

### **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?	Michael Harding
What is your position?	Head of Regulation
What are your contact details?	<a href="mailto:mike.harding@gtc-uk.co.uk">mike.harding@gtc-uk.co.uk</a> 01359 243267

## Part 2 - About your business

Question	Your response
What is your company's name?	GTC
What is the nature of your company's business?	GTC operates the licensed electricity distribution businesses of The Electricity Network Company Limited (ENC) and Independent Power Networks Limited (IPNL). Both of these licensee businesses operate as independent distributors (IDNOs) competing with incumbent licensees for the provision and ownership of electricity distribution networks. GTC operates as an Independent Connections Provider (ICP) providing distribution assets which may be adopted by BUUK licensees or by incumbent DNOs.
Which sections of the market for new electricity connections does your business operate in?  (i.e. what types of connection solution do you provide?)	GTC operate in the Demand RSMs across all of the DSAs. Whilst we work mainly in the LV and HV markets, we have been successful in winning and installing EHV connections  We undertake all contestable connection work and are actively involved in promoting and developing to DNOs the extensions to contestable work.
What areas of the country does your business operate in?	Across all DSAs in the UK
Who are your competitors?	We compete against DNOs, other IDNOs and ICPs.
Please provide an indication of your size; i.e. how much work do you do in the connections market?	We aim to provide a competitive quote to most new build housing developments in England & Wales and we have long standing commercial relationships with most of the major house builders. In Scotland we compete to a lesser extent due to factors of difficulty.  During 2013 we estimate that on average we provided new metered electricity connections to circa 500 new homes every week of the year spread across all DSA regions.

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

Question A	Your response
<p>Have you considered competing for work in other regions?</p> <p>If so, which ones?</p>	<p>As indicated in our response to Part 2, we operate across all DSAs. Our experience is that each DSA is open to us to varying degrees, depending on individual DNO processes and behaviour.</p> <p>We continue to operate in the most difficult DNO areas because our customers expect us to provide a national service. The most difficult DSA region for us to operate in is Scottish Power, who apply overly burdensome and obstructive processes from establishing points of connections right through to final commissioning. We will describe this in more detail later in this submission.</p>
<p>What stops you competing in other regions?</p>	<p>The biggest barrier is the intrusive control DNOs attempt to apply to our work, and the unduly burdensome processes DNOs put in place to facilitate competition, these impose costs and time constraints not incurred by the DNOs' own connection operations.</p> <p>Our employees and contractors are as competent and as well trained as the DNOs' own staff, many of them have previously worked for DNOs. However, in many cases DNOs insist on applying a level of supervision, assessment and inspection of our works that they do not apply to their own works.</p> <p>Over the last few years we have engaged with Ofgem and with DNOs to try and improve the connections process. In doing so we have compared and contrasted the processes operated by DNOs with those that operate in the gas connections market and to show what can be achieved. We describe the gas model as a "self-service" model. DNOs suggest that this is not an appropriate comparison; asserting greater complexity in electricity. Whilst of course there are differences, there are more similarities than differences. Whilst some aspects may be more complex in electricity: many are not; and this is not a reason to prevent innovation in finding ways that a self-service model can be developed. Whilst there has been progress (more by some DNOs than by others) its speed has been glacial and often punctuated by procrastination. Some trials of new processes operated in recent years have often not had prescribed end dates, clear terms of reference by which to judge outcomes by, nor mechanisms to transfer them into "business as usual processes". As a consequence they have turned into devices that slow real progress rather than aid implementation of new solutions.</p>

Work to develop effective competition in connections was initiated over 10 years ago. Therefore it hardly seems appropriate for DNO claims that they need more time to develop appropriate systems and procedures.

In facilitating connections process for ICPs and IDNOs, DNOs often impose intrusive intervention points where they undertakes checks on the ICP at a charge to the ICP. Our experience is that these checks introduce significant costs; and worse, unduly delay our ability to deliver work for our customers. As a consequence DNOs compromise the ability of ICPs and IDNOs to deliver good service to their customers. An example of this is where DNOs apply different quality/audit criteria when contractors work for an ICP than they do when the same contractor works for the DNOs' own connection businesses.

Note: The NERs accreditation operated by Lloyds is a sufficiently robust vehicle similar to its equivalent GIRS model in gas and should be accepted by the DNOs as the instrument to manage quality and all operators on their networks. This is a key lesson from the gas sector and has operated successfully over many years. Ability to deliver good quality work is a product of competence, evidenced by accreditations, and should not depend on whether your employer is the DNO or not.

We have experience of where DNOs' connection businesses respond more quickly to an end customer request where they are the connection provider than when they respond to us as a competitor seeking a connection point so that we can offer the customer a quote. By the time we have the connection point to start building up our quote the DNO has won the business.

Many of the barriers imposed by DNOs are artificial and unnecessary. By imposing such undue barriers and hurdles DNOs introduce additional costs and delays for ICPs and IDNOs and thereby (implicitly) promote their own connections businesses, or in other words act anti-competitively.

Another significant barrier is the provision of emergency response services. This has the effect of stopping us competing for projects where the geographic stretch is too much for us to provide emergency response services in a timely manner. As an example, we are able to quote for new work in the South Wales and the South West of England as we have the support of WPD for emergency services in these areas. Without this it would be very difficult for us to operate an effective emergency response service. It will take many years for IDNOs to build economies of scale anywhere near approaching that of a DNO. Providing a cost effective emergency service requires scale, to the point where it could be argued the activity is close to a natural monopoly. In the gas

	market this was recognised, and the incumbent GDNs provide all first response emergency services.
<b>Question B</b>	<b>Your response</b>
Have you considered competing for different types of connections work (e.g. different voltage work)?  If so, which ones?	<p>We compete in all Metered Demand RMSs across the UK.</p> <p>The higher voltage project opportunities are not frequent, especially due to the issue of second comer rule and the apportionment issue. These issues mean that we are prevented from competing on a level playing field with the DNOs. We have had a number of projects opportunities, but we have found that our competitive cost to build is far higher than the costs which have the effect of being subsidised through apportionment by the respective DNO. Some customers have also been aware that they may lose out on any potential second comer payments. To open the market, revisions to the framework are required to provide equal support of Second Comer rules. Also, the way DNOs offer apportionment should be reviewed.</p>
What stops you offering other types of connections?	<p>The arrangements for unmetered supplies are an area of significant concern. Local Authorities perception is of the additional costs that they will pay for the trading of UMS because of the requirement to maintain different inventories for IDNO networks. This is particularly the case where inventories are traded in the HH market. Therefore Local Authorities either exclude IDNO connections or suggest to the Developer that they will not adopt the assets if they are connected to their street lights.</p> <p>The IDNOs have been working to develop solutions that ensure the Local Authorities do not see any cost differences between a DNO and IDNO connection. Unfortunately we have been met with stiff opposition by certain DNOs that have rejected the changes. What has been more frustrating is that we understand that certain DNOs have lobbied their own supply business to reject the changes (despite the fact that none of these changes affect supply businesses). It is disappointing to find that certain DNOs feel that they need to block customers' interests in this way and ensure that there is not a level playing field for unmetered customers.</p>

## 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**

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.

