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Distribution Policy
Ofgem
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18 March 2015

Dear Sam

COMMON CONNECTIONS CODE OF PRACTICE MINIMUM REQUIREMENTS

This letter and its appendix constitute the response from Northern Powergrid Holdings Company and its subsidiaries Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc to Ofgem's consultation in the document entitled *The findings of our review of the electricity connections market* (the Consultation).

Our response to the three questions is given below. We hope that our comments are helpful. If any are unclear, or if you have any further questions, please do not hesitate to contact us.

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

We will continue working actively with the licence drafting working group to develop the licence condition.

We recognise that governance arrangements surrounding the right to propose changes to the code of practice will also be important, to ensure independent connectors and other third parties can participate and propose changes, while avoiding proposals that would clearly not lead to improvements.

The connections code of practice will enforce an important set of requirements upon DNOs. These requirements could, at times, prove to be onerous. Should this occur, the financial implications for a specific DNO could be material (for instance if the chosen 'best practice' approach to one issue requires significant changes to IT or other systems in order to facilitate it).

It is therefore important that the governance arrangements surrounding the modification process take this into account. The most suitable model appears to be the governance process surrounding the financial handbook and financial model, which allows changes that do not have a material impact to be implemented with minimal administrative requirements, but applies a higher standard of change control to material changes.

Lastly, while we support a common code of practice, if the code is to be identical for all licensees it will be important for Ofgem to ensure the licence condition can allow Ofgem to grant derogations from specific requirements on specific terms; for instance because a DNO meets the underlying requirement through a different route and it cannot reasonably be expected to adopt the same approach as other DNOs.

NORTHERN POWERGRID

is the trading name of Northern Powergrid (Northeast) Ltd (Registered No: 2906593) and Northern Powergrid (Yorkshire) plc (Registered No: 4112320)

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

Our comments are provided in the annex to this letter.

Question 3: In addition to the minimum requirements, what else should be included in the Code of Practice?

In many aspects of the connections process it is important that ICPs and IDNOs continue to work closely with DNOs to resolve any issues and therefore ensure the end customer experience is not affected.

The code of practice should explicitly recognise the need for this active contribution to many aspects of the process.

We also note that, as IDNO networks continue to grow, it will become increasingly common for their approach to provision of input services to be critical to competition in relation to incremental connections to their networks. We assume Ofgem will wish to consider this issue at the appropriate point in time.

Yours sincerely

A handwritten signature in black ink that reads "John France". The signature is written in a cursive style, with the first name "John" and the last name "France" clearly legible.

John France
Regulation Director

Annex: Detailed comments in response to question 2

Specific area	Summary of proposed minimum requirements	Northern Powergrid comments
Accreditation	<p>DNOs must allow for a common or fully transferable accreditation and authorisation for work on their networks.</p> <p>The charges must be cost-reflective and opportunities to be accredited available on a sufficiently frequent basis.</p> <p>Could be administered by the DNO, or an independent third party for the industry.</p>	<p>It is helpful to distinguish accreditation requirements from authorisation.</p> <p>Accreditation is the means by which we ensure that individuals are trained in necessary working practices. We already accept national accreditation schemes as a demonstration of competency. This provides for a base level of knowledge. We then provide a licence-specific additional top-up called a trade test, which is delivered free of charge. This includes additional instruction on cable types and specific or unusual features of the particular network, knowledge of which are necessary to allow safe working. At the end is a short electrical competency test. Requirements are no different for our own staff, contractors working on our behalf, or independent connectors.</p> <p>Authorisation is the means through which we maintain control over which specific individuals can work on a DNO's network. We require it to be renewed every three years following their passing of a competency test. It can also be withdrawn from an individual who is found to be working unsafely (for example working on a live system without safety-critical protective equipment). Again, requirements are the same for all individuals working on our network.</p> <p>We already provide Accreditation and Authorisation services at or below cost to independent connectors. We are therefore happy for this to be made a requirement of the common code of practice.</p> <p>We also aim to avoid delays to accreditation and authorisation processes. We would be happy to work to service-level standards (e.g. maximum working-day requirements) set out in a common connections code of practice.</p> <p>We recommend the continued use of the current 'dual' system of a national accreditation routine, plus licensee-specific 'top-ups', since these are a cost-effective means of meeting basic safety requirements. Moreover, a 'fully' national scheme could have the effect of raising barriers to entry to the market overall. Demonstrating competency would be significantly more onerous if an employee needed to have knowledge of safe working practice in relation to the specific equipment types in all 14 licensee areas, rather than just those they typically work in.</p> <p>If, despite these disadvantages, Ofgem does wish to move to a fully national system of authorisation and accreditation, with no local area 'top-ups', it is vital that the Health and Safety Executive (HSE) is fully involved in the process of developing the new licence requirements and processes for meeting these requirements safely.</p>

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Point of connection	<p>DNOs must have a common regime for point of connection self-determination on straightforward connections.</p> <p>Equitable access must be provided to network information to allow self-determination.</p> <p>The CoP will define cases where this is not possible, clearly explaining why, but this will be kept to a minimum.</p>	<p>We already have in place a system of self-determination of point of connection for LV connections at 60kVA and under which is being used by a number of ICPs. We support the extension of such self-determination in principle.</p> <p>We already provide equitable access to network information via a variety of means (including regularly updated CD and hot desk facilities allowing live record system and data access). We will continue to do so and support this as a requirement of the code of practice.</p> <p>The specific drafting of the CoP (and the exceptions) must ensure appropriate safeguards for DUoS-paying customers and have due regard to our obligation to develop and maintain an efficient, economical and co-ordinated network. For example, we expect HV point of connection will typically be more straightforward to determine (and hence easier to keep within the bounds of this obligation) than the point of connection for LV connections at over 60kVA.</p> <p>It is also important that the process properly incorporates Interactivity i.e. caters for multiple customers applying for capacity at or about the same location where such capacity is limited.</p>

