

The Questionnaire – For independent providers

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

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

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

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

Part 1 - About you

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

Part 2 - About your business

Question	Your response
What is your company's name?	Power On Connections
What is the nature of your company's business?	Power On Connections is the UK's market leading ICP. We operate across all DNO distribution services areas of England and Wales (and to a far lesser extent in Scotland) providing connections to domestic, commercial and industrial customers.
Which sections of the market for new electricity connections does your	POC operate in all of the Demand market segments and also provide distributed generation connections at HV and EHV network levels.

business operate in? (i.e. what types of connection solution do you provide?)	We undertake all types of contestable connection work and are actively involved with the DNOs in promoting and developing extensions to contestable work.
What areas of the country does your business operate in?	We operate in all DSAs in England and Wales and more recently have had a small number of projects in the Scottish DSAs.
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?	In 2013 we completed approximately 180 secondary distribution substations across the various DSAs we work in. We also completed a small number of high value major projects during this time that required connections to EHV networks. We believe that we have the largest market share, by volume of connections of all the ICPs operating in the UK.

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

Question A	Your response
Have you considered competing for work in other regions? If so, which ones?	We have recently taken on some work in the Scottish distribution services areas; this has been driven by a desire from our existing customers to be provided with a competitive alternative. As our customers often operate nationally, they sometimes request that we tender for work that perhaps we would not otherwise choose due to its geographic location and or the behaviour of the host DNO. A couple of examples of this are the SP Manweb area and the South Yorkshire region of Northern Power Grid's distribution services area. If it were not for our customer's insistence on receiving tenders for work in both these areas we would most likely steer clear as the behaviour of these DNOs make it extremely difficult to meet the needs of our clients We will provide details on specific examples later on our response.
What stops you competing in other regions?	The biggest barrier that prevents POC from competing in other regions as well as competing more effectively in the regions we currently operate in is the behaviour of DNOs and the processes DNOs put in place to deal with competition. We believe that these processes were created and have evolved from a position of defiance from the DNOs perspective. It is clear to us that DNO

behaviours and processes are consistent with those of an organisation that implicitly seeks to defend their own connections businesses by using protectionist measures that makes competition against them difficult. If you consider the history of Competition in Connections it does not take long to realise that the limited progress made to date has only been achieved by the DNOs being put under pressure to change their ways to allow competition to grow (albeit slowly). Most DNOs have used sub-contractors for a number of years and had developed their own processes to ensure the effective management of these contractors so they could be confident that they would adopt a quality asset upon completion of the works. Yet when the prospect of ICPs operating in the market came about the DNOs delayed progress by creating overly cumbersome controls which they claimed were put in place to ensure the DNO's adopted quality assets.

An excellent example of this is the extension of contestability of final connections to the DNOs network. POC, along with other industry participants spent more than two years developing a national framework document to enable Self Connect become possible. This was at the insistence of DNOs as they claimed at the time that it would be unsafe just to allow companies to develop their own approach. Initially a number of the DNO members of the working group were absolutely against the idea but eventually they slowly came round when each excuse was systematically removed by the ICP and IDNO members of the working group. Following completion of the work for a national framework it took another two years before we could complete a Self Connect project. After all that effort we now just use existing DNOs subcontractors to carry out these joints on behalf of ourselves acting as an ICP. In hindsight this could have been done four years ago if the DNOs were willing to cooperate but the fact is they were not, until the threat of referral to the CMA was made by Ofgem as part of DCPR5, along with the incentive of unregulated margin on contestable activities.

A good way to summarise our experience of working with DNOs has been that as ICPs we have looked for ways that the job could get done and DNO did their best to find ways that it could not or could only be done by the creation of some so called "protection measure" that ultimately gave the DNO's own connections business an advantage over ICPs and IDNOs.

Question B

Have you considered competing for different types of connections work (e.g. different voltage work)?

Your response

We compete in all Metered Demand and HV and EHV Distribution RMSs across England and Wales. We have not considered entering the UMS market as we currently do not see the value in this area until such time as we can carry out operational activities on DNO LV networks.

<p>If so, which ones?</p>	<p>Projects that require high value network extensions with the possibility of the Second Comer rule being applied have always been more difficult to tender for as these customers are often concerned that they will not be able to avail of Second Comer contributions if they chose an ICP. As a result these customers often have no option but to have the DNO provide the connection.</p> <p>We also sometimes find that projects that would otherwise have been contestable have become non contestable due to the part funding subsidy by the DNO. We have engaged in a part funded reinforcement project with UKPN which was successful from our perspective but again the DNOs have been quick to point out all of the reasons that this could not become business as usual without putting forward any workable solutions.</p>
<p>What stops you offering other types of connections?</p>	<p>see above response</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.

<p>4A</p>	
<p>Title</p>	<p>The DNO’s level of control over the connection process</p>
<p>Description</p>	<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>

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. The majority of connections we construct are adopted by an IDNO, therefore in all instances where we require a DNO connection from their LV network; we must provide a link box.

