

## **The Questionnaire – For independent providers**

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

We hope all the questions are clear, but if you have any difficulties please email [connections@ofgem.gov.uk](mailto:connections@ofgem.gov.uk).

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

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

### Part 1 - About you

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

### Part 2 - About your business

| Question   | Your response   |
|--|---|
| What is your company's name?   | J Murphy & Sons Ltd   |
| What is the nature of your company's business?                         | Civil Engineering & Utility Contractor                                |
| Which sections of the market for new electricity connections does your | New housing and commercial developments<br>Commercial supply upgrades |

|  |   |
|--|---|
| business operate in?<br><br>(ie what types of connection solution do you provide?)               |   |
| What areas of the country does your business operate in?   | England and Wales   |
| Who are your competitors?  | Other Utility Infrastructure Providers, DNOs, IDNOs                               |
| Please provide an indication of your size. Ie how much work do you do in the connections market? | New to electrical connections market. Well established in gas connections market. |

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

| Question A   | Your response   |
|--|---|
| Have you considered competing for work in other regions?<br><br>If so, which ones?   | N/A   |
| What stops you competing in other regions?   | N/A   |
| Question B   | Your response   |
| Have you considered competing for different types of connections work (e.g. different voltage work)?<br><br>If so, which ones? | Yes, one-off new supplies/alterations to industrial and commercial properties |

|   |  |
|---|--|
| What stops you offering other types of connections? | Costs associated with Road Opening Notices |
|---|--|

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

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

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

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

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

- DNOs insist that link boxes are installed at the network boundary with an IDNO. Adding unnecessary expense.
- 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:**

*Ability to produce customer quotations in a timely manner*

#### **Issue Details:**

Q. How often does the issue arise?

A. Regular

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

A. Most areas and most types of work.

Q. Has this affected your ability to win work?

A. Yes, customers get tired of waiting and think we are either not bothered or incompetent.

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

A. Yes. Some recent WPD POC requests have returned within D+5

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

A. In the gas market, the Networks guarantee loads for certain sized mains and therefore the UIPs do not need to apply for a point of Connection. Also in gas and providing UIPs have the correct Lloyds registrations, 'Contestable or Non-Contestable' does not exist, which allows UIPs to provide a much better service to its customers.

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

A. It can be if Ofgem insist on it. It has happen in gas.

### **ISSUE 2**

#### **Description of the issue:**

*Road Opening Charges (and in some instances deposits) levied by Local Authorities and Highways is one of the biggest (if not the biggest) barriers to competition and give DNOs and IDNOs a very distinct and unfair advantage over UIPs. Where UIPs have been able to be efficient/innovative enough to still be able to compete against the DNOs/IDNOs, the customer could have had even better value if the UIP didn't have to pay the road opening charges.*

#### **Issue Details:**

|   |
|---|
| Q. How often does the issue arise?  |
| A. Constant   |
| Q. Where does the issues arise (DNO areas or type of work)  |
| A. Nationwide   |
| Q. Has this affected your ability to win work?  |
| A. Yes, very much so.   |
| Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?   |
| A. No, all act in the same way, but one IDNO (when adopting from a UIP) allow UIPs to act as their agent and then the charges do not apply.   |
| Q. What more could be done to deal with the issue?  |
| A. As it will always be the case that either a DNO or an IDNO will adopt the work completed by a UIP, Ofgem could insist that DNOs/IDNOs allow registered UIPs to act as their agents with regard road opening notices etc. |
| Q. Why can't the issue be dealt with or what barriers are there to implementing change?   |
| A. DNOs reluctance to allow fair competition and try and conceal this by promoting it as a local authority issue. This could be simply resolved by Ofgem.   |

### ISSUE 3

#### Description of the issue:

*Re-Registration of jointers / SAPs / competent persons when they move from one contractor to another and from one network to another. Example a subcontract jointer-x registered with contractor-x for work on DNO-x, needs to re-register with DNO-x each time he works for a different contractor. Some DNOs insist they resit tests, attend jointing school each and every time.*

#### Issue Details:

|   |
|---|
| Q. How often does the issue arise?  |
| A. Reasonably regular   |
| Q. Where does the issues arise (DNO areas or type of work)  |
| A. Varies   |
| Q. Has this affected your ability to win work?  |
| A. Likely to, as there is reluctance to complete some 'contestable' elements of work due to the cost and administration involved. |
| Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?           |
| A. Not aware  |
| Q. What more could be done to deal with the issue?  |
| A. Central Register that all DNOs/IDNOs sign up to. Standards of competence shouldn't be any different between networks.          |
| Q. Why can't the issue be dealt with or what barriers are there to implementing change?   |

A. Lack of confidence, mistrust, a hidden barrier that might never be picked up on.

#### **ISSUE 4**

##### **Description of the issue:**

*Cross Subsidy- It is believed that some DNO's may be offsetting certain contestable works against required reinforcement and Non Contestable Works.*

##### **Issue Details:**

Q. How often does the issue arise?

A. Unknown

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

A. Within DNO's

Q. Has this affected your ability to win work?

A. Not yet but we believe it may.

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

A. Unknown

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

A. Clear and concise breakdowns of quotation from DNO's

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

A. DNO's desire to increase their assets can force them to act uncompetitively.

#### **ISSUE 5**

##### **Description of the issue:**

DNO's owning the Contestable element of the installation that is purely for a new development, which increase the cost of the scheme and prevents ICP's from being able to compete against the DNO's and imposing standards on ICP's that they do not adhere to themselves?