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:

- 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: Link Box installations on all IDNO LV schemes

*[please complete]*

#### Issue Details:

*Q. How often does the issue arise?*

A. DNOs require that all IDNO connections to DNO networks at LV are via link box installations.

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

A. All DNOs use this process although UKPN alone insist on owning the link box.

*Q. Has this affected your ability to win work?*

A. Yes – There is a cost of circa £2,500 for each link box installation. Whilst for larger LV networks we may be able to smear the cost across the plot connection price, smaller sites become far too costly. This closes this part of the market to us and to any ICP that wants to have the network adopted by an IDNO; i.e. adoption can only be by the incumbent DNO. It also removes choice from the developer

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

A. We have managed to get direct connections from take-off cabinets with SSE and are now talking to them about making this the standard connection process. UKPN are the most difficult as their insistence on owning the link box means that they also insist on us arranging expensive land rights for the box on the developers land even when it will be adopted in the future. This makes the scheme even more expensive and a longer timescale to connect as we need to secure the land rights.

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

A. We contend that there is no need for a link box between DNO and IDNOs. Also, we believe that such a requirement introduces its own safety concerns and reduces the reliability of supply.

At HV the DNO has control of the switch that connects our network to theirs and we call them out if we require the switch to be operated. We see no difference in this area and feel that the CML and CI issues can also be dealt with. As an aside we believe that we have spent over £2.5m on installing link boxes over the last five to six years. This money far outweighs any benefit that is given by the installation of the link box, which is after all a box designed to connect networks on a rare occasion rather than a box for permanent and heavily



loaded connection. Therefore we believe that the requirement for a link box is superfluous and should be removed.

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

A. This requirement is imposed by DNOs is entirely in the hands of the DNO and there are no barriers to them removing this requirement. In fact the HSE have indicated they consider it would be safer if they were not installed. DNOs have not provided any robust reasons for requiring them. If they were making the connection themselves a link box would not be installed. There are no justifiable technical reasons to maintain link boxes it is a clear case of a DNO behaviour that is anti-competitive in its effect and Ofgem must act without delay to stop this practice.

## ISSUE 2

### Description of the issue: DNO connected in a far quicker timescale than an ICP or IDNO can achieve

*[please complete]*

#### Issue Details:

*Q. How often does the issue arise?*

A. DNOs do not generally subject themselves to the same approval process and checking of work that they apply to ICPs and are therefore able to connect works in a quicker timescale than any IDNO or ICP. This is one of the reasons why competition has taken off more slowly than expected. As long as DNOs impose this discriminatory framework IDNOs and ICPs will not be able to offer the timescales that DNOs' own connection businesses can offer to the customers. We have examples where DNOs have told customers that they can connect within two weeks of having an offer accepted. A competitor will often have to wait longer than this for the DNO design approval, let alone start programming in the work.

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

A. This happens in all DNO areas, even with the better DNO performers. It is a fundamental issue that the DNOs have chosen to perpetuate.

*Q. Has this affected your ability to win work?*

A. Yes, we have lost customers due to this and it causes customer complaints. It also affects our other utility connections businesses as developers will be concerned about giving us work if we cannot guarantee timescales for all the utilities offered.

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

A. Whilst some DNOs have worked on improving the timescales the process is the issue and it is common across all DNOs.

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

A. Development of the self-service model could address most of these issues. The ICP/IDNO would then be in control of the work and ensure that all competitors have a level playing field with the DNO teams and their contractors. The self-service philosophy and dropping the persistent can't do/won't do attitude in favour of an open, innovative can do attitude to support the competitive market.

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

- A. There is nothing to stop the adoption of self-service processes similar to those used in the gas sector. The differences between gas and electricity can be satisfactorily accommodated whilst achieving the overall aim.

Self-service would reduce the overall costs of the DNO and customers would pay less for connections.

However, experience has shown that DNOs are unlikely to develop deal with the issue voluntarily. To make this happen direct intervention from Ofgem is required. At present they DNOS seem to be unwilling to address these anti-competitive practices. .

### ISSUE 3

**Description of the issue: DNO staff using different and higher standards of work than they expect from their own staff or their direct contractors.**

*[please complete]*

*Issue Details:*

*Q. How often does the issue arise?*

A. This is an issue that we see every day in most DNO areas.

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

- A. This happens all the way through the design and construction processes. DNOs will allow and accept changes to their standards from developers where their own connection's business is undertaking the work, but when if the work is via a competitor they frequently require their standard to be adhered to rigidly even where this is not possible.

We also see this in the audit process where DNOs treat work undertaken by or on behalf of their own connections business (or by contractors working directly for their connections business) more favourably than they do for work undertaken by competitors. We have shown examples to most DNOs where this has occurred but have seen very little action from DNOs to prevent this happening. We suspect that some DNO design staff believe they must show failures of ICP designs to justify their own jobs and so look to fail anything they can to highlight the good job they are doing. We believe that some DNOs use the rejection of a design as a way of buying more time, as they have other competing projects to deal with, and some staff believe that if they stop competitors' works or impose more costs by requiring to redo work then competition will go away and their jobs will be safe.

It is quite possible that the senior leadership teams in the DNO's are not fully aware that lower level staff are behaving this way, and the easiest solution to this kind of behaviour is to by-pass it all through a self-service model. Such behaviours in some DNOs appear to be institutionalised and part of the culture.

Q. *Has this affected your ability to win work?*

A. Yes. We have had customers tell us that they will not come to us because they know it will just add delay to their projects and they cannot afford to let this happen. Developers only need one bad DNO experience to turn them away from competition for a period.

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

A. WPD and ENW have done more than most to counter this but it still occurs with individuals or with designers who appear to use a different subjective approach than they do for their own business.

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

A. By taking the DNO's staff out of the process by adopting a self-service philosophy then these personnel issues can be removed completely. The independent NERS audits with Lloyds should provide sufficient quality and technical assurances.

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

A. The issues can and must be dealt with. Customers are seeing a significant difference between utilities where DNO staff unduly intervene and prevent the works going ahead. DNOs have sufficient commercial leverage with competitors to ensure that they deliver the correct standard of work. DNOs need to accept that competitors' designers are more than competent in making judgements on what is safe and can be varied without affecting the standards required. After all most DNOs are now employing competitors' designers so this indicates that their standard of work must be satisfactory.

