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Our reference: Amey LG Ltd/CT/WPD
Your reference: 152/12

Friday 18 January 2013

Dear James

Amey/NDS Response - Ofgem Consultation on Western Power Distribution (WPD) Competition Notice

Please find enclosed Amey LG Ltd response to your public consultation.

Our response takes into account the views of our recently acquired ICP business Nationwide Distribution Services (NDS) who currently provide all contestable connections on the Birmingham PFI. Also from our four highways and street lighting contracts in WPD, two of which are PFI's.

Most of our experience is in the West Midlands Region of WPD and includes experience of this region being owned and operated by the former DNO Central Networks (CN).

In summary, we are pleased to support WPD's application for a competition test pass in all 3 unmetered relevant market segments. Whilst WPD offer limited evidence of lost market share in the "LA" and "other" unmetered segments in all 4 Licenced areas, we are satisfied that their ICP processes, agreements and non-contestable charges are sufficient to enable unmetered customers and ICP's fair opportunity to access the competitive market.

We have been pleased with WPD's stakeholder engagement in developing their ICP arrangements over the last 18 months and hope that this continues and delivers the promised further improvements referred to in their submission. Both NDS and Amey staff, consider WPD and their staff involved in this process, to have become leaders in facilitating competition.

WPD have taken the radical step of encouraging ICP's towards operating under the ICP's own Distribution Safety Rules, rather than WPD's own. This will benefit larger

established ICP organisations like ourselves, but may become a constraint on new entrants and smaller ICP organisations.

Our only disappointment is that we have been unable to get WPD managers to accept responsibility and help remedy legacy CN connection installation defects causing operational safety issues in 1000's of existing streetlighting columns, across Birmingham. However, we will continue to work co-operatively with WPD managers and staff to help them deliver further improvements to satisfy our requirements, and those of all unmetered customers and ICP's in the WPD region.

Yours faithfully

Sean Conway

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Each of the questions asked by this consultation is set out in the template below. **Note that an editable version of this response template is available on our website as an associated document to this consultation.** If you do not wish to use our response template, please ensure that you indicate the RMS and DSA to which your experiences relate.

When considering your responses to these questions, please consider your experiences, the actions that WPD has undertaken and the actions that you consider it could reasonably undertake.

Please check the RMS and DSAs that are relevant to you in the table below.

Relevant Market Segment (RMS)	WPD Competition Notice/DSA			
	South West	South Wales	East Midlands	West Midlands
1. Metered low voltage work (LV)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Metered high voltage work (HV)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Metered HV and Extra High Voltage (EHV) work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Metered EHV work and above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Distributed Generation (DG) LV work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. DG HV and EHV work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Unmetered Local Authority (LA) work	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
8. Unmetered Private Finance Initiative (PFI) work	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
9. Unmetered Other work	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

When answering the questions below, please check the RMS(s) and DSA(s) that are relevant to your response.

Chapter Two

Question	RMS(s)	DSA(s)	Response
One: Are customers aware that competitive alternatives exist?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	Yes , our experience of attending WPD workshops, national highway electrical industry forums and publications indicates that LA, PFI and some other unmetered customer groups are aware that competition now exists across WPD.
Two: Do customers have effective choice (ie are customers easily able to seek alternative quotations)?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	Yes , Unmetered PFI customers like Amey, have had effective choice in WPD for some time. Very few LA's have experienced ICP service delivery in WPD to date and this is partly due to WPD limiting initial trials to PFI ICP's. Now that WPD have moved out of trials to business as usual, we see no reason why other unmetered customers cannot access this market with a choice of up to 23 Unmetered ICP's registered with Lloyds.
Three: Does WPD take appropriate measures to ensure that customers are aware of the competitive alternatives available to them?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	Yes , our experience of WPD is that they have taken many steps to make all unmetered customers aware of the competitive alternatives. Like most DNO's they do not however publicise the details of those ICP's who have current agreements for operating across their licenced area, choosing instead to refer to the Lloyds website.
Four: Are quotations provided by WPD clear and transparent? Do they enable customers to make informed decisions whether to accept	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East <input checked="" type="checkbox"/>	Unsure . We have no experience of WPD providing bespoke quotations for unmetered connections work. It is not clear in their submission, whether such unmetered scheme quotes are provided by the same local network team which provides section 16 quotes,

or reject a quote?	DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	Mids <input type="checkbox"/> West <input checked="" type="checkbox"/> Mids <input type="checkbox"/>	as is suggested for metered schemes. When a bespoke quote is required we would prefer this to be provided by the same team, to avoid the technical and non-contestable cost offers being different.
Five: Have customers benefitted from competition? Have they seen improvements in WPD's price or service quality or have they been able to source a superior service or better price from WPD's competitors?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East <input checked="" type="checkbox"/> Mids <input type="checkbox"/> West <input checked="" type="checkbox"/> Mids <input type="checkbox"/>	Yes, we believe only PFI customers like Amey; have so far seen a significant benefit from unmetered competition in WPD. This benefit being the ability to self-deliver connections at lower costs and with greater flexibility. This benefit also applies to our street lighting maintenance programme which is similar in connection activity content as other Non PFI LA programmes. However we have seen little or no change in WPD's response to faults work covered by GSOP's, and this remains "reasonable" in comparison with other DNO's

