

The Questionnaire – For independent providers

Hello. Thank you for taking the time to complete our questionnaire.

We hope all the questions are clear, but if you have any difficulties please email connections@ofgem.gov.uk.

Once you have completed the questionnaire please send it back to us to the email address above. You need to return the completed questionnaire to us by 31 July 2014.

After we have read your answers we might want to have a chat with you to understand a bit more. We'll try and do this during August.

Part 1 - About you

| Question | Your response |
|--------------------------------|---------------|
| What is your name? | |
| What is your position? | |
| What are your contact details? | |

Part 2 - About your business

| Question | Your response |
|--|--|
| What is your company's name? | GEW 2 Ltd |
| What is the nature of your company's business? | ICP |
| Which sections of the market for new electricity connections does your | We provide new connections for customers |

| | |
|--|---|
| business operate in? (ie what types of connection solution do you provide?) | |
| What areas of the country does your business operate in? | UK wide |
| Who are your competitors? | All the DNO's and all other ICP's |
| Please provide an indication of your size. Ie how much work do you do in the connections market? | We manage 50 + projects a year with a turnover of £4m per annum |

Part 3 - About the markets you don't operate in

| Question A | Your response |
|--|--|
| Have you considered competing for work in other regions? If so, which ones? | No we are already national |
| What stops you competing in other regions? | Nothing |
| Question B | Your response |
| Have you considered competing for different types of connections work (e.g. different voltage work)? If so, which ones? | Yes we have moved up the voltage levels from LV through to 132kv |

| | |
|---|--|
| What stops you offering other types of connections? | The DNO's reluctance to support ICP's building 132kv systems |
|---|--|

Part 4 – About your views on the issues we've identified.

In our letter, we identified where we have feedback from stakeholders about areas that may be an issue for competition. We provided our understanding of these issues in the letter. In this part of the questionnaire we want you to describe the issue and your experience of it. There is also a blank template for you to complete for additional issues not described by us.

| 4A | |
|-------------|--|
| Title | The DNO's level of control over the connection process |
| Description | <p>To safeguard network integrity, DNOs insist on controlling some of the activities associated with network connections. So competitors have to interact with DNOs at certain points of the process. This can cause tension and may make it more difficult for a competitor to win work. Some examples are given below.</p> <p>Competitors need to provide quotes to customers in order to win work. This involves designing and costing a connection. Their ability to do this independently is currently limited because:</p> <ul style="list-style-type: none"> • To quote for a job a competitor will need to know where they can connect to a network. For the competitor to establish their own point of connection they will need to apply to the DNO to get access to network diagrams and information. • The DNO must then approve the design of the competitor's connection. • Alternatively a competitor can ask the DNO to offer them a point of connection (POC) to the existing network. |

This dependency on the DNO may make it difficult for competitors to issue quotes in the same amount of time as (or faster than) a DNO. Competitors are less able to control timescales involved than the DNO and are reliant on DNOs meeting agreed timescales. We can also see that this process could lead to tension (or at worst discriminatory, anti-competitive behaviour). For instance, ICP designs may be rejected unnecessarily by DNOs. There is a risk that less favourable connection points could be issued to competitors than are issued by the DNO to its own customers.

In addition DNOs may place requirements on competitors to protect the wider network that can add to the cost associated with using a competitor. For instance -

- DNOs can ask for link boxes to be installed at the network boundary with an IDNO.
- DNOs can insist upon ICPs being subject to their own accreditation regime before they are permitted to make a 'live' connection to a DNO's network.
- DNOs can insist on their own inspection and monitoring regime to audit the work of a competitor before a connection can be made.

The above issues, either in isolation or combined, could result in difficulty for competitors to provide quotes and ultimately win work. There is also a risk that the complexity of interaction between the competitors and DNO deters customers from seeking quotes from a range of providers.

(i) Have you experienced, or are you aware of, these issues?

☒ YES – Please complete the sections below.

☐ NO – Please move onto the next issue

We believe that there may be a number of different ways in which the DNO's level of control over the connections process could affect a competitor's ability to compete and we've given examples of what these may be in the description above.

We'd like to try to capture each of these separately by asking you to complete the following questions. To do this we need you to identify the separate issues and respond to a set of questions based on each issue identified. Each issue should relate to the impact that DNO control

over the connection process has on your ability to compete.

There is space for you to provide details of up to 5 issues, but you don't need to populate them all. Just include the things that matter to you.

ISSUE 1

Description of the issue: DNO's poorly apply their own rules making cross license working is not consistent, the dno's should lose the right to determine POC's this should be provided by an impartial third party nationwide and the DNO's and ICP's would then have a level playing field

[please complete]

Issue Details:

Q. How often does the issue arise? Constantly

A.

Q. Where does the issues arise (DNO areas or type of work) in WPD and UKPN with multiple licenses regions

A.

Q. Has this affected your ability to win work? Yes constantly

A.

Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice? None of them are good at providing this service, it all feels geared towards their benefit, whether it be reinforcement, apportionment or connection pricing

A.

