands.

There has however been an increase in competition in the South West and South Wales (demonstrated by the increase in IDNO connections in Appendix 1) and the Work WPD has done in putting processes in place such as to allow the extension of contestability to HV work is increasing the potential for growth in this RMS in these regions as well as the Midlands.

The market share which is being won by IDNOs has been increasing rapidly over the last few years and can be seen in the analysis of total IDNO connections across all voltage in each region in Appendix 1.

This rapid growth further underlines the analysis below showing the established competitive connections market in the two Midlands regions along with the growth and potential in the South West and South Wales regions.

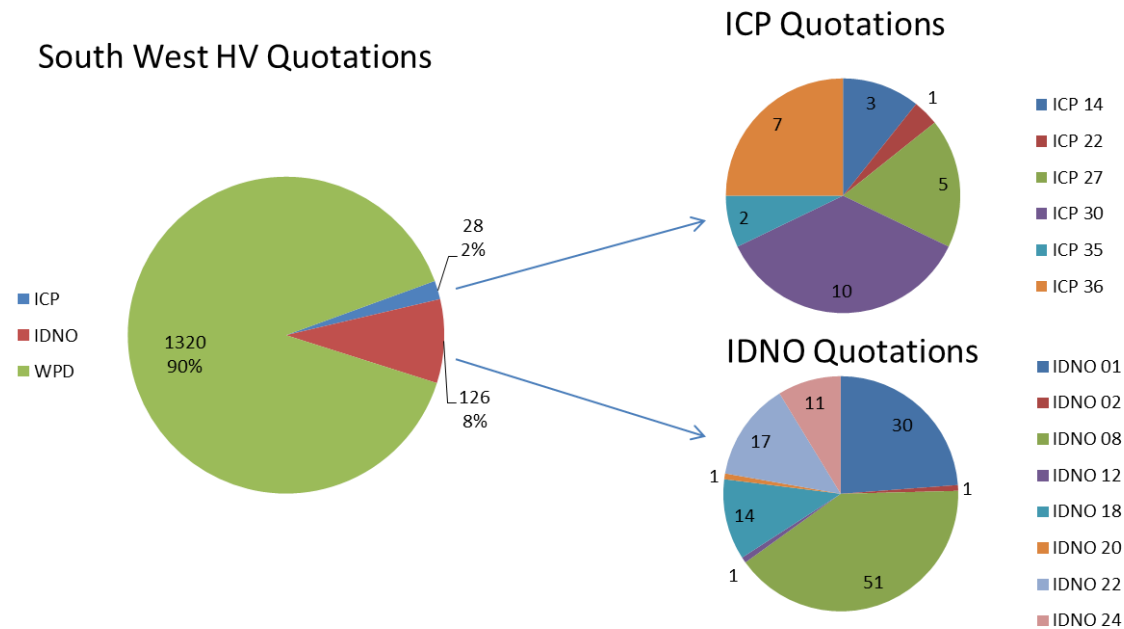
## 2.2. Analysis

### 2.2.1. WPD South West

#### 2.2.1.1. Quotes

In the 2011/12 regulatory year, there were 6 parties requesting quotations for ICP type works and 8 for IDNO works demonstrating competition and a level of interest by a number of independents in this area.

WPD provided a total of 1,474 quotations of which 154 were for competitive POC requests that equates to 10% of the total volume in this RMS.



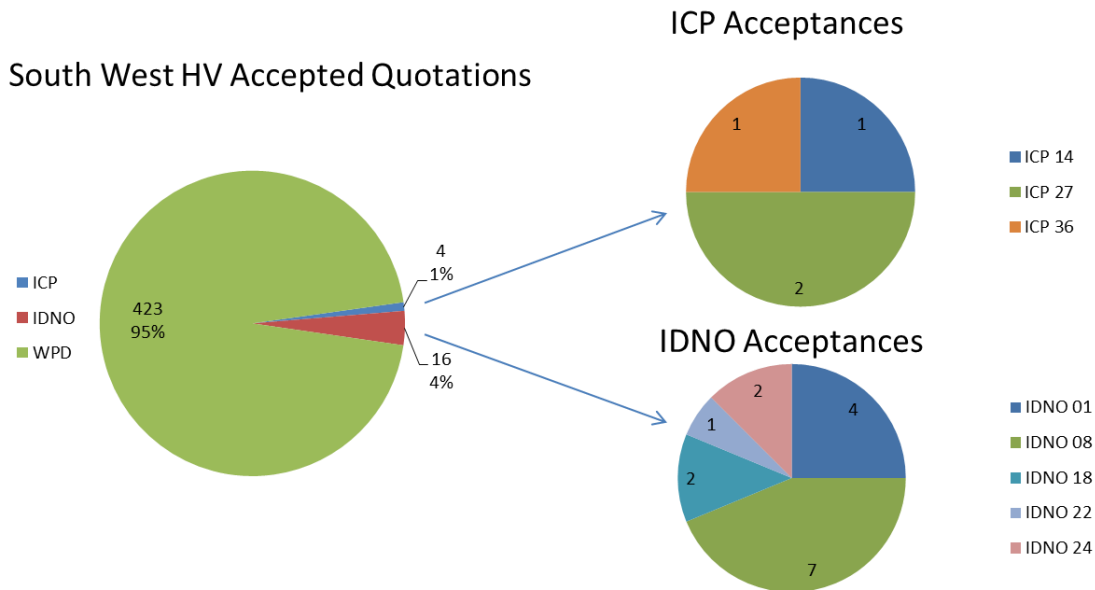
#### 2.2.1.2. Acceptances

Of the total competitive quotations provided by WPD for ICP type work 3 (50 %) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 5 (63 %). This indicates that both ICPs and IDNOs are being selective about the work they wish to carry out in this area but are relatively successful with the schemes they choose to compete for.

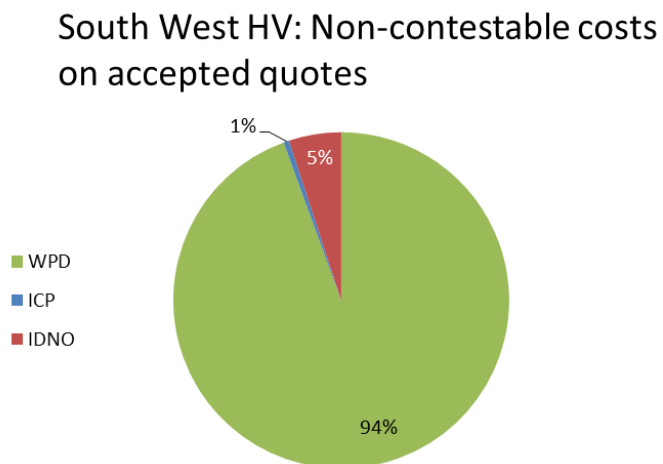
In this region competitors have been successful with 5 % of the total number of schemes. This however equates to 6 % of the non-contestable costs on those quotes accepted meaning that competitors have



on average successfully compete for slightly larger schemes than those retained by WPD. This is likely to be because independents are generally not located in this area and are only prepared to travel for larger projects.



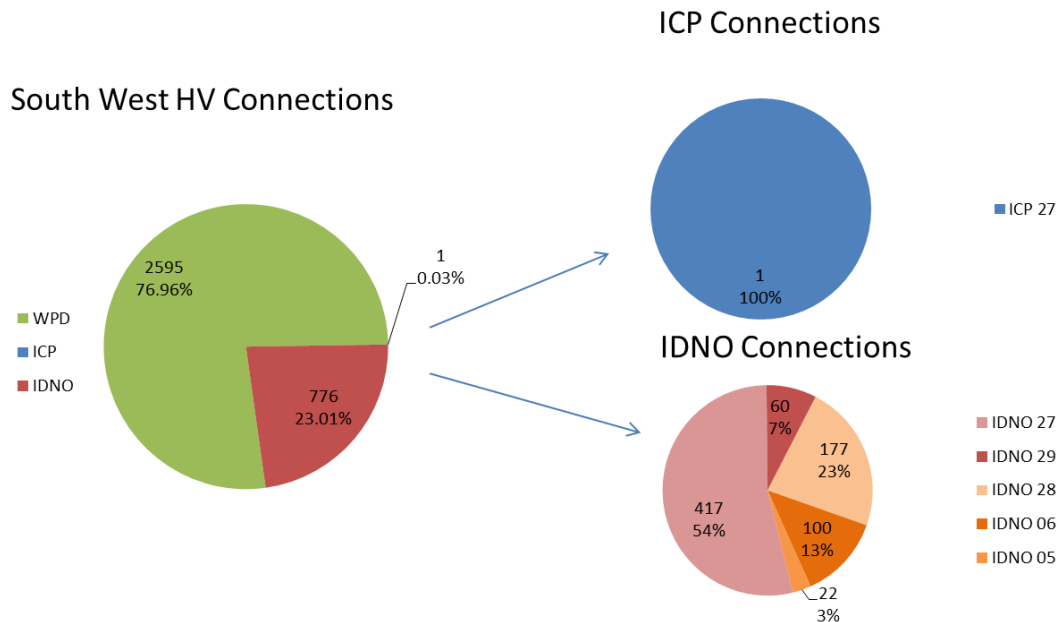
Value of non-contestable works on accepted schemes:



#### 2.2.1.3. Connections

The volume of connections completed by competitors to end customers is a strong indication of the level of success in this area as is the number of successful competitors.

Of the total number of metered connections in this area 23% have been undertaken by independents with 5 IDNOs completing 776 of the 777 connections. The number of independents taking up market share is an indication of the developing open market in this region. Completed connections are an indication of the level of competition in the past as these connections would be contracted and 'won' by the successful competitor in previous months and so this is an indication of the growth in competition in this region.



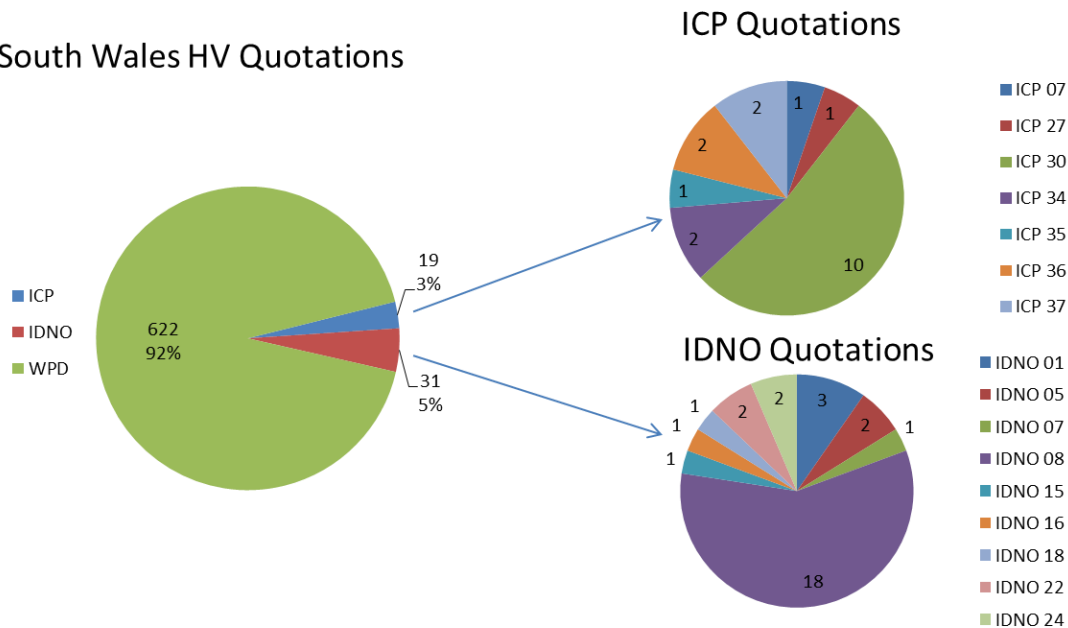
### 2.2.2. WPD South Wales

#### 2.2.2.1. Quotes

In the 2011/12 regulatory year, there were 7 parties requesting quotations for ICP type works and 9 for IDNO works demonstrating competition and a level of interest by a number of independents in this area.

WPD provided a total of 672 quotations of which 50 were for competitive POC requests that equates to 8% of the total volume in this RMS. These volumes are much lower than the other three WPD regions and this shows that there is less connections activity in this RMS in the South Wales region which makes this a less attractive region for independents to compete in.

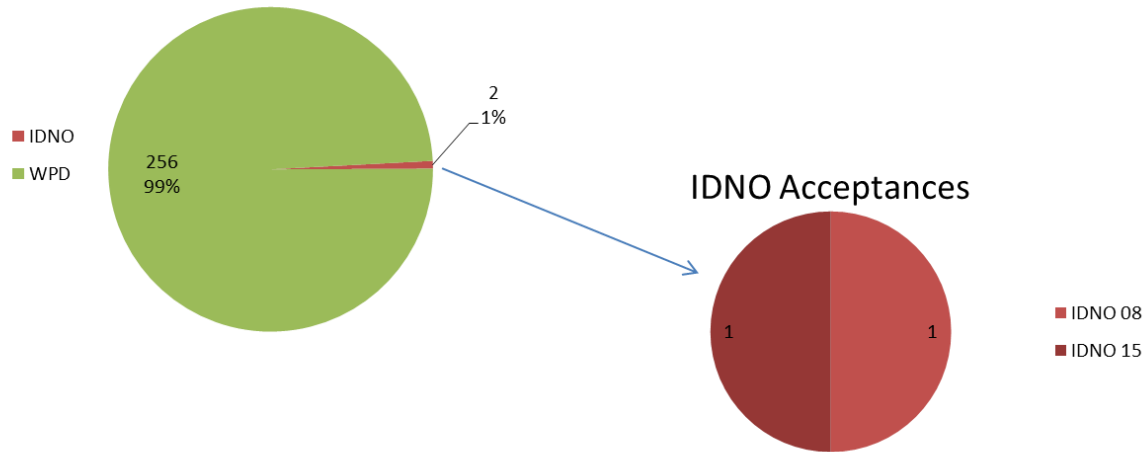
### South Wales HV Quotations



#### 2.2.2.2. Acceptances

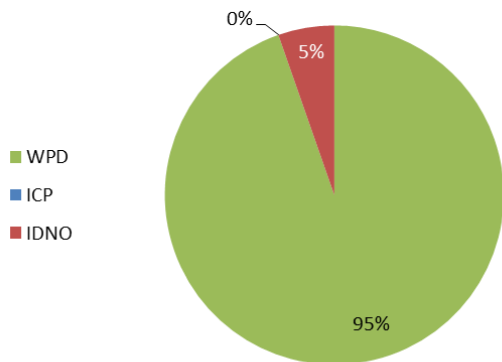
Of the total competitive quotations provided by WPD for ICP type work none of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 2 (22%). In this region competitors have been successful with 1 % of the total number of schemes. This however equates to 5 % of the non-contestable costs on those quotes accepted, meanings that these competitors are selecting and successfully competing for larger schemes than those retained by WPD. With the lower level of activity and independents not generally being located in this area they are being selective and only choosing to travel for larger projects.