#### **ISSUE 4**

**Description of the issue: Use of legal process to slow down projects. In particular offering points of connection where the DNO has no legal rights. Where legal barriers are put up to slow down progress e.g. working under a DNO's Easement**

*[please complete]*

#### **Issue Details:**

Q. *How often does the issue arise?*

A. We see this issue in a number of projects. It occurs at least every month and sometimes more.

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

A. We experience this more in UKPN's area than anywhere else. They have taken an unduly risk averse attitude to the use of existing easements where other DNOs have facilitated this in a more timely way. Another unhelpful factor is that UKPN do not provide contact

details of landowners where they have equipment sited that we need to connect to and expect us to go through the lengthy process of discovering who the land owners might be for UKPN equipment ourselves. We end up trying to do this via the Land Registry.

We have also had experience with Scottish Power where they had a substation already connected and supplying customers yet they refused to allow us a connection to a new development until the substation land rights were resolved. The substation had been built for many years and they had already connected the show houses and site hut on our development, yet would not allow us to go ahead. This was very frustrating for us, but more importantly our customers could barely believe this, and they concluded that had they chosen the DNO to do the work none of the delays would have occurred. We also discovered that Scottish Power had set up agreed rates for legal completions with another IDNO but had not shared this with the rest of the IDNO market. This had the effect of making us significantly more expensive than the other IDNO. We only discovered this after negotiating with them for several months about the incorporated land rights process. We suggest that such undue discriminatory treatment may be in breach of their DNO licence.

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*Q. Has this affected your ability to win work?*

A. Yes. We have lost customers over the delay that has ensued when legal process for land rights has slowed down progress. It is very frustrating as the DNO has all of the information but chooses not to share this. In UKPN's DSAs we have to go to Land Registry to find out what rights the DNO have over the land.

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

A. ENW and WPD have done more than most to accommodate our requirements. We see most problems happening in UKPN's DSAs.

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

A. Rights can easily be granted to competitors to allow them to work as agents of the DNO. This has been explained to UKPN but we still have a protracted process that causes frustration for the competitors and the ultimate customer of the project.

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

A. UKPN has the ability to deal with this but it is not high on their list of priorities despite a number of competitors raising it at workshops with them.

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## **ISSUE 5**

**Description of the issue: Self-assessment of points of connection and self service**

*[please complete]*

**Issue Details:**

*Q. How often does the issue arise?*

A. There are only minimal arrangements across DNOs for self-assessment of points of connection and self-service.

We believe a fully open market depends on self-service processes but DNOs have not engaged at a level that will make a material difference. Currently some DNOs do allow self-service for a restricted category at low load levels (adequate for temporary supplies) or for very small projects but it is not sufficiently wide to make it worthwhile investing in this limited process.

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

A. All DNOs currently do not facilitate this process outside of the "trials" that we have been involved in. Some DNOs have appeared to try to open their systems but unfortunately they seem to stumble over have blocks in internal DNO policy that cannot be overcome by the people trying to open this area up to competition.

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*Q. Has this affected your ability to win work?*

A. Yes. We would be able to offer a far better, timely and cost effective offering to the market if we could self-assess our point of connection, develop the plans required and proceed on to the connection stage without interference from the DNO.

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

A. ENW, NPG and UKPN have tried to do some trials but the scopes have been so limited that it has not proven anything very worthwhile.

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

A. The DNOs should open up their records systems in the same way that the gas utilities have, so that we can assess the network information and plan a cost effective offering to the customer.

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

A. It is an internal issue with the DNOs' policies. They are able to provide remote access to their staff away from offices so it follows that remote access could also be provided for accredited ICPs. The firewalls and other protection are already in place – including the commercial agreements.

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Progress now depends on the will to do it, which based on experience so far means this will only happen if Ofgem direct them they must do so.



<b>4B</b>	
<b>Title</b>	<b>Complexity for customers</b>
<b>Description</b>	<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>
<b>A) Scale</b>	<p><b>(i) Have you experienced the issue?</b></p> <p><input checked="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>It is difficult to understand or validate the make-up of most quotes that we receive from the DNOs. Whilst we can raise queries with DNOs this takes up time for our team and slows down their ability to deliver a complete project price to the customer. DNOs rarely provide sufficient information on any reinforcement works and again we usually end up spending</p>



	<p>time discussing with the DNO's design engineers to try to get to the bottom of their assumptions and charges.</p>
	<p><b>(iii) How often does the issue arise?</b></p>
	<p>This is an issue we see most weeks from most DNOs.</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>We see this on most quotations that have reinforcement or anything that is out of the normal cost of a point of connection. The higher the voltage level that we are trying to connect the more common this becomes. This is due to more complexity of the non-contestable works.</p>
<p><b>B) Impact</b></p>	<p><b>(i) Has this affected your ability to win work?</b></p> <p>Yes. We have some quotations that were unclear that we have ended up either identifying additional work and costs that were not required or missing out work and costs out completely. This has two effects. If we under-price the project we have to incur a loss or have an unhappy customer who is reluctant to see their costs rise after accepting an offer. This can make future relationships more difficult to manage. Equally if we overprice projects, due to double counting elements, we will not win the project and may not be asked to price future projects as we are considered too expensive. Both of these issues can and do occur.</p> <p><b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b></p> <p>UKPN have spent a lot of time developing their pricing matrix but even with this we still find that a lot of costs end up in the 'miscellaneous' category. These can be over 50% of the costs of the non-contestable elements.</p>

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

It would be useful for the DNOs to show that the price is within their charging methodology matrix by showing what the maximum and minimum costs are for the type of project quoted. This would give more confidence that they are giving a cost effective solution in line with their methodology.

More importantly if the competitors are given a matrix that they can use to price elements of work to be undertaken by the DNO, we could cost the total projects up for the DNO when we price the contestable elements under a self-service regime. This would ensure that the competitor is responsible for the total cost and will be responsible for the quality of the quotation they provide the customer.

**(iv) Why can't the issue be dealt with or what barriers are there to implementing change?**

We need an open market where we can assess the point of connection and see what additional works need to be done. If this was developed similar to the gas model so that any jobs that fall outside of this will be subject to discussion with the DNO before pricing the project. This will ensure that the customer gets the correct price and would significantly reduce the amount of work the DNO would have to expend on these projects. This needs commitment from the DNOs to allow this to happen.

