

04 August 2015

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By email only to: connections@ofgem.gov.uk

Dear James

Response to Ofgem's: "Open letter consultation on the Incentive on Connections Engagement: Looking Forward reports 2015/16"

Brookfield Utilities UK ("BUUK") welcomes the opportunity to respond to Ofgem's "Open letter on the Incentive on Connections Engagement: Looking Forward reports 2015/16" published on 7 July 2015. BUUK is the parent company of the electricity distribution licensees the Electricity Network Company ("ENC") and Independent Power Networks Limited ("IPNL"). Our licensed businesses operate as Independent Distribution Network Operators ("IDNOs") which own and operate 'last mile' networks to new developments, which in turn connect to the distribution systems of DNOs. Additionally, BUUK is the parent of Power on Connections ("POC") which operates as an Independent Connections Provider ("ICP") and contracts to undertake work on distribution systems for BUUK's licensee business and for other customers (including DNOs).

BUUK has significant experience of engaging with DNOs in the provision of new connections. It is with this background that we review DNOs' first set of ICE Looking Forward Submissions. During this year DNOs have, with significant input from stakeholders, have developed a Competition in Connections Code of Practice ("CiCCoP"). It is expected that this will come into force in autumn 2015 and will be enforceable through a licence condition. We hope that the CiCCoP will result in a step change in the services delivered by DNOs (perhaps a bigger step for some DNOs than for others) and will address many of the issues that we have identified as factors that act as barriers to competition. However, it is too early for us to judge the success of the CiCCoP.

The CiCCoP is intended to be a living document and will need further ongoing development to ensure that it meets the needs of connections' stakeholders. Further, the CiCCoP sets out minimum requirements. DNOs need to adhere to these in order to fulfill licence obligations. Therefore, we question whether DNOs who only comply with minimum requirements of the CiCCoP should be entitled to incentive payments for just complying with the licence. In developing the CiCCoP DNOs pointed to ICE as being an important part of the development of competition in connections. Therefore it seems appropriate to us that incentives should only be available in respect of actions a DNO takes to extend the service it provides beyond the minimum requirements. In this way DNOs are incentivised to not just wait until something is implemented in the CiCCoP before they act on it.

The strategies and work plans submitted by DNOs are comprehensive. However, we think it is important that metrics used to judge the achievement of a milestone should be clear, unambiguous and should focus on the benefits/ effectiveness of the actions. For example, for a customer engagement workshop what are the outputs that will be used to measure their effectiveness (e.g. no of stakeholders attending, issues identified, actions taken and implemented to address the issues)?

One of the ways to improve customer engagement (and service) is for DNOs to identify and adopt best practice. In their ICE submissions most DNOs make reference to sharing best practice. However, in doing this the first step is to identify what "best practice" is; and secondly adopting it. Under ICE we think there should be KPIs around identifying and adopting best practice. Plans submitted do not cover this.

Whilst the ICE submissions of DNOs vary in style and form, many of the activities or processes where DNOs propose to undertake work are common across all DNOs. Therefore it would seem appropriate to benchmark the actions DNOs take and to assess comparative performance.

We agree that the most effective approach to engaging with key connection stakeholders is through the implementation of customer steering groups and regular workshops and forums. These provide the best vehicle for two way communication between DNOs and stakeholders. However, in such events it is important to record the specific issues identified and publicise the actions taken in response to the concerns raised.

Ofgem will be aware that for some time now BUUK have been engaging with the DNOs and the wider industry on issues that are deemed to fall outside the minimum requirements of the CiCCoP. The main issues that we believe should be addressed are:

- DNOs providing management services for IDNO Unmetered Supply ("UMS") inventories; and
- DNOs providing emergency response cover for all networks in their Distribution Services Area.

BUUK considers both the above points to be barriers to effective competition in the connections market and, therefore, are issues which the DNOs should be dealing with as part of their ICE submissions. Whilst we are pleased to see that some DNOs have begun to address these issues (one DNO is already offering emergency response cover in their DSAs), we are frustrated by the lack of a universal approach across the DNOs in tackling these issues.

Given that ICE work plans provide an opportunity for the DNOs to illustrate how they have been engaging with their connections stakeholders, we are disappointed that they have not used the opportunity to address these issues and have not given any explanation as to why these issues have been overlooked.

We provide a brief analysis of each DNOs' ICE submission in Appendix 1. We would be happy to discuss any of the points raised in this letter further should you wish to do so.