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

A. All DNOs use this process

Q. Has this affected your ability to win work?

A. Yes – There is a cost of circa £2,500 for each link box installation. This made up of the cost of the link box itself and the associated additional civil works cost for the excavation to accommodate the link box including terminations on the supply and load sides of the box. Whilst it may be possible to smear the cost across the plot connection price on larger LV networks, smaller sites become far too costly. This has the affect of closing this part of the market for adoption by an IDNO. This means that we cannot proceed with the scheme unless we offer the network for adoption by the DNO which is often less commercially attractive due to the increased inspection and monitoring charges we could be exposed to.

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

A. UKPN are the most difficult as their insistence on taking ownership of the Link Box means that they often insist on land rights for the box on the customers land even when it is earmarked for adoption by the local authority in the future. This makes the scheme even more expensive and imposes 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 have yet to receive a good reason from any DNO as to why this link box is required in the first instance. Below is a list of some of arguments that DNOs have tried to use to defend their position to date.

DNO Justification: The link box provides fault segregation between the DNO and IDNO networks. This helps mitigate the scenario where there is a fault on the IDNO's LV network as it could affect DNO customers.

The fact that there is an ownership boundary is not relevant when it comes to dealing with faults. If the link box was replaced by a joint the treatment a fault on the LV network would be the same if the DNO owned all or part of the network. We acknowledge that a fault on the IDNO network could affect DNO customers but that would also be the case if the DNO owned the entire network. It is worth noting that in many instances fault clearance discrimination between the fuse in the link box and the DNOs substation cannot practically be achieved and a fault on the IDNO network operates the fuse in the DNO sub anyway, thereby making the link box totally redundant. It must also be remembered that the DNO is also recovering revenue indirectly from the IDNO's customers for the use of

the DNOs network so the argument of IDNO network faults affecting DNO network customers is not valid. The key test from a competition point of view is that the IDNO must be able to equally compete with the DNOs equivalent downstream business and these link boxes only add to the IDNOs cost for no real additional benefit.

DNO Justification: The link box provides operational segregation between the DNO and IDNO networks. This allows the isolation of the IDNO for operational purposes.

Due to the nature of modern low voltage networks there is little advantage in being able to isolate the IDNO network from the DNO network as all work must be carried out using live techniques on established LV networks due to the risk of a back feed into the Distribution System from distributed generation.

We anticipate that this issue is very much like the experience of boundary metering between DNO and IDNO networks. From the inception of IDNO networks DNOs always argued that boundary metering between the networks was a mandatory requirement. It was easy for them to adopt this position as the funding of boundary metering was down to the IDNO. Within months of Ofgem determining that where a DNO determined that boundary metering was required that they would have to fund it, all of the DNOs changed their position and determined that boundary metering was no longer required. This is another good example of DNO's lack of willingness to be proactive about competition. We fully expect that if Ofgem took the same approach with Link boxes that DNOs would struggle to justify funding £2.5k per IDNO LV connection and would concur with our view that Link Boxes between DNO and IDNO networks are a totally inefficient investment in Distribution System assets. What investor would provide funds for assets that returns no revenue?

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

A. See response above, we believe that Ofgem must act immediately 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 have all of the tools they need within their own groups to provide connections to customers. ICPs do not; we have to rely upon getting through all of the hurdles that have been put in place by DNOs. For example we need to apply for the point of connection to the DNO network; apply to the DNO for Design Approval; complete daily whereabouts; be subjected to interim and final audits; call off the

final connection or, if carrying out the connection ourselves, submit lots of paperwork in order to make this connection. Also, we often find that some DNOs use the SLC15 back stop standards as the bench mark target date. Applying the standards in this way to each procedural steps compounds in aggregate to create significant delays. This is a significant barrier to competition when DNOs apply the SLC15 standards in this way.

If each DNO mapped out the process for their internal connections business to provide a connection to an end user and then did the same for the process they apply to an ICP undertaking similar connection works, the barriers would be obvious. The most cost effective way to deal with this is to make all of the required information that an ICP would need to provide a connection scheme (to the majority of customers) available to the ICP in the same manner as the DNO's own connections business. We acknowledge that there will be a small percentage of complex projects but the existing DNO process for a simple connection matches that for the most complex one. The Gas industry has taken the 80/20 rule approach and as a result the majority of new connections to GDN operator can be completed by UIPs/ICPs with little or no intervention from the GDN operator. This is where the DNOs need to get to if we are to have a fully competitive connections market.

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

A. This happens in all DNO areas, even with the better performers, and is simply down to the approach that all DNOs have taken to date when adopting assets from ICPs.

