

## **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](mailto: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?	Linbrooke Services Ltd
What is the nature of your company's business?	Provision of professional services for the rail industry and Distribution Network Operators also acting as an Independent Connection Provider
Which sections of the market for new electricity connections does your	All sections of the markets up to and including 33kV, full turn key solutions where appropriate, including unmetered connections.

business operate in?  (ie what types of connection solution do you provide?)	
What areas of the country does your business operate in?	Nationally
Who are your competitors?	DNO's and other ICP's
Please provide an indication of your size. Ie how much work do you do in the connections market?	£2.0m on street lighting connections £1.5m on metered connections

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

Question A	Your response
Have you considered competition for work in other regions?  If so, which ones?	N/A
What stops you competing in other regions?	N/A
Question B	Your response
Have you considered competition for different types of connections work (e.g. different voltage work)?  If so, which ones?	We currently operate at LV and HV and are considering working in the EHV and generation markets

What stops you offering other types of connections?	Internal capacity and expertise.
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## 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"> <li>• 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.</li> <li>• The DNO must then approve the design of the competitor’s connection.</li> <li>• Alternatively a competitor can ask the DNO to offer them a point of connection (POC) to the existing network.</li> </ul>

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: Self-determination of the POC including access to DNO network data.**

*[please complete]*

#### **Issue Details:**

Q. How often does the issue arise?

A. On every project with some DNO's applying this to unmetered and small LV demand connections

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

A. All DNO's at LV and HV

Q. Has this affected your ability to win work?

A. This issue causes a comparative time delay DNO advantage particularly in the area of small LV demand (less than 60kVA).

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

A. Trails are in place in some DNO's but as yet are not business as usual.

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

A. Replace the requirement for POC approval stage with clear quick design rules which ICP's can apply themselves as most have these in place internally.

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

A. DNO's are reluctant to relinquish control of this stage of the process and trust the competence of the ICP.

### **ISSUE 2**

**Description of the issue: Timescales and cost associated with DNO's approval of ICP jointers and mates**

*[please complete]*

#### **Issue Details:**

Q. How often does the issue arise?

A. All the time (currently we have 23 teams to seek approvals for in 5 DNO's)

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

A. All except WPD who allow self-authorisation

Q. Has this affected your ability to win work?

A. Yes, unable to commit and win contract within tender and contract start timescales, cost and down time is also major factor in competitive pricing.

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

A. Yes, WPD from the outset offered self-authorisation and training which we consider best practice at the moment.

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

A. Nationally recognised jointer competence, authorisation and accreditation as per the gas market linked to National Skills Academy etc.

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

A. DNO reluctance to recognise best practice amongst DNO's or a national scheme or each other's assessment of competencies (except under national emergencies)

### **ISSUE 3**

**Description of the issue: Cost of Design Approval and self-determination of POC and associated timescales in some DNO's for unmetered connections**

*[please complete]*

#### **Issue Details:**

Q. How often does the issue arise?

A. Every application

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

A. Some DNO's insist on 10 working day upfront design approval for transfers, disconnections and new connections plus a five day whereabouts approval for audit purposes, compared with a total timescale of 5 days in WPD with associated non contestable cost saving

Q. Has this affected your ability to win work?

A. Yes, as the above stifles our ability to price competitively

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

A. Yes, WPD, ENW, SSE apply a process that has a realistic unit cost payment and acceptable timescales. We consider the above DNO's demonstrates best practice in this area.

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

A. Self-determination of POC for ALL unmetered design and connect with a post connection design approval process and payment terms as they do with their own unmetered customers

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

A. Some DNO's may see this as an area of low priority however is critical to the unmetered competitive market

### **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	<p>We have been told that some aspects of some connection process can cause confusion for customers:</p> <ul style="list-style-type: none"> <li><u>Transparency in quotes</u> - 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.</li> </ul> <p>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.</p> <ul style="list-style-type: none"> <li><u>Difficulty in accepting just the non-contestable part of a DNO's quote</u> - 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.</li> </ul>
A) Scale	<b>(i) Have you experienced the issue?</b>
	<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>
	<b>(ii) Please describe the type of issue as you have encountered it.</b> <b>Customers' Section 16 quotations at all voltages and values with an unclear non-contestable/contestable work split, lacking clear POC position does not allow the customer to pass on to an ICP to get a complete quote quickly i.e. the ICP/Customer then has to apply again for a separate POC introducing significant</b>



	<b>additional time delays.</b>
	<b>(iii) How often does the issue arise?</b>
	<b>All projects less than £20k in most DNO area's</b>
	<b>(iv) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of customers?)</b>
	Mainly LV only schemes
<b>B) Impact</b>	<b>(i) Has this affected your ability to win work?</b>
	Yes, protracted timescales which the customer has been unable to accommodate
	<b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b>
	Some DNO's have made improvements in this area such as ENW who provide a Section 16 offer that the customer can accept either the Section 16 or the POC and non-contestable element only. UKPN provide a comprehensive breakdown of all works allocated to either contestable or non-contestable activities
	<b>(iii) What more could be done to deal with the issue?</b>
	All DNO's accept the above best practice at all voltages and values.
	<b>(iv) Why can't the issue be dealt with or what barriers are there to implementing change?</b>
	<b>Those DNO's (eg SPN) that are structured with separate Section 16 and POC design and quote teams is a major barrier to moving towards best practice, where as other DNO's need to treat this as a priority.</b>

