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4 November 2014

Dear James

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

This letter and its appendix is the response from Northern Powergrid Holdings Company and its subsidiaries Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc to Ofgem's letter entitled *Update on Competition in connections market review: Issues limiting effective competition* (the Consultation).

Effective competition has demonstrably developed in the largest (by value) of Ofgem's designated market segments in the company's distribution services areas (connections involving work at, but not above, high voltage).

Against this backdrop the company has continued to work to develop its processes in such a way as to facilitate competition even more effectively, across all market segments. Feedback from stakeholders, and examples of best practice cited by Ofgem, have been instrumental in developing changes which the company has made since its last competition notice, or is in the process of implementing. These changes include:

- Trials of self-determination of the point of connection by independent connectors on smaller low voltage connections.
- A hot desk terminal that independent connectors can pre-book to view and print network records in an identical software environment to that used by our designers.
- Less administrative overhead and paperwork, for instance through digital stamps for formal design approval and removal of our two stage PoC payment process (that independent connectors told us was cumbersome).
- A fast-track escalation process to resolve any disputes about the materiality of on-site defects identified by audits or during preparation for asset commissioning.
- Periodic rotation of audit and asset commissioning employees who work at the interface with ICPs/IDNOs.
- Random sample external audits of ICP, IDNO, and NPg connection work sites, by a trusted independent reviewer, to reassure stakeholders that standards are consistently applied during internal audits and at the point of connection energisation.
- A major overhaul of our website to make it easier for customers to access services, including connections, with continued work to highlight the choices customers have (in relation to using independent connectors) at key points as they access information.

- Including a flyer in all connection quotation packs highlighting the options they have in terms of alternative providers where some of the work is contestable.
- Continuing to roll out across all market segments quotations which allow customers to accept only the non-contestable element (having moved early in the LV with HV works segment) – with a split acceptance form that allows the customer to select the offer they wish to accept and sign and return only the relevant part.
- Overhauling our entire suite of connection offer letters to make them clearer and improve the breakdown of costs.

Many of these changes are already complete, while others are in the pipeline (including talking to external service providers where necessary).

We also expect to make further changes as we learn from customer feedback (for instance on our new website and offer letters) and from best practice as highlighted by Ofgem and stakeholders in future.

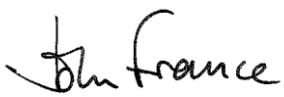
There are a number of potential solutions discussed in the consultation which we believe would need national work in order to implement. For instance, the distribution code stipulates that a point of isolation is required at the boundary between DNO and IDNO networks. Meanwhile, the distribution licence means we could only provide IDNOs with emergency response cover if it remains a de minimis activity or if the Authority gives its consent for us to depart from the requirements of the licence (although this does not preclude our affiliated contracting company from providing such services – a potential option we have highlighted to IDNOs in the past, along with the fact that other electrical contractors may be interested in offering competitive terms for such work).

If Ofgem concludes that further implementation work is necessary in order to make national changes on these issues, or indeed others cited by the Consultation or the responses to the Consultation, then we would be happy to contribute to this work.

Attached to this letter is an appendix setting out comments on each of the issues and possible solutions in each of the five areas (A to E) that Ofgem identified in the Consultation.

We would be happy to meet to discuss any of the items covered in this letter, its appendix, or that are highlighted in other responses to the Consultation. In particular, if there are areas that you would have expected us to comment on, but we have not done so, please make us aware so we can consider these issues further.

Yours sincerely



John France
Regulation Director

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Accreditation regimes	Clearly such processes are essential for the safety of individuals working on the network and the wider public. However, the manner in which the accreditation regime is currently being applied may cause two problems for competition. Firstly, the accreditations differ between DNOs. The timing and cost of accreditation can act as a barrier to entry for independent providers who want to move between DNO areas. Secondly, even within the same DSA, some DNOs insist that staff must be re-accredited before operating for a different company (i.e. subcontracting). This could act as a barrier to expansion – it prevents independent providers sub-contracting to increase the volume of work they can deliver.	Respondents suggested the issue could be overcome through the arrangement of the same transparent process and testing regime across regions. This would enable the transfer of accreditation across DSAs. It was also proposed that the DNOs' accreditation requirements could be removed or relaxed for National Electricity Registration Scheme (NERS) accredited ICPs. Good practice highlighted included WPD not requiring accreditation for live jointing on the LV network. Other respondents noted that UKPN had a clear, published process. We also understand that SSEPD only require NERS accreditation before allowing independents and their staff to complete connections.	Northern Powergrid has a consistent approach to providing accreditation or electrical authorisation and the same processes are utilised to assess the competence of all individuals who are required to access, operate or work on our distribution network, irrespective of their employer. Our assessments and authorisations are free of charge and are programmed upon request, usually within two weeks. More urgent requests can be accommodated on a commercial basis. We will recognise other company accreditations gained in another role elsewhere in the UK or provided through the Lloyds nationally accredited training scheme and issue the equivalent accreditation. To do so we require evidence of previous training and experience if an operative is new to our company. If the same operative works for several different ICPs a certificate is required for each one as it necessarily details the company they are working on behalf of. This is a clerical exercise that should take no more than a couple of days. Northern Powergrid is a participant in the national passport scheme and plans to remain a party to it. We would be happy to give active support to an initiative to develop a single national accreditation scheme for individuals, to supplement and complement the current NERS scheme for companies.