Chapter Three

Question	RMS(S)	DSA(S)	Response
One: Does the level of competitive activity in the RMSs show that there is the potential for further competition to develop?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East <input checked="" type="checkbox"/> Mids <input type="checkbox"/> West <input checked="" type="checkbox"/> Mids <input type="checkbox"/>	Yes, whilst the unmetered PFI RMS dominates current market activity in WPD, we believe WPD's very efficient IP processes and resulting low non contestable costs give us confidence that all other unmetered RMS will become active markets soon.
Two: Consider the organisational structure of WPD's business and its procedures and processes – (a) how do they compare to those you encounter elsewhere in the gas and	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East <input checked="" type="checkbox"/> Mids <input type="checkbox"/> West <input checked="" type="checkbox"/>	a) We have experienced the former centralised CN structure for managing ICP activity and more recently WPD's regional network management structure. It is still too early to say whether the WPD regional approach delivers better service than a centralised one. Some WPD staff are still getting used to it.

<p>electricity markets or other industries? Do they reflect best practice?</p> <p>(b) do they enable competitors to compete with the timescales for connection (from quote to energisation) offered by WPD? Or do they offer WPD any inherent advantage over its competitors or prevent existing competitors from competing with them effectively?</p> <p>(c) do they assist, obstruct or delay connections providers entering the RMSs?</p>	<p>Unmetered Other <input checked="" type="checkbox"/></p>	<p>Mids</p>	<p>We have found that having an very Senior Manager responsible for all connection services provided in a WPD region, does help when seeking resolution to operational issues.</p> <p>b) WPD's end to end unmetered ICP process is the most efficient and flexible we have experienced so far of 4 DNO's. They have listened and engaged with us throughout its development. Their approach allows us to keep our admin costs and theirs (non-contestable) comparatively low.</p> <p>c) The regional network management approach of WPD does result in duplication of key roles in their ICP interface arrangements, such as auditors and jointer authorising officers. This has the potential to result in regional variances of WPD policy, practice and emphasis. We have not yet had chance to put this to the test as we are only operating in one WPD region with an ICP.</p>
<p>Three: Are the non-contestable charges levied by WPD for statutory connections in the RMSs consistent with those levied for competitive quotations? Are they easily comparable with competitive quotations?</p>	<p>Metered LV <input type="checkbox"/></p> <p>Metered HV <input type="checkbox"/></p> <p>Metered HV/EHV <input type="checkbox"/></p> <p>Metered EHV+ <input type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered LA <input checked="" type="checkbox"/></p> <p>Unmetered PFI <input checked="" type="checkbox"/></p> <p>Unmetered Other <input checked="" type="checkbox"/></p>	<p>S West <input checked="" type="checkbox"/></p> <p>S Wales <input checked="" type="checkbox"/></p> <p>East <input checked="" type="checkbox"/></p> <p>Mids</p> <p>West <input checked="" type="checkbox"/></p> <p>Mids</p>	<p>Unsure, WPD like many DNO's do not publicise nor breakdown the non-contestable element of their standard unmetered connection charges and so fair comparison is not possible. Their published statement of charges follows the DNO norm of being far too broad in scope, to be of value. However, in comparison to other DNO's, WPD's non contestable charges are the lowest of all.</p>

<p>Four: What factors are key influences on development of competition in the RMSs? In particular, if you are an existing/potential competitor</p> <p>(a) what is the potential for you to enter new RMSs, or grow your share of an RMS you already operate in?</p> <p>(b) are there are any types of connection in any of the RMSs, or geographic locations in WPD's DSAs, that by their nature, are not attractive to competition? Please explain your response.</p>	<p>Metered LV <input type="checkbox"/></p> <p>Metered HV <input type="checkbox"/></p> <p>Metered HV/EHV <input type="checkbox"/></p> <p>Metered EHV+ <input type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered LA <input checked="" type="checkbox"/></p> <p>Unmetered PFI <input checked="" type="checkbox"/></p> <p>Unmetered Other <input checked="" type="checkbox"/></p>	<p>S West <input checked="" type="checkbox"/></p> <p>S Wales <input checked="" type="checkbox"/></p> <p>East Mids <input checked="" type="checkbox"/></p> <p>West Mids <input checked="" type="checkbox"/></p>	<p>a) Our ability to expand ICP market share within the unmetered RMS, is to some degree dictated by our success in secure new street lighting Term Maintenance Contracts (TMC) with Local Authorities, where we can choose connection provider or self-deliver. LA's are seeking ICP's who can deliver both column erection and connection work. It is unlikely that any new very large column replacement programmes will be funded by the "PFI" model in future and we again ask Ofgem to allow this RMS to include all large capital street lighting replacement programmes.</p> <p>b) We have the ability to utilise existing ICP LV jointing and civil skills and NERS accreditation to expand into other LV metered RMS, some of which are currently seen as not attractive. We would expect WPD to facilitate access to these new markets much more quickly than it has taken them to reach "business as usual" for unmetered.</p> <p>We do however feel that there are isolated unmetered connection customers such as parish council authorities and others with small 1 off annual unmetered connection requirements, who works ICP's may never see as attractive. It is our view that these should remain protected by Ofgem Regulation until such time as ICP's become much more widely established, in the same way as small LV metered customers.</p>
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Chapter Four