Q. Has this affected your ability to win work?

A. Yes, we believe so. The most recent example being where we were awarded a scheme by a customer who had not used an ICP for more than three years due to bad experience getting his connections energised when an ICP constructed the assets. The customer decided to give POC a try once again in the hope that the market had changed in the intervening period. On appointing POC, the customer's ground worker carried out the on-site excavation, in preparation for the cable installation by POC. The excavation was carried out in the same manner as the customer's ground workers had been doing for the DNO (NPG in this instance) to date. However in this case, three NPG auditors turned up on site to inspect the trench prior to POC being allowed to pull the cable into the trench. The auditors closely inspected the on-site excavation carried out by the customer's ground workers and condemned the trench, claiming it was 50mm too deep in some places and 50mm too shallow in others. The result of this inspection was that the cable installation had to be cancelled and rescheduled for another day, due to the length of time taken to complete the inspection and the completion of the remedial works. Our customer stated that this was the reason he had not appointed an ICP in recent years, as there appears to be one set of rules when NPG carry out the works and an entirely more onerous set of rules, if an ICP is completing the works.

The customer has since offered his commiserations to our site representative and confirmed that he will have no option but to offer all his future works in the region directly to NPG for construction. We also know that NPG don't undertake anything like the same level of auditing on their own connections business as they do for ICPs. The same can be said from UKPN who recently admitted at one of their

Competition Workshops that they apply a different auditing regime to their sub-contractors as they do to ICPs and IDNOs.

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, these issues are very much down to the process adopted by the DNOs which is more or less the same across the board. There are some examples of better practice, for example ENW use a ratcheting regime on their auditing frequency which results in ICPs that only have minor non conformances being rewarded by a lower frequency of audit. We would argue however that safety and quality is down to the ICP and there should not be a need for such a high level of audit particularly when the same rules are not being applied to the DNOs own contractors. The independent audits undertaken by Lloyds under the NERS should be sufficient to demonstrate the competence of the ICP.

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

A. We believe that Ofgem need to make it clear to DNOs that the status quo is unacceptable and force DNOs to ensure that ICPs have the same chance to deliver quality service to their customers as the DNO's own connections business. We believe that the less reliance there is by the ICP on the DNO, the greater the opportunity the ICP has to deliver quality service to its customers.

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

A. We believe that if the DNOs understood that they had no option but to swiftly change then change would happen. As mentioned in the previous example of boundary metering, once it was clear to the DNO that they were going to suffer financially as a result of the position they had previously adopted they were quick to change. Ofgem need to lead on this through firm action and the DNOs will quickly follow.

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 probably the most common complaint we receive in most DNO areas

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

A. No part of the process is immune to this problem. DNOs' connections businesses will often agree standards with our potential customers that will not be offered to an ICP unless we can show them the offer that their own connections business already made to our potential customer. A classic example of this is basement substations in UKPN areas, we often end up having to advise our customer to seek agreement from UKPN's own connections business to seek approval for a basement substation as when we request it as an ICP it is rejected. We have appended one such example (ANNEX 001) to our response where UKPN's own connections business originally provided a connection offer to our prospective client based on a basement substation. When we made the proposal it was rejected outright. When we presented the customer's section 16 quotation UKPN eventually changed their position but only after a 30 day delay, which resulted in a delay to the overall scheme.

Another example is where we recently had a design for a temporary builders supply connection where we proposed the installation of a substation on the gantry flatly refused by UKPN. Then we find that their own connections business' contractor constructed almost an identical design to our proposal on another site. We provide photos of the UKPN substation installed by their own connections business subcontractor and the associated correspondence in ANNEX 002.

DNOs argue that they must protect the interest of DUOS customers by ensuring they adopt high quality assets yet at the same time they turn a blind eye to the quality of the assets being provided by their own connections business. When it comes to the constructed assets particularly in NPG and UKPN areas when the asset is provided by an ICP it must be absolutely perfect yet we have come across a number of installations (some even audited by the same DNO auditor) carried out by the DNOs own staff or contractors that are of far lower quality, yet the connections is made and the asset adopted. We have appended examples to this response in ANNEX 003 and ANNEX 005.

We have been calling for data from UKPN now for some time to demonstrate that they undertake the same level of audit on their own connections business. UKPN also claim that all of their own HV connections have the HV cable sheath tested prior to energisation, yet they have been unable to provide any data to prove this is the case; instead we have to take their word for it. They have indicated that data will be made available from Q3 this year, however if they were undertaking these tests and audits this data would be available immediately. We have not been given any acceptable reason as to why this cannot happen sooner. Repairing sheath cable damages has probably had the single biggest impact on the margins of all ICPs that operate in the UKPN area. These tests are not required by any other DNO.

A further example of DNO's own connections business using different standards was on a job we had on Union Street in central London when UKPN were originally proposing that we needed to undertake an additional 80m of excavation in the footway to enable us complete the closing joint on the HV POC cable in the footpath as opposed to jointing it at the nearest location which was in the carriageway immediately outside our new substation. The UKPN competition in connections (CIC) representative was suggesting that we would have to undertake this additional excavation, the cost of which was not budgeted for thereby requiring a further contribution from our customer. When the local UKPN Senior Authorised Person turned up on site, I asked what he would do if he was carrying out the work. He confirmed that he would complete the joint immediately outside the substation in the location I had originally suggested. This was a little embarrassing for the CIC representative who had to then change his position, but it is a good example of how

competitors are being asked to construct exactly to the UKPN policies with little or no tolerance for variations whereas UKPN's own connections business can make decisions on site and take the necessary actions without delay.

