

SP Energy Networks

Consultation Response: Proposed remedies to the electricity connections market.

SP Distribution plc

SP Manweb plc

18 March 2015

Single
House



Business
Premises



Industrial /
Commercial



House
Builders



Temporary
Connections



Disconnections



Competition
in Connections

CiC

Connecting
Distributed
Generation



INTRODUCTION

We welcome the opportunity to respond to Ofgem's consultation on proposed remedies to the electricity connections market.

Through the Electricity Networks Association, SP Energy Networks (SPEN), working in collaboration with the other Distribution Network Operators (DNOs), provided an initial response to Ofgem's consultation highlighting our intention to work together to produce a common Code of Practice (CoP). We reiterate our commitment to the development of the CoP and our support of competition in connections (CiC) in our distribution service areas.

This document constitutes SPEN's response to Ofgem's consultation questions and provides an overview of the initiatives underway to deliver/exceed CoP requirements.

Consultation Questions

1. Please provide comments on the proposed structure and content of the CoP licence condition.

SPEN supports the introduction of the proposed new CoP licence condition and will continue its engagement with Ofgem in developing its structure and content. We would highlight however that costs will be incurred by SPEN in delivering the requirements of the CoP which are additional to those factored into our RIIO-ED1 business plans. SPEN will seek reasonable recovery of these costs through a mechanism to be agreed with Ofgem.

2. Please provide your comments on the minimum requirements we have proposed for inclusion in the CoP.

SPEN considers the minimum requirements to be appropriate. This consultation response provides information on the initiatives under development which will deliver and, where possible, exceed the proposed minimum requirements.

3. In addition to the minimum requirements, what else should be included in the CoP?

SPEN considers the current level of minimum requirements to be appropriate. The timescales to deliver them are extremely challenging and this must be taken into account in considering any changes to the minimum CoP requirements.

We recognise however that stakeholders will have additional suggestions for inclusion in the CoP. To progress these, SPEN supports the principle that the CoP becomes a 'living document', adaptable to changes in the market and best practice. In addition, SPEN will utilise the Incentive on Connection Engagement (ICE) process to progress other changes which facilitate competition.

Our Position on CoP Deliverables

Removing ourselves from the critical path

We have adopted this as a core principle in the development of our revised connections process. In order to effectively roll this out as “business as usual” practice we acknowledge that improvements must be made in ensuring ICPs have access to all relevant information and data. We are focused on improving our service provision in this regard.

Equitable provision of services

We recognise there will be inevitable ‘touch points’ between ourselves and the ICPs. Where these occur, we will establish processes which ensure that services provided are conducted on, as far as reasonably practicable, an equitable basis to our own connections business.

Harmonisation of DNO service provision

We are committed to working with the other DNOs to develop a CoP which harmonises the underlying principles of the DNOs’ service provision to ICPs across GB. We consider however that there are systems, process and organisational differences between DNOs which make the provision of identical services impracticable to achieve. Recognition must be given to this in the drafting of the CoP licence condition.

Our Approach

In our November 2014 response to Ofgem’s consultation – *Update on competition in connection market review: issues limiting effective competition* - we commented on the steps we had taken to address the immediate concerns of our ICP and IDNO customers. In addition we detailed our plans to address issues in the longer term.

Since then we have made significant advances in the development of our self-service model, giving consideration to:

- our learnings from the Competition Test process;
- Ofgem’s consultation findings and market research;
- stakeholder feedback;
- DNO meetings;
- the output from internal and ICP workshops; and
- our increased understanding of the gas connections model.

As stated above, a principle focus of our approach has been on how we can remove ourselves from the critical path of the ICP during the connections process. To this end we are developing a revised process for connections, the successful delivery of which we anticipate will lead to significant efficiency and performance improvements for all parties.

SPEN's Self-Service Model

Our revised process is set out below, alongside the existing CiC process. The boxes highlighted in amber indicate the 'touch points' where ICPs currently have a reliance on SPEN to provide a service. These 'touch points' include:

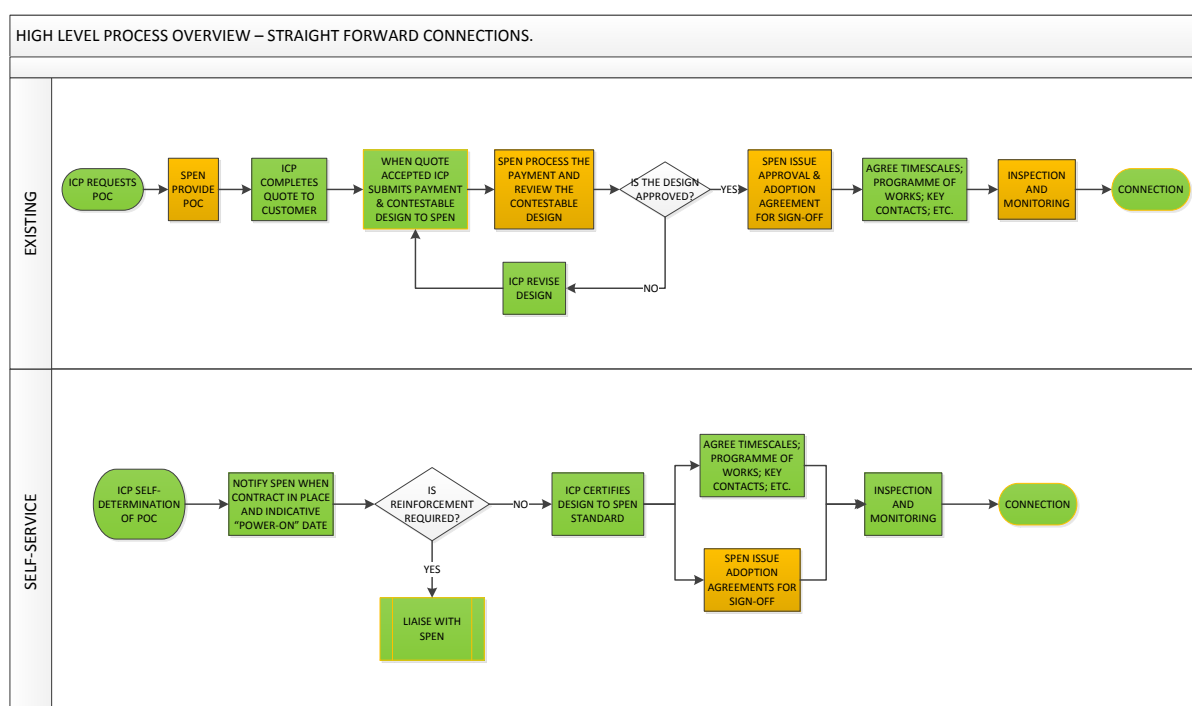
- the provision of a point of connection (POC);
- design approval;
- the issue of the Adoption Agreement; and
- inspection & monitoring.

