

Modification proposal:	Competition in Connections Code of Practice (CiCCoP) Modification 0002– Self-Design Approval Processes		
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, most DNOs have insisted on approving the network design that their competitors must use as part of the connection offer to the 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 cause delays in connection process, reducing the attractiveness of competitors to customers.⁴ We therefore decided that the Competition in Connections Code of Practice (CiCCoP)⁵ must include a common mechanism to allow competitors' designs to not require approval by DNO staff.⁶

In July 2015 we approved the introduction of the CiCCoP.⁷ However, we considered that the process for self-design approval by Independent Connection Providers (ICPs)⁸ had not been sufficiently developed. We therefore required the DNOs to modify the document to introduce a clear, common process for self-design approval by ICPs. The CiCCoP required the DNOs to raise this modification by 15 January 2016. The CiCCoP also required the DNOs to 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 design approval by ICPs. The modification was raised by SP Distribution (SPD) on 20 November 2016. SPD considers that the modification will better facilitate Relevant Objectives (a) (i), (a) (ii), (a) (iii) and (b).

The modification would:

- amend the flow diagram in section 4.16.1 of the CiCCoP to delete the box stating that the connection design will be "*passed to Designated Designer for approval*";
- require all DNOs to publish a common template outlining in which market segments an ICP can self-approve its designs;
- require all DNOs to publish a common template outlining the qualifying criteria to allow an ICP to move between different levels of inspection; and
- delete the requirement for DNOs to raise this modification to the CiCCoP.

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

⁵ 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.

⁶ <https://www.ofgem.gov.uk/publications-and-updates/decision-minimum-requirements-new-competition-connections-code-practice>

⁷ <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-revised-competition-connections-code-practice>

⁸ 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.

CiCCoP Panel recommendation

The Modification Report for CiCCoP Modification 0002 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;⁹ and
- directing that the modification is approved is consistent with our principal objective and statutory duties.¹⁰

Reasons for our decision

We consider that this modification proposal will better facilitate Relevant Objective (a) (i) 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 stating in which market segments an ICP can approve its own connection designs and another common template stating the criteria that will allow an ICP to move between different levels of DNO inspection, does not fully minimise the number and scope of input services which are only available from the DNO.

However, this modification will improve the transparency and comparability of DNO arrangements. We consider this greater transparency and comparability of the DNOs' self-design arrangements will increase stakeholder pressure on DNOs to adopt best practice once it has been revealed and force DNOs to minimise, to the fullest extent reasonably practicable, the number and scope of input services that are only available from them. We therefore consider that this modification will better facilitate this relevant objective.

(a) (iii) facilitate competition in the Local Connections Markets through: harmonising, to the fullest extent reasonably practicable, the Input Services¹¹ provided by Distribution Services Providers (DSPs)

We consider that, requiring all DNOs to publish a standard template stating in which market segments an ICP can self-approve its own designs, does not achieve full harmonisation of arrangements. This is because each DNO can still independently decide the availability of self-design approval across the market segments. Similarly, requiring

⁹ The Relevant Objectives for the CiCCoP are set out in paragraph 2.3 of the CiCCoP and are also set out in Standard Licence Condition 52.3 of the Electricity Distribution Licence.

¹⁰ 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.

¹¹ 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.

DNOs to publish a standard template stating each DNO's terms for allowing the ICPs to move between various levels of inspection does not achieve full harmonisation of arrangements, because the terms may be different. However, the Working Group (which included ICP representation) considered that it was currently preferable not to specify arrangements in the CiCCoP, because it allowed the DNOs to immediately incorporate best practice once it has been revealed, without having to progress changes through the CiCCoP governance process.

We consider that introducing the proposed common templates will improve the transparency of arrangements for ICPs to approve their own connection designs. Allowing stakeholders to better scrutinise and compare each DNO's arrangements should increase pressure on DNOs to develop consistent arrangements and align with best practice, wherever possible. We consider that this will ultimately lead to greater harmonisation between DNOs of self-design approval arrangements for ICPs. We therefore consider that requiring the DNOs to publish the proposed common templates, will help harmonise, to the fullest extent currently practicable, the input services provided by DNOs.

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 0002: '*Self-Design Approval Processes*' be made.

We recognise that the CiCCoP is still in its infancy and consider that once best practice has emerged, it may be possible to achieve further harmonisation of the self-design approval processes. For example, agreeing at an industry level the availability of self-design approval across the different market segments. We therefore encourage DNOs and wider stakeholders to keep the arrangements under review and, if relevant, propose further changes to the processes outlined in the CiCCoP.

James Veaney

Head of Connections and Constraints Management

Signed on behalf of the Authority and authorised for that purpose