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Date

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Dear James,

**OFGEM UPDATE ON COMPETITION IN CONNECTIONS MARKET REVIEW: ISSUES
LIMITING EFFECTIVE COMPETITION**

I am writing in response to the Ofgem consultation on the update on competition in connections (CiC) market review and welcome the opportunity to provide our views together with an update on the further steps Western Power Distribution (WPD) has taken since our response to the initial call for evidence in July.

Throughout this year we have continued to work on initiatives set out in our connections Connection Customer Steering Group (CCSG) Workplan as well as adding new initiatives and actions to improve the service provided in our connections activity. We have used the feedback provided in responses to Ofgem's call for information, in particular the MCCG's response and issue register, to ensure that we have addressed those issues or have actions in place to do so. We have also looked at the work other DNOs are doing in relation to CiC and included actions addressing areas where WPD may have gaps in comparison.

We have updated the CCSG Workplan to capture these new actions together with target dates and output measures. Following feedback we received on our trial Incentive on Customer Engagement (ICE) submission, which included this plan, we have provided much more detail on the initiatives, actions and their measures.

I have included a copy of the latest version of the Workplan with this letter, it includes a column identifying where new actions have originated from. The actions with CiC plan as the source of the new action are actions which have been set from our review of the MCCG issues register and feedback in the Ofgem call for information on top of those already set.

We believe this Workplan is another example our commitment to the continued development and facilitation of competition in the connections market.

In response to the issues raised in this latest consultation, I have provided our views under the headings below as well as updates on any of the actions we are taking in relation to the issues. For ease of reference, the headings are those used in the consultation document.

Issue A - The DNO's level of control over the connections process

▪ The nature of DNO accreditation regimes

As mentioned in our response to the call for information, WPD already has policies and procedures in place for live LV jointing and our HV trial to facilitate connection providers working under their own safety rules and NERS Accreditation when carrying out work on the WPD network. Under our Network Access and Adoption Agreement, ICPs can work under their own Safety Rules and therefore do not require a WPD Authorisation or assessment to work on the WPD network. The Agreement requires the ICP to only carryout works for which they have the appropriate scopes in their NERS accreditation and for their staff to be trained appropriately by them.

▪ How DNOs determine the Point of Connection (PoC)

WPD already have a trial underway to facilitate connection providers determining their own LV point of connection on the network. Taking on feedback from the MCCG that our initial scope may be too narrow to cover the majority of schemes they undertake, we have an action to expand the scope of the trial to larger LV connections of around 250kVA (~100 domestic plots). We have also set an action to look at trialling a "hot-desk" or drop-in facility for connection providers in WPD's offices.

The potential solution put forward in the consultation, of an impartial third party determining PoCs for DNOs and connection providers could impose additional hand-offs and costs on both the connection providers and ICPs which would affect service to the end customer. We believe that the development of self-determination by the connection provider is the better option and one which WPD is working towards.

▪ The way in which DNOs approve connection designs

We have taken on board the feedback that for some connections the connection providers could self-certify their designs and have set an action in our Workplan to develop a trial to enable this. The trial will align with the self-assessment of PoC connection sizes. This will further minimise the role WPD plays in these connections provided by independents.

▪ The requirement for IDNOs to fund and install link boxes

Following our letter in response to the call for information, WPD undertook further a review of our policy regarding the requirement for link boxes. We listened to additional stakeholder feedback and have as a result implemented new policy: from 1st November 2014 WPD will no longer normally require link boxes at the interface between WPD's distribution system and the IDNO network.

On rare occasions where circumstances dictate that WPD require a link box at the interface WPD will fund the installation and procurement costs. Similarly, should the IDNO request a link box, the IDNO will be required to fund the installation and procurement costs.

▪ How DNOs inspect and monitor new assets provided by their competitors

In our previous response we explained that we were developing a new inspection and monitoring (I&M) regime in 2014. We have begun to roll this out on a trial basis across our geographic area. The new regime addresses the issues identified in the consultation

document relating to consistency, transparency and feedback. In respect to improving consistency, the new regime consolidates the processes into a single regime in each of our four Distribution Service Areas (DSAs) and is being rolled out with training and guidance for all staff involved. The processes provide regular updates on inspection level status, inspections and defects to the connection providers to increase transparency and feedback.