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Determination of PoC on different quotes	During the competition tests, concerns were raised that DNOs could give their own connections businesses different PoCs to those offered to competitors. It could be the case that different designers may produce different, but valid, PoCs for the same connections – two separate engineers may do things differently. However, if IDNO/ICPs are provided with different PoC locations from those made available to the DNOs own connections business there is likely to be a negative impact on competition and choice for customers. The proposals provided would be less comparable and it could be that one PoC is more advantageous than another from the point of view of time to connect or cost of connection.	To reduce the DNOs' control over the connection process, it was suggested that an impartial third party could become responsible for determining PoC for DNOs and ICPs/IDNOs. This would provide consistency. Some respondents also suggest that competitors should be able to determine the PoC for certain connections. These respondents noted that the ability to do this is affected by their ability to access DNO network information. One DNO said it had conducted an internal audit and hadn't found any evidence that staff had proactively sought to disadvantage competitor schemes (and that it would take any such allegations seriously). It said it undertook regular staff briefings on the importance of compliance with competition law.	Our existing processes are designed to avoid requests for PoCs for the same location going to different engineers (in order to avoid different PoCs being provided). We are aware of some examples where this has occurred and have investigated a number of specific cases. In some cases, we provided different PoCs for the same site due to material differences in the two requests; this led us to provide a different PoC (e.g. the developer notified us about installing PV cells on his new properties in a connection request but an ICP did not provide this information in its request). In cases where the connection details were identical we have not identified any pattern that will have been detrimental to competition – some cases may have handed an advantage to our competitors due to their PoC being the correct (least-cost) option as opposed to our own, or made no difference since the two PoCs were essentially equivalent. We will continue to monitor cases where we become aware that different PoCs are issued for the same site in order to evaluate the performance of our processes in avoiding any distortion of competition. The introduction of dual quotes should reduce the number of instances of differences between PoCs in future, since where the developer (or his agent on his behalf) takes the non-contestable quote and asks ICPs to quote for contestable services, all parties quoting on the connection will do so using the same PoC (unless they specifically request a connection which differs from that originally requested by the developer). We recognise that some parties have suggested an independent third party should provide PoC details. Ofgem should weigh any potential benefits from an independent third party against the additional cost it may add to the overall process and consider how such an arrangement could be consistent with the duties of a distributor under statute.

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Determination of PoC – third party land	Some competitors noted that where the point of connection provided is on third party land, delays can be experienced while land rights are secured. Competitors noted that DNOs often have access rights for this land which can make it easier and quicker for them to complete the connection.		We are conscious of the issues that providing a PoC on third party land can give to ICPs. We try to avoid this where possible but in some cases this is not feasible (since the alternatives would be more costly). In these cases we offer the ICP the option of having an 'intermediate PoC' somewhere that they can readily access. This allows us, the DNO, to exercise any access rights we enjoy with third parties to make the connection to our existing network and extend our network to the point where the ICP can access the land. This option still requires the DNO to arrange access to and undertake work on third party land so it can take longer to provide the connection point. This can itself lead to delays. However, since we would need to arrange access to third party land – and suffer associated delays – if undertaking the connection ourselves we do not believe there is any reason that this should present a barrier to competition. However, we recognise that any delays could be perceived by the ICP as the DNO delaying the connection. To avoid this perception each party must communicate their intentions and progress well, so that the ICP is able to communicate appropriately with the end customer and explain the reasons for any delay. As highlighted in all of our submissions to Ofgem on competition in connections, we continually work to improve our communication channels with ICPs, and will continue to do so on this issue as well as others.