Q. What more could be done to deal with the issue?

A. Take the POC process off them and create a third party independent company to manage POC's

Q. Why can't the issue be dealt with or what barriers are there to implementing change?

A. Why would a DNO vote for improving a system that benefits them?

ISSUE 2

Description of the issue:

[please complete]

Issue Details:

Q. How often does the issue arise? Upstream reinforcement

A.

Q. Where does the issues arise (DNO areas or type of work) All of them

A.

Q. Has this affected your ability to win work? It has single handedly ruined dozens of schemes because the DNO's are guilty or trying to get old network replaced at the expense of the new customer

A.

Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?

A. No

Q. What more could be done to deal with the issue?

A. They should be made to pay for upstream reinforcement themselves and cover its costs through their DUoS not penalise developers

Q. Why can't the issue be dealt with or what barriers are there to implementing change?

A. OFGEM does not control the DNO's strictly enough

ISSUE 3

Description of the issue: Equipment pricing differentials

[please complete]

Issue Details:

Q. How often does the issue arise? All the time

A.

Q. Where does the issues arise (DNO areas or type of work)

A. The DNO's are able to procure all their equipment at 50% the costs of the ICP's this damages competition as the small ICP's have no chance of procuring equipment at competitive rates

Q. Has this affected your ability to win work?

A. Constantly, especially at 11kv and LV which affects the smaller developers much more

Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?

A. No

Q. What more could be done to deal with the issue?

A. Open the DNO's pricing advantage to the ICP sector to enable like for like pricing

Q. Why can't the issue be dealt with or what barriers are there to implementing change?

A. DNO's would not want to help competition to this level

ISSUE 4

Description of the issue:

[please complete]

Issue Details:

Q. How often does the issue arise?

A.

Q. Where does the issues arise (DNO areas or type of work)

A.

Q. Has this affected your ability to win work?

A.

Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?

A.

Q. What more could be done to deal with the issue?

A.

Q. Why can't the issue be dealt with or what barriers are there to implementing change?

A.

ISSUE 5**Description of the issue:**

[please complete]

Issue Details:

Q. How often does the issue arise?

A.

Q. Where does the issues arise (DNO areas or type of work)

A.

Q. Has this affected your ability to win work?

A.

Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?

A.

Q. What more could be done to deal with the issue?

A.

Q. Why can't the issue be dealt with or what barriers are there to implementing change?

A.

4B**Title****Complexity for customers****Description**

We have been told that some aspects of some connection process can cause confusion for customers:

- Transparency in quotes - Competition should be most effective where customers are able to compare the costs that will be charged by the DNO against those of an independent. Stakeholders have raised concerns that quotes are difficult to understand because the content of work is not always clear. This could disadvantage customers as they might not be able to easily compare costs between the DNO and an independent.

DNOs have improved transparency but recent responses to some competition tests suggest that there is still more to do, such as removing miscellaneous charges in quotes.

- Difficulty in accepting just the non-contestable part of a DNO's quote - In some DNO areas, issues can arise when customers accept a non-contestable quote from a DNO, but decline the contestable element and choose to use an independent. If this happens, some DNOs may reissue the costs of the non-contestable works. This can discourage customers from using independents, as doing so will increase the time taken to receive a quote and add uncertainty to the cost of any non-contestable works. We are aware that some DNOs have introduced fully transferable quotes to address this issue. But this is not yet standard practice across the industry.

A) Scale**(i) Have you experienced the issue?**
☒

YES – Please complete the rest of this question

☐

NO – Please move onto the next issue

(ii) Please describe the type of issue as you have encountered it.

SSE charge more for ICP management than their offered Non contestable price everytime usually 16% more, which upsets all involved in the process

(iii) How often does the issue arise?

Everytime

| | |
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| | (iv) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of customers?) |
| | SSE are the worst for this, WPD and UKPN do not fix costs. UKPN state everything is provisional then invoice after the works are complete, the customer then has to pay the costs without the chance to discuss |
| B) Impact | (i) Has this affected your ability to win work? |
| | Yes |
| | (ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice? |
| | No |
| | (iii) What more could be done to deal with the issue? |
| | Make them offer fixed non contestable costs for them and ICPs to match each other |
| | (iv) Why can't the issue be dealt with or what barriers are there to implementing change? |
| | DNO's indirectly penalise customers for using ICP's |

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| 4C | |
| Title | Customer appetite for competition |
| Description | <p>We have been told that some customers may not be convinced of the benefits of using alternative providers:</p> <ul style="list-style-type: none"> • <u>Customers don't know they can use alternatives</u> - Some customers are still unaware that they can choose an alternative provider. This is a long-standing issue. We think awareness has improved with DNOs now providing information on alternative providers, but a lack of awareness remains for some types of customers (eg smaller customers) and is still impeding competition. • <u>Customers' willingness to use independents</u> - In response to the competition tests, some stakeholders have noted that some customers are reluctant to use competitors. Stakeholders have suggested this is because of a perception of increased risk of higher costs, extended timescales or greater 'effort' when using independents compared to the DNO. Some stakeholders have said that the cost savings of using a competitor aren't sufficiently significant. This may particularly be the case for lower value work. |
| A) Scale | <p>(i) Have you experienced the issue?</p> <p><input checked="" type="checkbox"/> YES – Please complete the rest of this question</p> <p><input type="checkbox"/> NO – Please move onto the next issue</p> <p>(ii) Please describe the type of issue as you have encountered it.</p> <p>(iii) How often does the issue arise?</p> <p>(iv) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of customers?)</p> |

| | |
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| | |
| B) Impact | (i) Has this affected your ability to win work? |
| | |
| | (ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice? |
| | |
| | (iii) What more could be done to deal with the issue? |
| | |
| | (iv) Why can't the issue be dealt with or what barriers are there to implementing change? |
| | |