Q. Has this affected your ability to win work?

A. Yes, definitely. We have had customers tell us that they cannot come to us because they know it will just add delays to their projects and they cannot afford to let this happen. Also if we are competing directly with the DNOs' own connection business who are allowed to (for example, install cables at road crossing in smaller trenches than ICPs) then our margins are squeezed in comparison to the DNO by their over zealous approach.

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

A. ENW, WPD and SSE have done more than most to counter this problem particularly in relation to auditing, but in different ways. ENW have a ratcheting approach to auditing and carry out the same level on their contractors as ICPs, whereas WPD and SSE appear to undertake a lower level of audit generally on ICPs (we cannot comment on their approach to their own connections business). The SSE designers also appear to take a much softer touch approach when it comes to Design Approvals, which is welcome, however we would prefer to be able to self approve our designs which we already do when we are constructing assets for adoption by IDNOs. We see this as best practice.

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

A. We believe that the interaction between the ICP and the adopting DNO could be and should be minimised. This will remove the current challenges that most of the DNOs are facing in bringing their personnel around to the idea that competition in connections is a good thing.

Each ICP already has to be audited by NERs in order to maintain their accreditation and adoption agreements already protect DNOs from substandard works by ICPs. There is no justification for the level of scrutiny that ICPs currently have to put up with.

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

A. There is no reason why these issues cannot be dealt with if DNOs have a desire to make it happen. The industry and its associated resource pool are far too small to allow the ineffective man marking of DNO staff on ICPs. We, like everyone else in the utilities sector, are already finding it difficult to ensure we have all the human resources necessary to deliver connections in the future. Ofgem should be insisting that DNOs remove these inefficiencies and instead focus on rising to the challenges facing networks as we move to a low carbon economy.

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 over the past 12 months.

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

A. We experience this more in UKPN's area than anywhere. They have taken a very risk adverse attitude to the use of existing easements where other DNOs have facilitated this in a more timely way. UKPN do not provide details of landowners where they have equipment that we need to connect to and expect us to go through the lengthy process of obtaining this information from Land Registry and negotiating a construction licence with a 3rd party landowner who often at best has no interest in the new connection or at worst opposes the development thereby delaying the whole process. If the customer choses the DNO then this issue is avoided.

We also had an issue with SSE where they initially refused to surrender the lease of two existing substations that were to be relocated elsewhere one of our prospective customer's land on the basis that the new substations required for his development were now going to be jointly owned by the SSE and an IDNO instead of exclusively owned by SSE if SSE provided the connections. SSE did change their position when the issue was escalated however had we not been vigilant then it is likely that our customer would have had to choose the DNO for the scheme in fear of being exposed to substation lease surrender charges.

On a related issue, when we operate in the UKPN area we find that we cannot call off a connection until we provide UKPN with a letter of undertaking from our client's solicitor to confirm the date they anticipate the land rights documents will be completed prior to the connection date. UKPN have never provided us with evidence that they apply this same rule to their own connections business. This has the effect of placing ICPs at a distinct disadvantage against UKPN's own connections business. If UKPN are to insist on such a draconian approach they should be required to demonstrate to ICPs that the policy is applied evenly across their business.

Q. Has this affected your ability to win work?

A. Yes, particularly in the UKPN area where a Construction Licence is being insisted on. From a customers perspective it is a lot of additional hassle that would be avoided if they chose the DNO to provide their connection. Unfortunately we sometimes don't find out until it is too late so the customer ends up coming away from the whole experience with a negative view of competition in connections.

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

A. WPD have done more than most to accommodate our requirements often by either allowing the ICP to avail of the DNO's easement or by completing that part of the contestable works in the 3rd party land. We see most problems happening in UKPN's DSAs.

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 us and ultimately the customer of the project.

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.

ISSUE 5

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

Self assessment of points of connection and self service has been slow to develop

Issue Details:

Q. How often does the issue arise?

A. The self determinations that have been carried out to date have been for very small loads that are not normally part of our connections project portfolio apart from small temporary builder's supplies. DNOs have come up with a number of reasons why they cannot go beyond this level but we believe that it will never take off unless the load threshold is increased to make it worth while for ICPs to get involved.

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

A. None of the DNOs have yet come up with an effective way to make this work. The main barriers are lack of desire by the DNOs, scope of the self determination being too small and lack of access to the required information by ICPs to undertake the assessment.