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Determination of PoC and design approval – contrast with gas		Some respondents cited the gas connections market as good practice, where independents are able to access network information easily and determine their own PoC for certain connections. Some respondents cited the gas connections market as good practice where independents are able to approve their own designs for certain connections.	We appreciate that differences between electricity and gas will be frustrating for ICPs. Some of these differences may be due to different technical and historical backgrounds. For instance, until 2005 all gas distributors were part of the same company – so they are likely to have similar record systems and processes (unlike electricity distributors which were organisationally separate even before privatisation). We also understand that it is less likely that there will be multiple pipes in a single street compared to electric cables, which are regularly overlaid, making design simpler in many cases. However, we would be interested in any specific improvements to our processes that can be identified from best practice in the gas sector. Specific feedback from stakeholders has recently led us to make the following changes. • A hot desk terminal that independent connectors can pre-book to view and print network records in an identical software environment to that used by our designers. • Less administrative overhead and paperwork, for instance through digital stamps for formal design approval, and removal of our two stage PoC payment process that independent connectors told us was cumbersome. • We have been working with any interested ICPs to trial self-determination of the PoC on low voltage connections. Four ICPs are taking advantage of this for loads less than 60 kVA. We expect to begin work to expand the scope of this option once the initial trials have been successfully completed.

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Design approval	Respondents have noted that approvals process can make it difficult for independents to quote and complete work in the same amount of time as the DNO. Respondents say that some DNOs may be using rejection of designs (or asking clarifications) as a method of slowing down ICP works and imposing costs on them. It was suggested that designs may be rejected multiple times for different faults (rather than once with all faults listed). Competitors also consider that DNOs allow their developers to deviate from the DNO's design standards, if they are doing the work, but insist that ICPs must adhere to the design standard. DNOs said that design approval is important, as quality of the independent's designs is often poor. One noted a 29% design fail rate in 2014, despite efforts to grant acceptance with minor revisions.	Respondents suggested a range of solutions, including (1) Removing the approval requirement for straightforward connections. It was suggested that certain criteria could be set to establish whether design approval is required, e.g. if a connection is below a certain load; and (2) Allowing competitors to have designs approved post-connection, particularly if minor variations are required (as done by the DNOs for their own unmetered customers). Respondents identified WPD and ENWL as displaying good practice in this area. They noted that they were more approachable with queries and had the good timescales. However, respondents noted that issues were still encountered in these areas, and that design approvals were still required for most connections.	SLC15 has prescribed timescales for reviewing and returning quotation and design approvals. We understand the value that others place on a timely response to approvals and requests for PoCs and are mindful of the need to respond quickly. We monitor the turnaround times of our teams. We work hard not to reject design approvals. We will contact the ICP and try to resolve issues over the phone or with an exchange of emails rather than reject outright any submission. However, there are times when the number and the extent of errors will result in rejection of the request. We will give our reasons for doing so and encourage the ICP to contact us if they have concerns about our reasons for rejection. As noted in the section on differences with gas networks, we are currently trialling self-determination of PoC on certain low voltage connections (and will continue to work on expanding the scope of this process in future). We have suggested that design approval might not be required for PoCs designed in this way so we see this as likely to be the best way forward. We will have to continue to review how it interacts with our design approval process in light of the experience we gain. We are concerned that if designs were to be approved post-connection, this could cause additional cost and complication in the event designs were not appropriate. With certain simple designs e.g. unmetered connections this might be unlikely. But in more complex connections there is greater scope for an issue to arise at this stage. Up-front design approval ensures all parties have clarity on an acceptable design and our experience is that ICPs prefer an early identification of any problems with their project to being required to remedy defects after assets have been installed.