### South Wales HV Accepted Quotations



- Value of non-contestable works on accepted schemes:

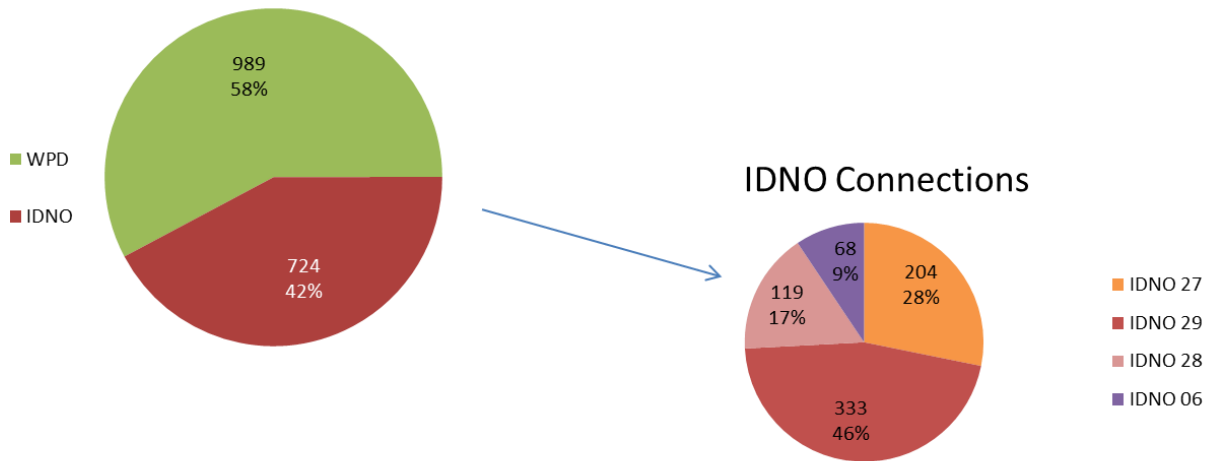
### South Wales HV: Non-contestable costs on accepted quotes



#### 2.2.2.3. Connections

Of the total number of metered connections in this area 42 % have been undertaken by independents with 4 IDNOs completing all of these. This further demonstrates that the IDNOs are looking to compete for selected larger schemes.

## South Wales HV Connections



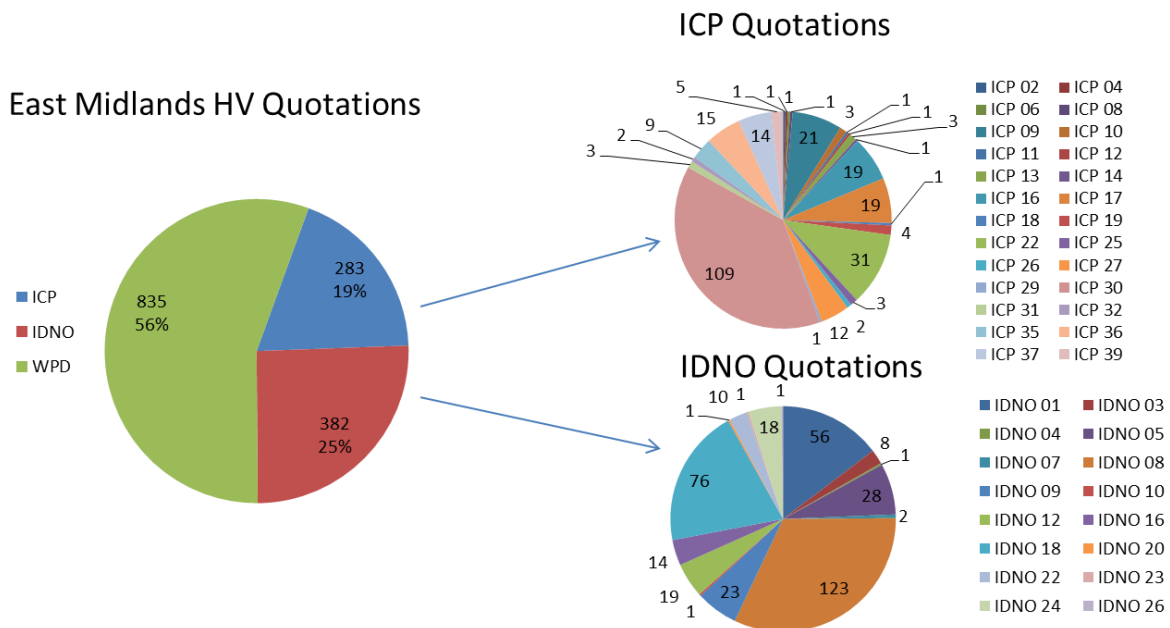
### 2.2.3. WPD East Midlands

#### 2.2.3.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 26 parties requesting quotations for ICP type works and 16 for IDNO works demonstrating the high level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations indicates that there is a lack of perceived barriers to entry by WPD's competitors and the fact that this perception translates into actual quotes for competitive POC requests, highlights that competition is effective.

WPD provided a total of 1,500 quotations of which 665 were for competitive POC requests that equates to 44% of the total volume which is significant when considering the range of different types of connection schemes within this RMS and that independents often also request a non-competitive quote from WPD to benchmark their schemes.



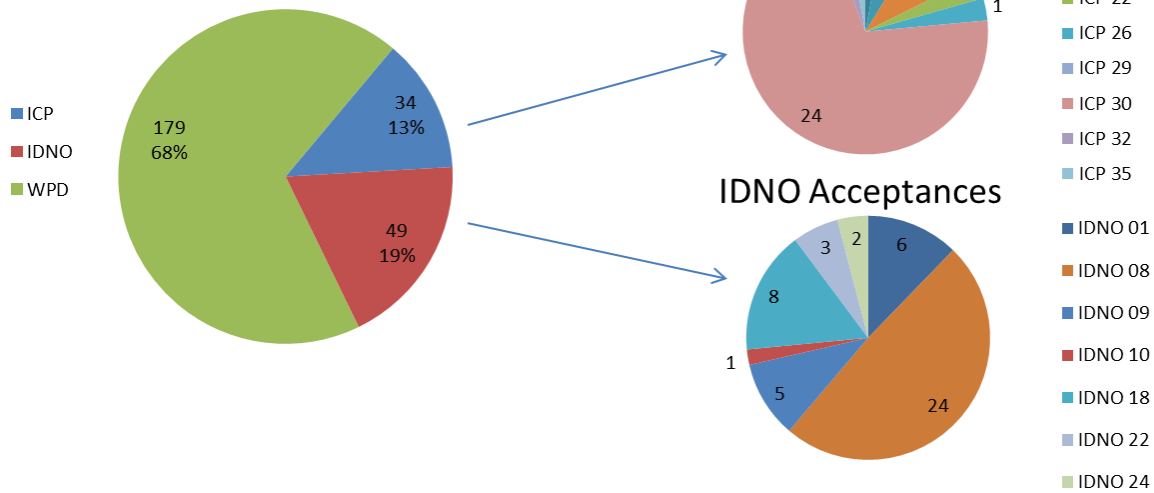
#### 2.2.3.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

Of the total competitive quotations provided by WPD for ICP type work 8 (30%) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 7 (43%). This illustrates that a large number of parties are successfully competing for and winning business in this area.

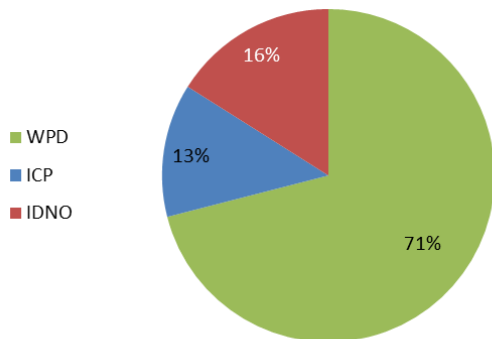
In this region competitors have been successful with 32% of the total number of schemes. This equates to 29% of the non-contestable costs on those quotes accepted meaning that competitors are successfully competing for a range of sizes of schemes rather than only selecting the largest schemes in the region.

### East Midlands HV Accepted Quotations



- Value of non-contestable works on accepted schemes:

### East Midlands HV: Non-contestable costs on accepted quotes

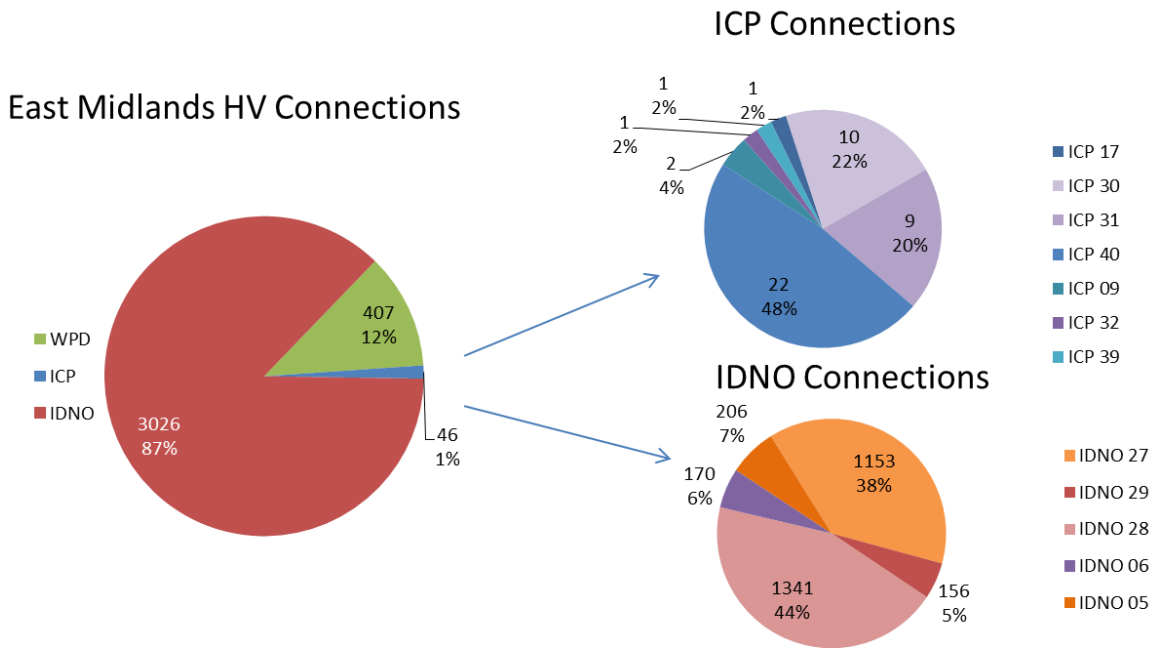


#### 2.2.3.3. Connections

The volume of connections completed by competitors to end customers is a strong indication of the level of success in this area as is the number of successful competitors.

Of the total number of metered connections in this area 88% have been undertaken by independents with IDNOs completing 87%. As with quotations and acceptances, there are many individual

independents completing connections and these numbers demonstrate an open market in this RMS and region. Completed connections are an indication of the level of competition in the past as these connections would be contracted and 'won' by the successful competitor in previous months and so this is an indication of the growth in competition in this region.



#### 2.2.4. WPD West Midlands

##### 2.2.4.1. Quotes

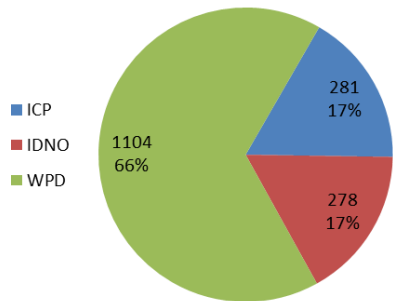
In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 24 parties requesting quotations for ICP type works and 16 for IDNO works demonstrating the high level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations indicates that there is a lack of perceived barriers to entry by WPD's competitors and the fact that this perception translates into actual quotes for competitive POC requests, highlights that competition is effective.

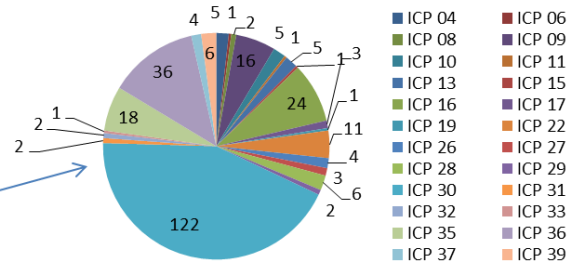
WPD provided a total of 1,656 quotations of which 552 were for competitive POC requests that equates to 34% of the total volume which is significant when considering the range of different types of connection schemes within this RMS and that many independents often also request a non-competitive quote from WPD to benchmark their schemes.



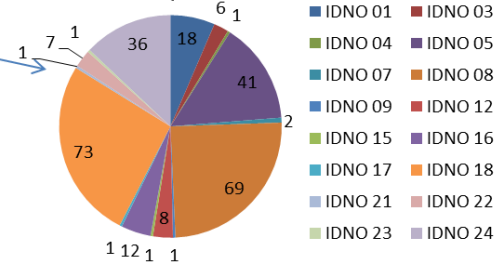
## West Midlands HV Quotations



## ICP Quotations



## IDNO Quotations



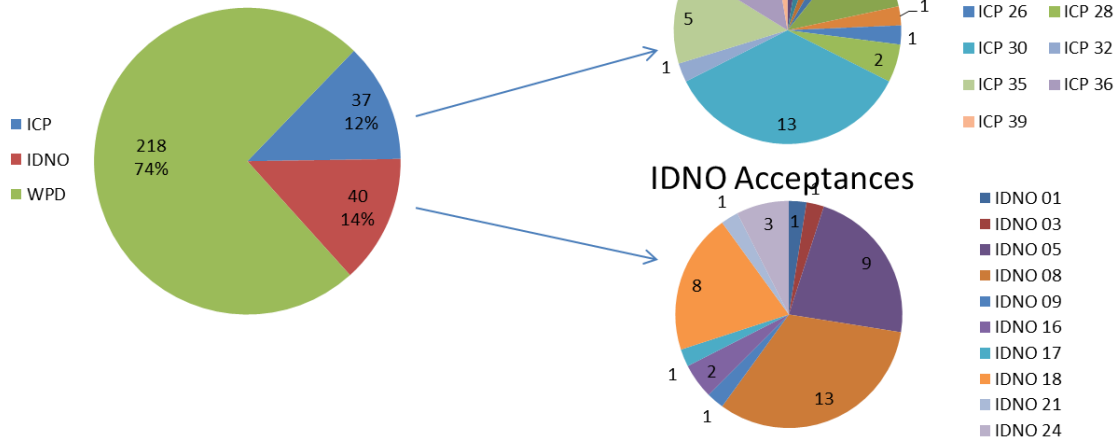
## 2.2.4.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

Of the total competitive quotations provided by WPD for ICP type work 13 (54%) of the requesting parties accepted the quotations and proceeded with works. For IDNO type works, this figure was 10 (63%). This illustrates that a large number of parties are successfully competing for and winning business in this area which is a strong indication of an open and competitive market.

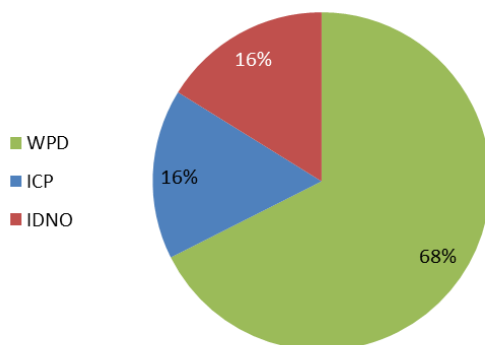
In this region competitors have been successful with 26% of the total number of schemes. This equates to 32% of the non-contestable costs on those quotes accepted meaning that competitors are successfully competing for a range of sizes of schemes but on average schemes which are slightly large than those retained by WPD.