Example

- Section 50 costs- Do not apply to the DNO but have to be paid for by an ICP.
- Link Box installations and design- Imposed on all ICP installations, with significant cost implications. This is particularly significant on Scheme under c50 Plots. DNO's themselves do not apply the same restrictions on their installations.

##### **Issue Details:**

|   |
|---|
| Q. How often does the issue arise?  |
| A. Frequently   |
| Q. Where does the issues arise (DNO areas or type of work)  |
| A.All DNo's   |
| Q. Has this affected your ability to win work?  |
| A. YES  |
| Q. Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?   |
| A. NO   |
| Q. What more could be done to deal with the issue?  |
| A. OFGEM insist on level playing field.   |
| Q. Why can't the issue be dealt with or what barriers are there to implementing change?                                   |
| A. DNO's desire to increase their assets can force them to act uncompetitively and DNO' reluctance to relinquish control. |
|   |

| 4B          |   |
|-------------|---|
| Title       | Complexity for customers  |
| Description | <p>We have been told that some aspects of some connection process can cause confusion for customers:</p> <ul style="list-style-type: none"> <li>• <u>Transparency in quotes</u> - Competition should be most effective where customers are able to compare the costs that will be charged by the DNO against those of an independent. Stakeholders have raised concerns that quotes are difficult to understand because the content of work is not always clear. This could disadvantage customers as they might not be able to easily compare costs between the DNO and an independent.</li> </ul> <p>DNOs have improved transparency but recent responses to some competition tests suggest that there is still more to do, such as removing miscellaneous charges in quotes.</p> <ul style="list-style-type: none"> <li>• <u>Difficulty in accepting just the non-contestable part of a DNO's quote</u> - In some DNO areas, issues can arise when customers accept a non-contestable quote from a DNO, but decline the contestable element and choose to use an independent. If this happens, some DNOs may reissue the costs of the non-contestable works. This can discourage customers from using independents, as doing so will increase the time taken to receive a quote and add uncertainty to the cost of any non-contestable works. We are aware that some DNOs have introduced fully</li> </ul> |



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

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|                  |  |
| <b>B) Impact</b> | <b>(i) Has this affected your ability to win work?</b>   |
|                  |  |
|                  | <b>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</b> |
|                  |  |
|                  | <b>(iii) What more could be done to deal with the issue?</b>   |
|                  |  |
|                  | <b>(iv) Why can't the issue be dealt with or what barriers are there to implementing change?</b>                                 |
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| <b>4D</b>          |  |
| <b>Title</b>       | <b>The impact of regulatory regimes and requirements</b>   |
| <b>Description</b> | <ul style="list-style-type: none"> <li>• <u>Statutory powers</u> - Through their licence DNOs have statutory powers that make conducting street works easier than if a non-licensee (ICP) carried out the work. This can make it more difficult for some independents and may make smaller jobs unattractive.</li> <li>• <u>Requirement for emergency response service</u> - In the event of a fault on the network, DNOs and IDNOs are required by their licence to provide certain services to customers on their network. This includes information and fault restoration. Some stakeholders argue that the requirements to provide this service imposes costs that could stop new IDNO entrants entering the market or existing participants expanding. They also note that DNOs are more easily able to cover such costs through their regulatory revenues.</li> <li>• <u>Part funded connections</u> - When conducting a connection project, a DNO may decide to carry out additional wider work on its network. If it does, the cost of reinforcement will be shared between the connecting customer and the wider customer base. If a customer contracts with a competitor for all of the work there will be no cost sharing. This may restrict the independent's ability to compete with the DNO on price for certain work.</li> <li>• <u>Pricing</u> - we want to understand the extent to which independents can compete on price in various sections of the market.</li> </ul> |
| <b>A) Scale</b>    | <p><b>(i) Have you experienced the issue?</b></p> <p><input type="checkbox"/> YES – Please complete the rest of this question</p> <p><input type="checkbox"/> NO – Please move onto the next issue</p> <p><b>(ii) Please describe the type of issue as you have encountered it.</b></p> <p><b>(iii) How often does the issue arise?</b></p>  |

|                         |  |
|-------------------------|--|
|                         | <p>(iv) Where does the issue arise? (ie is the issue more frequent in certain areas or for certain types of customers?)</p>      |
| <p><b>B) Impact</b></p> | <p>(i) Has this affected your ability to win work?</p>   |
|                         | <p>(ii) Have certain DNOs done more than others to deal with these issues? What do you consider to be current best practice?</p> |
|                         | <p>(iii) What more could be done to deal with the issue?</p>   |
|                         | <p>(iv) Why can't the issue be dealt with or what barriers are there to implementing change?</p>                                 |

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

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



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

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

### 5 – BLANK ISSUE TEMPLATE

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

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

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

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

## Part 6 - About other markets

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

## Part 7 - Other comments

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