<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 (e.g. 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>We have a number of customers who are aware of competition in the various utility markets that we operate in but are reluctant to work with us in the electricity market. These fall into two categories:</p> <ol style="list-style-type: none"> <li>1) Some customers believe that DNO involvement in the process makes it far too difficult and time consuming for them and their team on site that they do not want to get involved. They like the process that we use in gas but fear that the project will be delayed by the involvement of the DNO's competition team and the interaction between us and the DNO.</li> <li>2) Other customers feel that if they come to a competitor that the incumbent DNO will make it difficult for them on other projects or they will ensure that we cannot meet their timescales by delaying design approval or fail our work on site.</li> </ol>

	<p>Whilst these views may be unfounded they have seen enough evidence of this occurring to make them wary of using competition against the DNOs.</p> <p><b>(iii) How often does the issue arise?</b></p> <p>We experience delays and frustrations every day in various forms. This may be in applications for points of connection, design approval, on site construction or within the legal process.</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>These issues and delays occur across all RSMs that we operate in. Whilst ENW and WPD are the best performers, we see delays across the whole process. Some staff in some DNOs appear actively engaged in delaying and preventing connections going ahead. Whilst we try to work around this, unfortunately we cannot prevent all the DNO delays and this results in the customer suffering and our reputation being damaged in the eyes of the customer. Although this does not happen on every job the fear of it happening to a developer's project makes some of them choose not to go with an ICP competitive quotation. This happens less now than it did when we first started operating in the electricity market. However, it is still enough of a concern for certain customers that they will not take the risk. This does not occur in the gas market as the incumbent Gas Transporter has so little input into the process they do not impact on our delivery.</p>
<p><b>B) Impact</b></p>	<p><b>(i) Has this affected your ability to win work?</b></p> <p>Yes. We have a number of customers that we only quote for gas as they will not entertain an electric quotation due to their concerns of the DNO behaviour.</p> <p><b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b></p> <p>We see this occurring across the UK with various customers. Whilst their concerns may be incorrect on certain projects, due to the DNOs involvement in all aspects of the process we cannot guarantee them that there will not be any delays cause to their project. We find that Scottish Power are the worst performer in this and this is why we choose not to bid for as much work in their footprint areas. The overall process and the cumbersome systems and attitudes make it difficult for us to compete for electricity connections work. In this area we have a predominance of gas only customers. The best practice is in the gas industry where the incumbent Gas Transporter does not impact on our ability to deliver new connections.</p>

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

DNOs have the ability to change their processes. Unfortunately they have chosen to stick to the established processes and show little willingness to be proactive in meeting the needs of the market. Whilst some do flex this, the worst offenders stick rigidly to the policy and use back stop standard of performance time limits as a bench mark. This frustrates market entrants and customers see this as a barrier to going to the competitive market (particularly since the additive effect of each standard amplifies delays across the process). The DNOs need to allow competitors to have access to records systems and processes to compete on a level playing field with their own internal arrangements. This can be done easily but the DNOs have to be willing to change and explore what is possible.

**(iv) Why can't the issue be dealt with or what barriers are there to implementing change?**

There is no reason why DNOs cannot change their processes. However our experience is that DNOs will not do this on a voluntary basis – despite promises and commitments. The process required is no different to their own processes and they could achieve significant savings in resources by enabling self-service. However, without the direct intervention of Ofgem we think progress unlikely.

**4D**

Title	The impact of regulatory regimes and requirements
<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>It is not possible to price all jobs that we are asked to quote. The geographic location of some networks makes it unviable for us to operate a stand-alone emergency response service. The contractors that support us are not located in every town and so timescales to deliver services can be extended if we cannot get to site quickly. Therefore we have declined to quote certain projects due to the logistics of owning these networks.</p>

	<p>The part funded element is also an issue that means that we cannot compete successfully for certain projects. This is because the DNO partly funds an element of the project by subsidies recovered through DUoS charges from the DNOs' wider customer base. The DNO does not offer the same subsidies where competitors such as ourselves quote for such work. This differential treatment in only subsidising elements of projects where DNOs connection business undertakes the work unduly discriminates in favour of the DNO and distorts competition. Such subsidies can be for a significant a proportion of the project cost in certain circumstances and makes us uncompetitive.</p> <p>We also find some pricing from DNOs difficult to understand and we are not sure if a low cost to a developer is an error by the designer, a policy decision to not charge overheads or a use of part funding to subsidise a project. We see this from time to time and the effect is that customers could view us as an expensive option to the DNO.</p> <p><b>(iii) How often does the issue arise?</b></p> <p>We regularly see these elements occurring across most DNO regions.</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>We see the pricing issues occurring where there are higher voltage tiers involved in the costing of the project.</p>
<b>B) Impact</b>	<p><b>(i) Has this affected your ability to win work?</b></p> <p>Yes. We have lost projects to DNOs when we know that we should have been able to offer a more competitive cost than the DNOs. This does make us question the pricing model that is being used and if there are other issues involved in that we are not privy to. This could involve some partial funding or the movement of assets that are being priced in a different way so that the customer is seeing the full cost of the work if they go to the competitive market.</p> <p><b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b></p> <p>WPD have provided emergency response to all IDNOs that have wanted to avail themselves of this service for the last seven years and are in the processes of offering this across the midlands areas where they acquired the Central</p>

Networks DSAs. We have asked the other DNOs to consider similar arrangements many times over the last 7 years and the response has been mixed and ranges from considering commercial terms to a refusal to engage at all. Most DNOs are in the middle of these extremes but no DNO has followed the WPD option.

In terms of pricing we have seen more openness with breakdown of costs since Ofgem mandated this but we still see quotes that we cannot understand why the prices have been lower than we would have expected. As a minimum we think it is essential to have transparency on the treatment of indirect costs within the connections business. This is required to demonstrate that the indirect costs associated with contestable works are properly and fairly allocated and not:

- unduly skewed towards and recovered through non-contestable elements; nor
- recovered via DUoS charges, thereby providing the in house connections business a subsidy which the ICP or IDNO would not receive.

We have been involved in a couple of trials on partial funding projects but there were many issues that the DNO did not feel it could change. Whilst Ofgem are working to see how this can operate we are locked out of certain market segments because of this. Where DNOs partially fund connections work they distort the market

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

There needs to be a change to the way that DNOs price for partial funded projects and ensure that this barrier is removed.

Similarly the other DNOs should follow WPD's lead on working with the IDNO's on a reciprocal basis to support Emergency Response during normal faults and in emergency situations where the IDNO's can offer support when there are DNO system emergencies.

### **(iv) Why can't the issue be dealt with or what barriers are there to implementing change?**

The DNOs have the ability to change their policies and offer more transparent pricing and they can offer emergency response to ensure that all customers are dealt with in a co-ordinated and customer focussed manner.