The jointing of contestable works to the underground distribution system (at both LV and HV) is a contestable activity in the SPEN distribution service areas.

In our revised self-service model (which will be in place by end-September 2015) we will remove ourselves from the critical path by allowing ICPs to:

- self-determine POCs for all straightforward LV demand connections;
- self-certify contestable designs, working through our tiered approved designer process; and
- self-inspect their own contestable works.

Through these changes we believe the ICP has the potential to reduce the timescales associated with the current connections process and importantly achieve greater control of their project delivery. In addition these changes will significantly reduce the non-contestable charges incurred by ICPs.



Additionally, we recognise the different skill sets of ICPs, acknowledging that some may wish to enter the revised process at different levels. We are willing to work with the ICPs to facilitate this.

Code of Practice

The goal of the CoP is to resolve issues which have been identified as having the potential to limit competition. Whilst the above self-service model is a significant step forward, our commitment to resolving all the issues identified by Ofgem, where SPEN will either meet or exceed the minimum requirements, is set out below:

		Reduce cost	Reduce timescales
Accreditation	We will: <ul style="list-style-type: none"> allow ICPs to work under their own safety rules; recognise accreditation provided by other DNOs; and provide improved access to training. 	✓	✓
Self-determination of point of connection	We will: <ul style="list-style-type: none"> provide ICPs with the opportunity to self-determine the POC for all straightforward LV demand connections (44% of all POC requests) facilitate this via: <ul style="list-style-type: none"> internet access to GIS information: <ul style="list-style-type: none"> Cable size and location Transformer size LV schematics HV schematics (this is already freely available to ICPs) enhancing systems to provide substation loadings; and further improvements to our guidance and technical support services. Develop systems and processes to enable self-determination at HV. 	✓	✓
Design approval	We will: <ul style="list-style-type: none"> develop a tiered process, providing ICPs with the opportunity to self-certify their contestable designs, thereby removing the need for design approval by SPEN. The ICP will progress through the tiers, based on their ability to submit good quality designs to SPEN standards. update and review the design guidance documents which are freely available on our website. 	✓	✓
Inspection and monitoring	We will: <ul style="list-style-type: none"> enhance our existing inspection and monitoring regime to provide ICPs with the opportunity to self-inspect their contestable works. 	✓	✓
Link boxes	We will: <ul style="list-style-type: none"> remove the universal requirement for link boxes; and publish a schedule of rates for those circumstances where SPEN require a link box. 	✓	✓

		Promoting customer choice
Accepting non-contestable quotes	We will: <ul style="list-style-type: none"> • give our customers the choice of accepting either “full works” or non-contestable quotations across the 9 relevant market segments. 	✓
Customer awareness and choice	We will: <ul style="list-style-type: none"> • continue to deliver the commitments made during the Competition Test; and • seek, review and implement stakeholder feedback on best practice. 	✓

Other areas not included in the CoP

Emergency service provision	<ul style="list-style-type: none"> • We will offer an emergency response service to IDNOs.
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Conclusions

We support the regulatory remedies proposed and are committed to facilitating the continued development of competition in connections in our distribution service areas. We will continue to work with the DNOs and our stakeholders to develop an agreed CoP which harmonises service provision across GB.

We believe the timetable set by Ofgem to deliver the CoP is challenging. To achieve the minimum requirements, SPEN is committed to making IT, business and process changes, the costs of which were not previously included within our RIIO-ED1 Business Plan.

In the development of our self-service model we have focused on removing ourselves from the ICP’s critical path, whilst ensuring that where necessary services are provided, they are conducted on an equitable basis to our own connections business. In addition we are implementing other changes, for example in our accreditation procedures, which will introduce efficiencies into the CiC process and minimise ICPs’ reliance on SPEN to provide a service.

The initiatives outlined in this consultation response will:

- transfer greater control of project delivery to the ICP;
- facilitate the reduction of ICP project timescales;
- reduce non-contestable and other charges; and
- ensure customers are aware of their competitive connection options and how they might use them.