Question	RMS(S)	DSA(S)	Response
One: Do you agree with the methods used by WPD to analyse the level of competition in each of the RMSs covered by its application? In particular, do you consider that WPD gives a clear indication of the current level of competitive activity?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	<p>Yes, we agree with WPD's approach in reporting unmetered market share by the number of connections undertaken by ICP's compared with their section 16 connections and Rent A Jointer. Whilst the ICP share in both PFI and LA sectors look good very good in some areas, it would be additionally beneficial to see in their submission, how many ICP providers and LA's customers were involved and benefitting in the same period and is it increasing.</p>
Two: Do you consider that competitive activity is at a level that in itself indicates that effective competition exists?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	<p>Yes, we are satisfied with the level of ICP activity reported for LA and PFI sectors is confirmation that WPD has enabled effective competition.</p> <p>No, we are not satisfied that the WPD report level of activity in the "other" unmetered category provides sufficient evidence of competition. We believe customers in this sector may not be sufficiently aware of competition but believe also that WPD's ICP arrangements would offer fair access to competition, once they get to know more.</p> <p>NB. We note that WPD suggest the zero activity in the "other" RMS may be due to new unmetered connections on IDNO sites being excluded. Also that "PFI" in South Wales is not a relevant sector. This re-emphasises our concern that the 3 unmetered "customer" RMS segments are poorly defined and need additional guidance or redefinition, if they are to be used by Ofgem or DNO's for regulatory reporting in future.</p>

Chapter Six

Question	RMS(S)	DSA(S)	Response
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One: Do you consider customers have an effective choice of connections provider? In particular, do you feel that levels of choice, value and service will be protected and will improve if the restriction on WPD's ability to earn a margin is removed?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	Yes , although currently dominated by large Street Lighting Contractors with ICP self-delivery capability like ourselves, we believe there is scope for smaller ICP's to compete and operate locally with individual LA's or consortium across WPD's region. There will however be isolated parish authorities or customers with small 1 off unmetered connection requirements which may not get access to a real competitive alternative. These should remain protected by Ofgem Regulation, in the same way as excluded small LV metered customers.
Two: Do you consider that there is scope for competitors to grow their market share (for example, if WPD put up its prices or if its quality dropped), or are there factors constraining this?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	Yes , whilst WPD continue to offer unmetered ICP's an efficient process at reasonable non contestable costs, then we believe competition in this sector will grow without WPD putting up their section 16 offer prices. Any such price increases without a corresponding service improvement may drive customer to competitors sooner, but will cost the DNO's in customer dissatisfaction and complaints.
Three: Do you consider that there is scope/appetite for new participants to enter the market? Do you consider that new entrants would be able to provide similar or better services than existing participants or are there factors constraining this?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	Yes , although currently dominated by large Street Lighting Contractors with ICP self-delivery capability like ourselves, we believe there is scope for smaller ICP's to compete on price and service, for individual LA's or consortium, across WPD's region. Some DNO factors which will limit new entrant's ease of access to the market are:- <ul style="list-style-type: none"> • slow and costly DNO jointer authorisation • slow and costly ICP procedures, • excessive non-contestable costs • Limited access to DNO's Records and Policies. All DNO's including WPD, have room for improvement in some or all of these areas.

Four: Given your overall view of WPD, do you consider that we can have confidence in them to operate appropriately in the event that price regulation is lifted?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input checked="" type="checkbox"/> Unmetered Other <input checked="" type="checkbox"/>	S West <input checked="" type="checkbox"/> S Wales <input checked="" type="checkbox"/> East Mids <input checked="" type="checkbox"/> West Mids <input checked="" type="checkbox"/>	<p style="text-align: center;">Yes</p>
Five: Do you consider that there are factors not addressed in this consultation that should be taken into consideration in determining whether price regulation should be lifted?	Metered LV <input type="checkbox"/> Metered HV <input type="checkbox"/> Metered HV/EHV <input type="checkbox"/> Metered EHV+ <input type="checkbox"/> DG LV <input type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered LA <input checked="" type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered Other <input type="checkbox"/>	S West <input type="checkbox"/> S Wales <input type="checkbox"/> East Mids <input type="checkbox"/> West Mids <input checked="" type="checkbox"/>	<p>Yes, WPD have taken the radical step of pushing ICP's towards operating under the ICP's own Distribution Safety Rules whilst working on WPD's network, rather than working under WPD's own. This will benefit larger established ICP organisations like ourselves, but may become a constraint on new entrants and smaller ICP organisations. Only time and any future health and safety incident involving ICP's will tell if this is the right approach for all DNO's</p>