Yours sincerely

Mike Harding
Head of Regulation

Appendix 1

Are you satisfied that the licensee has a comprehensive and robust strategy for engaging with connection stakeholders and facilitating joint discussions where appropriate?

ENW

Whilst ENW have provided their action plan for 2015-16, the strategy for stakeholder engagement does not provide much detail. The stakeholder engagement 2014-15 report indicates a workshop was held for ICPs and IDNOs to gauge feedback on key issues. The 2015-16 stakeholder engagement action plan clearly shows that ENW propose to create a stakeholder panel and to hold topic specific workshops throughout the year. However, this has only specified it is available to ICPs and IDNOs operating in the North West.

ENW has not provided a comprehensive customer engagement strategy (compared to other DNOs) and there is little in the 'looking forward' report to outline the actions they will be taking. However, our experience is that ENW have been proactive in holding connections workshops during 2014/2015. We expect them to continue to do so going into 2016.

NPG

NPG appear to have taken a hands on approach to engage with their connection stakeholders through various means, ranging from monthly connection surgeries to connections stakeholder workshops. This has been received favourably by connections' stakeholders as it provides an opportunity to discuss any issues, propose further developments and to inform NPG of how they are performing. The ICE project team comprises of senior management representing all aspects of the connections process. The updated work plan is published on the website alongside a letter which summarises the progress made.

NPG promise further engagement and to deliver what the stakeholders require. The NPG submission promises much; however, we withhold judgement until we see whether promises are delivered.

Whilst active measures have been taken to engage effectively, we do not consider this best practice amongst DNO licensees.

SP

Our previous experience of the past has been that SP have been one of the worst performing DNOs in respect of the competition in connections process. SP have produced a comprehensive and ambitious plan. What now needs to happen is for the actions promoted to be implemented. SP make reference to sharing best practice and to a shared workshop between SSE and SPEN. We think the concept of shared workshops across DNOs is one that should be developed across all DNOs so that best practice can be identified, documented and adopted across all DNOs.

SSE

SSE's performance has improved. The introduction of monthly connection surgeries has been of significant benefit. A connections' steering panel has been introduced giving customers an opportunity to influence the connection strategy for major connections customers. As part of their strategy to engage with stakeholders SSE have devised a stakeholder engagement feedback loop in order to show how feedback received is acted upon correctly. This is not specific to, but does include connections' stakeholders.

UKPN

UKPN's approach to engaging with their stakeholders is similar to the other licensees in that one to one engagement sessions with senior leadership has and will continue to take place with regular workshops and forums to be held throughout the year. Joint discussions have been facilitated during events in order to gain feedback by introducing the initiative proposed, inviting and answering questions from participants and then capturing their perspective on the proposals. It should be noted that over the last few years UKPN have improved faster than any other DNO and we would anticipate that this will continue

WPD

WPD have aligned their engagement strategy with the Code of Practice and active measures have been taken in order to satisfy the requirements. By supporting the Code of Practice it enables WPD to not only fulfil their obligations under the new licence condition but to assure their connections stakeholders the changes implemented are what has been requested.

The development of the Connection Customer Steering Group is an effective means of engaging with the connections customers. It is an opportunity to address any issues and to formulate actions in order to address them. WPD have created a joint statement;

"As members of the WPD CCSG panel, we have been involved in the programme to identify and prioritise the actions for the WPD ICE Work plan. We have had the opportunity to contribute to what it is today and welcome the steps being made by WPD towards ongoing improvement in their connection services".

...Connections Customer Steering Group

This demonstrates stakeholders are not only being listened to but are actively involved in the fundamental changes of the connections process within WPD. Alongside the CCSG, WPD have held numerous stakeholder workshops and connection surgeries, enabling a concise work plan to be created incorporating feedback received.

Do you agree that the licensee has a comprehensive work plan of activities (with associated delivery dates) that will meet the requirements of its connection stakeholders? If not, has the licensee provided reasonable and well-justified reasons? What other activities should the DNO do?

Do you consider that the licensee has set relevant outputs that it will deliver during the regulatory year (e.g. key performance indicators, targets, etc.)?