<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>	<p><b>(i) Have you experienced the issue?</b></p> <p><input checked="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) How often does the issue arise?</b></p> <p>We see developments comprising a small number of premises as difficult for us to provide a competitive offer to the customer due to the disproportionate effort and costs of navigating our way through the DNO processes. This effort is roughly the same whether for 500 homes or just 3 homes and the very small projects of say just 3 homes cannot cover the fixed overheads of following the DNO burdensome requirements and processes.</p> <p>A second issue is the location of work where we would find it difficult to provide emergency response in a timely manner as explained in the previous question.</p> <p><b>(iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of</b></p>

**work?)**

With smaller developments we have a very active gas business that operates in this market. The issue for the electricity part of the market are:

- 1) The cost of installing a link box makes the price per plot that the developer sees as expensive compared to the DNO. Typically a link box installation is about £2,500 which is a cost that we have to uplift all of our LV connected customers quotes. Clearly if this cost is to be spread between say 5 to 25 houses then the DNO link box requirement closes down our ability to make a competitive offer on these smaller projects.
- 2) UKPN insist on owning the link box which means there is the additional cost of obtaining land rights; i.e. an easement for the box. UKPN require us to obtain these land rights, even when the footpath is to be adopted by the Highways Authority This adds significant additional costs to the project which must ultimately be borne by the customer. This further extends the closure of the market to ICPs.
- 3) Most small developments, say less than 5 homes, can be built within eight to twelve weeks. This means that if the customer asks for a quote from an ICP, the ICP will have to obtain a quote from the DNO, design the network, quote the customer, apply for design approval, and then apply for a connection date. Assuming everything goes correctly and the DNO does not reject any designs, the best the ICP can do is to connect the work in 16 weeks (see the diagram in the appendix of this submission). This is clearly not acceptable for this type of development and so even if the price was attractive the timescale is out of the question for these customers. If we fail to deliver the electricity part of the quotation this would put our future gas business with this customer in jeopardy. Therefore the time to work through the process used by the DNOs locks us out of this market.

This is in stark contrast to our gas business where we can easily be on site constructing and connecting the network within four weeks and without any additional costs or legal complexities.

**B) Impact**

**(i) Has this affected your ability to win work?**

Yes.

The market for smaller projects is closed to us due to the link box issues.

Also we have lost electricity connections work where customers have said that they have been told by the DNO that they can have a connection on site within two weeks and they have been told, or know from experience, competitors are constrained by DNO practices from responding this quickly. Similarly we have lost customers because they can get a full site quoted and available with CAD drawings produced and the DNO undertaking work on site within six weeks. These timescales are perfectly achievable for ICPs if the DNOs changed their policies and ensured that the competitive

market could use DNOs' existing systems to design and build the customers connections without their interventions. This again requires adoption of the self-service model

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

Most DNOs have made limited process improvements. However, there is still much to do to make them fully effective. The DNO that has moved the least appears to be Scottish Power. They use their IT system as a gate keeper to lock down any flexibility and force the ICPs to wait for long periods of time to get a connection approved and connected. The issue is that the process, whilst a good starting point to get the industry moving, is now the biggest issue and needs to be completely overhauled to remove all of the unduly intrusive DNO intervention points so that the ICP can deliver unimpeded in a timescale that suits the customer.

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

The DNOs need to provide access to ICPs to their records systems and other processes to allow accredited and competent ICPs to manage their projects. They also need to end unnecessary inspections and checks on ICPs which usually cause unjustified delays. This will help reduce the overall cost for connections and speed the process up so that ICPs can offer similar timescales to the DNO and look to be innovative in terms of deliver to the customer

We have raised issues around part funding with Ofgem and DNOs on a number of occasions. However, from our perspective there has been no progress: the issue still remains unresolved and "kicked into the long grass".

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

DNOs claim that they need to police the ICPs working on their network. Their approach seems to be based on employment rather than an assessment of competence of ICPs. They do not spend the same amount of time and effort with their internal staff or with external contractors working for them. For the size of the connections it seems that the costs and time to deliver the customers connections are now far longer than they ever have been. ICPs that are

accredited to the Lloyds NERS scheme should be managed in the same way as the DNOs' own competent employees. Whilst some checks and audit may be required this should be through the Lloyd's Register NERs regime rather than in addition to.

## 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 –ISSUE TEMPLATE

Title 5a	Other Issues
<b>Issue Description</b>	The self connect process.
<b>A) Scale</b>	<b>(i) Have you experienced the issue?</b>
	<input checked="" 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>
	This happens on a daily basis
	<b>(iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of work?)</b>
	Certain DNOs have done more to streamline the process – ENW have led the way on this and WPD have also been constructive.
	Other DNOs have built processes to cover the self-connect procedure which makes it longer and more costly than the previous process of asking the DNO to undertake the connection. For certain works we are being required to fund the DNO’s Senior Authorised Person (SAP) as well as our own to attend

	<p>site to cover off the work. In our view an unnecessary duplication designed to add costs and delays to our service. Organising the DNO SAP to attend site is often difficult and causes more delays in getting the connection made. Whilst DNO's say this is supposed to be a short term 'training' issue it is not something that they do when they employ their own contractor to do the work. Equally there is a process in place to allow a DNO's staff to energise networks and operate on their High Voltage networks but the process put in place for ICPs is much longer.</p> <p>It is interesting to note that these operational barriers do not appear to exist in emergencies such as severe weather events where staff from other distributors are authorised very quickly to work on the local DNO network.</p>
<b>B) Impact</b>	<p><b>(i) Has this affected your ability to win work?</b></p> <p>It is another factor to compound the many other factors that cause us to lose opportunities.</p>
	<p><b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b></p> <p>ENW and WPD have worked harder at making the processes slicker but they are still well short of the gas model benchmark In gas we deal direct with the Gas transporter's operation team and connect the new customer's network within five days.</p>
	<p><b>(iii) What more could be done to deal with the issue?</b></p> <p>The DNOs could allow an ICP to operate in the same way as their contractors and own staff. This would make the connection aspect much quicker and reduce costs for the customer.</p>
	<p><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></p> <p>The DNOs blocked self-connect for many years and it took a lot of effort from ICPs and IDNOs to get them around the table to work out what the issues were. After nearly two years the DNOs decided that there was no greater risk from an</p>

ICP as there was from a contractor working for the DNO.  
Similarly the view that an ICP must be monitored more closely than a DNO contractor or the DNO's own staff does not make sense when the competencies are equal and evidenced by the Lloyds register NERS scheme. This intrusive monitoring makes even less sense when some contractors that we use work for the DNO also and do not face that monitoring whilst doing so. It appears ridiculous when a contractor undertakes work for us one day and then attends the same site to act as the DNO's contractor to energise the network.