Q. Has this affected your ability to win work?

A. Yes, if we could self determine points of connection to the DNO network the level of service we could offer to potential and existing customers would greatly improve. Not only would the impact be felt at the beginning of the process but also post contract award where variations to the point of connection are required for whatever reason. Under the current regime we have to go back to the beginning with the DNO which introduces delays whereas the DNOs own connection business can make changes with relative ease. There would

also be the added benefit for the DNO in that it would lower their work load as currently the often need to make numerous connections offers to numerous ICPs for the same site. If there was a robust and reliable self-determination process in place DNOs would not need to be involved until after the scheme was confirmed as progressing.

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 project scopes have been so small that it has not proven to be worthwhile. For best industry practice you need to look at how self determination works in the gas connections industry, where the majority of connections points can be determined without any reference to the GDN operator. It would be interesting to know how many of the DNOs have seriously engaged with their GDN counterparts to see if that process could be incorporated into electricity connections.

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

A. As a start the DNOs could open up their systems in the same way that the gas utilities have, so that we can assess the network and plan a cost effective offering to the customer. There is also nothing stopping any DNO from developing a similar approach to the gas companies where connections point for loads of a certain size can be made available from local HV or LV circuits. In addition ICPs should also have the right to access the same information as the DNO's connections business and, where there is doubt about the capability of a circuit to accommodate additional load, access to DNO substations where necessary for the purpose of installing load monitoring equipment.

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

A. Most DNOs already provide remote access to their staff so if there was a real desire then similar access could be offered to registered competitors. There does not appear to be any obvious IT issues and other protections are already in place such as intellectual property rights clauses set out in all DNO adoption agreements. It just requires desire from the DNO to make the change or a direction from Ofgem to enforce change.

4B

Title

Complexity for customers

Description

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

- Transparency in quotes - Competition should be most effective where customers are able to compare the costs that will be charged by the DNO against those of an independent. Stakeholders have raised concerns that quotes

are difficult to understand because the content of work is not always clear. This could disadvantage customers as they might not be able to easily compare costs between the DNO and an independent.

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

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

A) Scale

(i) Have you experienced the issue?

YES – Please complete the rest of this question

NO – Please move onto the next issue

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

Our experience has shown that we still need to go through all DNO quotes in detail, mainly due to a lack of transparency and sometimes due to incorrect application of cost apportionment factors for reinforcement works or the DNO attempting to charge the customer full cost when the costs should be apportioned. This does however take time and lower value schemes often do not face the same level of scrutiny. We also have had a number of instances over the years where the DNO's own connections business has made a different connection offer directly to the customer that it has to us as an ICP, resulting in our non-contestable charges being significantly higher than those included in the DNO's connection offer made directly to the customer. We have included an example of one such instance of this appended to this response. By way of an example, we append an offer from SSE (ANNEX 004) where the non contestable costs they quoted us were almost three times higher than the non contestable costs they quoted the customer when they made their Section 16 offer originally.

(iii) How often does the issue arise?

This is an issue regularly from most DNOs' although it is especially prevalent on more complex schemes.

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

This is an issue regularly from most DNOs although it is especially prevalent on more complex schemes. It does potentially become more of an issue with the introduction of self connect as a lack of transparency in DNO connection offers will make it more difficult to determine the level of reduction in non-contestable charges due as a result of the ICP carrying out the closing joint on its own or also along with the associated operational work.

B) Impact

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

Yes it can do where we end up under or over charging for work due to a lack of clarity in the connection offer. We are also not confident that the same level of detail is being provided on Section 16 schemes, which makes it more difficult for the customer in decided to go with an ICP over the DNO.

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

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. ENW are probably one of the better performers when it comes to providing transparent quotes however when I last checked their transferable connection offer could only be used where ENW was going to ultimately adopt all of the assets which was placing the IDNO adoption option at a disadvantage as the customer would have to re-apply for a connection offer if it chose to appoint an IDNO to adopt some of the extension assets.

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

There was some good work done to develop the Common Connection Charging Methodology to show indicative maximum and minimum prices. This work should be further developed so DNOs can enable customers to easily cross reference their connection offers against the DNO's Connection Charging Methodology. Also an increase in the

availability of self-service to competitors would mitigate this issue to a great extent.

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

We would advise DNOs to learn the lessons from the gas industry and implement the same on their own networks. For example in gas, the competitor can determine the point of connection, the competitor can complete and approve their own design (the GDN only completes an administrative validation process to check that all relevant paperwork has been provided), the competitor is responsible for their own audits, the competitor carries out the connection and any associated operational work without intervention from the GDN. We believe that all of the solutions already exist if the DNOs wanted to adapt them for their networks, this could be done very quickly and many of these processes are already well defined in GIRs and other gas industry guidance documents.

4C**Title****Customer appetite for competition****Description**

We have been told that some customers may not be convinced of the benefits of using alternative providers:

- Customers don't know they can use alternatives - 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.
- Customers' willingness to use independents - In response to the competition tests, some stakeholders have noted that some customers are reluctant to use competitors. Stakeholders have suggested this is because of a perception of increased risk of higher costs, extended timescales or greater 'effort' when using independents compared to the DNO. Some stakeholders have said that the cost savings of using a competitor aren't sufficiently significant. This may particularly be the case for lower value work.