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Design approval	<p>DNOs have common mechanisms to allow independents' staff to become an approved designer.</p> <p>Designs produced by an approved designer do not require approval by the DNO's staff.</p>	<p>We support competition in network design.</p> <p>We believe that the introduction of assessment and design fees for DNO work (as allowed for by SLC15 but currently eschewed by DNOs in order to maintain equality of treatment with the provision of S16 quotations) will be critical to creating an environment that supports such competition. At present DNOs effectively provide design services for free where the customer makes particular types of request and doesn't go on to accept the quotation. Independent connectors that wish to obtain design services for free are therefore able to do so, such that the relevant costs are socialised and the party that potentially could do the job best is denied the opportunity to gain proper advantage from this, thus undermining the competitive advantage an independent connector could otherwise obtain from operating its own design team.</p> <p>The terms on which designers are approved, and independent connectors develop designs, must recognise that DNOs carry a legal obligation to only allow connections that are fit for purpose from every perspective - design, installation, etc. DNOs may still therefore need independent connectors to remediate any design or installation that is not fit for purpose, in a similar way as would apply to any other aspect of work which was not fit for purpose. The presumption that ICPs can approve their own designs therefore increases the scope for disputes later in this process when resolution will be likely to be more costly.</p>

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Link boxes	The party which requires a link box on the boundary between two networks, based on its obligations and its assessment of risk, must fund it.	<p>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.</p> <p>This means that, when an IDNO requests to connect to our network, additional costs associated with the installation of a link box must necessarily be incurred. Where we incur such costs the common connection charging methodology provides for us to recover these costs from the connectee (for example, it would require us to recover any such costs from an IDNO making a request for a S16 quotation).</p> <p>Before we can subscribe to meet this minimum requirement it would therefore be important for Ofgem to ensure that the common connection charging methodology does not require us to pass such charges on to IDNOs in any circumstances.</p> <p>Having ensured this change to the charging methodology, DNOs would still be required to install link boxes at IDNO boundaries, but they would be unable to pass on any cost. We are not aware that these costs, which arise from a requirement of the licence, have been funded as part of the ED1 price control. At a minimum Ofgem should consider any consequential adjustments to cost allowances at the ED1 mid-period review.</p>

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Inspection	<p>DNOs have in place an inspection and audit regime which is consistent for all connections they will adopt.</p> <p>The criteria used to dictate the frequency of inspection and the volume of inspections conducted must be publicised.</p> <p>This inspection regime could be administered by the DNO or an independent third party.</p>	<p>Inspections are undertaken by our enhanced audit team, within the field safety section of the safety, health and environment directorate, and are independent of the Northern Powergrid connections site delivery function.</p> <p>Furthermore, we have also appointed Lloyd's Register to undertake independent quality inspections of a sample of new connections works undertaken by both ourselves and independent connection's providers. The service from Lloyd's Register independently verifies compliance with installation specifications and allows us to compare their findings against the inspection results of the Northern Powergrid inspection team.</p> <p>We would propose that the common code allows the continuation of a dual approach such as this.</p> <p>In terms of data on inspections, Northern Powergrid has already shared inspection performance data with some ICPs via quarterly forums. Further work is well advanced towards providing anonymised data to all ICPs on all inspections and their associated findings. We are also a member of the Inspection and Monitoring Working Group (IMWG) working on an agreed method for calculating the frequency and the volume of inspections per site. This group is making good progress in agreeing the principles on which such a process could be based.</p> <p>Northern Powergrid also operates a formal disputes escalation process through to executive director level for the purposes of ensuring that matters of dispute with installation specification and practice are quickly raised at an appropriately defined and designated level and that all parties work to resolve the issues effectively and efficiently.</p>
Accepting non-contestable quotes	<p>DNOs must provide fully 'convertible quotes' for all contestable connection offers.</p>	<p>Northern Powergrid offers dual quotations for all DG EHV, HV & LV connections where there is a contestable element. The company also offers dual quotations for HV demand/HV metered connections.</p> <p>Reaching this position has taken significant work, since each market segment has its specific challenges. But having progressively expanded the categories of connections for which we provide dual quotations, we expect to be able to roll them out to remaining contestable connection offers in line with implementation timescale for the code of practice licence condition.</p>

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Explaining customer choice	<p>The Competitive Networks Association (CNA) knows that we think it and its members should do more to tell customers about the benefits they can provide.</p> <p>We will require that DNOs follow best practice to highlight to customers that they have a choice.</p>	<p>We welcome any future guidance on best practice that can be shared in relation to ensuring customers have a good understanding of how they can take advantage of the opportunity to obtain various offers for connections work. We regularly review our customer literature in this regard and will continue doing so. For instance, we now include a competition in connections leaflet with our initial response to customers in the relevant market segments following receipt of their application for a connection quotation or budget estimate.</p>
Emergency response obligation	<p>If the DNOs see any regulatory barriers to providing this service, they should tell us.</p>	<p>Since provision of emergency response to third parties is not one of the Distribution Business activities of a distribution licensee (as defined by the licence), it would only be possible for a DNO licensee to opt 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.</p> <p>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).</p>

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Unmetered Inventories	Billing arrangements between a supplier and a large customer (e.g. a local authority) may become more complex and costly if the customer has unmetered assets (i.e. street lighting) on both a DNO and an IDNO network. We encourage parties to propose modifications that will address this issue.	We agree with Ofgem that this is not a matter for the code of practice, and should instead be addressed through the relevant change control processes. We will continue to work constructively with these processes.