

Modification proposal:	Competition in Connections Code of Practice (CiCCoP) Modification 0001– Self Determination of Point of Connection by ICPs		
Decision:	The Authority ¹ directs this modification ² be made ³		
Target audience:	CiCCoP Panel, DNOs and other interested parties		
Date of publication:	27 April 2016	Implementation date:	30 April 2016

Background

Historically, DNOs have determined the Point of Connection (PoC)⁴ that competitors must use when making a connection offer to a customer. During our review into competition in the electricity distribution connections market, we raised concerns that this could limit competitors' ability to control the delivery of their connections and adds time to the connection process, which may deter customers from using independent providers.⁵ We therefore decided that the Competition in Connections Code of Practice (CiCCoP)⁶ must include a process for allowing competitors to identify their own PoC to the network (where they want and are able to).⁷

In July 2015 we approved the introduction of the CiCCoP.⁸ However, we considered that the process for self-determination of PoC by Independent Connection Providers (ICPs)⁹ had not been sufficiently developed. We therefore required the DNOs to modify the document to introduce a clear, common process for self-determination of the PoC by ICPs. The CiCCoP required the DNOs to raise this modification by 15 January 2016 and take all reasonable steps to progress the modification through the governance process and have it implemented by 30 April 2016.

The modification proposal

This modification to the CiCCoP seeks to introduce a clear, common process for self-determination of PoC by ICPs. The modification was raised by Western Power Distribution (WPD) on 20 November 2016. WPD considers that the modification will better facilitate Relevant Objectives (a) (i), (a) (ii), (a) (iii) and (b).¹⁰

The modification would:

- require all DNOs to provide specific DNO network records to ICPs to allow them to determine their own POC;
- require all DNOs to publish a common template outlining in which market segments an ICP can determine its own PoC;

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁴ The PoC is the point (or points) of physical connection between the proposed new connection and the DNO's existing Distribution System.

⁵ https://www.ofgem.gov.uk/sites/default/files/docs/2015/01/connections_competition_review_findings_2.pdf

⁶ The CiCCoP specifies how Distribution Network Operators (DNOs) must provide services to its competitors in the connections market. Standard licence condition (SLC) 52 of the electricity distribution licence requires DNOs to comply with the requirements of the CiCCoP.

⁷ <https://www.ofgem.gov.uk/publications-and-updates/decision-minimum-requirements-new-competition-connections-code-practice>

⁸ <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-revised-competition-connections-code-practice>

⁹ Independent Connections Providers (ICPs) operate in the market to complete the contestable activities of connections. They can offer these services directly to the customer, eg excavation and reinstatement of the site for connection works. ICPs do not own and operate networks; instead the new assets must be adopted either by the DNO or IDNO.

- require all DNOs to publish the criteria used to allow an ICP to determine its own PoC. The criteria are based on a standard design matrix that is common to all DNOs; and
- delete the requirement for DNOs to raise this modification to the CiCCoP.

CiCCoP Panel recommendation

The Modification Report for CiCCoP Modification 0001 indicates that all CiCCoP Panel Members recommended for us to approve the modification proposal. All CiCCoP Panel Members believed that the modification better achieved the Relevant Objectives of the CiCCoP.

Our decision

We have considered the issues raised by the proposal and the Modification Report dated 31 March 2016. We have taken into account the CiCCoP Panel's recommendation which is included as part of the Modification Report. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the CiCCoP Relevant Objectives;¹¹ and
- directing that the modification is approved is consistent with our principal objective and statutory duties.¹²

Reasons for our decision

We consider that this modification proposal will better facilitate Relevant Objective (a) (i), a (ii) and (a) (iii). We consider that this modification has a neutral impact on the other Relevant Objectives.

(a) (i) facilitate competition in the Local Connections Markets through minimising, to the fullest extent reasonably practicable, the number and scope of Input Services which are only available from the licensee;

We consider that requiring the DNOs to publish a common template identifying in which market segments self-determination of PoC is available does not fully minimise the number and scope of input services which are only available from the DNO. This is because, under these arrangements, the DNOs can still decide to make self-determination of PoC by ICPs unavailable. Similarly, we consider that requiring the DNOs to publish a common template stating the criteria by which an ICP can determine its own PoC, does not fully minimise the number and scope of input services which are only available from the DNO. This is because, under the proposed arrangements, the DNOs could still identify restrictive criteria that might only allow ICPs to determine their own PoC for a small number of jobs.