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Link box requirements	DNOs require that IDNOs fund and install a link box between their two networks. If the new network was to be owned and operated by the DNO, then a link box would not be required. The link box is added for system security. Because of this there is an extra cost for IDNOs that is not faced by the DNO. IDNOs have stated that this is a major barrier to competition, especially for jobs where the overall cost of the connection is small. IDNOs argue that there is no engineering requirement for link boxes. IDNOs identified the cost of each link box as approximately £2,000. DNOs state that they are following distribution code and G88 practice in requiring link boxes, as this requires them to disconnect users installations (with the IDNO being the user). They note that link boxes allow the isolation of a fault on an adjacent network, thus minimising the numbers of customers that are potentially disconnected. Some DNOs acknowledged that the additional cost for IDNOs could impact on competition.	Several IDNOs have suggested that in the majority of circumstances a link box is not required. IDNOs suggested that where a link box is required, DNOs should pay for it out of their price control revenues. Through discussion with DNOs, we are aware of at least one licensee who is considering paying for link boxes where they think they are needed.	A point of isolation between distinct networks is a requirement of the Distribution Code which licensees must follow. Link boxes allow this requirement to be met and the costs fall on the IDNO under the common charging methodology. A requirement for link boxes is incapable of distorting competition between a DNO and an ICP in the provision of contestable services, since whether or not a link box is required is not affected by the choice of who provides the connection. However, a requirement for a link box is capable of affecting network ownership choices on certain connections, since the link box adds to the cost of the IDNO asset but not the DNO asset. If the Distribution Code were changed then we would be able to consider making IDNO connection offers which do not involve a link box where there are no other requirements that prevent us from doing so. We would happily work with the sector to develop alternative rules. If cases remain where link boxes are necessary, then the common charging methodology may need to be changed to align with Ofgem's policy intent if that intent is to ensure that IDNOs never need to pay for link boxes. Related to this issue we note that other aspects of the common distribution arrangements are also capable of affecting network ownership choices on certain network connections – making DNO network ownership un-competitive relative to IDNO ownership on certain connections (and vice versa). In considering issues which could affect consumers' choices between network operators Ofgem may wish to undertake a wider review of connection and network charging arrangements to consider such other aspects of the arrangements which may be relevant to the choice (which are not limited to those covered in the consultation as having been raised by IDNOs).
Inspection of ICP assets	DNOs can insist on their own inspection and monitoring regime to audit the work of a competitor	It was suggested that DNOs should be subject to independent audit in the same	NPg's existing technical inspection and audit process is common to employees, sub-contractors, and independent connections providers using the same enhanced auditors to carry out the

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
	before a final connection can be made to the DNOs' network. Responses indicated that there is a risk that inspections could impact competition by delaying the speed of connection and adding risk, which could dissuade customers from choosing to use independent providers and impact ICP/IDNO projects. DNOs consider that this process is necessary to ensure that work is completed to a high enough standard for safety purposes. However, we note that one DNO explained that they have lower standards for their own 'term contractors' because these are competitively tendered for and tend to be engaged for a long period with the DNO.	way as their competitors - to provide a level playing field. Though, it was acknowledged that this would require regulatory intervention. One respondent considered that DNOs should adopt the approach used by the gas distribution sector – where inspection and monitoring are standardised and give greater autonomy to independent providers. Within the Gas Industry Registration Scheme (GIRs) 11 accreditation framework, asset and inspection autonomy is provided to registered independents. Within the comparable electricity NERS accreditation, this opportunity has been retained with the DNOs to individually inspect and monitor. Good practice highlights DNOs who have well-structured processes in place (UKPN). UKPN is also cited as being largely the most receptive in making changes and providing direct liaison for feedback.	assurance, evaluating the same technical questions. The only difference is that the auditors carry out a full safety and QA audit on our own works while audits on ICPs for adoption of the asset cover only the QA aspects of the work. Our asset commissioning process is also common, and applies the same standards to independent connectors and our own connection sites and asset replacement projects. We make employees aware of their obligations and the need to avoid discriminating between independents and the DNO. To enhance our controls further and provide additional reassurance to independent connectors, Northern Powergrid is currently in the process of implementing the following additional measures based on best practice and possible solutions cited in Ofgem's consultation: 1) A structured and clearly publicised escalation process to resolve any disputes about the materiality of on-site defects identified by audits or during preparation for asset commissioning. The process will offer access to management expertise in the Safety and Environment function, independent of the local NPg operational unit, and will allow resolution of issues that cannot be resolved immediately by on site staff. 2) Periodic rotation of audit and asset commissioning employees who work at the interface with independent connectors. 3) Random sample external audits of independent connector and NPg connection work sites. This will include reviewing work of our own auditors and our engineers who are responsible for the commissioning of assets. The external audits would provide reassurance to all stakeholders that consistent standards are being applied irrespective of whether the connection is being provided by an ICP, by a contractor working for NPg or by NPg itself. The external audits would be undertaken by a trusted and independent third party whose remit would be to identify and report on the consistency with which NPg applies its policies and procedures. To the extent that it is possible to make the findings of the audit transparent to all stakeholders without

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
			breaching confidentiality, we intend to share the findings of the external audits with interested parties. We would also like to give the external auditors a role in resolving any live disputes about whether assets may be commissioned or are fit for adoption, whilst recognising that the ESQCR obligations attaching to a distributor mean that final commissioning decisions necessarily remain with the licensee. Our guiding intention is to provide a transparent process that will give further reassurance about the consistency of our decision making. We have started the process of notifying external service providers of our requirements for these services. Once in place we will continue to develop these arrangements based on their results, including stakeholder feedback.

ISSUE A – The DNO's level of control over the connections process

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Inconsistent application of planning and design standards	A common theme emerging from all of the aspects of issue A is the inconsistent application of standards and policies by the DNO to its competitors and to itself. When approving a design, deciding a PoC or inspecting an asset for a competitor, the DNO may insist that standards and policies are rigidly followed, but may be more flexible and pragmatic in applying those standards and policies to their own connections. This could be having a negative impact on competition, by making it harder for the DNO's competitors to operate as flexibly as the DNO. We recognise that this outcome may be influenced by some DNOs having entirely separate teams responsible for DNO connections and competitive connections, and that these teams are interpreting standards and policies in different ways.		NPg does not have separate design teams that deal with DNO connections and competitive connections, the same team of designers do both activities. We frequently remind staff about the obligation to be fair and reasonable, and take the same approach regardless of whether dealing with an ICP or DNO connection job. Our staff are made aware of their duty to avoid discrimination. We also have in place escalation processes whereby specific issues can be raised with more senior individuals within the business.

ISSUE B – The customer's experience

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Some customers do not know that they can use alternatives.	If a customer is unaware that they can use an alternative connection provider then they will not engage with the competitive connections market. We asked customers who responded to our consultation whether they were aware of competition in connections (1) Overall, 43% of customers that responded to our consultation were unaware that they could choose an alternative connection provider; (2) Awareness of alternatives was highest for customer types that completed large volumes of connections (e.g. councils or housing developers). Awareness of alternatives was lowest for one-off connection customers. Several competitors considered that they had lost out on work because customers did not know about them. However, competitors noted that it was hard for them to quantify the impact of this issue because they have no interaction with these customers. All the DNOs considered that they had taken reasonable action to raise awareness of competition in connections.	To address this issue, most customers thought that either DNOs should do more to increase awareness of alternative connection providers or alternative connection providers should do more raise awareness of themselves. One respondent also suggested introducing an independent third party to provide information on connections. This party could provide information on the connection process, connection providers and performance data on each one. It was not clear how this party would be funded. No DNO or marketing approach was identified as being good practice.	We recognise that DNOs have a role to play in promoting competition. In early October 2014 NPg completely refreshed its website, making it more device-responsive, with easier access to connections information and our full document library for users. We are working to provide information that will further improve customer awareness and understanding of the choices they have to obtain a new connection and the easy steps to follow. The ICP-specific section of our website continues to promote competition and links to the list of NERS-accredited ICPs •Some DNOs have published information about ICPs operating in their region and we are seeking to do the same at our customers' request •We recognise that searching the Lloyds Register website could be made easier and we will be encouraging them to consider making improvements. We plan to include a 'stuffer' with all our quotations in the near future that will explain the fact that recipients have a choice of provider in simple terms, which may make a difference for those unfamiliar with the available options. We can see that an Ofgem led promotional effort may provide some benefits – or at the minimum some reassurance - to independent connectors. It would be possible for Ofgem to fund an independent third party promoting competition via the licence fee. In deciding whether this would be appropriate Ofgem should take into account the costs and the benefits, recognising that it may be difficult for Ofgem to place information in front of customers at the time they are making decisions regarding connections.

ISSUE B – The customer's experience

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Some customers are reluctant to use alternatives	The majority of customers could identify benefits from using an alternative provider. The perceived benefits of using an alternative connection provider were primarily the costs, the timeliness of connections and the quality of service. Some customers identified perceived risks of using an alternative connection provider. Customers viewed good service and timely connection as a benefit, but that if service was bad and connection was slow, that would be a risk. The ability of the alternative connection providers to complete the work was also a concern. The responses to our call for information suggest that some customers are uneasy about using companies that they are unfamiliar with. Several customers were also concerned about how the DNOs' level of control over the connection process could impact upon them if they choose to use an alternative connection provider. For example, some customers were worried that a DNO may delay their connection if they choose a competitive provider. The responses to our consultation indicated that customers who were less concerned about the timeliness of connections, were more likely to consider using an alternative provider.	Respondents raised a range of possible solutions to change customer perception and make them more willing to consider alternative providers An independent third party should be created to provide information on connections. This party could provide information on the connection process, a list of connection providers and performance data on each connection provider. It was not clear how this party would be funded. To reassure customers that they will receive a minimum level of service from an alternative connection provider, it was proposed that we should introduce a common quality of service standard or require all connection providers to be audited by an independent third party. ICPs and IDNOs need to improve the service offered to connection customers, to provide a genuine contrast to the DNOs.	The customer survey undertaken by Ofgem is interesting and helpful in furthering our understanding of customer perceptions in the market. This section highlighted a number of potential underlying issues which could affect customer perceptions (such as potential differences in standards). These issues are covered under the relevant headings identified elsewhere in the Ofgem document. All the suggested solutions are also explored in detail in other sections.

ISSUE B – The customer's experience

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Some customers that want to use a competitor find it hard to just accept the non-contestable part of the DNO's quote	In some DNO areas, problems can arise when customers accept a non-contestable quote from a DNO, but decline the contestable element (choosing to use an independent for the contestable works instead). If this happens, some DNOs may reissue the quote and costs of the non-contestable works. Several competitors recognised this issue and noted that reissuing quotations can increase the overall time taken to complete a connection to use an alternative connection provider. This may impact on competition by discouraging customers from using independents. Several customers noted that using an alternative connection provider could add time and effort - however there were very few comments about this specific issue. Most DNOs noted that they were aware of this issue and that they were trying to resolve it by developing fully transferable quotes. Some DNOs acknowledge that this solution was not yet available in all market segments, but they planned to extend it to all market segments soon.	The majority of respondents that proposed a solution considered that fully transferable quotes were the good solution. One respondent considered that we should force each company to provide fully transferable quotes to all market segments. One respondent suggested that we develop fully transferable quotes further, so that the customers can choose their connection provider for each individual contestable activity.	NPg in in the process of introducing non-contestable quotations for all the relevant market segments and, in developing our process, we have been mindful about the difficulties of accepting the non-contestable offer that customers have experienced elsewhere. In our case, the acceptance form is split and the customer just needs to select, sign and return the offer he requires. We have already priced the work so there will be no need to reissue the quotation with the costs of the non-contestable works.

ISSUE C – The impact of regulation

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
The licensees' statutory powers	Through their licence, DNOs and IDNOs have statutory powers that non-licensees do not have. These powers cover a range of different areas (e.g. wayleaves, easements and street works). Some of these statutory powers are also enjoyed by DNOs and IDNOs for continuous maintenance or fault repairs. Statutory powers can make it easier for IDNOs and DNOs to conduct connections work than ICPs. This may make ICPs' offers to customers less attractive in circumstances where these powers are advantageous. . The option for ICPs, in lieu of the statutory powers enjoyed by DNOs and IDNOs, includes section 50 notices for road closures. ICPs consider that these are time-consuming. Furthermore, multi-utility developers specifically highlight the difference between the ease of getting necessary consents for gas works, often far in advance, in comparison to the time taken to secure the corresponding electricity consents. This limits their ability to provide innovative cross-sector solutions.	Respondents suggested extending these statutory powers to non-licensees. This would give ICPs more control over the connections process. Another respondent suggested extending the guaranteed standards scheme to cover the land rights process. One ICP did cite a good working relationship that they had developed with a local authority to overcome this issue.	Where there are differences between the powers of a DNO and an independent connector, this is a matter of law and all we can do is exercise the powers we have to the best advantage of all customers. These powers do not always give us an advantage. For instance, we also encounter issues with local Highway Authorities and we can be made to wait three months to make a connection on occasion. To counter the scope for such issues, we work hard to establish and maintain relationships with the local Highway Authority (as one ICP appears to have done). However, in spite of this the powers that all distributors enjoy could still be beneficial to us (compared to ICPs). We recognise that the 'cleanest' solution would be for ICPs to be granted the same rights under law – but that this may not be practicable for a variety of reasons. We are also not aware of any practicable ways in which to directly extend powers we have been granted to ICPs who are not acting on our behalf. We therefore work with ICPs/IDNOs to see if there are ways we can better use those powers to provide connections. For example, as noted above (in response to a separate issue) we already effectively extend rights to access third party land to ICPs by offering the possibility an 'intermediate PoC' to the ICP, with the DNO conducting the works up to that point. Presumably with the intention of speeding up the land rights process, one respondent has suggested the possible extension of the guaranteed standards scheme. It is not clear as to how this would work. Securing land rights involves inviting the cooperation of a third party, often with no stake in the project being connected and sometimes with some hostility towards it. The DNO's statutory powers are not absolute and do not guarantee the preferred outcome; their exercise involves securing the consent of others, often in the face of objections, and can take considerable time regardless of who is undertaking the end connection (DNO or ICP). The process of voluntary negotiation, and the exercise of statutory powers, is not well suited to a guaranteed standard.

ISSUE C – The impact of regulation

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
The DNOs and IDNOs' licence requirement to provide an 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. IDNOs argue that these requirements impose costs that could stop IDNOs operating in certain parts of the market. They note that DNOs are more easily able to cover such costs through their regulatory revenues and higher volume of customers. The problems the IDNOs have identified include (1) **Economies of scale.** The size of the DNO enables it to provide an individual customer with an emergency response service at a 'far lower cost' than an IDNO is able. This puts the IDNO at a competitive disadvantage when provide ongoing management of connection assets. (2) **Quality of service and reputation**. IDNOs believe that customers may consider the quality of emergency response in their procurement decision. If the service provided by the DNO is considered of higher quality the customer may tend to choose the DNO to provide connections work and adopt the asset. (3) **Location**. Some competitors have cited that the obligation to provide emergency response in certain locations has been reason enough for them to decline certain jobs.	The IDNOs have pointed to the status quo for gas connections, where the GDNs (together with National Grid) are responsible for the provision of emergency response services, regardless of which network they are on. WPD says it was asked, by some IDNOs, to offer an emergency response service and it intends to discuss this offer with these competitors later this year	Since provision of emergency response to third parties is not one of the activities of the Distribution Business activities of a distribution licensee (as defined by the ring fence condition of the licence) it would only be possible for DNO licensee to provide emergency service response to IDNOs provided it remained below the de-minimis activity threshold or if given a specific consent from the Authority to depart from the requirements of the licence. Accordingly, when we have been approached in the past by IDNOs requesting such services, we have declined to offer them from our licensee companies. But we have indicated that we would expect various electrical contractors to be interested in providing the electrical aspects of such services on commercial terms (including our own related-party contractor, IUS). Looking more widely than the electrical work required to locate and remedy a fault, call handling services clearly have an active market across many sectors (and DNOs enjoy no special advantage). Similarly, we procure our excavation services from the market of excavation service providers and we would not expect IDNOs to have difficulty in putting in place such services at costs comparable to those we face. We note that this issue does not have the scope to affect competition and customer choice between DNOs and an ICP in the provision of a new connection. As noted in the consultation it could affect customer choices between and IDNO and a DNO in terms of who will own and operate the new part of the network. Our response in relation to link-boxes highlights that there are a number of other issues not mentioned in the consultation which also have scope to affect customer choices between IDNO and DNO. Ofgem may wish to consider these other issues at the same time as the issues raised by IDNOs. IDNOs highlight that they may contract the works to ICPs. NPg

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			would undertake some of the work in house while sub-contracting parts of it to other providers. The choice between IDNO and ICP would therefore affect the proportion of connections work that it sub-contracted, rather than whether or not it is sub-contracted.

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Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
The ability of DNOs to provide part-funded connections	When conducting a connection project, a DNO may need to carry out additional wider reinforcement 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. Five competitors provided a response of their experience of this issue. All of them indicate that this is a specific advantage open to DNOs, which can make them more attractive to customers. IDNOs and ICPs can then appear uncompetitive. Competitors consider that their ability to compete has also been hampered by lack of pricing transparency with part funding and a lack of any explanation from a DNO when it decides to provide part funding on a project. Some say the latter has the potential for abuse as DNOs can use this as a unique selling point. One DNO considers that if we extended the ability to do part-funded connections to IDNOs then there is a risk of IDNOs creating stranded assets. Some DNOs cite work being done to increase pricing transparency as a way to address this issue	Most competitors feel that the solutions would be very complex. Some high level solutions have been provided. We would welcome further detail on these. Three DNOs (WPD, SSE and UKPN) reference pilot schemes in place or planned, designed to facilitate competition in this area. However, no competitors have referenced these pilot projects.	We are aware that three DNOs have explored pilot schemes with ICPs for 'part funded' works with varying degrees of success. DNOs, Ofgem and ICPs have been looking at this issue since 2005, and reviewed it last in 2012, but no solution has yet been found that can be applied in all cases. As stated in the consultation, this is a complex issue involving additional design work to cost the project; work within the terms of the EU directives covering contracts; the impact of the Electricity (Connection Charges) Regulations (ECCR) on first and subsequent comers (including DUoS customers); and regulatory finance issues when it comes to stranded costs. We are aware of the work that has been done to date by other DNOs and, based on learnings from this, we are planning to run a pilot of our own and shall be inviting interested parties to join it. On the issue of 'pricing transparency' in relation to shared use assets, our quotations are broken down in accordance with the CCCM. Under our current processes we would in any case expect to offer ICPs the opportunity to quote on the same basis as our own connections business i.e. if shared use assets offer the least cost solution, the ICP would have the opportunity to undertake the sole use assets only, and pay for the shared use assets as a non-contestable service. This ensures that there is no advantage that will accrue in the contestable works even while arrangements have not been developed that consistently facilitate the extension of competition in the shared assets, provided that costs are properly and transparently allocated between the shared and sole use parts of the job. As noted in the response on issuing different PoCs, our extension of dual quotes should reduce the scope for potential issues since, if a developer uses these, all competitors would be pricing on the basis of the same non-contestable element of the quote.

ISSUE D – Pricing transparency

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Pricing transparency	Respondents raised concerns that the content of work in quotes is not always clear. Although DNOs have made some improvements to quotation transparency, the responses suggest that there is still more to do. Several competitors were concerned that opaque quotes made it difficult for customers to assess different offers – as they may not be comparable. Some customers made this point too. They said unclear quotes made it hard to compare costs between the DNO and an independent. However another customer indicated that poor quality DNO quotes was one of the main drivers for them to start using alternative connection providers. Competitors were also concerned that opaque quotes could hide situations where a DNO applies the wrong cost apportionment or purposefully bids for work below cost price. For example, including the costs of contestable work as part of the cost of reinforcement (which can be spread across a larger customer bases) or as part of the non-contestable work costs. This could make independents appear less attractive or competitive.	Respondents drew comparisons with the gas industry. They noted that interactions with the incumbent are minimised with competitors able to use the same methodology to calculate connection charges so that customers competitive quotes for work of its pricing model.	We have recently overhauled our entire suite of quotation letters and we will assess the impact of this work by seeking feedback from customers. We are hopeful that our customers and ICPs acting for third parties will have seen an improvement that they like. Included in this exercise was a review of the breakdown of price information, which we have also improved. Our letters now provide a breakdown of costs within the SLC15 PoC quotation letter, split by task category and contestable and non-contestable work. We will make further changes to the letters suite taking into account feedback from customers. We note that a common format may bring benefits but could also limit future innovation and opportunities to learn from best practice. The alternative would be for no common format, but for Ofgem to continue its role highlighting best practice to allow others to learn from customer feedback. It may also be possible to 'mix and match' – for example a common format and terms and conditions could be applied. Overall, we are happy to work with the market participants to develop a common format if it is considered a priority as an outcome of Ofgem's review, bearing in mind the advantages and disadvantages of different approaches.

ISSUE E – Viability of competition

Specific area	Summary of issues in the Consultation	Possible solutions and best practice in the Consultation	Northern Powergrid comments
Competition not viable for certain types of connection	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 – o The total value of the work (and high proportion of non-contestable costs). o The value of the work versus the costs or effort required to win it. o Low volumes or sporadic nature of the work. o High entry costs (accreditation etc.). Customers noted that independents were often reluctant to take on single connections and preferred 'batches' of work. Customers said that for these smaller jobs, they would usually use the DNO. One customer noted that they for smaller jobs, they would use a DNO because the cost saving would be so small it wouldn't warrant the extra effort of using an ICP. Not all competitors commented on this issue. Several responses focused on difficulty competing for smaller size and value jobs (as opposed to the type of connection).	Some respondents suggested increasing the scope of contestable activities for LV connections and self-service for competitors may make smaller LV jobs attractive (by reducing some of the fixed cost and effort required). Respondents drew comparisons with the gas industry. They noted that interactions with the incumbent are minimised with competitors able to use self-service for straightforward connections. They said this enabled competitors to offer customers competitive quotes for work of smaller value or with a limited number of connections.	As highlighted in Northern Powergrid's most recent competition notice, this issue may be related to the number of plots associated with housing connections, or of some segments having been defined so as to have limited activity in them in some years. As already mentioned, we are working with several ICPs on allowing self-determining of their own PoC using simple design rules which may help competition develop further in relation to smaller LV connections. As also already mentioned we will also be including a 'stuffer' with all connection offers explaining the choices available to customers, which will help if the issue is one of customer awareness. The DNO always has the statutory role of needing to offer, at cost, a connection to customers who ICPs or IDNOs may not wish to serve. The regulatory backstop therefore already acts to protect the interests of these customers. NPg also sub-contracts many aspects of its connection work, so a significant proportion of the costs of providing these connections is market tested. Even if there is no competition for the connection job, there is competition in tendering to minimise the costs for sub-components of the work, so markets are working to the benefit of individual customers.