## 5 -ISSUE TEMPLATE

### 5 b Title

### Other issues

### Issue Description

Management of Connections by DNO Designers

### A) Scale

#### (i) Have you experienced the issue?

☒

YES – Please complete the rest of this question

☐

NO – Please move onto the next issue

#### (ii) How often does the issue arise?

A number of DNOs are set up in this way

#### (iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of work?)

Some DNOs use the same designers to carry out Section 16 quotes as well as the quotes for the competitive market.

### B) Impact

#### (i) Has this affected your ability to win work?

Whilst we cannot show any link between the two sections being operated by the same person we are concerned that by not separating this process out there could be a conflict of interest issue. We also note that some design teams rely on

the Section 16 team to provide the data to assess the point of connection. Again this may lead to a conflict of interest.

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

Some DNOs appear to have done more to cover this concern off than others by having complete separation. UKPN and SSE have designers dedicated to the competitive market but we are aware that they do use the Section 16 teams to assist in the data collection and assessment.

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

There should be complete separation between the two DNO teams. This will ensure that there is no question of a conflict of interest and the competitive market will be operating on a like for like basis.

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

Staffing levels and access to information could be an issue for the DNOs.  
If we are allowed to operate on a self-service basis then all of the issues above disappear and the DNO does not have to have the same level of separation. However, such staffing issues could be resolved by adopting the self-service approach.

**5 –ISSUE  
TEMPLATE**

**5c Title**

**Other issues**



<b>Issue Description</b>	Complaint escalation process.
<b>A) Scale</b>	<b>(i) Have you experienced the issue?</b>
	<input checked="checked" 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>
	We experience this most months when raising complaints.
	<b>(iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of work?)</b>
	<p>Scottish Power have a particularly poor record for this.</p> <p>If a design is rejected or we are frustrated in using the CRAM (latterly RADAR) system we cannot get any resolution in a timely manner. We have to escalate to the Scottish Power management team. This can takes days or even weeks to resolve. Meanwhile, as a direct consequence of the DNO failure to work to resolve issues, our customer sees poor service from us.</p> <p>This leads to frustration for the customer and a reluctance in coming to the competitive market as they can see that we cannot get any timely response from the DNO.</p>
<b>B) Impact</b>	<b>(i) Has this affected your ability to win work?</b>
	<p>Yes.</p> <p>Customers that have experienced the worst of this have told us that they cannot afford to jeopardise their connection dates so are reluctant to come out to the market.</p>
	<b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be</b>

### **current best practice?**

We seem to get the best response from WPD and ENW. The other DNOs give varied levels of response but the timing of the response is critical. Getting a resolution at the time of the issue, so that we can still get a connection date secured, is the part that gets lost in the process.

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

This issue disappears if we can use self-service to connect the customers. Then all of the issues are down to the competitor and they have the opportunity to secure the connection date the customer requires. It should be noted that most of the complaints and frustrations that our customers see are caused by the final connection from the DNO. Once the network is energised and it is out of the DNO's control we have very few complaints about connection timescales.

The need for complaints could be eliminated via self-service processes. However, until then, we need to be able to talk to the correct level within the DNO's organisation to resolve the issue at the time and not weeks later

We have built up good relationships with most DNOs and have met with the directors and senior managers from most of them. Unfortunately Scottish Power have remained remote from the process and we have not had the opportunity to connect with their senior team. We have met their legal director, but this was the only engagement we have had at this level. In contrast we have either been invited to meetings hosted by directors or met them at our office with all of the other DNOs.

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

As DNOs have so much work going on we cannot get the type of response as every DNO is so busy. Sometimes we have to send repeat emails to get a response or threaten to take the complaint to Ofgem. If we have the self-service process in place then most of these issues disappear and we will only need to talk to the DNOs about future issues rather than complaints about their staff's actions. Such an approach also offers benefits to DNOs. If self-service was fully and effectively implemented the DNOs would have more credibility in arguing for the right to levy assessment and design fees.

TEMPLATE	
5d Title	Other issues
<b>Issue Description</b>	Reinforcement process and timely connection of the work.
<b>A) Scale</b>	<b>(i) Have you experienced the issue?</b> <div> <input checked="checked" type="checkbox"/> YES – Please complete the rest of this question  <input type="checkbox"/> NO – Please move onto the next issue </div>
	<b>(ii) How often does the issue arise?</b> We see this occurring from time to time. Normally it is a major problem when it occurs.
	<b>(iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of work?)</b> <p>On a number of projects the DNO has to undertake upstream reinforcement or install new equipment. This is accepted within the quotation process and we begin our work to complete the point of connection. What we do find happening is that despite the fact that we have paid for the work to be completed nothing is undertaken until the design approval is given for the point of connection. Sometimes we have found that the DNO's work will take months to order the equipment and yet they have not started this process despite the acceptance and payment from us.</p>
	<b>(i) Has this affected your ability to win work?</b> <p>Whilst we cannot say that this has affected our ability to win work it has frustrated our customer and made them question why this has happened. In that respect any project with additional complexity is less likely to come to a competitor to the DNO.</p>
<b>B) Impact</b>	

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

We have experienced a number of these issues in NPG's areas but we are not sure if this is a failing in their process or if we have not had the same type of project requirements in other DNO's.

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

If upstream reinforcement was within the control of the competitor then this issue would be the responsibility of the competitor. In such a situation it is entirely down to the competitor to deliver the project and the customer can hold them responsible for the delivery of the project.

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

As this is upstream from the connection point it makes it more complicated for the competitor to undertake the work. But it would be far better if the competitor had the ability to manage the DNO's delivery of this work.

5 –ISSUE TEMPLATE	
5e Title	Other issues
<b>Issue Description</b>	Lack of a Self-Service option for IDNO and ICP competitors
<b>A) Scale</b>	<b>(i) Have you experienced the issue?</b> <div> <input checked="checked" type="checkbox"/> YES – Please complete the rest of this question         </div> <div> <input type="checkbox"/> NO – Please move onto the next issue         </div>
	<b>(ii) How often does the issue arise?</b> No DNO offer this as a service. Whilst some DNOs have tried to get the parts of a self-service system available no one has joined it together to make it a seamless service akin to their own in house delivery methodology.
	<b>(iii) Where does the issue arise? (i.e. is the issue more frequent in certain areas or for certain types of work?)</b> Some DNOs have started to improve the speed of service at each check point. However, there are still delays incurred in progressing from one checkpoint to the next. Such delays are an inherent feature of the flawed processes employed. This results in the following issues manifesting in the process. <ul style="list-style-type: none"> <li>- Delays in receiving the initial Point of Connection. This leads to complaints to the DNOs about the receipt of the quotation.</li> <li>- Delays in providing a design approval. This can be by the DNO rejecting designs on spurious issues or their work load preventing them being able to deliver a service as soon as is reasonably practical.</li> <li>- Delays in providing connection dates. This can be as a result of the lack of available DNO staff.</li> <li>- Delays in auditing projects that stop the ICP from progressing. If the DNO have no staff available then the work cannot progress slowing down progress until it suits the DNO availability.</li> <li>- Availability of the DNOs authorised staff to observe ICP staff operating. Again these staff are limited in availability and the work can only be planned when they decide when they can attend site.</li> </ul>