However, we consider that publishing these common templates will improve the transparency of DNO arrangements. We consider that this will allow stakeholders to better compare the arrangements adopted by each DNO and will increase the pressure on DNOs to adopt best practice where it has been revealed. We consider that increased stakeholder scrutiny of DNO arrangements (as a result of this modification), should force the DNOs to allow ICPs to be able to self-determine their own PoC as frequently as

¹¹ The Relevant Objectives for the CiCCoP are set out in paragraph 2.3.1 of the CiCCoP and are also set out in Standard Licence Condition 52.3 of the Electricity Distribution Licence.

¹² The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

possible. We therefore consider that this modification better facilitates Relevant Objective (a) (i), compared to the existing arrangements.

(a) (ii) facilitate competition in the Local Connections Markets through: providing Input Services on an equivalent basis to all Connection Parties that operate in the Local Connections Markets;

We consider that this modification will better meet this objective by requiring the DNOs to provide ICPs with equivalent access to their network records. The CiCCoP currently specifies examples of information that the DNO *may* make available to ICPs (to allow them to self-determine the PoC). The proposed modification will *obligate* DNOs to provide ICPs access to this information and identifies two additional pieces of network data that the DNOs must make available to ICPs (asset sizes/ratings and network operational designs). We consider that giving ICPs equivalent access to DNO network records better facilitates the objective to provide input services on an equivalent basis to all connection parties that operate in the local connection market.

(a) (iii) facilitate competition in the Local Connections Markets through: harmonising, to the fullest extent reasonably practicable, the Input Services¹³ provided by Distribution Services Providers (DSPs)

The proposer and the CiCCoP working group considered that this modification would better meet this objective by establishing a common set of information that DNOs must provide to ICPs, to allow them to determine their own PoC (eg geographical network records, network operational diagrams and load information for the Distribution System). We also consider that harmonising the provision of DNOs records across all DNO regions will better facilitate this Relevant Objective, by ensuring that ICPs have access to the same information, regardless of which DNO region they operate.

We consider that, in itself, requiring all DNOs to publish a standard template stating in which market segments an ICP can determine its own PoC, does not achieve full harmonisation of arrangements. This is because each DNO can still independently decide in which market segments an ICP can self-determine its own PoC. Similarly, requiring DNOs to publish a standard template stating the criteria by which an ICP can determine its own PoC does not achieve full harmonisation of arrangements, because the criteria may be different. The Working Group considered that this approach was appropriate, because it allowed the DNOs to quickly respond to the emergence of best practice (eg in relation to the self-determination of PoC criteria), without needing to modify the CiCCoP itself.

We consider that introducing the proposed common templates will improve the transparency of arrangements for the self-determination of PoC by ICPs. As stated above, allowing stakeholders to scrutinise and compare each DNO's arrangements should increase pressure on DNOs to develop consistent arrangements and align with best practice, wherever possible. This should ultimately lead to the greater harmonisation of arrangements for the self-determination of PoC by ICPs. We therefore consider that requiring the DNOs to publish the proposed common templates, will better facilitate this objective.

Decision notice

In accordance with paragraph 5.50 of the Competition in Connections Code of Practice, the Authority hereby approves that Competition in Connections Code of Practice Modification 0001: 'Self Determination of Point of Connection by ICPs' be made.

¹³ Input Services means any essential input required to enable another party to connect to the licensee's Distribution System, as further clarified in the Competition in Connections Code of Practice.

We note that as part of a future CiCCoP modification, the title of 4.12 will also need to be updated, to take account of these changes to the CiCCoP.

We recognise that the CiCCoP is still in its infancy. We expect that once best practice has been revealed, it should lead to DNOs achieving further harmonisation of arrangements to facilitate self-determination of PoC. For example, agreeing at an industry level in which market segments self-determination of PoC should be available. We therefore encourage DNOs and wider stakeholders to keep the arrangements for self-determination of PoC under review and raise a CiCCoP modification proposal if they consider that it would better achieve the Relevant Objectives.

James Veaney

Head of Connections and Constraints Management

Signed on behalf of the Authority and authorised for that purpose