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

YES – Please complete the rest of this question

NO – Please move onto the next issue

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

We have not offered commentary on customer knowledge that they can use alternatives as all the customers that engage with us are already aware that competition in connections exists. They do however tend to approach the DNO for more complex projects (such as those that require multiple diversions) as they are aware, often through bitter experience, that the barriers that DNOs place on ICPs just create avoidable uncertainty for the customer if they choose the DNO to do these more complex jobs.

Customers' willingness to use independents

Customers are sometimes afraid to use ICPs as they have previously had bad experience mainly down to the over zealous auditing of DNOs on ICPs. Customers also often find that this is easier to agree variations to the DNO's design standards if they have awarded the job directly to the DNO as opposed to an ICP. A case in point is where a customer

wishes to have a non standard substation design, if they go direct to UKPN they can often get this agreed yet if an ICP is liaising with the CIC design team for the same proposal it can take an extremely long time to get a response as the design is normally initially rejected and only when we present the agreement that has already been secured by the customer from the DNOs own connection business can we proceed.

(iii) How often does the issue arise?

This occurs in some areas mores than others; in particular those DNOs with stricter auditing regimes have been the biggest problem, namely NPG and UKPN.

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

These issues and delays occur in almost all market segments that we operate in. Whilst ENW and WPD are the best performers we still encounter delays due to their processes which in turn has the potential to put customers off choosing an ICP. This does not occur in the gas market as the incumbent GDN has so little input into the process it is virtually impossible for them to impact on their competitor's delivery.

B) Impact

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

Yes, whilst we always try to commit to an energisation date with all of our customers this is not always entirely in our control and as a result, broken promises can lead to a damaged reputation and future prospects of winning work.

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

ENW are probably the better performers in this regard however we believe that if customers could see that they only have a single point of contact that had full control over the delivery of their scheme they would be far more likely to opt for an ICP. We understand that the best practice is in the gas industry where the incumbent GDN has no impact on its competitor's ability to deliver

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

ICPs must be given the opportunity to compete on a level playing field with the DNOs' own connections businesses. DNOs must also be required to demonstrate that this is the case so that an ICP can give its potential customers confidence that their project will not be jeopardised by choosing a competitive alternative to the DNO. DNOs could for example give all ICPs to opportunity to see the results of the audits that they carry out on their own business to demonstrate that the DNOs connections business is providing the same level of quality of asset as the ICP is being required to provide. Similarly, the designs prepared by the DNO's own connections business should be open to scrutiny by competitors to ensure that the application of the DNO design policies is consistent between the DNO Connections business and its competitors. All of this information would help change the perception of customers and give them confidence that from the DNOs' perspective it does not matter who constructs the assets the approach to quality

assurance will be the same.

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

As is the case with many of these issues there is no reason why positive change cannot occur if there is a desire to make it happen. We believe that this desire will have to be created through the threat of substantial financial penalties on DNOs that fail to bring about the rapid changes that are no longer overdue to reform the electricity connections market.

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

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

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

YES – Please complete the rest of this question

NO – Please move onto the next issue

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

Statutory Powers:

We believe that our ability to compete with DNOs would be greatly improved if we could have ready access statutory powers in relation to the New Roads and Street Works Act (NRSWA) as the Section 50 route which ICPs must take under NRSWA is more often than not significantly more expensive than those costs statutory undertakers are exposed

to for the same work in the public highway.

Part Funded Reinforcement:

We have already carried out a part funded scheme with UKPN however they have now identified all the reasons why another scheme cannot happen so unless there is some intervention by Ofgem, this is unlikely to progress any further. As it stands the Part funding issue prevents us from competing for many larger schemes due to their non-contestability. If part funded reinforcement remains non contestable it has be potential to totally restrict competition in connections particularly if the connection boundary (i.e. the split of connections driven reinforcement costs between new and existing customers) changes in a way that result is cost apportionment being applied more frequently on new connection schemes.

Pricing:

We would like to see more transparency in pricing particularly in relation to overhead recovery allocations as anecdotally it appears to be more difficult to compete on price in the East and West Midlands areas following their take over by WPD. Due to a lack of transparency it is difficult to understand why this is the case. This is also more important now that DNOs are being allowed to also charge an unregulated margin in certain market segments which in theory could be open to abuse in the absence of full price transparency.

(iii) How often does the issue arise?

We regularly see these elements occurring across most DNO regions.

(iv) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of customers?)

The Statutory Powers that the DNOs have under the NRSWA mainly affects lower value projects although any cost benefit that the DNO enjoys over its competitors should be removed where possible. The pricing and part funded reinforcement issues are generally more prevalent on higher value projects, although the pricing issue is also an important factor when deciding for example if it is worth undertaking Self Connect connection or operational activities.

B) Impact

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

Yes, we believe we have lost projects on price that we should have been able to compete on, but as we don't have access to the DNO's pricing data it can be difficult to prove.