## West Midlands HV Accepted Quotations



- Value of non-contestable works on accepted schemes:

## West Midlands HV: Non-contestable costs on accepted quotes

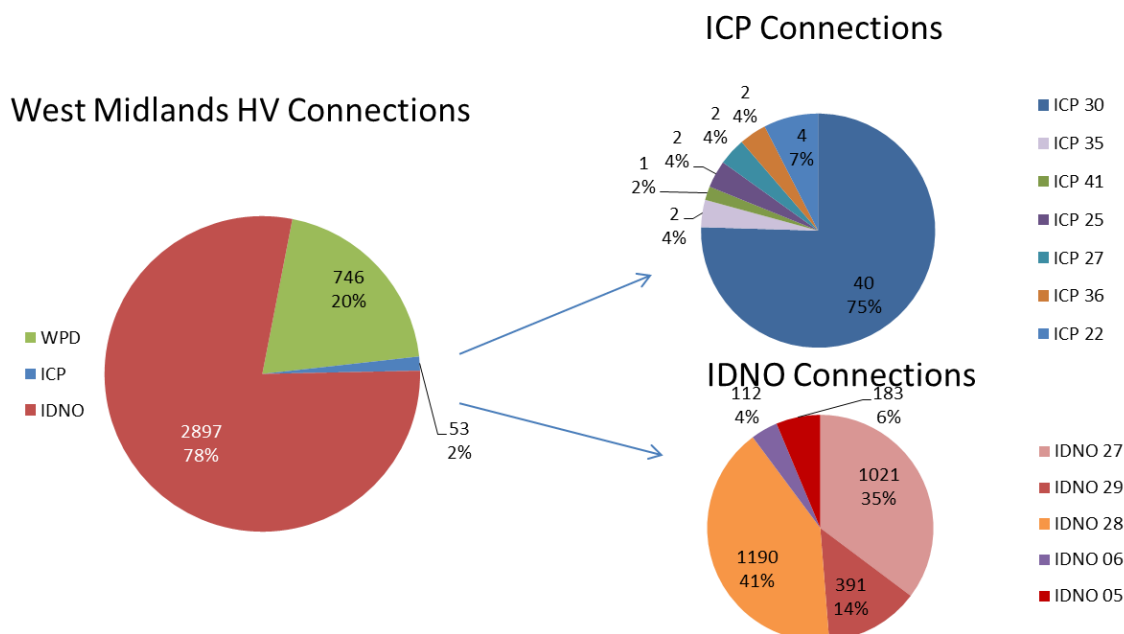


## 2.2.4.3. Connections

The volume of connections completed by competitors to end customers is a strong indication of the level of success in this area as is the number of successful competitors.

Of the total number of metered connections in this area 80% have been undertaken by independents with IDNOs completing 78%. As with quotations and acceptances, there are many individual independents completing connections and these numbers demonstrate an open market in this RMS and

region. Completed connections are an indication of the level of competition in the past as these connections would be contracted and 'won' by the successful competitor in previous months and so this is an indication of the growth in competition in this region.



### 3. HV and EHV Work

#### 3.1. Market segment Summary

##### 3.1.1. Summary Description

This market segment relates to the provision of low voltage and high voltage connections that have an element of associated extra high voltage work.

Typically, connections in this market segment are low volume and high value per connection where the connection may form part of a larger project the success of which is critical and avoidance of project risk by control of the end to end construction process is essential.

Connections to the existing network tend to be at 11kV with a requirement for upstream reinforcement at extra high voltage. For WPD the upstream reinforcement could be at voltages of 33, 66 or 132kV.

##### 3.1.2. Initiatives

We have demonstrated our support of the extension of contestability by making available a trial that will allow independents to make final connections to WPD's existing underground high voltage distribution

networks. This trial is available to any independent that wishes to participate and we have already developed processes that will allow a seamless transfer to business as usual operations. The process enables independents to further penetrate this market segment with control over the end to end construction process.

### 3.1.3. Conclusions

The volumes of activity in this RMS are very low especially in the South West and South Wales regions. Where there has been competitive activity this tends to occur on large domestic and commercial developments which have triggered reinforcement at EHV. This is therefore dependent on the network conditions where the schemes are taking place and the load required rather than on solely the size of the scheme.

Despite the low volumes in this market segment there has been interest developing from independents for quotations in the East and West Midlands regions showing the potential for growth in competition this area and that customers are aware of their options in seeking competitive alternatives.

In the West Midlands only two schemes were accepted in the 2011/12 regulatory year and these were both by independents and only two connections were completed in the RMS again by an independent. With WPD Structure, systems and processes now the same across all regions and the extension of contestability to HV works, there is the potential for this to also occur in the other WPD regions.

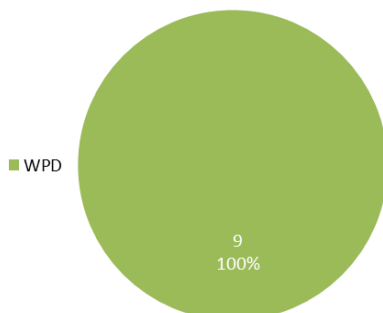
## 3.2. Analysis

### 3.2.1. WPD South West

#### 3.2.1.1. Quotes

All of the 9 quotes provided by WPD were for non-competitive connection requests

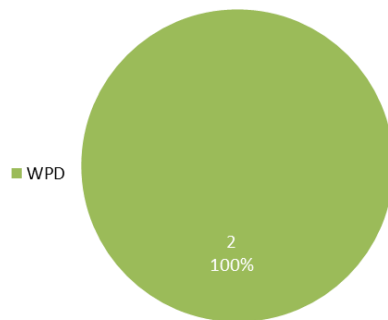
#### South West HV & EHV Quotations



#### 3.2.1.2. Acceptances

There were 2 acceptances of the non-competitive quotations provided in the year

#### South West HV & EHV Accepted Quotations



#### 3.2.1.3. Connections

There were no connections completed in the 2011/12 year

#### 3.2.2. WPD South Wales

##### 3.2.2.1. Quotes

There were no quotations provided in the year

##### 3.2.2.2. Acceptances

There were no acceptances

##### 3.2.2.3. Connections

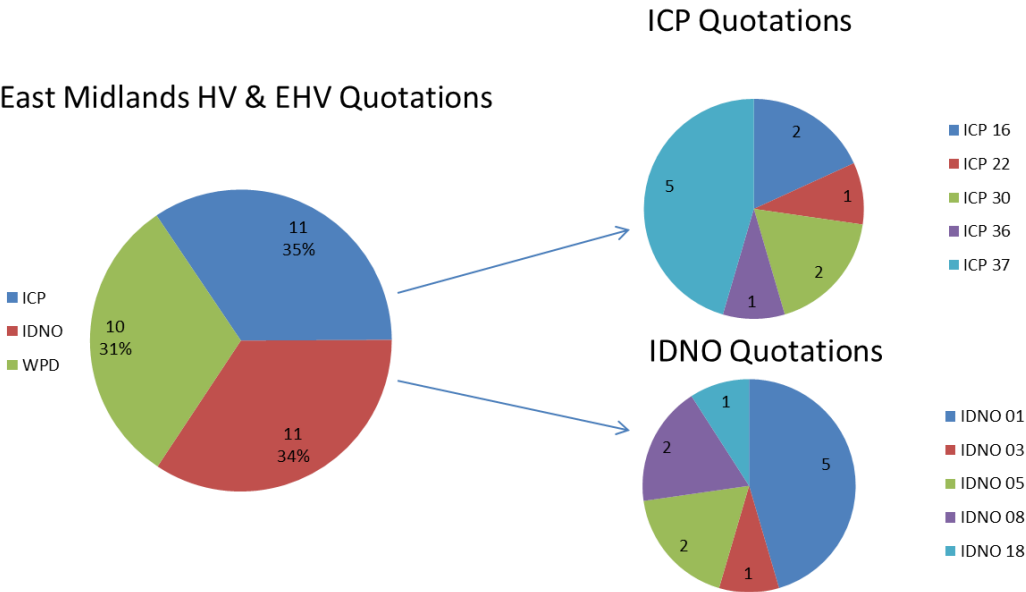
In 2011/2012 there were 21 connections completed by IDNO 29 which were LV end connections with EHV works. This further demonstrates that independents are seeking larger schemes when looking to compete in this region.

#### 3.2.3. WPD East Midlands

##### 3.2.3.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD when compared to the number of quotations for non-competitive schemes. There were 5 parties requesting quotations for ICP type works and 5 for IDNO works. This demonstrates the level of interest and attractiveness in competing for work in this area when considering that there were only 32 quotations provided in total of which 22 were for competitive POC requests that equates to 69% of the total volume

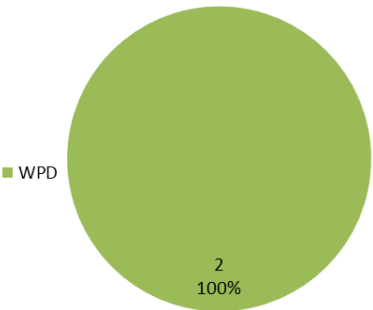
This number of different parties requesting quotations indicates that there is a lack of perceived barriers to entry by WPD’s competitors and the fact that this perception translates into actual quotes for competitive POC requests, highlights that competition is developing in this RMS and customers are aware of their choices.



3.2.3.2. Acceptances

Of the quotations provided in the year only 2 were accepted and were both non-competitive schemes.

East Midlands HV & EHV Accepted Quotations



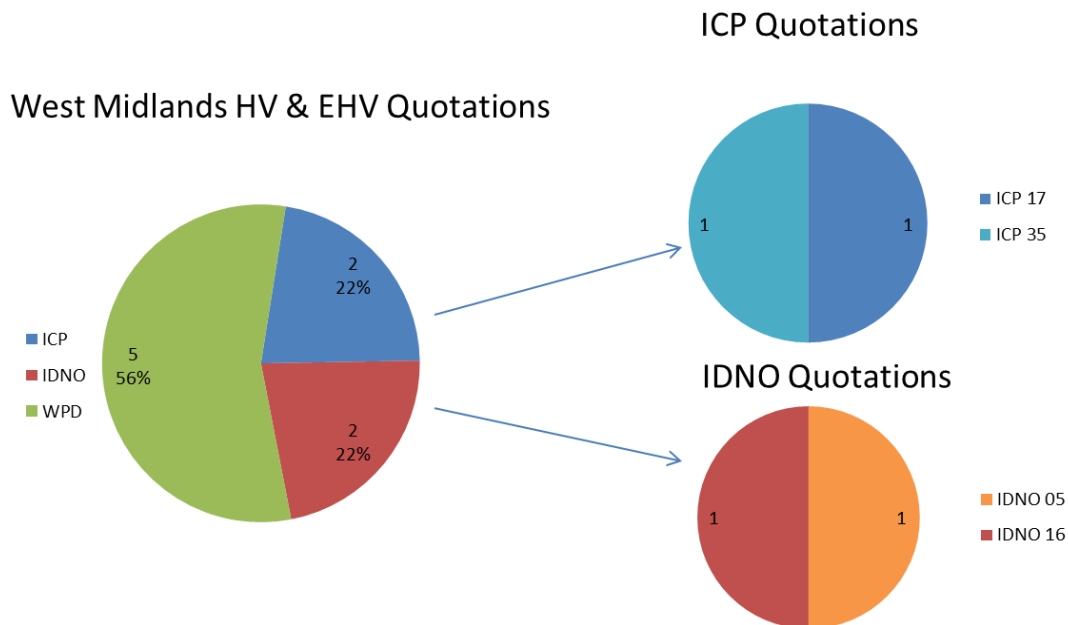
3.2.3.3. Connections

There were no connections completed in the year.

### 3.2.4. WPD West Midlands

#### 3.2.4.1. Quotes

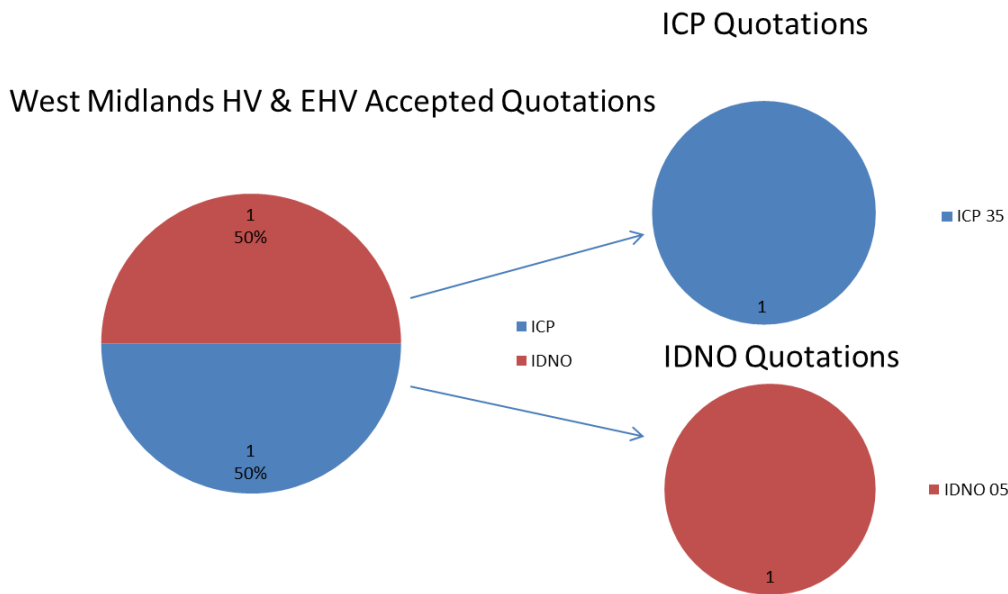
In the 2011/12 regulatory year, there was a significant amount of competition when compared to the number of quotations for non-competitive schemes. There were 2 parties requesting quotations for ICP type works and 2 for IDNO works. This demonstrates the level of interest and attractiveness in competing for work in this area when considering that there were only 9 quotations provided in total of which 4 (44%) were for competitive POC requests and shows that customers are aware of the competitive alternatives.



#### 3.2.4.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

Of the total competitive quotations provided by WPD for 2 schemes were accepted with both being by independents (1 ICP and 1 IDNO). This clearly illustrates a level of successful competition winning business in this area which is a strong indication of an open and competitive market.



#### 3.2.4.3. Connections

In the 2011/2012 year there were 2 connections completed by ICP 43 in this RMS. Due to the relatively long lead times for schemes in this RMS, these connections demonstrate the historic level of competition in this region.

## 4. EHV Work and above

### 4.1. Market segment Summary

#### 4.1.1. Summary Description

This market segment relates to the provision of extra high voltage and 132kV.

The level of activity in this market segment is very low volume and high value per connection where the connection may form part of a larger project the success of which is critical and avoidance of project risk by control of the end to end construction process is essential.

#### 4.1.2. Initiatives

WPD are applying the same processes to this RMS as in others and the same levels of service.

#### 4.1.3. Conclusions

The volumes of activity in this RMS are very low and tend to be only attractive to a very small number of specialist ICPs who are able to operate in this RMS.



Despite the low volumes in this market segment there has been interest developing from independents for quotations in the East and West Midlands regions (where all quotations provided were for competitive requests) showing the potential for growth in competition this area and that customers are aware of their options in seeking competitive alternatives.

In the East and West Midlands only one scheme was accepted in each region and these were both by independents, which shows that competition is working in these regions even in these low volume high value schemes. With WPD Structure, systems and processes now the same across all regions, there is the potential for this to also occur in the other WPD regions if schemes come up in this RMS.

### *4.2. Analysis*

#### *4.2.1. WPD South West*

##### *4.2.1.1. Quotes*

One quotation was provided for a non-competitive connection scheme

##### *4.2.1.2. Acceptances*

There were no acceptances

##### *4.2.1.3. Connections*

There were no connections completed.

#### *4.2.2. WPD South Wales*

##### *4.2.2.1. Quotes*

There were no quotations provided in the year.

##### *4.2.2.2. Acceptances*

There were no acceptances.

##### *4.2.2.3. Connections*

There were no connections completed.