We have stated in the main our response letter that the main areas of concern for us are as follows:

- The minimum requirements for an effective code of practice as defined by Ofgem:
 - Transferrable Accreditations.
 - Self Determination of Points of Connection.
 - Becoming an approved designer to allow for self-approval of designs.
 - Link boxes to be funded by party that requests them.
 - Inspection regimes being on an equivalent basis.
 - Convertible quotations for non-contestable work.
- The provision of UMS inventory management services by the DNOs to IDNOs operating within their Distribution Services Area.
- The provision of emergency response cover by DNOs to IDNOs within the DNOs Distribution Services Area.

The below table provides our analysis on how we believe that each of the DNO's ICE plan has addressed our requirements as a connection stakeholder and whether we believe that they have an extensive work plan of activities to ensure that these requirements are dealt with. The plan also takes into consideration whether we believe that each DNO has set itself relevant outputs that it will deliver in addressing each requirement.

Table 1: Analysis of whether DNO ICE submissions address our key concerns

Area of Concern	DNO					
	WPD	NPG	SSE	SP	ENW	UKPN
Competition in Connections Code of Practice ("CiCCoP")	Target to be adherent to CiCCoP by 2015 Q4.	There is no target for compliance with the minimum requirements of the CiCCoP.	There is no overall obligation or target to adhere to the CiCCoP.	There is no overall plan of activities or timeframe for general adherence to the CiCCoP.	Each of the CiCCoP minimum requirements has been addressed separately (or not addressed at all).	Commitment to being adherent to the CiCCoP by September 2015 but there is no consideration for the process to achieve this.
Unmetered supply portfolio management for IDNOs	Work with industry groups to identify required changes.	Not included in the work plan nor any reason given for omission.	Not included in the work plan nor any reason given for omission.	Not included in the work plan nor any reason given for omission.	Workable solutions to be developed to deal with IDNO inventories.	Not included in the work plan nor any reason given for omission, however UKPN is activity working with the industry to identify and propose solution to address this issue.
Emergency Response Cover	Nothing in going forward work plan but already in place.	Not included in the work plan nor any reason given for omission.	Not included in the work plan nor any reason given for omission.	Obligation to agree a scope of services with IDNOs for provision of emergency response.	Commercial Contracts to be offered to IDNOs. It is unclear what provisions these will include.	Not included in the work plan nor any reason given for omission.

Self-Approval of Design	Obligation to develop and implement a process for ICPs to approve their own designs.	A defined outcome for ICPs to be able to approve designs by September 2015.	Obligation to put in place a system to allow for ICPs to self-approve design where sufficiently accredited.	ICPs will be allowed to undertake their own design approval of the contestable works.	ENW have not provided a target or work plan for ICPs' staff to become approved designers but have put an action to develop a process to remove the need for design approval.	Although no process or target to allow for ICPs' staff to become approved designers is identified in ICE submission, we note that UKPN have implemented a pilot program that does allow ICPs to Self - Approve their own designs.
POC self-assessment (including network information availability)	Obligation to continue trial and implement self-assessment of POC. Related commitment to improve availability of network information based on feedback.	A defined outcome for self-determination of POC by ICPs by September 2015 by providing access to the relevant data.	Obligation to provide necessary services on an equivalent basis to allow for self-determination of POC.	Allows for ICPs to be able to self-determine the POC but does not include how information required to determine the POC will be shared.	Processes to be developed to allow self-determination and online access of network information to be provided.	No process or target to allow for ICPs to self-determine the POC. There is no plan to allow for information to be accessed.

Convertible Quotations	There is no clear plan or target as to how this requirement will be met.	Dual quotations will be issued for all work up to EHV, unclear what format these will take.	There is a process of allowing for convertible quotations but in converting to ICP the quote will include additional A&D fees.	Extension of current 'dual offer' facility to all connections offers.	No information included regarding the provision of convertible quotations.	Will provide convertible quotations as standard by June 2015. It is unclear how these will be presented.
Funding of Link Boxes	Nothing in going forward work plan but already in place so omission is non-issue.	Not included in the work plan nor any reason given for omission.	Commitment to remove requirement for link boxes and fund them where insisted.	Universal link box requirements removed but no explicit plan they will fund them where insisted upon.	ENW have not provided a plan to fund link boxes at the DNO/IDNO boundary.	The funding of link boxes has not been addressed directly.
Accreditations	There is no clear plan or target as to how this requirement will be met specifically.	Not included in the work plan nor any reason given for omission.	Not included in the work plan nor any reason given for omission.	Will use other DNOs accreditation as evidence to provide accreditation.	ENW have undertaken to review their approach and "improve transferability" but this does not allow for fully transferable accreditations.	There is no plan specified to develop or implement fully transferable accreditations.