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

Not really, UKPN have had a so called trial for Part Funded Reinforcement but this needs to be followed through. Some DNO offers are more detailed in terms of cost breakdown than others but no DNO publishes how it recovers its indirect costs.

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

The issue of indirect cost recovery for Part Funded reinforcement schemes needs to be addressed by Ofgem. We would also welcome a change to regulatory reporting that improves pricing transparency; again this would need to be driven by Ofgem.

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

The Statutory Powers issues is perhaps beyond the total control of the DNOs however either of other issues could be dealt with by proactive engagement with Ofgem from the DNOs.

4E

Title Little evidence of competition for certain types of connection

Description

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:

- the total value of the work (and high proportion of non-contestable costs);
- the value of the work versus the costs or effort required to win it (for instance the processes complexity);
- the sporadic nature of the work; and/or
- high entry costs (accreditation etc).

A) Scale

(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?

We believe this market segment is so small that competition is unlikely to develop unless the LV demand market was fully open to competition. We believe this will only come about through the introduction of full self-service for ICPs.

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

IDNOs are excluded from this market segment due to the DNOs' insistence that link boxes must be provided at the boundary. As a result as an ICP we can only offer these type of connection to the DNO to adopt and due the high percentage of non contestable versus contestable value on these project we have not actively sought connections in this market segment.

B) Impact	<p>(i) Has this affected your ability to win work? Yes, due the high percentage of non contestable versus contestable value on these projects means that we have not actively sought connections in this market segment.</p> <p>(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 tried to improve their existing processes; however none have developed a self service process which we see as the only likely means of opening up this market segment.</p> <p>(iii) What more could be done to deal with the issue? see above</p> <p>(iv) What are the mitigating arguments? ie why can't the issue be dealt with or what barriers are there to implementing change? The DNOs claim that they need to police the ICPs working on their network however all of the protections are already in place through their adoption arrangements that ICPs must enter as a pre-requisite to the DNO agreeing in principle to adopt. We need a two speed process, one simple approach for the majority of all connections schemes which are fairly simple and something else for those much smaller numbers of more complex jobs where a more comprehensive process may be justified.</p>

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

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

5 –ISSUE TEMPLATE

Title 5a	Other Issues
Issue Description	The self connect process.
A) Scale	<p data-bbox="481 646 2116 686">(i) Have you experienced the issue?</p> <p data-bbox="481 686 2116 774"> <input checked="" type="checkbox"/> YES – Please complete the rest of this question <input type="checkbox"/> NO – Please move onto the next issue </p> <p data-bbox="481 774 2116 877">(ii) How often does the issue arise? This happens on a daily basis</p> <p data-bbox="481 877 2116 1085">(iii) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of work?) We believe that there remains plenty of scope for improvement in the Self Connect process. The process is still more onerous in most DNOs than for the scenario when the DNO’s own sub-contractors carry out the self connect activity. In some instances we have to provide two SAPs one ICP SAP in addition to the DNO’s SAP.</p>
B) Impact	(i) Has this affected your ability to win work?

Not currently although it will do in future if Self Connect does not become business as usual. If we were undertaking self connect with minimal intervention from the DNO then we could be in control of the delivery of the connection which in turn will enable us provide better services to our customers than the DNO.

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

WPD's process is slicker than others, however in many DNO areas we often struggle to get hold of the contact details of their operational staff until it is too late in the day. For example WPD use daily been bouts rather than whereabouts; in other words they will accept provision of the asset records and audit forms following completion of the self connect joint rather than before it as most other DNOs do. This does allow for the opportunity to complete the closing joint within a three day highways opening notice timeframe which was one of the principle drivers for developing self connect.

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

The DNOs could allow an ICP to operate in the same way as their contractors and own staff. This would make the connection aspect a lot quicker and reduce costs for the customer.

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

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 it was decided that there was no greater risk to an ICP as there was for a contractor working for the DNO. Similarly the view that an ICP must be watched far closer than a contractor or the DNO's own staff does not make sense. Particularly when some contractors that we use work for the DNO as well. This becomes ridiculous when they have to undertake work for us one day and then come to the same site to act as the DNO's contractor to energise the network. Therefore it needs the correct mind set to put in place the same systems that the DNO currently employ.

**5 –ISSUE
TEMPLATE**

5b Title	Other issues
Issue Description	Reinforcement and Diversions process and timely connection of the work.
A) Scale	(i) Have you experienced the issue?
	<input checked="" type="checkbox"/> YES – Please complete the rest of this question
	<input type="checkbox"/> NO – Please move onto the next issue
	(ii) How often does the issue arise?
	We see this occurring from time to time. Normally it is a major problem when it occurs.
	(iii) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of work?)
	When we accept a DNO connection offer that requires network reinforcement we always request the contact details of the DNOs operational engineer that will be responsible for ensuring that the reinforcement works are completed. We have experienced a number of projects where despite having requested these details they are not forthcoming and we get little or no feedback on the progress of the reinforcement work. What often happens is that the project does not progress until design approval is secured for the network extension work despite the DNO being paid for the reinforcement work at the time the connection offer is accepted by the ICP. The same applies where a substation diversion is required and our connection is being made to the diverted substation. There is no agreed standard of

service that the DNO must meet when providing this type of work.