To address the feedback regarding the provision of further autonomy to connection providers, we have added an action to our Workplan to extend the new I&M regime further to allow connection providers to self-inspect their work where they have demonstrated the appropriate levels of quality and safety, or have the appropriate certification/accreditation.

▪ Inconsistent application of planning and design standards

WPD's team based structure, with network Planners having responsibility for specific geographic regions, means that the same Planner will deal with both applications for WPD to complete all the connections work on a scheme and applications for the CiC option. This approach helps to ensure consistency between the two types of schemes and greatly reduces the risk of differences.

Issue B – The customer's experience

▪ Customers do not know they can use alternatives

As we explained in our response to the call for information, WPD continues to help raise awareness of competition through our website, letters and leaflets. Also our experience has been that awareness is growing in many market segments as more connection providers enter into the market segments. In our latest DG survey for 2014, awareness of CiC was at 87%.

We believe there is some onus on the CiC industry to promote itself. One solution could be for the independents to set up their own website for customers, which DNO's could promote on their own sites and provide links to.

▪ Customers are reluctant to use alternatives

Some of the issues surrounding this topic are related to the awareness of customers discussed above. As customers become more aware of their options and the alternatives their willingness to try the CiC route will increase. Also we believe that customers will gain more confidence in the CiC route as experience of such alternatives develops.

The proposed solution of an independent party to provide information could be of benefit as with the solution to raising customer awareness described above.

▪ Customers that want to use a competitor find difficulty in accepting just the non-contestable part of the DNO's quote

We explained in our response to the call for information that to address this issue we have introduced Dual Offers. In these Dual Offers customers can choose between the option of WPD completing all of the connection works or the option of WPD only carrying out the non-contestable works and an independent connection provider completing the contestable activity. We initially developed these for the area where demand had been highest for this which was the major Distributed Generation (DG) connection schemes with extra high voltage (EHV) works and then the DG high and low voltage HV and LV connections.

We have since undertaken to develop our systems to be able to provide Dual Offers for demand connections schemes in the LV up to EHV segments by April 2015.

Issue C - The impact of regulatory regimes and requirements

▪ The licensees' statutory powers

We have no objections to ICPs having further capabilities or statutory powers consistent with our own.

We are continuing to improve our processes regarding obtaining legals and consents for connections schemes and provide additional guidance to connection providers in this area.

▪ The DNOs and IDNOs' licence requirement to provide an emergency response service

As explained in our previous response, we had been asked by a number of IDNOs to provide emergency fault repair support for them across our regions. WPD are developing a common framework to offer network emergency support to IDNOs across all WPD regions and will be rolling this out for all IDNOs to be able to take up from April 2015.

▪ The ability of DNOs to provide part-funded connections for reinforcement

WPD are developing a trial to enable connection providers to undertake part funded connection activity. We are currently at the stage of developing the agreements to facilitate the trial which we plan to have in place by the end of the year.

The ability for connection providers to undertake the part-funded element of a connection scheme should expand the scale of the schemes they wish to compete for, since the greater the amount of work on a scheme which is contestable the more room there is for the connection provider to differentiate through price and service.

Issue D – Transparency of pricing

As stated in our previous response, we believe that our breakdown of charges is one of the most detailed available from a DNO and enables the customer to compare with our charging methodology and with connection provider quotes.

Our workplan has an action to further improve our Offers in response to feedback we receive from our stakeholders. The proposed solutions in the consultation around common DNO formats could have some benefits but ultimately may restrict the ability for us to innovate and reduce the speed of development and change.

Issue E – Competition not viable for certain types of connection

Whilst there may be areas that remain unattractive to connection providers, we believe that the further developments WPD are undertaking to extend contestability and minimise our interactions in the CiC process, will expand the scope of connections scheme of interest to them.

When added to the live LV jointing process, the removal of the requirement for a LV link box, self-assessment of PoC and self-design approval should facilitate further competition in the LV market segment. Whilst our other initiatives such as opening up part-funded reinforcement works for example will also extend competition in other market segments.

WPD were pleased that our efforts to facilitate the competitive connections market had been recognised in responses to the call for information and this consultation. However we do understand that there is still work to be done, a fact which is demonstrated by the extent of our Workplan and the efforts we are still applying to this area.

We would be happy to discuss any of these issues further and we look forward to seeing the views of other stakeholders in their responses to this call for information.

For any queries or further information please contact Richard Allcock on 01332 827503 or email rallcock@westernpower.co.uk

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager