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Dear James,

**Review of Competition in Connections**

Thank you for the opportunity to comment on the issues that stakeholders have identified and our responses to the specific points from your consultation are attached.

Overall we were pleased that the continual efforts we have made over the past decade to encourage the development of Competition in Connections in the North West have been recognized by both stakeholders and Ofgem. Many of the issues raised in the review are not new and, therefore, we are pleased to report that we have addressed the majority of them already.

Be assured that we remain committed to working with third parties to develop Competition in Connections. We will be holding further workshops with stakeholders to remain up-to-date with their latest views and to provide updates on some of the issues and the latest developments in the North West.

As always, if you require any further information, please do not hesitate to contact me.

Yours sincerely,

**Brian Hoy**  
Head of Market Regulation

## APPENDIX- RESPONSE TO SPECIFIC QUESTIONS

### CHAPTER: Three

**Question 1: Please let us know if any of our issue descriptions do not adequately reflect your experience of the market.**

**Question 2: Please provide comments on the solutions that stakeholders have suggested to deal with the issues that have been identified. Let us know if you have other ideas.**

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

##### The nature of DNO accreditation regimes

Accreditations and authorisations are a complex area. Authorisations are an element of the overall controls implemented by employers to ensure the competence of their workers and therefore the safety of individuals and the public affected by their work. Accreditations also provide some control over operator safety, but more so assurance over the quality of work carried out on the network and its subsequent reliability and safety.

Our current approach is that we authorise everyone who operates live on our network (apart from Meter Operator staff limited to the removal and insertion of fuses). This applies equally to our staff, our contractors and third parties. We are making improvements to this process to ensure it is effective and efficient for all parties.

We are aware of the proposal to have transferable accreditations between DNOs. We have previously discussed this proposal with ICPs operating in our area. As many of these are smaller regional operators, they were not supportive of such an approach. They saw a regime where they had to develop their own systems, processes and authorisations as actually *introducing* a barrier to competition rather than removing one.

However we recognise that for some larger organisations such a transferable scheme could be beneficial and we are evaluating the relevant challenges and merits of such an approach. We are already involved in embracing 'Competency Accord' along with most DNOs, facilitated by the National Skills Academy for Power. The aim of this work is to standardise competency standards so that there can be common DNO accreditations/authorisations. Central to this approach is the recognition that about 70% can be generic but that there will be 30% DNO specific. So for electrical authorisations, whilst much of a DNO network is similar to others, there are significant differences in some areas such as known defective historical cable types on which operations must be appropriately managed. Chief amongst the challenges of such an approach is the proper and adequate management of these DNO specific risks and technical differences.

##### How DNOs determine the Point of Connection

We recognise the issue of different Points of Connection (PoC) being provided if different designers carry out this activity. This is why we have the same designer providing the PoC for the same site, irrespective of whether it is a PoC for a third party or for a statutory quote to the end customer. This makes for a more efficient operation and ensures consistency (where the load requirements are the same).

We would not support the idea of an independent third party being responsible for determining PoC. This would add unnecessary additional cost and complexity to the process.

We continue to support the development of self determination of PoCs. In our area we already have a number of ICPs that self determine their own PoCs for smaller loads and we are happy to work with stakeholders to further develop these approaches. To date we have had limited interest from ICP or IDNOs operating in our area but will continue to engage with them.

To facilitate this we have been providing extensive network data on request via DVDs and are progressively moving to having this available online. Our Graphical Information System is now available on line and the other network data (schematic diagrams, network loading information etc), currently available on request, will progressively be available on line. We think that there is some commercially sensitive information, such as other connection applications in the area, which we may not be able to divulge. We are happy to engage with stakeholders on what other information, if any, they would like to be made available.

### The way in which DNOs approve connection designs

We welcome the recognition from stakeholders that we demonstrate good practice in this area.

We already apply the solutions proposed for smaller connections where there is no explicit design approval stage prior to connection. We are happy to consider extending this approach further if stakeholders require this, but point out that this is a commercial decision for them. For larger jobs the cost of rectification could become significant once assets are installed and this additional commercial risk would need to be considered carefully by third parties.

### The requirement for IDNOs to fund and install link boxes

In response to feedback from stakeholders we have re-evaluated the need for link boxes at the interface between our network and that of an IDNO.

I can confirm that we are in the process of changing our Engineering Specification so that there is no requirement for a link box or feeder pillar at the interface point in order for Electricity North West to fulfil its obligations. We will provide the IDNO with the Electricity North West distributor fuse size, network impedance values and calculated earth fault current at the interface point. This is to allow the IDNO to design their network to be adequately protected, which is the responsibility of the IDNO. In most cases these arrangements will negate the need for any link box. We will be communicating these changes to both IDNOs and ICPs in the near future.

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

As we have outlined previously in our Competition Test Notices, we have a team of auditors that inspect the work of our staff, our contractors and ICPs on a consistent basis. Audit findings are communicated to ICPs and are visible through a web-based system. The team are organisationally independent from any of the work that they are auditing.

We have also recently reviewed and implemented lower inspection frequencies for ICPs that consistently demonstrate a high quality of installations.

We have been supportive of the role of NERS but have been virtually the only DNO to escalate quality issues to Lloyd's. These cases have been the exception as generally we find good quality installations and ICPs receptive to audit findings. We rely on Lloyd's to assess the organisational competency and are happy to consider options to extend their role.

### Inconsistent application of planning and design standards

We apply the same standards to our work as to a third party's installation. When a third party identifies an issue we will ask "what would we do?" and apply the same solution.

## **Issue B – The customer's experience**

### Customers do not know they can use alternatives

We consider that the introduction of 'dual' or 'convertible' quotes has a large role to play. This not only provides the information to the customer; it directly facilitates the customer accepting only the non-contestable work and seeking third party providers for the contestable work. We provide 'convertible quotes' for all quotes for competitive metered connections market segments, for both demand and generation.

### Customers are reluctant to use alternatives

It is inappropriate for us to comment extensively on customers' behaviour.

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

We have already implemented the proposed solutions for all competitive metered market segments both for demand and generation connections. This proposal was identified as best practice by Ofgem as early as June 2012.

## **Issue C - The impact of regulatory regimes and requirements**

### The licensees' statutory powers

Conveying statutory powers to ICPs is clearly outside our control but we would be happy to engage with appropriate bodies to consider how this perceived barrier can be overcome.

DNO statutory powers for land rights under Schedule 4 of the Electricity Act are time consuming and expensive to invoke and rarely used for new connections. Therefore we do not believe DNOs derive any advantage from these statutory powers available to them. We believe that a more streamlined process for the use of statutory powers for new connections should be considered by DECC as the current process is not suitable for the majority of new connections and we intend to open a dialogue with DECC to bring this to their attention.

Where land rights are needed that require the co-operation of third parties not involved in the connection, these can be time consuming to acquire and can be withheld for a number of reasons that may lead to redesign and associated delays. As the time taken to conclude the negotiations for land rights is largely outside the DNO's control, we do not consider that a guaranteed standard would be appropriate. However, we remain committed to improving the time taken to gain these agreements.

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

We have been approached by one IDNO to provide emergency response for all its networks in our area. Discussions are well underway with our separate contracting business and it is anticipated that contracts will be signed before Christmas. We will be contacting all other IDNOs to make them aware of this service.

### The ability of DNOs to provide part-funded connections

We recognise the complexity relating to this subject having been actively involved in the Ofgem working group a few years ago. We have engaged with the three other DNOs on the pilots that are cited in your document. Two of these related to single projects and the third has not had any projects commence. However, these have provided some information on approaches that could be undertaken. We intend to develop a proposal for a similar trial and will engage with ICPs and IDNOs working in our area to gauge their interest in developing the trial and participating in it.

## **Issue D – Transparency of pricing**

We welcome the recognition from stakeholders that we exhibit best practice in this area.

## **Issue E – Competition not viable for certain types of connection**

We passed all but two of the nine market segments. We consider that competition is viable in all market segments, even for these two smaller segments.

For the Distributed Generation Low Voltage segment, the processes and procedures are no different to the Demand Low Voltage segment and we demonstrated that there is competition even at the smaller end of this market segment. Also the customers are often the same customers as the Distributed Generation High Voltage segment; it is only the work required to connect their generation that defines the market segment.

For the Unmetered Other segment, we have already demonstrated emerging competition. Again the processes and procedures are the same as for other unmetered work and third parties are starting to win this work in our area.

Given time, as the Connections market continues to mature we expect the emerging competition that we have observed in both of these segments to grow steadily.