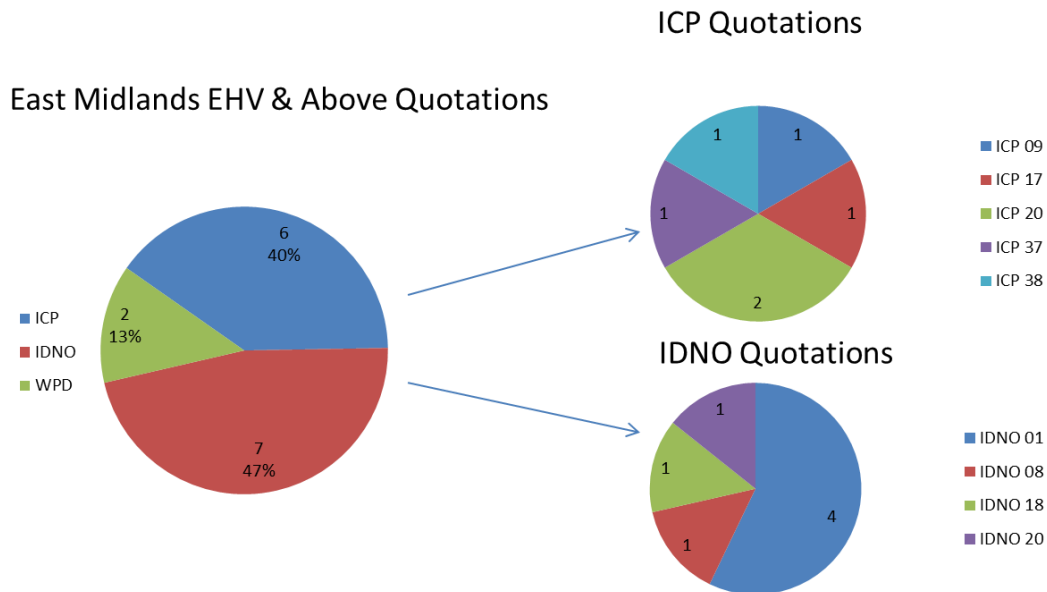
#### *4.2.3. WPD East Midlands*

##### *4.2.3.1. Quotes*

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD when compared to the number of quotations for non-competitive schemes. There were 5 parties requesting quotations for ICP type works and 4 for IDNO works. This demonstrates the level of interest and attractiveness in competing for work in this area when considering that there were only 15 quotations provided in total of which 13 were for competitive POC requests that equates to 87% of the total volume

This number of different parties requesting quotations indicates that there is a lack of perceived barriers to entry by WPD's competitors and the fact that this perception translates into actual quotes for

competitive POC requests, highlights that competition is effective and connection customers in this RMS are aware of their choice.



#### 4.2.3.2. Acceptances

There was 1 acceptance of the quotations provided and this was for a non-competitive connection scheme request for ICP 20.

This demonstrates that even in this low volume high value scheme RMS that competition is effective in this region.

#### 4.2.3.3. Connections

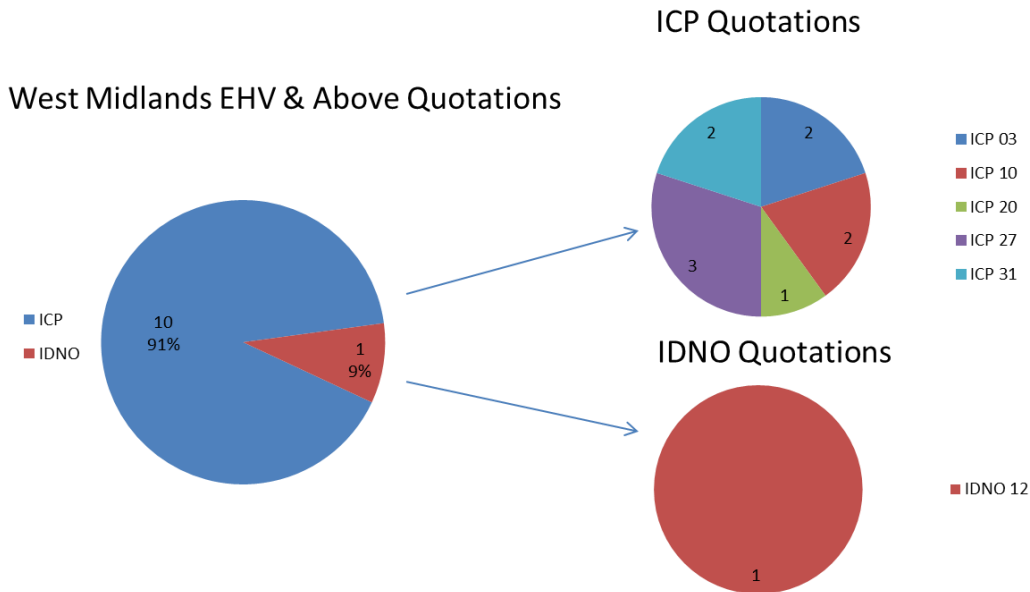
There were no connections completed

#### 4.2.4. WPD West Midlands

##### 4.2.4.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD when compared to the number of quotations for non-competitive schemes. There were 5 parties requesting quotations for ICP type works and 1 for IDNO works. This demonstrates the level of interest and attractiveness in competing for work in this area when considering that there were only 11 quotations provided in total, all of which were for competitive POC requests.

This number of different parties requesting quotations and the lack of requests for non-competitive quotations indicates that there is a lack of perceived barriers to entry by WPD's competitors and highlights that competition is effective and connection customers in this RMS are aware of their choice.



#### 4.2.4.2. Acceptances

There was 1 acceptance of the quotations provided and this was for a non-competitive connection scheme request for ICP 27.

This demonstrates that even in this low volume high value scheme RMS that competition is effective in this region.

#### 4.2.4.3. Connections

There were no connections completed

## 5. Distributed Generation LV Work

### 5.1. Market segment Summary

#### 5.1.1. Summary Description

This market segment relates to the provision of low voltage connections to premises where distributed generation is situated where the work is exclusively at low voltage. In this market segment many of the schemes are for the addition of small scale distributed generation to existing connections. It is important to note that schemes classed as DG LV Work are where the main purpose of connection (or upgrade of existing connection) is for the connection of generation. This classification means that many of the

schemes are for one-off connections rather than large domestic and commercial schemes (where the main purpose of the connection will be for demand purposes).

#### *5.1.2. Initiatives*

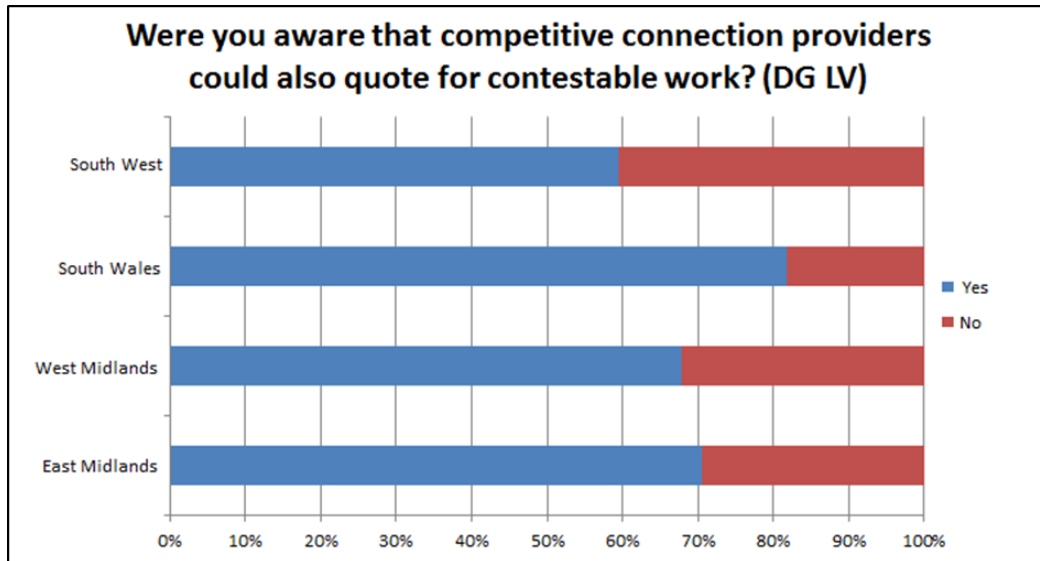
We have demonstrated our support of the extension of contestability by making available safe and practical processes to allow independents to make final connections to WPD's existing overhead and underground low voltage distribution networks as business as usual competitive elements of work. This enables independents to further penetrate this market segment with control over the end to end construction process without the need to involve WPD other than notify whereabouts.

#### *5.1.3. Conclusions*

The relatively low volume of schemes in this RMS across each region is tending to be schemes which are currently not attracting high levels of CiC. The classification of schemes in this RMS, as described above, has meant that many of the schemes which are attractive to independents fall under the LV Work RMS and as such competition has been slower to develop in this DG LV Work RMS. This classification also means sites with multiple connections which may be attractive to IDNOs to establish as an embedded network scheme would likely not fall into this RMS. This is demonstrated by the lack of IDNO activity in the analysis below. There has however been interest in the Midlands from a number of ICPs requesting quotations and WPD.

WPD provide the same levels of service and apply the same processes to competitive and non-competitive connections schemes as in other RMSs. We have also provided additional helpful information to DG customers including raising the awareness of their competitive options through the WPD website. The awareness of customers in this RMS was measured in the DG customer survey (see 'Promoting awareness of competitive alternatives' section for further info) where However within the DG LV category generally awareness of competitive options was high, particularly in South Wales where 82% of those surveyed were aware that competitive connection providers could also quote for

contestable work (see chart below sample size was 168 customers):



The extension of contestability to LV works also makes this RMS more attractive to independents. As such we believe that there is therefore the potential for competition to develop in this region as the levels of DG activity increase in each region.

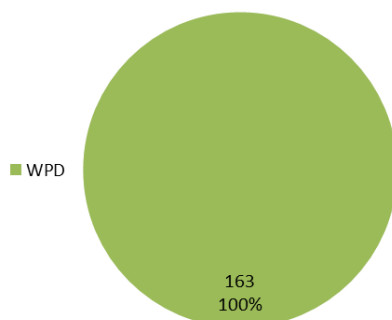
## 5.2. Analysis

### 5.2.1. WPD South West

#### 5.2.1.1. Quotes

All quotations were for non-competitive connection requests

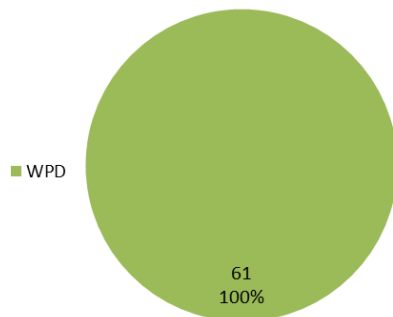
#### South West DGLV Quotations



#### 5.2.1.2. Acceptances

All quotations acceptances were for non-competitive connection requests

### South West DGLV Accepted Quotations



#### 5.2.1.3. Connections

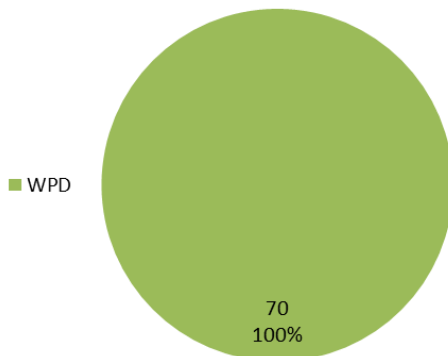
2011 / 2012 there were 26 connections completed by WPD only

#### 5.2.2. WPD South Wales

##### 5.2.2.1. Quotes

All quotations were for non-competitive connection requests

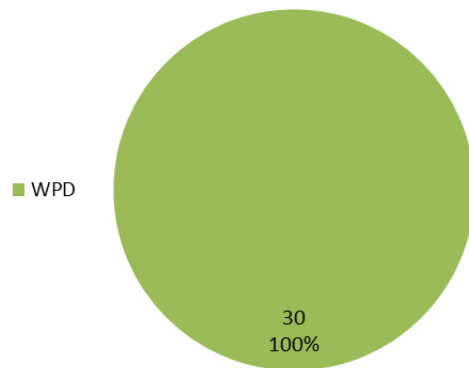
### South Wales DGLV Quotations



#### 5.2.2.2. Acceptances

All quotation acceptances were for non-competitive connection requests

## South Wales DGLV Accepted Quotations



### 5.2.2.3. Connections

2011 / 2012 there were 28 connections completed by WPD only

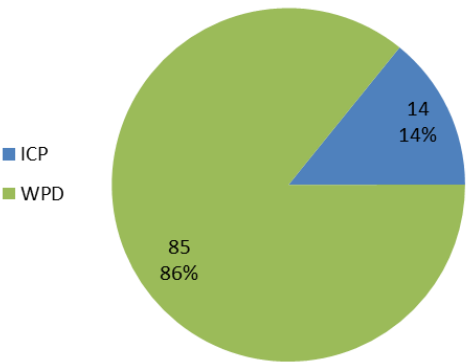
### 5.2.3. WPD East Midlands

#### 5.2.3.1. Quotes

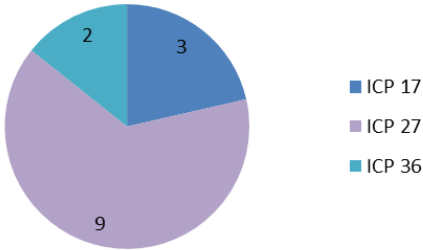
In the 2011/12 regulatory year, there were 3 parties requesting quotations for ICP type works demonstrating competition and a level of interest by a number of independents in this area.

WPD provided a total of 99 quotations of which 14 were for competitive POC requests that equates to 14% of the total volume in this RMS.

East Midlands DGLV Quotations



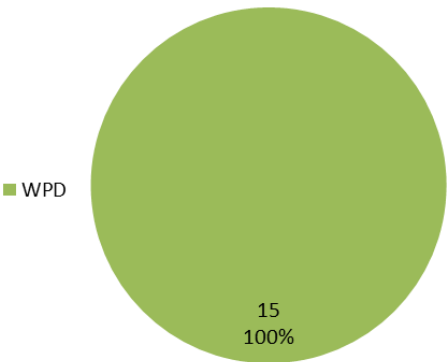
ICP Quotations



5.2.3.2. Acceptances

All quotation acceptances were for non-competitive connection requests.

East Midlands DGLV Accepted Quotations



5.2.3.3. Connections

In the 2011/12 regulatory year there were 14 connections, all completed by WPD.

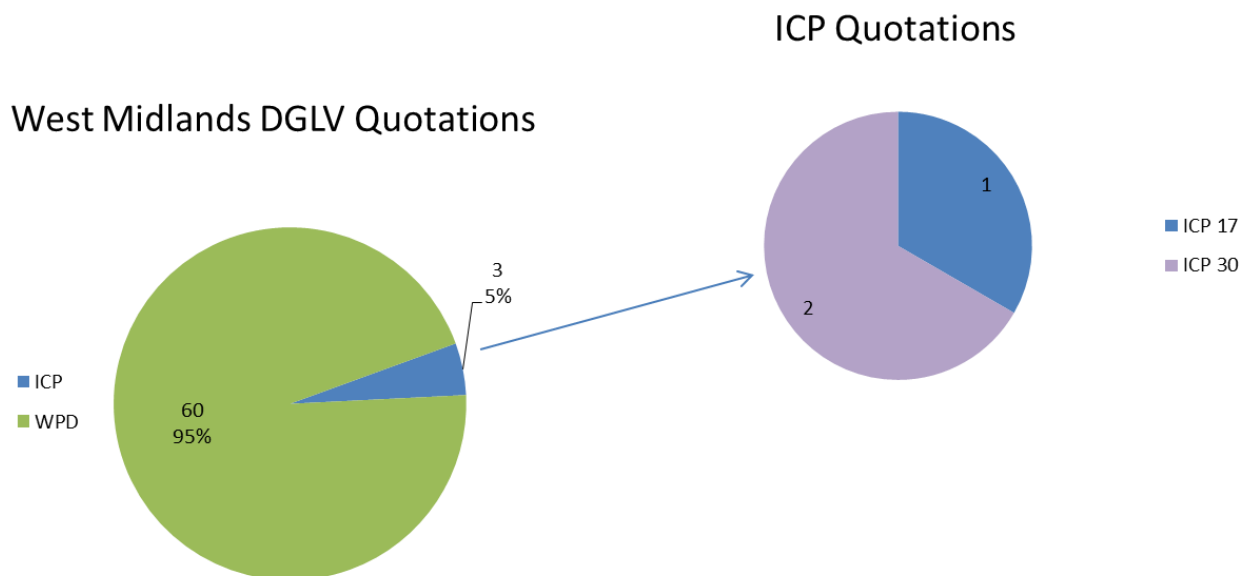
5.2.4. WPD West Midlands

5.2.4.1. Quotes



In the 2011/12 regulatory year, there were 2 parties requesting quotations for ICP type works demonstrating some competition and a level of interest by independents in this area.