<b>B) Impact</b>	<b>(i) Has this affected your ability to win work?</b>
	Yes we have lost work through the lack of our ability to deliver a timely service that suited our customer's needs.
	<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 has moved to this model.
	<b>(iii) What more could be done to deal with the issue?</b>
	This is where the self-service model will allow the ICP to control over the whole process without waiting for the DNO to either check or observe the work that the ICP is undertaking.
	<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>
	As an IDNO we implement this strategy so that we minimise the amount of checking of the ICPs work whilst being informed of what they are undertaking and the quality of the work that they are installing. This is why most ICPs like working with IDNOs as they know that once they have got through the initial connection with the DNO they will be able to plan and organise all of their work to suit their customer.

## Part 6 - About other markets

Question	Your response
<p>How does your experience of this market compare to comparable markets that you operate in, or are aware of?</p>	<p>In the late 1990s the gas connections market had reached a similar position to the electricity market in 2014. Ofgas had in theory opened the market to competition and had operated an industry steering group for several years but customer and competitor complaints remained high. Parliamentary questions were raised that severely criticised both Transco and Ofgas.</p> <p>Ofgas carried out an investigation that started with a similar request for information to that which Ofgem have now commenced in electricity. Ofgas undertook around 8 dawn raids and found Transco guilty of anti-competitive behaviour with specific cases e.g. of slow response to competitors enquiries, failure to provide least cost connection points to competitors, overcharging for connections, favouring its own in house connections service through asymmetry of information.</p> <p>Although the investigation predated powers to fine under competition law Transco refunded £10m of overcharged sums direct to customers and importantly competitors for reinforcement and other non-contestable works. Ofgas also obtained several undertakings from Transco.</p> <p>This process forced Transco's top team, to focus on, these issues for the first time, it led directly to the self-service philosophy that remains in place and is so effective today.</p> <p>The parallel with the electricity market is clear in terms of persistent anti-competitive behaviour just waiting for Ofgem to take firm action. This is Ofgem's opportunity to force change to bring, the electricity market onto the level playing field achieved in gas by the early part, of this century.</p>
<p>Are there any aspects of those markets which you think would deal with the issues you have identified in this questionnaire?</p>	<p>All of the areas described above have been dealt with by the gas connections market. That market offers a template for the way that electricity can work in an economic, efficient and effective manner. It is immaterial that the networks are different as the skill sets employed is not the issue. It is the way that a customer is served and the barriers to the ICP in providing a service that they can guarantee in terms of cost and delivery of connection. We have shown all of the DNO Competition teams how this operates and whilst some have taken this on board it is clear that the DNO's Directors need to be shown how anti-competitive their business is and what the likely consequences could be of perpetuating this process.</p>


They have had many years to sort this out they should not be given any more time. Ofgem must take firm action now; including immediate application of its competition act powers to undertake dawn raids on the DNOs if our evidence is considered insufficient to support our claim of anti-competitive behaviour.

## 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.

Identified Process Improvements	Gas	DNO's achieving the level of the Gas market	Best Performers	Worst Performers
ICP in control of meeting delivery to customers throughout connections process	✓	No	ENWL	SP
Design process managed by the IGT/IDNO	✓	No	ENWL	SP
No onerous application process	✓	No	WPD	NPG
Process removes need for onerous inspection regimes	✓	No	ENWL	NPG
Self Connection process in place	✓	Partial	ENWL/WPD	SP
Behaviour of Upstream Operator doesn't cause loss of work	✓	No	ENWL	NPG
No additional boundary constraints imposed by upstream operator	✓	Partial	All at HV None at LV	N/A UKPN
Legal/Commercial issues agreed and in place	✓	Partial	ENWL/WPD	SP
Agreed industry wide arrangements (formal agreements)	✓	Partial	WPD/ENWL	SP
Emergency Response Agreements in place across the UK	✓	Partial	WPD	SP



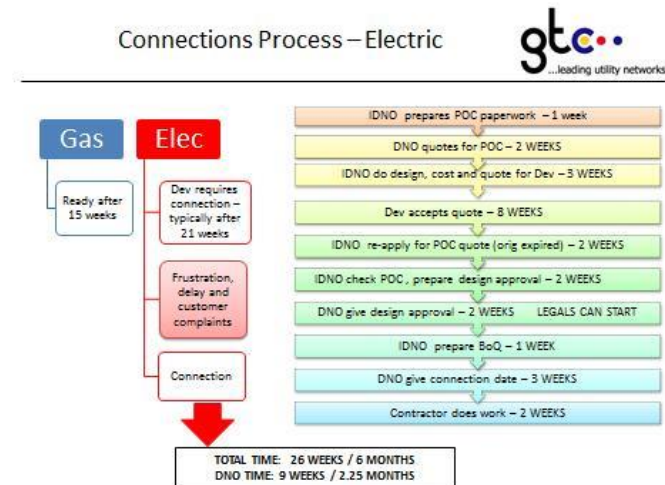
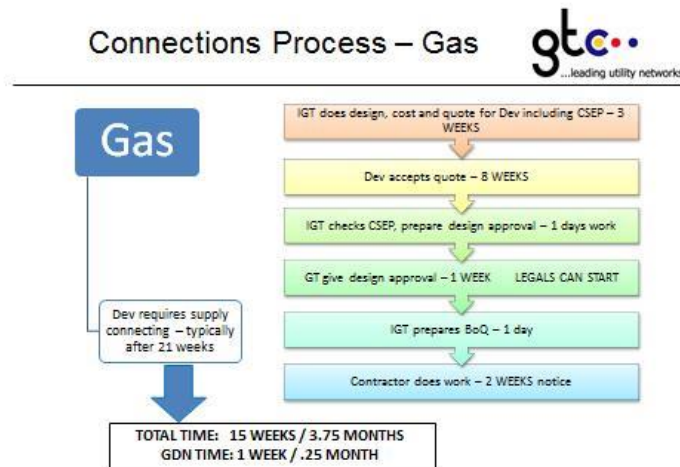


The table above compares DNOs' performance for processes elements to that with the gas market. It should be noted that two DNOs consistently outperform the other DNOs. These are ENW (who had the experience of an Ofgem investigation) and WPD who have always worked hard at customer service for ICPs and IDNOs as well as the customers who need to be connected. It is also seen that SP (who also were investigated by Ofgem) put in place a highly bureaucratic system that means that it is now harder for connections to be progressed but it also ensures that they provide the same poor service for all customers and competitors alike. We have regularly supplied this information to Ofgem whilst comparing the various DNOs on the Competition Test process.