We find a general problem of obtaining contact details of DNO delivery staff in a timely manner. We also don't get the impression that they treat an ICP connection project with the same urgency as one of their own projects. This is particularly prevalent in UKPN, SSE and NPG areas. We also suspect that when we call off connections that when the required clearance is given by the DNO's control room that the DNO's own works take priority over ICP works.

B) Impact

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

It is difficult to say if this has prevented us from winning work, however the customer often puts the problem down the fact that he is trying to deal with two parties and the issue may be less likely to occur if he had approached the DNO only for all of the work.

(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 and UKPN areas, examples are attached to this response.

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

We would like to be in control of the entire process so we would not be to have to rely upon the DNO. Where we do have to rely upon the DNO they should be far more transparent with competitors and be able to demonstrate to their competitors that they are not providing their own connections business with an undue advantage over its competitors.

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

We appreciate that this type of work can sometimes be more complicated which could make it more difficult for competitors to undertake the work however as stated above where a competitor cannot compete the work themselves then each of the stage should be far more transparent that the currently are to ensure the competitor can influence the progress of the scheme.

5 –ISSUE TEMPLATE

5c Title

Other issues

Issue Description

UKPN insist that an ICP client must provide a letter of undertaking from the client's Solicitor to confirm the date they anticipate the land rights documents will be completed prior to agreeing to provide a connection date.

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?

Whenever we carry out a project where UKPN are adopting all of the assets (i.e. no IDNO involvement and no joint legal process)

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

If we need to follow UKPN own legal process where rights are being secured exclusively for UKPN assets.

B) Impact

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

Yes, we believe it does as it often means that the final connection has to be planned at very short notice (i.e. immediately after legals have completed) which leaves them more prone to problems that can affect the energisation.

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

Other DNOs allow connections to be provisionally booked in and will cancel the connection if the legals are not cleared

five days prior to the proposed connection date.

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

UKPN have never provided us with evidence that they apply this same rule to their own connections business. We believe that they should come into line with the practices of other DNOs in relation to this 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?

UKPN argue that they don't wish to tie up operational resources or switching time on projects that never go ahead, however other DNOs seem to manage this issue?

5 -ISSUE TEMPLATE

5d Title

Other issues

Issue Description

ICP connections are often well down the priority list when it comes to securing operational outages with the DNO's control room.

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?

This occurs sometimes several times a year.

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

This is particularly prevalent in UKPN, NPG, SP and SSE areas. We also suspect that their own connections businesses

get preferential treatment by DNO SAPs when it comes to submitting switching schedules to their control engineer for approval and inclusion in the program.

B) Impact

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

Yes, as it can impact on our ability to deliver the final energisation to our customers, and also especially where DNO SAPs give preferential treatment to their own connections business schemes.

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

We generally don't find this to be as big an issue with ENW and WPD possibly due to their control rooms being better staffed. We also believe that their staff are less likely to treat ICP projects differently to their own connection's business projects.

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

Self Connect where the ICP carries out all of the operational activity would help alleviate this issue as the ICP's SAP could interact directly with the DNO's control room.

Also in LV market segments ICPs are currently prohibited from carrying out any operational activity on any DNO networks, the argument put forward by the DNOs was that it was on the grounds of safety and operational liabilities, yet almost all of the DNOs allow sub-contractors to operate on their own LV networks. This does have an impact on the feasibility of completing LV Self Connect schemes, because where cables cannot be identified without applying cable signal injection equipment the ICP is reliant upon the DNO to provide this service. UKPN currently advise that they need 15 days lead time for an LV self connect that requires operational activity. If the ICP requests UKPN to complete the connection the standard is 10 days!

Also the safety issue argument appears to vaporise when the same DNOs suffer significant disruption and supply issues as a consequence of weather related incidents. In such cases operatives from other distributors etc. are welcomed with minimal hurdles put in place.

(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 will argue that they need to provide priority to existing customers on the network over new ones, which is understandable to an extent. We believe the DNOs could also benefit from fully effective self connect operational activities being readily available to ICPs as it would take the burden away from the DNOs staff and allow them to instead focus on the asset management side of network operations.

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?	We understand from our customers that it is far easier to get connections from the gas networks than for their electricity network counterparts.
Are there any aspects of those markets which you think would deal with the issues you have identified in this questionnaire?	We understand that customers enjoy a much better service in the gas market due to the connection provider being in almost total control of the delivery of the connections. This scenario would very quickly help identify those businesses that effectively deliver and would enable customers to make the competitive choice without fear of third party interference in their chosen connection provider's ability to deliver the required service.