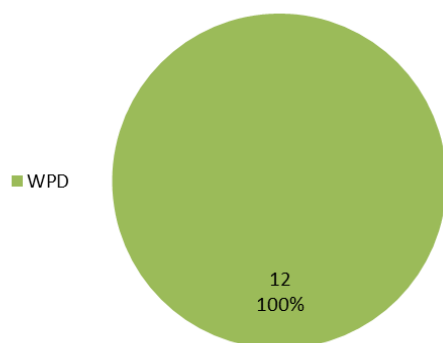
WPD provided a total of 63 quotations of which 3 were for competitive POC requests that equates to 5% of the total volume in this RMS.



#### 5.2.4.2. Acceptances

All quotation acceptances were for non-competitive connection requests.

#### West Midlands DGLV Accepted Quotations



#### 5.2.4.3. Connections

In the 2011/12 regulatory year there were 7 connections, all completed by WPD.

## 6. Distributed Generation HV and EHV Work

### 6.1. Market segment Summary

#### 6.1.1. Summary Description

This market segment relates to the provision of connections to premises where distributed generation is situated other than those where the work is exclusively at low voltage.

Typically schemes that fall into this market segment involve both demand and generation where the decision to categorise as distributed generation is dependent on whether demand or generation is the driver to carry out works.

Over recent years there has been a significant increase in the level of activity particularly in the South West where the driver has been the government initiative in relation to solar generation. The majority of these connections are to the 33kV network. The volume and scale of these schemes can make them attractive to independents more so particularly in the South West and South Wales where they may not normally operate but may do so for certain schemes.

#### 6.1.2. Initiatives

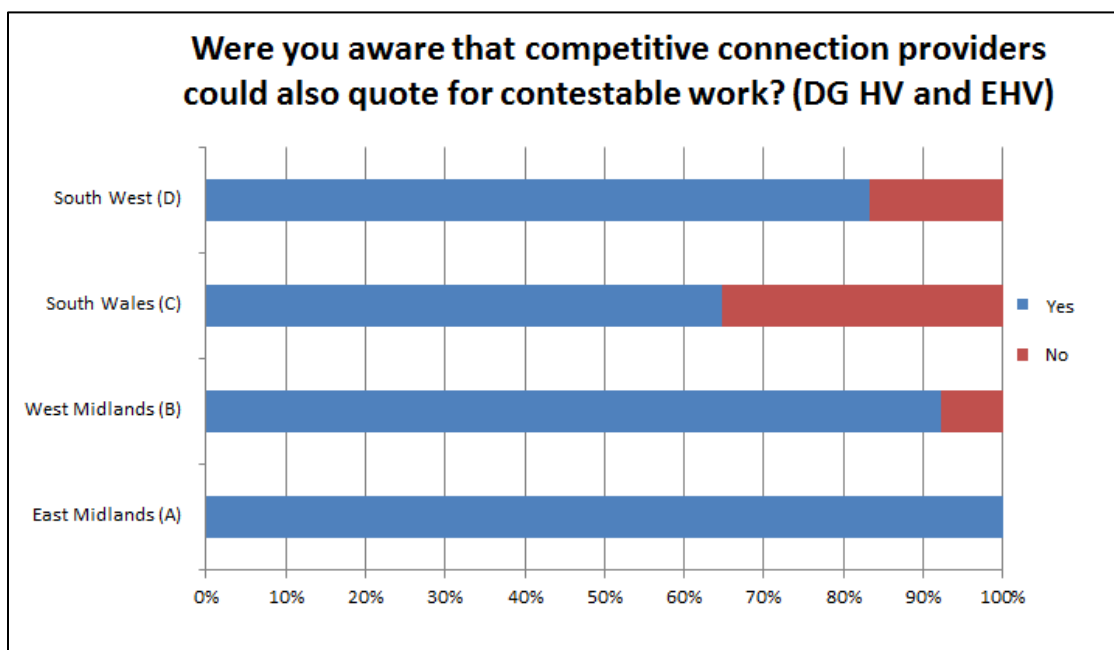
We have demonstrated our support of the extension of contestability by making available a trial that will allow independents to make final connections to WPD's existing underground high voltage distribution networks. This trial is available to any independent that wishes to participate and we have already developed processes that will allow a seamless transfer to business as usual operations. The process enables independents to further penetrate this market segment with control over the end to end construction process.

#### 6.1.3. Conclusions

The DG HV and EHV RMS is becoming increasingly attractive to more specialised ICPs as the volumes of activity are increasing and more work has been made contestable. The classification of schemes in this RMS, as described above, has meant that many of the schemes which are attractive to independents fall under the HV Work or HV and EHV work RMS and as such competition has been slower to develop in this RMS. This classification also means sites with multiple connections which may be attractive to IDNOs to establish as an embedded network scheme, would likely not fall into this RMS. This is demonstrated by the lack of IDNO activity in the analysis below.

WPD has been working to bring down any perceived barriers to competition by making more work contestable and providing more information and guidance to customers regarding generation and also their choice with regards to competition. The awareness of customers in this RMS was measured in the DG customer survey (see 'Promoting awareness of competitive alternatives' section for further info)

where However within the DG HV and EHV category generally awareness of competitive options was very high, particularly in the East and West Midlands regions where 100% and 92% respectively of those surveyed were aware that competitive connection providers could also quote for contestable work (see chart below, sample size was 53 customers):



The levels of interest demonstrated by the data in the quotation analysis below, shows that these customers are aware of their choice and are exercising this by actively seeking competitive connection quotations. With ICPs successfully contracting connections in all four WPD regions we believe this shows that there is potential for growth of competition.

## 6.2. Analysis

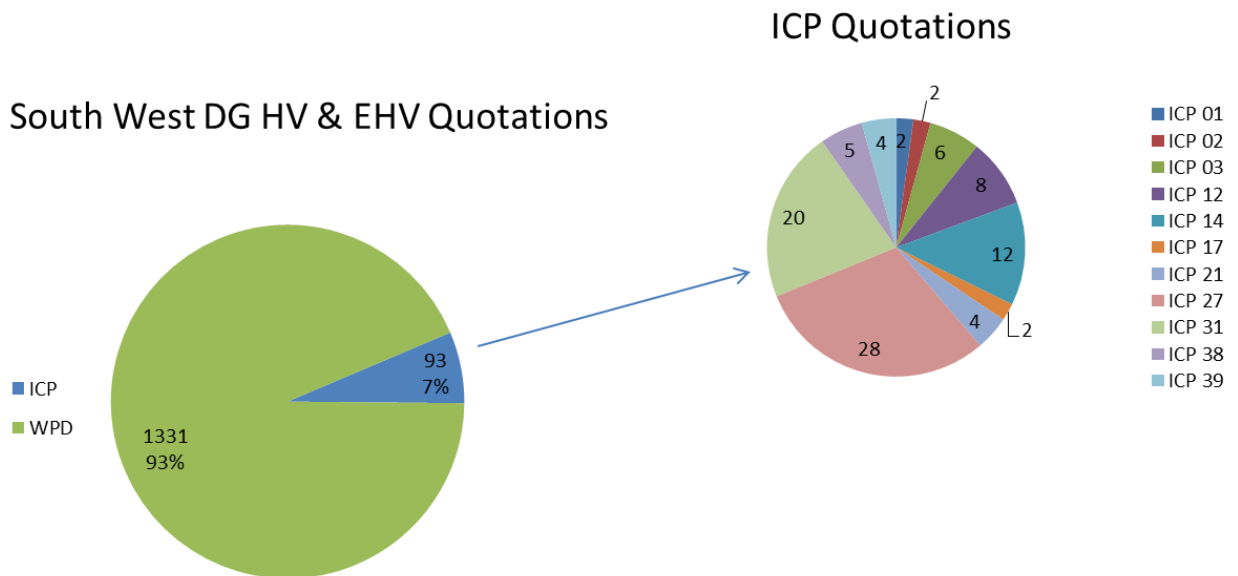
### 6.2.1. WPD South West

#### 6.2.1.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 11 parties requesting quotations for ICP type works demonstrating the level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations in this more specialised RMS indicates that there is a lack of perceived barriers to entry by WPD's competitors. The fact that this perception translates into actual quotes for competitive POC requests, highlights that competition is developing in this RMS and region and that DG customers are aware of their competitive options.

WPD provided a total of 1,424 quotations of which 93 were for competitive POC requests that equates to 7% of the total volume.



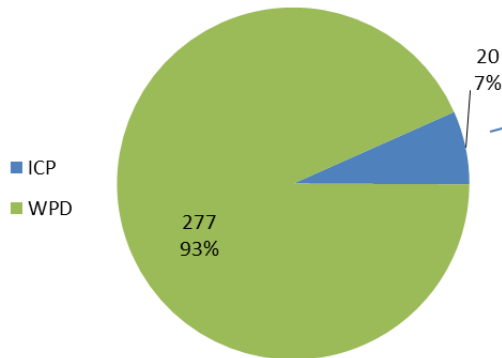
#### 6.2.1.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

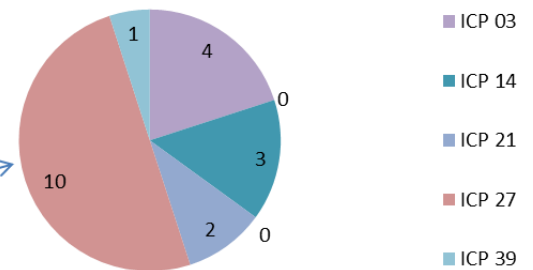
Of the total competitive quotations provided by WPD for ICP type work 5 (45%) of the requesting parties accepted the quotations and proceeded with works. These competitors have been successful with 7% of the total number of schemes, converting 20% of the quotations provided for ICPs to acceptances.

This illustrates that these independents are successfully competing for and winning business in this area which is a strong indication of an open and competitive market with the potential to grow.

### South West DG HV & EHV Accepted Quotations



### ICP Acceptances

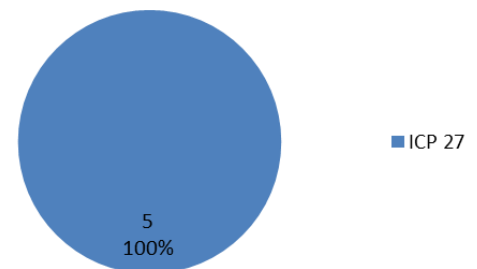
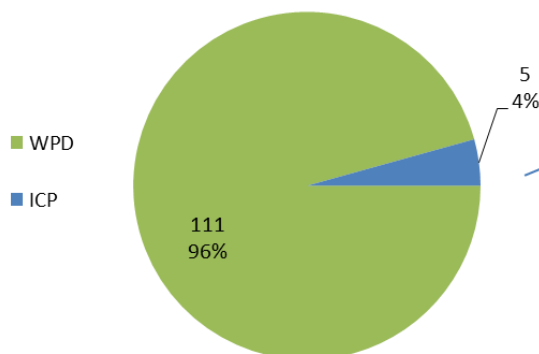


#### 6.2.1.3. Connections

Of the total number of connections in this area 4% have been undertaken by an ICP. This demonstrates that Independents can successfully compete in this RMS and region. Completed connections are an indication of the level of competition in the past as these connections would be contracted and 'won' by the successful competitor in previous months and so this is an indication of the growth in competition in this region.

### ICP Connections

#### South West DG HV EHV Connections



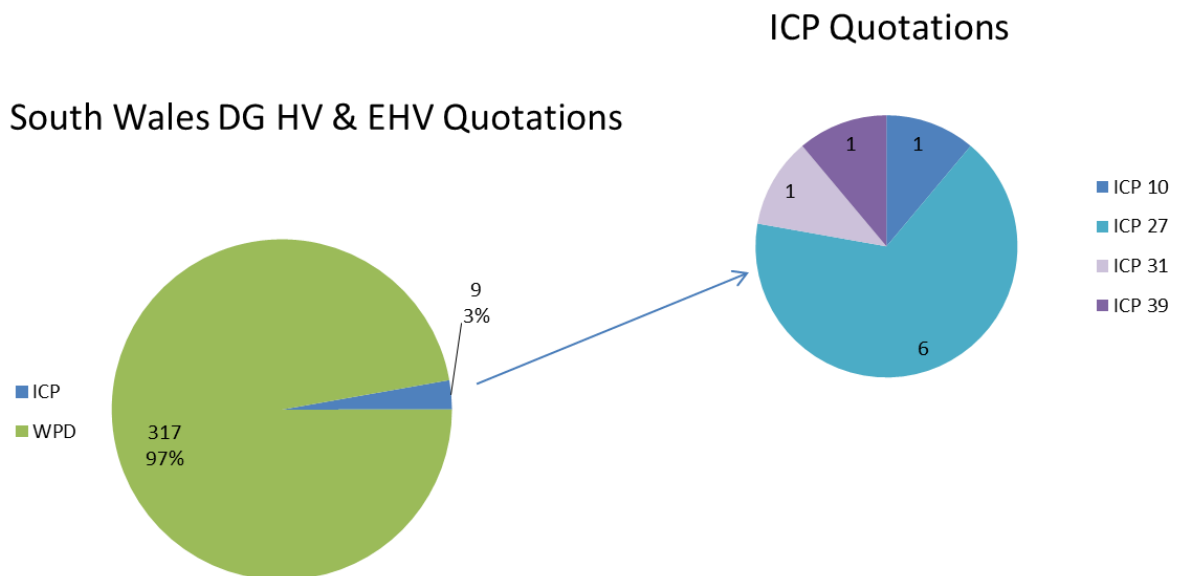
#### 6.2.2. WPD South Wales

### 6.2.2.1. Quotes

In the 2011/12 regulatory year, there has been developing competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 4 parties requesting quotations for ICP type works demonstrating a developing level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations in this more specialised, relatively low volume RMS indicates that there is a lack of perceived barriers to entry by WPD's competitors and that DG customers are aware of their competitive options.

WPD provided a total of 326 quotations of which 9 were for competitive POC requests that equates to 3% of the total volume.