Inspection	Addressed by allowing ICPs to have their own inspection regime but this does not facilitate the minimum requirement.	Not included in the work plan nor any reason given for omission.	Commitment to transparency to inspection regime, will demonstrate ICPs face no more onerous obligations.	Addressed by allowing ICPs to have their own inspection regime but this does not facilitate the minimum requirement.	There is no plan to create a mechanism for equivalent inspections or address this requirement by any means.	There is no specific commitment implement an inspection regime on an equivalent basis to their own connections business.
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	Included
	Included but misses minimum requirement
	Included only by extension of broad commitment to CoP
	Not included

The above analysis shows gaps in DNOs proposed plans in respect of how they will address specific areas we consider as being important. We are disappointed to see that not all the DNOs have, within their work plan, the scope to develop all of the supporting processes that will enable the successful implementation of the CiCCoP. We are pleased to see that some DNOs have planned to engage with the industry on some areas and we note that self-determination of the point of connection and, to a lesser extent, self-approval of designs are two areas that have been addressed more than others. We do retain concerns over the level of work that will be going into providing fully transferable accreditations and an inspection regime on an equivalent basis to the DNOs own business.

It is also unfortunate that not all of the DNOs have taken this opportunity to address our requirements in respect of the areas that fall outside the scope of the Code of Practice. The two areas have been identified as being a barrier to competition in the connections market and are, therefore, important to us as connection stakeholders. It is commendable that some DNOs have taken the approach to address these issues in the absence of regulatory enforcement but we are concerned that this has not been addressed universally.

We believe that where a specific requirement has been addressed in the DNOs' work plans each DNO has provided a relevant output and timeframe for the delivery of that output. We do not believe it is relevant for us to comment on the outputs and performance indicators of actions in the work plan that do not relate to our own requirements.

Would you agree that the licensee's proposed strategy, activities and outputs have been informed and endorsed by a broad and inclusive range of connection stakeholders? If they have not been endorsed, has the licensee provided robust evidence that it has pursued this?

SP

As demonstrated through the 'Looking forward' work plan strategy, SPEN have taken a number of steps to actively inform their stakeholders of the proposed plan to improve the connections service. The stakeholder panel enabled customers to give their feedback with six north panel members and five south panel members endorsing the plans. However the total number of stakeholder panel members is not entirely clear thus not giving a clear indication of whether a broad range of connection customers endorse the plans. The stakeholder panel is not specific to connections' customers.

ENW

ENW's report states their stakeholders have endorsed the plans but does not specify which stakeholders and what aspects they have endorsed. Evidence suggests connection stakeholders have been informed as a draft plan was published via their website inviting feedback from stakeholders. This is not apparent on their website and neither does it specify at what point during the year. We do not know what support was obtained from a broad range of connection stakeholders.

UKPN

UKPN have sought endorsement through a two stage process, firstly for individual activities and then for the overall work plan. During events hosted throughout 2015, stakeholders were asked if the overall plan will improve the customer experience. UKPN have stated the responses have been clear and their support is evident.

NPG

NPG have carried out extensive stakeholder surveys from which a number of statistics demonstrate their connections stakeholders are reasonably happy and supportive of the proposed work plan with general percentages averaging 71.4%. Looking into the metered customers' feedback, 72% of customers thought the connections process would be made better by the proposed changes regarding enabling competition. Though these statistics give a general overview of their stakeholders' opinions it does not demonstrate perhaps a true view for the major connections stakeholders.

The report does not specifically say NPG's plans have been endorsed but signifies the vast majority of stakeholders support their work plan. However, other changes were proposed to be included and a number of stakeholders expressed their concern over the process remaining the same following the changes.

SSE

We are not certain that SSE's work plan has been endorsed by a broad and inclusive range of connections stakeholders. However we believe they have been suitably informed. A dedicated team has been appointed in order to focus on engaging solely with the connections customers, proactively capturing feedback from a range of customers and identifying areas of concern.

WPD

In order to ensure the activities identified in the work plan are meeting the stakeholders requirements, specific outputs, targets and key performance indicators have been set in order to measure the performance. The activities outlined in the work plan are in line with the Code of Practice and supported by MCCG.