4D**Title****The impact of regulatory regimes and requirements****Description**

- Statutory powers - Through their licence DNOs have statutory powers that make conducting street works easier than if a non-licenssee (ICP) carried out the work. This can make it more difficult for some independents and may make smaller jobs unattractive.
- Requirement for emergency response service - In the event of a fault on the network, DNOs and IDNOs are required by their licence to provide certain services to customers on their network. This includes information and fault restoration. Some stakeholders argue that the requirements to provide this service imposes costs that could stop new IDNO entrants entering the market or existing participants expanding. They also note that DNOs are more easily able to cover such costs through their regulatory revenues.
- Part funded connections - When conducting a connection project, a DNO may decide to carry out additional wider work on its network. If it does, the cost of reinforcement will be shared between the connecting customer and the wider customer base. If a customer contracts with a competitor for all of the work there will be no cost sharing. This may restrict the independent's ability to compete with the DNO on price for certain work.
- Pricing - we want to understand the extent to which independents can compete on price in various sections of the market.

A) Scale**(i) Have you experienced the issue?**
☒

YES – Please complete the rest of this question

☐

NO – Please move onto the next issue

(ii) Please describe the type of issue as you have encountered it.

Part funding of projects is offered with no or little explanation and once the client accepts an ICP quote the part funding will disappear, if the site goes to the DNO or an IDNO the host still receives the benefit of the DUoS, therefore why would they still not support the part funding

(iii) How often does the issue arise?

| | |
|------------------|--|
| | regularly |
| | (iv) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of customers?) |
| | WPD and UKPN |
| B) Impact | (i) Has this affected your ability to win work? |
| | Yes |
| | (ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice? |
| | No |
| | (iii) What more could be done to deal with the issue? |
| | Make the DNO's honour the part funding no matter who builds the connection |
| | (iv) Why can't the issue be dealt with or what barriers are there to implementing change? |
| | The DNO like to use this as a UPS for them |



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| 4E | |
| Title | Little evidence of competition for certain types of connection |
| Description | <p>We have seen little evidence of competition in certain types of connection during the competition test process. No DNO passed the test in the 'distributed generation low voltage' or 'unmetered other' RMSs. There may be specific issues affecting competition for these types of connection. This could be because of:</p> <ul style="list-style-type: none"> • the total value of the work (and high proportion of non-contestable costs); • the value of the work versus the costs or effort required to win it (for instance the processes complexity); • the sporadic nature of the work; and/or • high entry costs (accreditation etc). |
| A) Scale | <p>(i) Have you experienced the issue?</p> <p><input type="checkbox"/> YES – Please complete the rest of this question</p> <p><input type="checkbox"/> NO – Please move onto the next issue</p> <p>(ii) How often does the issue arise?</p> <p>(iii) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of work?)</p> |

| | |
|------------------|--|
| B) Impact | (i) Has this affected your ability to win work? |
| | |
| | (ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice? |
| | |
| | (iii) What more could be done to deal with the issue? |
| | |
| | (iv) What are the mitigating arguments? ie why can't the issue be dealt with or what barriers are there to implementing change? |
| | |

Part 5 –About your views on the issues we’ve not identified.

We recognise that there may be issues in the market that we did not identify under Part 4. If there are other issues please provide details of them by populating the blank issues template which is provided below. If you have more than one issue please make multiple copies of the template and complete one template for each issue that you want to highlight.

5 – BLANK ISSUE TEMPLATE

| | |
|--------------------------|---|
| Title | [Insert title] |
| Issue Description | [Insert issue description] |
| A) Scale | (i) Have you experienced the issue? |
| | <input type="checkbox"/> YES – Please complete the rest of this question |
| | <input type="checkbox"/> NO – Please move onto the next issue |
| | (ii) How often does the issue arise? |
| | |
| | (iii) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of work?) |
| | |
| B) Impact | (i) Has this affected your ability to win work? |
| | |

(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?

(iii) What more could be done to deal with the issue?

(iv) What are the mitigating arguments? ie why can't the issue be dealt with or what barriers are there to implementing change?

Part 6 - About other markets

| Question | Your response |
|--|---------------|
| How does your experience of this market compare to comparable markets that you operate in, or are aware of? | |
| Are there any aspects of those markets which you think would deal with the issues you have identified in this questionnaire? | |

Part 7 - Other comments

The questions we've asked have been designed for you to give us important information for our review. But you also have the opportunity to comment here on any other aspect of the market for new electricity connections and our review process.