Please note that partial indicates that the DNOs have moved on the issue but still have progress to make. At present not all DNOs have the self-connect process bedded in as a usable process for competitors. Link boxes are still required at LV and we have still to see all legal and agreements streamlined to a minimum amount of documents. Emergency response is still to be put in place across the UK in the same way that the Gas customers enjoy.

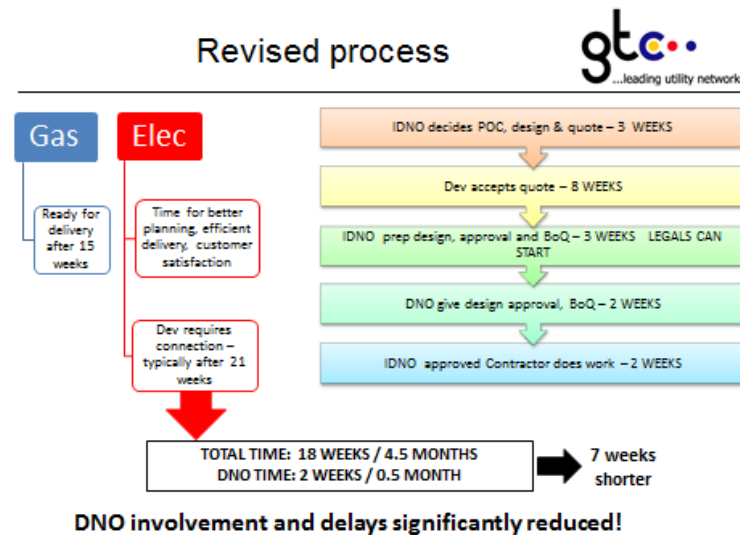
We will continue to monitor these important factors for the progress of the industry and judge the DNO's performance against these areas.

## Process to be implemented



As described in the previous response this is the comparison of the gas and electricity process. This has been shared with the DNO's to confirm where the issues are and shown them what can be done.

As shown in the slides above typically the developer requires an HV connection in place in about 21 weeks. Clearly the gas part of the connection can easily meet this and allows the ICP time to plan and work efficiently whilst keeping the customer satisfied. In the electricity part of the business we will always struggle to achieve the connection date and will not have time to plan effectively as everything has to be rushed to try to meet the customer's timescales. This normally means securing a second LV connection or supplying a generator to run the network for a number of weeks before the substation is energised. Both of these options cost the customer more money to get their house sales on target.



If the above process, including the changes described in the response above, are put in place the time savings will ensure that an HV connection can be achieved within the customer's requirement and allow the ICP time to plan effectively.

By removing the DNO's intervention the process will also reduce the need for designers in the DNO's business and reduce headcount on site auditing and policing the ICP. This will help in reducing overall cost and free up designers to deal with more complex projects rather than looking over the ICP's shoulder.

## **Comparison of DNO's across all questions.**

The table below shows all of the DNO's performance against the areas that we have reported on. We have tried to show where they are in comparison to each other as well as the Gas industry for these areas.

Section	Questions posed	Gas	ENW	SP	SSE	UKPN	NPG	WPD
Question 4a - The DNO's level of control over the connection								
Issue 1	Link Box installations on all IDNO LV schemes	10	3	1	6	0	4	4
Issue 2	DNO connected in a far quicker timescale than an ICP or IDNO can achieve	10	5	1	2	2	2	5
Issue 3	DNO staff using different and higher standards of work than they expect from their own staff or their direct contractors.	10	7	2	4	2	1	6
Issue 4	Use of legal process to slow down projects	10	7	3	5	4	5	7
Issue 5	Self-assessment of points of connection and self service	10	5	3	4	5	5	5
Question 4b	Complexity for customers	10	6	4	5	5	5	5
Question 4c	Customer appetite for competition	10	7	5	6	6	5	6
Question 4d	The impact of regulatory regimes and requirements	10	7	5	6	6	5	8
Question 4e	Little evidence of competition for certain types of connection	10	7	5	6	5	6	7
Question 5a	Other Issues - Self Connect	10	6	4	5	5	5	6
Question 5b	Other Issues - Management of Connections	10	7	6	6	5	4	6
Question 5c	Other Issues - Complaint escalation process	10	8	3	6	4	6	8
Question 5d	Other Issues - Reinforcement process and timely connection of the work	10	7	5	5	5	4	7
<b>Overall score against issues identified</b>		<b>100%</b>	<b>63%</b>	<b>36%</b>	<b>51%</b>	<b>42%</b>	<b>44%</b>	<b>62%</b>
<i>Indication of the scoring above</i>								
10	Fully meets self-service requirements of competitors							
7	Not self-service but allows competitors to compete without disadvantages regards access to information or meeting customer timescale equivalent to what the DNO achieves itself and does not incur costs above those of DNO							
5	Not self-service and always involves a time penalty for the competitors							
3	Not self-service and results in higher costs for competitors for a significant number of jobs							
0	Not self-service, higher costs for competitors on all jobs							

## Summary of the Points raised on each DNO

Summary of points raised	
<b>ENW</b>	No overall Self-Service process. Link box required as standard. Reluctant to run trials for partial funding projects
<b>SP</b>	Delays caused by RADAR system. Legal process difficult and costly. Escalation process ineffective. Rejecting designs on unreasonable grounds No overall Self-Service process. Link box required as standard. Reluctant to run trials for partial funding projects
<b>SSE</b>	POC's offered in third party land. No overall Self-Service process. Link box required as standard. Reluctant to run trials for partial funding projects
<b>UKPN</b>	Link box arrangement worse than other DNOs. Legal procedures blocks competition and delays projects. Use of Miscellaneous items in quotes. No overall Self-Service process. Link box required as standard. Reluctant to run trials for partial funding projects Rejecting designs on unreasonable grounds
<b>NPG</b>	Auditting process results in delays in project delivery. Delays in getting action on issues raised. Section 16 staff enquiring about competitive quotes. No overall Self-Service process. Link box required as standard. Reluctant to run trials for partial funding projects Offering far quicker timescales than ICPs can achieve. Reluctance to assist in emergency response service
<b>WPD</b>	Difficulty in receiving acceptance for final joint in contestable quotes. No overall Self-Service process. Link box required as standard. Reluctant to run trials for partial funding projects