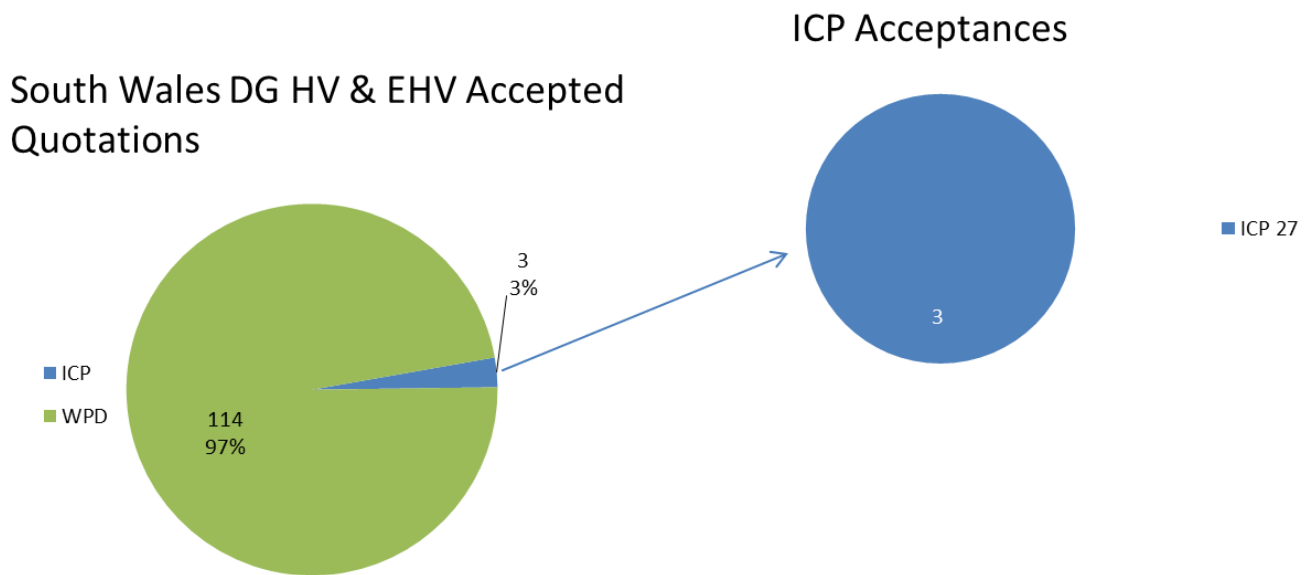


### 6.2.2.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

Of the total competitive quotations provided by WPD for ICP type work 1 (25%) of the requesting parties accepted the quotations and proceeded with works. This equates to 3% of the total number of schemes, converting 33% of the 9 quotations provided for ICPs to acceptances.

With an independent successfully competing for and winning business in this area is an indication of an open and competitive market developing with the potential to grow.



#### 6.2.2.3. Connections

In the 2011/12 regulatory year there were 12 connections, all completed by WPD.

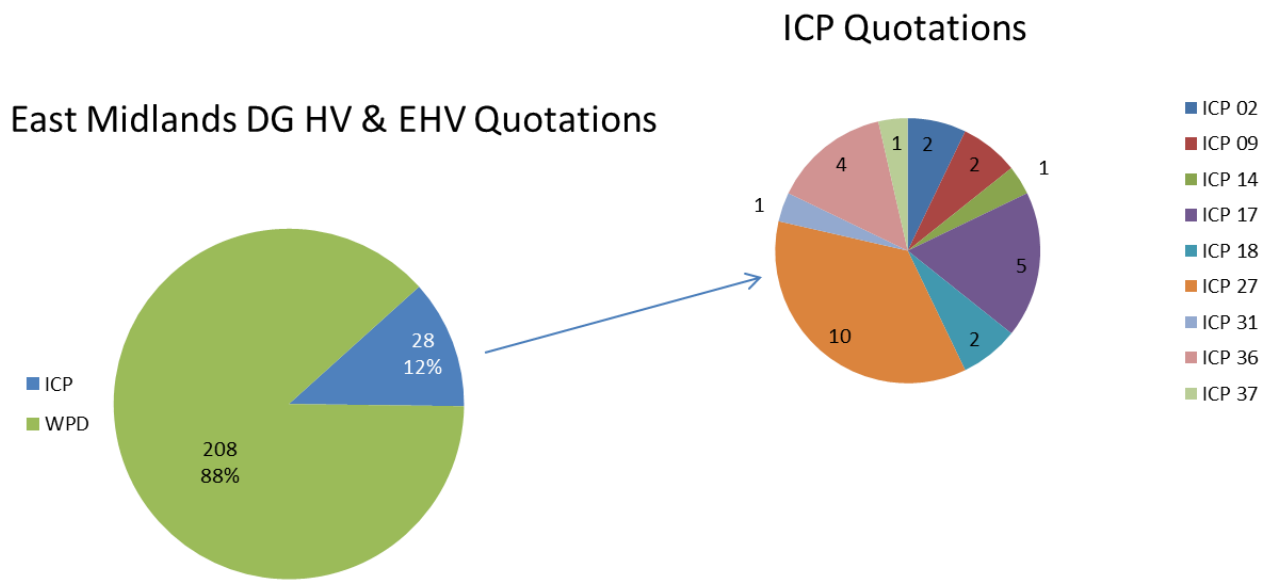
#### 6.2.3. WPD East Midlands

##### 6.2.3.1. Quotes

In the 2011/12 regulatory year, there has been significant active competition evidenced by the number of individual competitors receiving competitive quotations from WPD when compared to the number of quotations for non-competitive schemes. There were 9 parties requesting quotations for ICP type works demonstrating the level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations in this more specialised, relatively low volume RMS indicates that there is a lack of perceived barriers to entry by WPD's competitors and that DG customers are aware of their competitive options.

WPD provided a total of 236 quotations of which 28 were for competitive POC requests that equates to 12% of the total volume.



#### 6.2.3.2. Acceptances

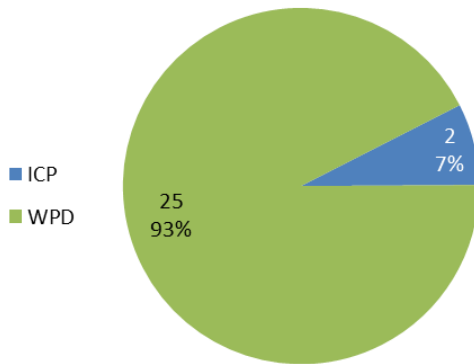
The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

Of the total competitive quotations provided by WPD for ICP type work 2 (22%) of the requesting parties accepted the quotations and proceeded with works. This equates to 7% of the total number of schemes, converting 7% of the quotations provided for ICPs to acceptances.

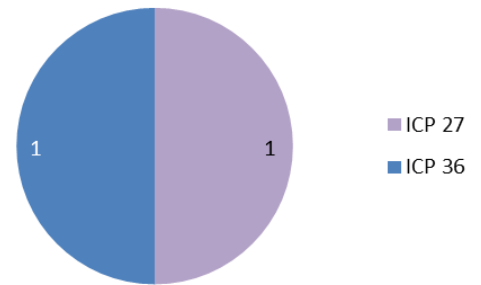
With an independent successfully competing for and winning business in this area, this is an indication of an open and competitive market developing with the potential to grow.



### East Midlands DG HV & EHV Accepted Quotations



### ICP Acceptances



#### 6.2.3.3. Connections

In the 2011/12 regulatory year there were 17 connections, all completed by WPD.

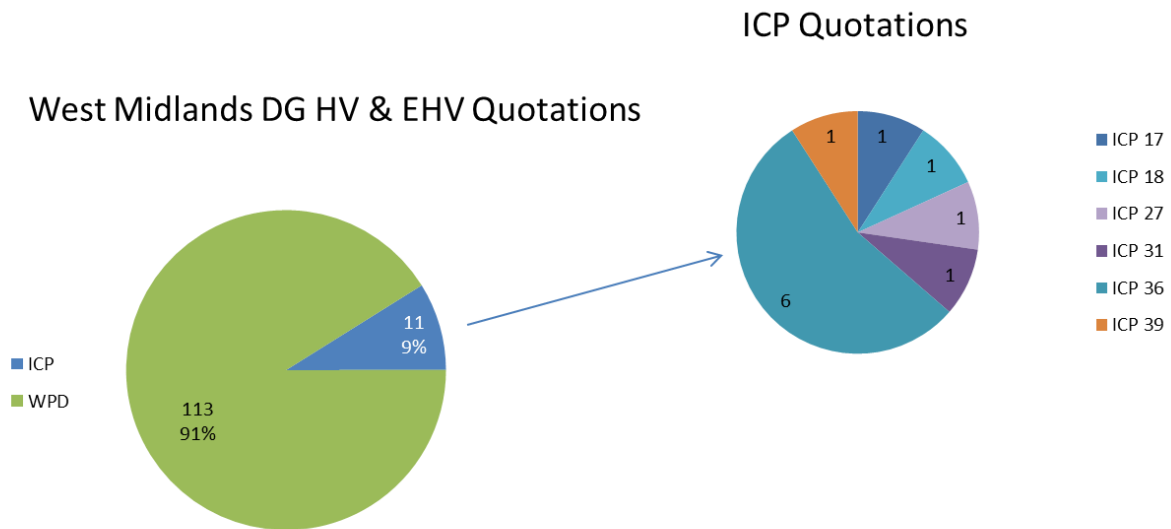
#### 6.2.4. WPD West Midlands

##### 6.2.4.1. Quotes

In the 2011/12 regulatory year, there has been active competition evidenced by the number of individual competitors receiving competitive quotations from WPD. There were 6 parties requesting quotations for ICP type works demonstrating the level of interest and attractiveness in competing for work in this area.

This number of different parties requesting quotations in this more specialised, relatively low volume RMS indicates that there is a lack of perceived barriers to entry by WPD's competitors and that DG customers are aware of their competitive options.

WPD provided a total of 124 quotations of which 11 were for competitive POC requests that equates to 9% of the total volume

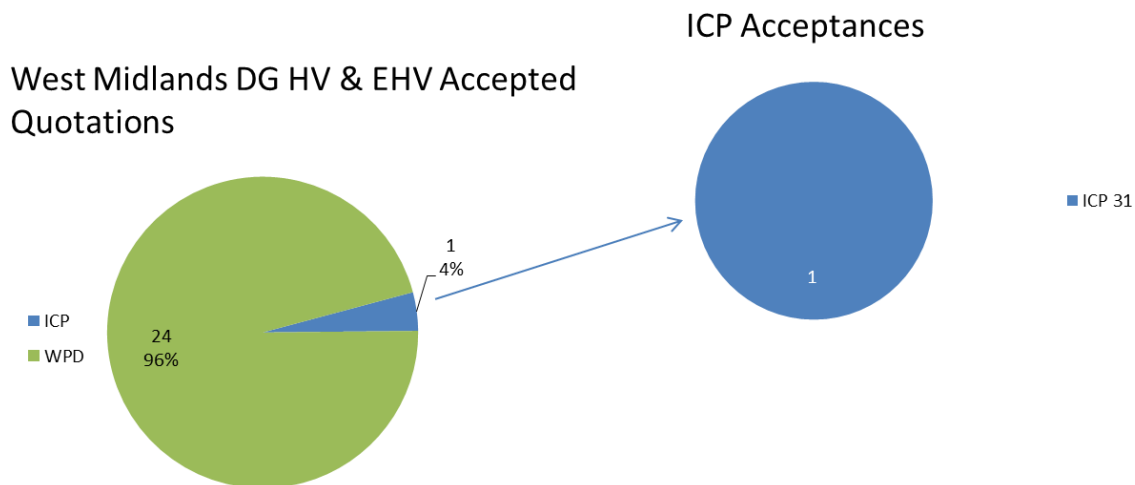


#### 6.2.4.2. Acceptances

The number of competitors winning a share of a market is a strong indicator of the success of competition in that market. The percentage of accepted quotations also demonstrates the current level of successful competition for connection schemes in this RMS.

Of the total competitive quotations provided by WPD for ICP type work only 1 (17%) of the requesting parties accepted the quotations and proceeded with works. This equates to 4% of the total number of schemes, converting 9% of the quotations provided for ICPs to acceptances.

With an independent successfully competing for and winning business in this area is an indication of an open and competitive market developing with the potential to grow.



#### 6.2.4.3. Connections

In the 2011/12 regulatory year there were 12 connections, all completed by WPD.

## 7. Unmetered Connections LA Work

### 7.1. Market segment Summary

#### 7.1.1. Summary Description

This market segment relates to the provision of low voltage unmetered connections to local authority premises primarily items of street lighting and other items of street furniture. These connections involve service transfers, service connections, and service disconnections.

Within WPD all low voltage unmetered connection works and mains extensions are contestable including the final connection to the existing WPD network.

#### 7.1.2. Initiatives

We have demonstrated our support of the extension of contestability by making available safe and practical processes to allow independents to make final connections to WPD's existing overhead and underground low voltage distribution networks as business as usual competitive elements of work. This enables independents to further penetrate this market segment with control over the end to end construction process without the need to involve WPD other than notify whereabouts. Prior to this extension of contestability to live LV jointing to mains, WPD made service transfer and service disconnections available for independents through a live jointing trial for a number of years.

For unmetered connections the independents are also able to self-determine the Point of Connection to our existing network and carry out their own designs. To allow this to work effectively we have made available our geographic asset information which is updated monthly.

### 7.1.3. Conclusions

With the much shorter lead times and higher turnover of work, when compared to metered RMS, the volumes of completed unmetered connections is the strongest measure of competition and market share.

The historic extension of contestability to service transfers and disconnections and the Rent-a-jointer provision (which was well utilised in the Midlands regions) has paved the way for strong levels of competition in this RMS. By extending contestability to live LV jointing, providing a BAU process which gives flexibility and removing the need for the Rent-a-jointer service, WPD have enabled ICPs to have almost full control of their own work programme and timescales.

These developments have meant that competition has been effective in this RMS with ICPs carrying out the majority of the connections in three of the four regions. In the West midlands where the 2011/12 data shows WPD had the slightly larger market share, the extension of contestability and removal of the need for Rent-a-jointer services should swing this market share in favour of the ICPs.

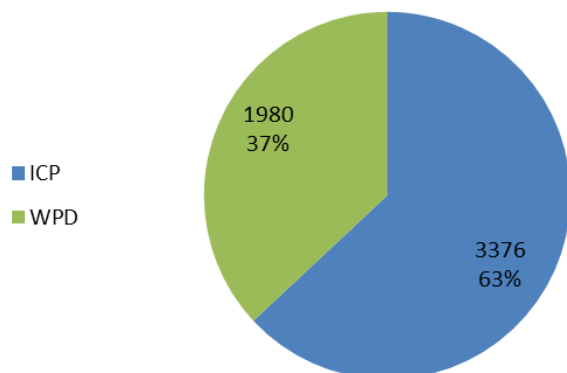
## 7.2. Analysis

### 7.2.1. WPD South West

#### 7.2.1.1. Connections

ICPs have carried out 63% of the connection activities in the 2011/12 regulatory year

### South West UM LA Connections

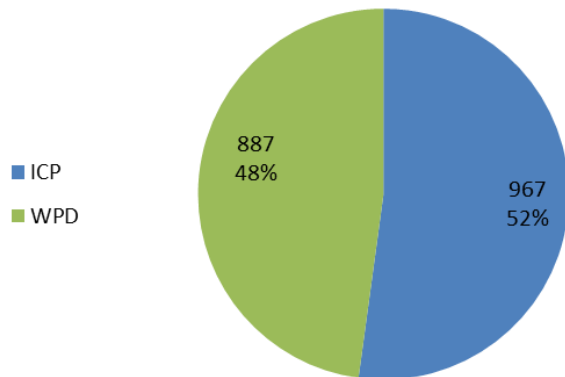


### 7.2.2. WPD South Wales

#### 7.2.2.1. Connections

ICPs have carried out 52% of the connection activities in the 2011/12 regulatory year

### South Wales UM LA Connections

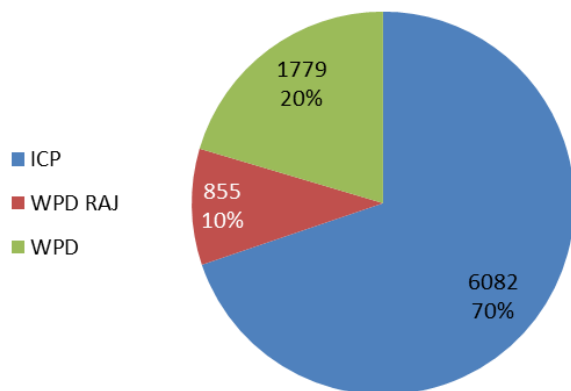


### 7.2.3. WPD East Midlands

#### 7.2.3.1. Connections

ICPs have carried out 70% of the connections activities in the 2011/12 regulatory year. 10% of the connection activities were carried out under the Rent-a-Jointer scheme where the non-contestable joints are completed by WPD and the contestable works by the ICP.