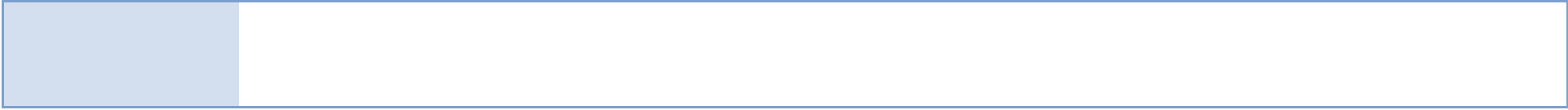


<b>4C</b>	
<b>Title</b>	<b>Customer appetite for competition</b>
<b>Description</b>	<p>We have been told that some customers may not be convinced of the benefits of using alternative providers:</p> <ul style="list-style-type: none"> <li>• <u>Customers don't know they can use alternatives</u> - Some customers 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.</li> <li>• <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.</li> </ul>
<b>A) Scale</b>	<p><b>(i) Have you experienced the issue?</b></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><b>(ii) Please describe the type of issue as you have encountered it.</b></p> <p><b>Some customers are not aware of how the market has matured in the last two years and carry adverse perceptions from earlier experiences.</b></p> <p><b>(iii) How often does the issue arise?</b></p> <p><b>Occasionally</b></p> <p><b>(iv) Where does the issue arise? (I.e. is the issue more frequent in certain areas or for certain types of customers?)</b></p> <p>The lower down the voltage and value chain awareness of competition becomes less and less</p>

<b>B) Impact</b>	<b>(i) Has this affected your ability to win work?</b>
	Market penetration has been limited by this however our ability to win work where customers are aware has not.
	<b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b>
	This is not necessarily a DNO issue.
	<b>(iii) What more could be done to deal with the issue?</b>
	ICP's to work collaboratively with DNO's to promote their presence and capabilities within the DNO's are whilst remaining compliant with competition law. ICP's and their representative groups do more to promote awareness of their member's capabilities in the market place.
	<b>(iv) Why can't the issue be dealt with or what barriers are there to implementing change?</b>
	This is mainly down to market forces in a growing economy.

<b>4D</b>	
<b>Title</b>	<b>The impact of regulatory regimes and requirements</b>
<b>Description</b>	<ul style="list-style-type: none"> <li>• <u>Statutory powers</u> - Through their licence DNOs have statutory powers that make conducting street works easier than if a non-licensee (ICP) carried out the work. This can make it more difficult for some independents and may make smaller jobs unattractive.</li> <li>• <u>Requirement for emergency response service</u> - 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.</li> <li>• <u>Part funded connections</u> - 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.</li> <li>• <u>Pricing</u> - we want to understand the extent to which independents can compete on price in various sections of the market.</li> </ul>
<b>A) Scale</b>	<p><b>(i) Have you experienced the issue?</b></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><b>(ii) Please describe the type of issue as you have encountered it.</b></p> <p><b>Timescales associated with obtaining a Street work licence and NRASWA noticing periods</b></p> <p><b>(iii) How often does the issue arise?</b></p> <p>On every project that requires excavation in the highway.</p>

	<b>(iv) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of customers?)</b>
	Where excavation are carried beyond the customers in public highway where the client is not a statutory undertaking or highway authority the ICP has to apply for a Section 50 licence before a NRASWA notice can be served which take up to two months longer to obtain with some HA's refusing to grant the licence due to a lack of understanding of the competitive market.
<b>B) Impact</b>	<b>(i) Has this affected your ability to win work?</b>
	Yes, as timescales are increased in comparison to DNO's.
	<b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b>
	No DNO's have tried to deal with this issue.
	<b>(iii) What more could be done to deal with the issue?</b>
	Reflect the regulation and licencing of the gas market model, where competitors are granted the same rights as the network operators
	<b>(iv) Why can't the issue be dealt with or what barriers are there to implementing change?</b>
	DNO's and Ofgem must support the move to change the regulatory framework as a priority



<b>4E</b>	
<b>Title</b>	<b>Little evidence of competition for certain types of connection</b>
<b>Description</b>	<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"> <li>• the total value of the work (and high proportion of non-contestable costs);</li> <li>• the value of the work versus the costs or effort required to win it (for instance the processes complexity);</li> <li>• the sporadic nature of the work; and/or</li> <li>• high entry costs (accreditation etc.).</li> </ul>
<b>A) Scale</b>	<b>(i) Have you experienced the issue?</b>  <input type="checkbox"/> YES – Please complete the rest of this question  <input type="checkbox"/> NO – Please move onto the next issue
	<b>(ii) How often does the issue arise?</b> <p>We believe this is a reflection of market immaturity in these area's and with greater take up of the larger value (profitable) projects across the UK with more ICP's operating regionally these market sectors will become more accessible and attractive. This subject to DNO's commitment to streamline processes in readiness for the development of this market sector.</p>
	<b>(iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of work?)</b>



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

## 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 issues please make multiple copies of the template and complete one template for each issue that you want to highlight.

### 5 – BLANK ISSUE TEMPLATE

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

**(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? i.e. 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?	No direct experience in other utility sectors however we are aware that the gas model is more mature and provides a good level of accessibility to ICP's leading to their dominant market share.
Are there any aspects of those markets which you think would deal with the issues you have identified in this questionnaire?	As above and referenced in our previous comments above.

## 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.

We believe it is extremely important that Ofgem maintain regulatory pressure on DNO's to move more quickly and proactively to open all markets to competition rather than relying solely on incentive regimes proposed under RIIO – ED1. We believe that the weakening of the threat of real sanctions towards the end of DPCR5 allowed some DNO's to be less proactive in opening up competition in their respective area's compared with other DNO's who clearly showed commitment and achieved significantly more in opening up completion.