### East Midlands UM LA Connections

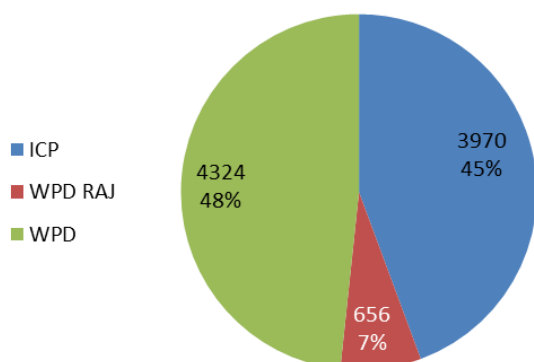


### 7.2.4. WPD West Midlands

#### 7.2.4.1. Connections

ICPs have carried out 45% of the connections activities in the 2011/12 regulatory year. 7% of the connection activities were carried out under the Rent-a-Jointer scheme where the non-contestable joints are completed by WPD and the contestable works by the ICP.

## West Midlands UM LA Connections



## 8. Unmetered Connections PFI Work

### 8.1. Market segment Summary

#### 8.1.1. Summary Description

These connections involve service transfers, service connections and service disconnections primarily to street lighting and other items of street furniture.

Within WPD all low voltage unmetered connection works and mains extensions are contestable including the final connection to the existing WPD network.

In this market segment, typically street lighting authorities enter into long term contractual arrangements with independents for periods of up to 30 years for maintenance with an up-front capital investment programme. The consequence is that once this contract has been awarded this connection activity is retained by the successful party and it is not possible to recover this market share for many years. This includes the initial high volume high turnover capital works programme (with often tens of thousands of lighting columns being replaced /installed) and the on-going maintenance works.

The implementation of these large-scale street lighting Private Finance Initiatives (PFIs) by a number of Local Authorities in the Midlands has opened up a whole new volume of unmetered connections activity which has seen very high levels of successful competition.

Prior to the extension of contestability to live LV works, these PFI contractors needed to procure the new connections to mains from WPD either as non-competitive requests for the contestable and non-contestable works or via the Rent-a-jointer scheme. These connections are now open to competition and no longer need to be requested from WPD.

### *8.1.2. Initiatives*

We have demonstrated our support of the extension of contestability by making available safe and practical processes to allow independents to make final connections to WPD's existing overhead and underground low voltage distribution networks as business as usual competitive elements of work. This enables independents to further penetrate this market segment with control over the end to end construction process without the need to involve WPD other than notify whereabouts. Prior to this extension of contestability to live LV jointing to mains, WPD made service transfer and service disconnections available for independents through a live jointing trial for a number of years.

For unmetered connections the independents are also able to self-determine the Point of Connection to our existing network and carry out their own designs. To allow this to work effectively we have made available our geographic asset information which is updated monthly.

### *8.1.3. Conclusions*

With the much shorter lead times and higher turnover of work, when compared to metered RMS, the volumes of completed unmetered connections is the strongest measure of competition and market share.

The concept of PFI does not exist in South Wales so there is no competitive activity in WPD's South Wales area.

The level of activity in the East and West Midlands is significant with independents making large numbers of connections particularly in Birmingham, Coventry, Nottingham and Derby. The level of connection activity and number of competitors is significant whereas in the South West there has been no activity.

The historic extension of contestability to service transfers and disconnections and the Rent-a-jointer provision (which was well utilised in the Midlands regions) has paved the way for strong levels of competition in this RMS. By extending contestability to live LV jointing, providing a BAU process which gives flexibility and removing the need for the Rent-a-jointer service, WPD have enabled ICPs to have almost full control of their own work programme and timescales. This is even more important for successful competition in this RMS as there are often strong financial penalties within PFI contract linked to work timescales.

These developments have meant that competition has been highly effective in this RMS in the Midlands regions. ICPs have carried out the vast majority of activity in the West Midlands with a small amount of Rent-a-jointer before the live jointing trial launched. In the East Midlands the Rent-a-jointer service has been in the slight majority although this work can be considered a form of CiC as WPD will only be carrying out the jointing works and not the contestable civils works.

## 8.2. Analysis

### 8.2.1. WPD South West

#### 8.2.1.1. Connections

None

### 8.2.2. WPD South Wales

#### 8.2.2.1. Connections

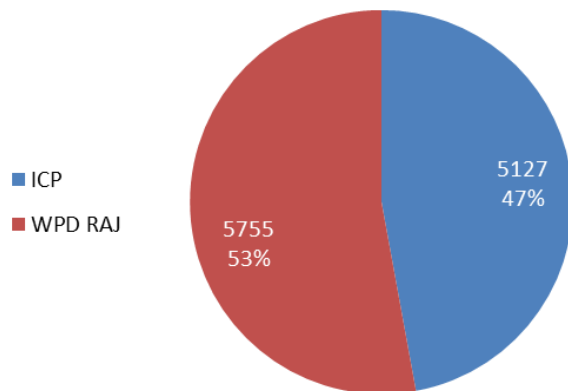
None

### 8.2.3. WPD East Midlands

#### 8.2.3.1. Connections

ICPs have carried out 47% of the connections in the 2011/12 regulatory year and the non-contestable only (at the time) Rent-a-jointer activity makes up the remaining 53%

### East Midlands UM PFI Connections



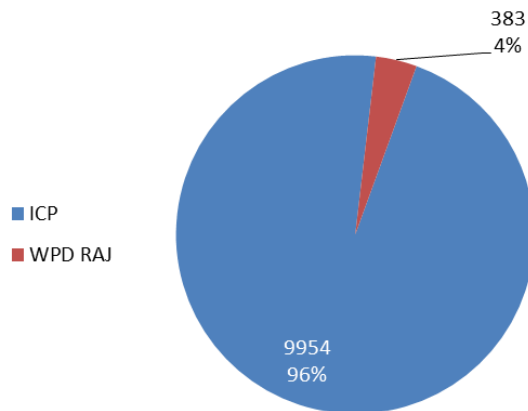
### 8.2.4. WPD West Midlands

#### 8.2.4.1. Connections

ICPs have carried out 96% of the connections in the 2011/12 regulatory year and the non-contestable only (at the time) Rent-a-jointer activity makes up the remaining 4%.



## West Midlands UM PFI Connections



## 9. Unmetered Connections Other Work

### 9.1. Market segment Summary

#### 9.1.1. Summary Description

These connections involve service transfers, service connections, service disconnections primarily to street lighting and other items of street furniture for non-Local Authority or PFI customers.

Within WPD all low voltage unmetered connection works and mains extensions are contestable including the final connection to the existing WPD network.

#### 9.1.2. Initiatives

We have demonstrated our support of the extension of contestability by making available safe and practical processes to allow independents to make final connections to WPD's existing overhead and underground low voltage distribution networks as business as usual competitive elements of work. This enables independents to further penetrate this market segment with control over the end to end construction process without the need to involve WPD other than notify whereabouts. Prior to this extension of contestability to live LV jointing to mains, WPD made service transfer and service disconnections available for independents through a live jointing trial for a number of years.

For unmetered connections the independents are also able to self-determine the Point of Connection to our existing network and carry out their own designs. To allow this to work effectively we have made available our geographic asset information which is updated monthly.

#### 9.1.3. Conclusions

This RMS has relatively low volumes of activity when compare to the other two UMS types. Many of the unmetered connections which are provided on non-local authority schemes may be on housing

developments where the unmetered connections may be completed on an IDNO network and not captured by WPD reporting so it is difficult to fully quantify the market.

However, WPD have the same systems and processes in place for this RMS as the LA and PFI unmetered RMSs and with the extension of contestability to LV jointing there is potential for this segment to grow and we have seen activity from ICPs in this segment in the Midlands since the implementation of the Live jointing BAU process in May 2012.

## *9.2. Analysis*

### *9.2.1. WPD South West*

#### *9.2.1.1. Connections*

In the 2011/12 regulatory year there were 1075 connections activities, all completed by WPD.

### *9.2.2. WPD South Wales*

#### *9.2.2.1. Connections*

In the 2011/12 regulatory year there were 213 connections activities, all completed by WPD.

### *9.2.3. WPD East Midlands*

#### *9.2.3.1. Connections*

In the 2011/12 regulatory year there were 907 connections activities, all completed by WPD.

### *9.2.4. WPD West Midlands*

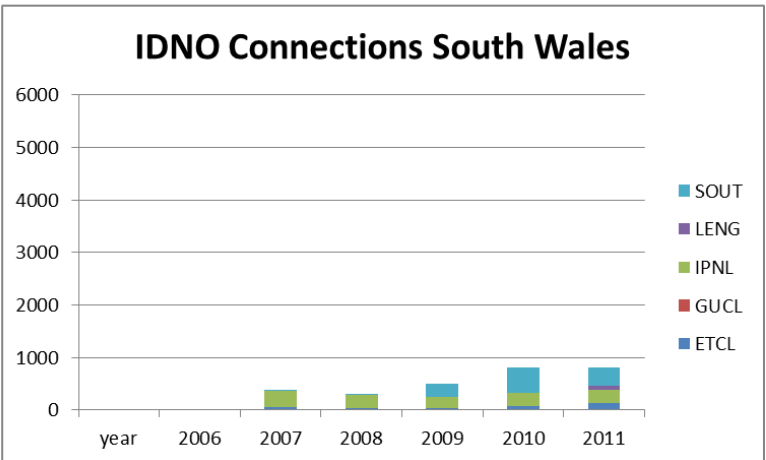
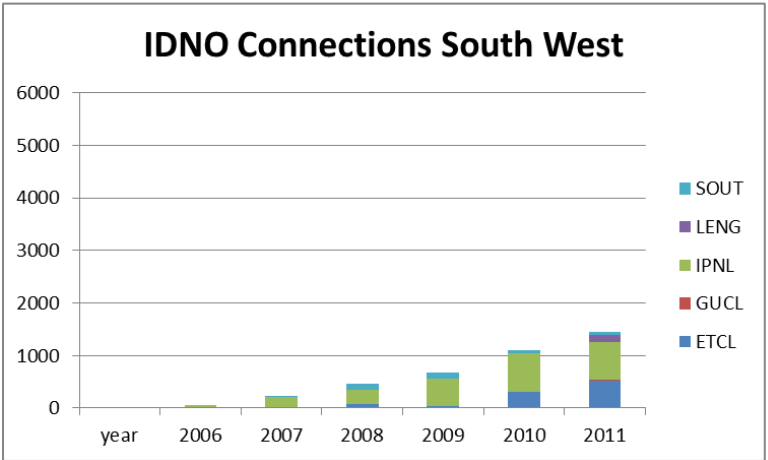
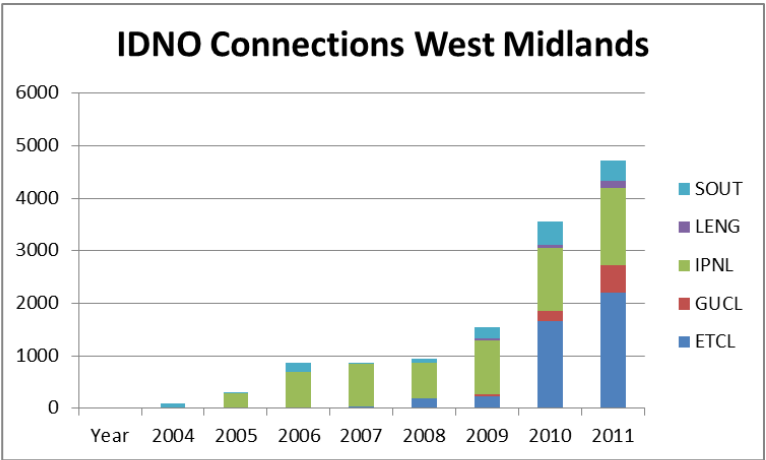
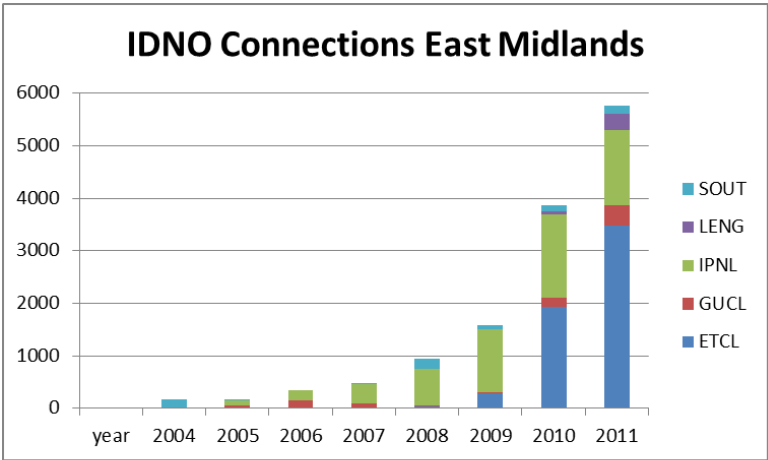
#### *9.2.4.1. Connections*

In the 2011/12 regulatory year there were 1251 connections activities, all completed by WPD.

## Appendix 1 IDNO Connections

The charts below show the volumes of connections installed in the four WPD licence areas since 2004/2005 to 2011/2012. This data was sourced from the data used by WPD for IDNO billing purposes and uses the meter installation date as the proxy for the connection date.

As can be seen in these charts, there has been a rapid expansion in the numbers of connection competed / adopted from ICPS by the IDNOs in the two Midlands regions. Despite the lower numbers, there is also a growing trend in the South West and South Wales regions.



## Appendix 2 Potential Barriers to Entry

The table below is based on the table produced by the ECSG for their survey on barriers to competition in the connections market. The table includes an update on WPD's current position with respect to the list of potential barriers.

Potential barrier	Ofgem comments	WPD Update
Availability of information	<p>Ease of access, speed of access, ensuring information is up to date (current).</p> <ul style="list-style-type: none"> <li>• Correct contact/process to follow to discuss a new job / submit a new application</li> <li>• Substation general arrangement drawings</li> <li>• Code of practice relating to substation design up to 33kV</li> <li>• Cable installation practice up to 33kV</li> <li>• Code of practice relating to HV network protection (up to 33kV)</li> <li>• Code of practice re: LV network protection</li> <li>• Design policy for HV networks up to 33kV</li> <li>• Current network load information/feeder load analysis</li> <li>• Design policy for industrial supplies</li> <li>• Other information that it may be considered best practice to provide to ICPs</li> </ul>	<p>The WPD website has been revamped in October to provide much more information which is easier to access for customers on CiC and WPDs processes</p> <p>Along with the additional technical specification provided in the G81 appendices, we are also developing a website which will allow registered users to log in and access a suite of documents covering relevant design policy and practices and required drawings for substation arrangements etc.</p> <p>We have also developed new leaflets explaining the CiC process and the legals process to customers which are sent out and available on the website.</p> <p>WPD make geographical asset information via the WEB map service on the WPD website which now covers the Midlands, South West and South Wales areas.</p> <p>WPD also provide ICPs / IDNOs with data from our EMU GIS system including geographic asset info and LV schematics.</p> <p>For DG market segments the Generation Capacity Map available on the WPD website, provides indicative generation connection capacity data to assist developers and connection providers formulate initial plans prior to submission of a formal connection request. It currently covers the Midlands areas with plans to extend this to the whole of WPD in future</p>
Adoption agreement security arrangements	<p>Sometimes viewed as overly onerous.</p> <p>Do numbers of faults in adopted assets necessitate the level of bond DNOs require?</p>	<p>WPD employs the criteria set out under Ofgem's November 2004 Decision Document which we believe is fair and reasonable.</p> <p>To date WPD has not requested a bond from an ICP</p> <p>WPD also took on board feedback from ICPs and IDNOs regarding the access and adoption agreement for LV jointing when updating it for HV works. The agreement for LV works included and unlimited liability clause on the connection provider, which some would find difficult to sign up to. The update of this agreement put a cap on this liability</p>
DNO inspection and monitoring	<p>Sometimes perceived as overly onerous.</p> <p>Is best practice set out in Ofgem's</p>	<p>WPD follow Ofgem's inspection regime which we believe generally works well. However, as the regime was originally only intended for underground fed, green field housing sites it may be time to review it to ensure it works for overhead connections, 33kV works and</p>

<b>practices</b>	February 2005 'Competition in connections to electricity distribution systems - decision document part B' being followed?	industrial/commercial works.  WPD have been reviewing the inspection and monitoring regime throughout the live jointing works and will be during the HV trial and will be taking on board stakeholder feedback if any changes are made
<b>Terms in connection agreements / types of connection agreements available</b>	DNOs sometimes viewed as being inflexible in their terms.  DNOs insisting on a particular type of connection agreement e.g. Bi-partite/Tri-partite can be viewed by ICPs as a barrier to competition.	We have had no specific complaints regarding the terms and conditions within the adoption agreement however as discussed above we have taken on board feedback regarding a liability clause in the network access and adoption agreement.  WPD have developed the network access and adoption agreement for HV jointing and live LV jointing works as a bilateral agreement between WPD and the connection provider with no requirement for an arrangement with the end customer  Our adoption agreement for metered connection schemes and embedded network POCs is currently a tripartite agreement. This is under review following the good feedback on the bilateral network access and adoption agreement.  WPD normally require the tripartite agreement between the developer and connection provider, although we have when requested to, been flexible in agreeing to the ICP and IDNO being the parties to the agreement for embedded connection schemes.
<b>Letters of authority</b>	Inconsistency in what DNOs require from ICPs to show they are acting on behalf of a customer.	WPD policy suggests that LoA is required although in practice we do not believe this is being regularly sought. We would welcome guidance on when a LoA should be required.  Our access and adoption agreement for HV and LV jointing works does not require a letter of authority from the end customer
<b>Service timeframes (other)</b>	Where non-contestable services are excluded from SLC 15 (where ICPs have asked for the DNO to complete one or more contestable service) are SLC 15 timeframes applied?  DNOs are sometimes viewed as not providing services that fall outside of SLC 15 in reasonable timeframes. E.g. reinforcement works.	WPD has applied voluntary standards to works not covered by SLC15 on CiC schemes for the LV live jointing process and the HV jointing trial  We have also set internal targets around contacting customers after receipt of an application and on stages of the legal process
<b>Service timeframes (SLC 15)</b>	Complaints are still received about services that are not delivered within the timeframes set out in SLC 15.	WPD monitors performance under SLC15 and has to report on a quarterly basis to Ofgem. Any failure to comply with timescales will be recorded and a voluntary payment made. The SLC15 timescales are treated as a minimum service level by WPD and our people endeavour to provide the service as soon as practicable rather than on the final day of the standards.  WPD treats all customers in a non-discriminatory manner therefore we

	<p>Do DNOs track performance by customer to ensure that some ICP customers i.e. particular ICPs do not consistently receive a worse quality of service than others.</p> <p>Concerns that DNOs require different levels of minimum information before an application are deemed complete. Further concerns that where an application is not complete ICPs are not made aware of this fact within 5 working days (SLC 15.5).</p> <p>Clear guidelines on what can be considered a complete application allow ICPs to submit complete applications first time avoiding delays to them receiving their non-contestable offer. Delays in informing ICPs that their applications are not complete will have an impact on their timelines for providing their customer with an offer.</p> <p>Are associated works (e.g. reinforcement) and final works completed on different timescales or all within the timescales for final works?</p>	<p>see no requirement to assess performance between ICP's. Minimum information requirements are set out under RIGS. We have reporting processes in place to prompt Engineers to contact customers within 2 working days if minimum information is not provided.</p> <p>WPD has been involved in the development of the standard application form available on the ENA website which can be used instead of the WOD form to apply for connection schemes</p>
<b>Developing ongoing relationships</b>	<p>DNOs are often seen to be poor at 'soft skills'. E.g. communication, cooperativeness, relationships with ICPs etc</p> <p>How do DNOs ensure that they avoid issues resolved in one job repeating in the next?</p> <p>ICP relationship managers – providing not just a point of contact but a contact that is</p>	<p>WPD utilises a geographic team arrangement. Any issues or queries that arise at local team level are communicated to the policy section. Where changes of practice, etc are initiated these are fed back to teams, generally via issue of standard technique.</p> <p>The geographic team arrangement means that the ICP can easily liaise with the Team Manager responsible for constructing the connection.</p> <p>WPD employs a philosophy of contacting the ICP at an early design stage to discuss options and scenarios that are available for a particular POC request.</p> <p>In the development of the live LV jointing work process in the proof of concept trial, WPD maintained a single point of contact to manage the relationship with the participating ICPs throughout the PoC and</p>

	<p>aware of all of the stages of the project and that can manage the project to proactively avoid issues arising.</p> <p>Communication with ICPs to fully understand why the ICP is requesting the services they are rather than second guessing the reasons behind requesting a particular design/POC. Dialogue with ICPs so that they have more visibility and understanding of alternative options and DNOs reasons for rejecting ICP suggestions. Dialogue so that ICPs can fully understand what the limitations of a particular POC might be.</p>	<p>beyond to take on board and provide feedback in regular meetings</p> <p>For both the LV live jointing and HV jointing extension of contestability and also the launch of CIRT, we have held seminars with ICP and IDNO stakeholders to inform and gain feedback.</p>
<b>Scope of unmetered contestable works</b>	<p>The assets that ICPs can work on vary from DNO to DNO.</p> <p>What assets are ICPs able to work on when providing unmetered services in your DSA?</p> <p>Are there any particular activities ICPs can not undertake / assets ICPs are not allowed to work on in your DSA?</p> <p>What is being done to address this issue?</p>	<p>Accredited ICPs are able to joint to live low voltage underground and overhead mains and service cables on the WPD network.</p> <p>New Connections, Transfers and Disconnections are all in scope.</p> <p>ICPs are unable to work on fault repair activity.</p>
<b>Legals process</b>	<p>DNOs are slow to progress and complete legal documents which can delay connections. Process does not start until after design approval.</p> <p>ICPs unable to offer clients firm timescales for connection as may be delayed by legals.</p> <p>Inconsistency in whether works can be energised without legals being in place.</p> <p>Are there solutions to this problem?</p>	<p>WPD have agreed to jointly develop a process with an IDNO to facilitate IDNOs taking the lead on obtaining legals. This process is now in place and has been communicated out to IDNOs.</p> <p>WPD has produced a guidance document to explain our processes to connection providers and provide example version of the legal documents we require.</p> <p>In addition, certain elements of land rights negotiations are contestable and the ICP is at liberty to pursue consents from third party landowners, etc.</p>
<b>Difference in non-</b>	Customers unable to transfer non-contestable costs detailed in	There will inevitably be a discrepancy between the non-contestable costs as the competitive quote will contain additional costs for

<b>contestable charges between S16 and competitive quotations</b>	<p>a S16 application to a competitive quote.</p> <p>Higher non-contestable charges incurred by ICPs (compared to S16 customers) to cover the processing of their application.</p>	<p>inspection, preparation of the Adoption Agreement, etc. There will also be a charge for design approval although this may not be a significant factor as there will be a corresponding reduction in assessment and design costs.</p> <p>WPD is currently considering the viability of combining S16 and competitive quotations to provide a complete one-stop service.</p> <p>WPD does not discriminate between class of customer therefore (other than those costs detailed above) the charge for processing the application will be the same.</p> <p>WPD is implementing a new breakdown of charges for connections offers which will provide much greater detail and transparency on what costs have been included in competitive and non-competitive schemes.</p>
<b>Design approval</b>	<p>IDNOs consider that timelines for design approval should be shorter for IDNOs than ICPs since the design is only up to the boundary.</p>	<p>Whilst it is true that certain IDNO schemes may require limited design approval there will be occasions when the IDNO is carrying out significant contestable work between the POC and the POS which is to be adopted by the DNO.</p> <p>We believe the existing timescales for delivering approval are sufficiently tight so as not to unduly delay scheme progress and we would endeavour to provide approval as soon as is reasonably practicable anyway. On this basis adding additional levels of performance standards will only add to the DNO's administrative burden and increase opportunity for confusion or dispute.</p>
<b>Dispute resolution</b>	<p>In our February 2007 CiC proposals document we supported a two-step dispute resolution process for business customers. Is your process two-step?</p> <p>We expect DNOs to communicate the disputes process to business customers, either through their websites and/or by providing details when issuing information, such as quotations to these customers.</p> <p>DNOs should ensure that they are able to manage communications with customers in a way that establishes a reliable, but not overly bureaucratic audit trail.</p>	<p>Further to Ofgem's requirement we now include ICPs and larger business customers within our complaints handling procedure (although they would not be covered by the Ombudsman Scheme).</p> <p>Our aim is to resolve complaints as quickly as possible between the customer and local manager.</p> <p>We note that the MCCG has reviewed our procedure and found it to be good with no issues.</p>



## Appendix 3 CNA Improvements for Competition in Connections

The table below is based on the list produced by the Competitive Networks Association on areas which could improve the framework for competition in the connections market. The table includes an update on WPD's current position with respect to the list as presented to DNOs and Ofgem in July 2011.

Areas identified by CNA to improve framework for competition in Connections	WPD Update
<p>1. Connections quotation process that promotes choice to customers:</p> <ul style="list-style-type: none"> <li>• Separate identification of non-contestable and contestable elements of work.</li> <li>• Customer (ICP/IDNO) ability to accept both elements of quotation or to accept the non-contestable element only (with the ICP/IDNO carrying out contestable works).</li> </ul>	<p>WPD provide split between contestable and non-contestable works in the formal offer letter and the new breakdown of charges provides further transparency.</p> <p>The customer cannot currently accept only the non-contestable work which is identified on a non-competitive connection request. However the WPD structure, with geographically based teams, means that the non-competitive and competitive requests are usually handled by the same Planner and therefore a subsequent request for the alternative offer can be efficiently turned round. WPD is currently considering the viability of combining S16 and competitive quotations to provide a complete one-stop service.</p>
<p>2. Accredited ICPs/IDNOs to be able to have sufficient information able identify their own points of connections on the DNO system (if they choose to do so).</p>	<p>For unmetered supplies, the availability of our EMU data facilitates this.</p> <p>WPD are working with an ICP on the POC self-provision to establish these requirements for larger connections.</p>
<p>3. ICPs and IDNOs to be able to contest the design and construction of DNO network reinforcement work.</p>	<p>This is not currently available to ICPs although WPD are working with the ECSG sub-group on developing the extension of contestability for reinforcement works.</p>
<p>4. Accredited ICPs and IDNOs able to self-certify/ validate designs for contestable</p>	<p>This is not currently available in WPD but will</p>

work.	be considered.
<p>5. DNOs make available design policy documents, codes of practice, method statements and material specifications to accredited IDNOs/ICPs</p> <ul style="list-style-type: none"> <li>• To enable the right design first time.</li> <li>• To facilitate compliance with standards and COPs.</li> <li>• To create transparency and remove ambiguity.</li> </ul>	<p>Relevant documents are available upon request from the Planner dealing with the CiC application</p> <p>WPD are developing a new policy and specification website for independents to login to access this information and this will be available soon.</p>
<p>6. Simple, transparent, documented land rights processes that are followed by their staff and ensure that progress of competition in connections is not unduly delayed.</p>	<p>These processes are in place with guidance including reasonable timescales which was developed with input from an ICP. This information and guidance is also available on the WPD website.</p>
<p>7. Arrangements that enable accredited ICPs/ IDNOs to undertake LV and HV jointing on contestable works. To include:</p> <ul style="list-style-type: none"> <li>• a regime that also allows ICPs/IDNOs to operate on DNO networks and/or,</li> <li>• an arrangement where DNOs could offer ICPs/IDNOs contract SAP services to enable ICPs complete HV closing joints.</li> </ul>	<p>Processes and contractual arrangements are in place for both live LV jointing and HV jointing works to be undertaken by independents.</p>
<p>8. Clearly defined process and timeline for delivery of methodology that facilitates accredited ICPs/IDNOs to carry out switching on DNO networks and issue safety documentation.</p>	<p>WPD are finalising the policies and procedures to facilitate accredited independents to carry out this work and will be rolling this out at the seminar planned on 15<sup>th</sup> November 2012</p>
<p>9. Linked to 8 above. Evidence of work with other Licensees and the ENA to develop a national suite of operational documents identifying DNO specific requirements:</p> <ul style="list-style-type: none"> <li>• To enable Competent Persons to operate across different Distribution Service areas without the requirement for a new Authorisation for each DSA.</li> </ul>	<p>WPD would be happy to share our learning from the developments we have made to enable independents to work on the LV and HV network.</p>
<p>10. Fair and Equitable Adoption Agreements that share liabilities between ICPs or IDNOs</p>	<p>We have had no specific complaints regarding the terms and conditions within the adoption agreement however we have</p>

<p>and the DNO</p>	<p>taken on board feedback regarding a liability clause in the network access and adoption agreement for HV and live LV jointing and placed a cap on the liabilities.</p> <p>WPD have developed the network access and adoption agreement for HV jointing and live LV jointing works as a bilateral agreement between WPD and the connection provider with no requirement for an arrangement with the end customer</p> <p>Our adoption agreement for metered connection schemes and embedded network POCs is currently a tripartite agreement. This is under review following the good feedback on the bilateral network access and adoption agreement.</p> <p>WPD normally require the tripartite agreement between the developer and connection provider, although we have when requested to, been flexible in agreeing to the ICP and IDNO being the parties to the agreement for embedded connection schemes.</p>
<p>11. DNOs must demonstrate non-contestable charges are transparent and cost-reflective.</p>	<p>Our new breakdown of charges provides further transparency to customers with the split of contestability and more detailed categories of charges.</p>
<p>12. Simplified payment methods including the use of electronic correspondence throughout the connection and adoption process.</p>	<p>WPD offer a BACS payment facility and the new CIRT system (as well as CLMS before it) allows the electronic transfer of documentation CiC schemes.</p> <p>The process for live jointing works is fully electronic with application, consent and jointing record submission all being exchanged electronically.</p>

## List of further Appendices

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*Appendix 4: Call Handler information for Competition in Connections*

*Appendix 5: Competition in Connection leaflet*

*Appendix 6: Information for landowners and customers A guide to understanding legal permissions and consents to place equipment on land*

*Appendix 7: ICP legal process guidance note*

*Appendix 8 CIRT launch presentation*

*Appendix 9 Extension of Contestability LV Live jointing seminar presentation*

*Appendix 10 Extension of Contestability HV jointing seminar presentation*

*Appendix 11: Testimonial letters*

*11.1 Centregreat Ltd*

*11.2 Nationwide Distribution Services Ltd*

*11.3 Sustainable Energy Highways Lighting*

*11.4 County Surveyors Society All Wales Street Lighting Group*

*Appendix 12: Example WPD Offer letter including new breakdown of charges*