

27 July 2017

Our ref: BUUK ICE 2017

Ofgem
9 Millbank
London
SW1P 3GE

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

Dear Andrew

RE: Incentive on Connections Engagement Penalty Consultation 2017/18

We welcome the opportunity to respond to Ofgem's consultation on the proposed penalties for DNOs under the Incentive on Connections Engagement. BUUK is the parent company of electricity distribution licensees, the Electricity Network Company ("ENC") and Independent Power Networks Limited ("IPNL"). Our licensees operate as Independent Distribution Network Operators ("IDNOs"), owning and operating 'last mile' networks which are principally provided to new developments. These networks connect to the distribution systems of DNOs. Additionally, BUUK is the parent of Power on Connections ("POC") which operates as an ICP undertaking work which may be adopted by BUUK's licensees or by other distributors.

In securing connections, we engage with DNOs across the UK for the provision of new connections and therefore experience on a daily basis the practices and behaviours of DNOs. As you will be aware we have not been shy at raising concerns where we believed DNO's behaviour or practices inhibited Competition in Connections ("CiC"). Over the past three years we have been active participants in the ICE process and have responded to Ofgem consultations.

Our experience is that the performance of most DNOs is at its highest level since the introduction of Competition in Connections. In particular we saw a paradigm shift following the introduction of the Competition in Connections Code of Practice with some DNOs. More than ever before, most DNOs are actively engaging with us and listening to our customers' requirements and providing solutions. However, not all DNOs are performing at the same level, and we believe there is a significant gap between the best performers (UKPN for example) and the worst performers. What has surprised us is that the highest penalties are proposed for those DNOs who, in our experience, are high performers, where other DNOs, who we would rank towards the bottom of the league, have received lesser penalties.

We think there are instances where some DNOs have set themselves more ambitious and stretching targets than others. It would appear to us that such DNOs are being penalised for such ambition and are being judged against what they haven't achieved rather than what they have. Our concern is that rewarding (or "punishing" less) those DNOs whose plans lacked ambition and stretching targets when compared to other DNOs who showed greater ambition

could have the effect of disincentivising those DNOs who showed ambition in their plans. We believe ambitious plans should be welcomed since they set new benchmarks for industry and provide more scope for innovative solutions to existing problems.

The framework for providing connections still has issues that need to be addressed, and as the market evolves, new issues will arise. For example, one area of concern to us are the actions of one DNO to limit the availability of capacity to new developments, and to terminate demand connection offers (which have been accepted and for which a contribution has been made) where work has not commenced within a defined period from acceptance. Whilst we accept that connection offers shouldn't give an evergreen right to capacity, we believe that be available for a realistic period commensurate with the size of development. We are pursuing this particular issue with relevant DNO with a view to making more formal representations to Ofgem.

Notwithstanding the above there has been significant progress in the past year. We would be disappointed, if as a consequence of Ofgem's penalties, DNOs set themselves less ambitious targets for fear of failing them.

Our responses to the specific questions are provided in the annexes to this letter (each annex relating to the annex in the penalty consultation document). We have only responded in respect of those areas where we undertake activities with the relevant DNO.

Should you wish to discuss anything contained in this document please do not hesitate to get in touch.

Yours sincerely

Mike Harding
Regulation Director

Annex 1 -ENWL

1. **Do you consider that ENWL's target to achieve an average time to connect of 23 working days, or its targets for scores of 85% in customer satisfaction surveys, were ambitious?**

Yes – we believe that this was a stretching target.

2. **How does ENWL's performance on time to connect and customer satisfaction compare with that of other DNOs you work with?**

Whilst we do not work within the market segment described we have worked with ENW on self-connect process and this has significantly improved our time to connect.

3. **Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

We believe that the above areas are the market segments affected.

4. **Do you consider that this issue applies to any other market segments, and in particular, either of the two market segments ENWL is eligible for penalties in ("Metered DG – LV work" and "Unmetered Connections – Other work")?**

We believe that the market segments above are the correct ones affected.

5. **In your experience, do you consider that ENWL has taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing its strategy, activities and outputs**

Yes, we have been involved in various stakeholder engagement groups and work with them closely in their expert stakeholder group. They always take into account the views expressed and have made changes to their systems to suit.

6. **Do you consider that ENWL should have included a commitment to provide a single point of contact for connection customers, or otherwise provide justification for not doing so?**

No, as ENWL are not as large as most of the DNOs we find it easier to deal direct with the person involved in the area that we wish to discuss. We have more than enough knowledge of ENWL to find the right person. We do not believe that it would be the right approach for us to have a single point of contact as we feel this would stifle our relationship with ENWL.

Annex 2 - NPG

- 1. In your experience, has NPg sought to engage effectively on the issue of emergency response cover?**

We have met NPG on this matter on numerous occasions and whilst they have come up with a proposal, we are still waiting to see how this will work contractually.

- 2. Do you consider that NPg has provided sufficient justification for not including a commitment on emergency response cover in its ICE plans?**

Whilst we have asked for this to be included NPg have always said that they do not believe that this is a service which is in scope of the ICE plans. We have not asked the question of why it is not included, we believe it may be because they do not want to offer the service. We do not believe that NPg's consideration that this service is out of scope of the ICE is sufficient justification as we note that other DNOs consider that this is in scope of their plans and they have included it.

- 3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

Connected customers do not the same parity of service that NPg's customer see. Particularly where we have had faults across the boundary of networks and we have had to call NPg to attend as it is a fault on their network. This has led to delays in restoring supplies and in some cases failures in GSOS due to the protracted time to restore supply.

Annex 3 - SPEN

- 1. Do you consider that SPEN implemented a robust and comprehensive engagement strategy? In answering this question, please focus in particular on providing evidence of any experience you have of:**

- a. Dealing with individuals within SPEN and how helpful they were,**
- b. The number of engagement events available to you.**
- c. SPEN responding in their workplan to comments raised in meetings.**

- (a) We still have issues dealing with individuals and the timescales for responses. Previously we have provided Ofgem with examples of the issues we face. We would be happy to provide further information on individual projects that we can provide.*
- (b) Whilst SPEN have engagement meetings they are not as interactive as other DNOs and we have not seen changes in plans after these meetings. They tend to be meetings telling customers what is going to be undertaken rather than listening and reacting to what the customers require.*
- (c) We have asked numerous questions regarding the RAdAR system and potential improvements that would help us as a customer but we have not seen any actions coming out of this.*
- (d) It is surprising that on their website the last meeting minutes are dated 2014 and the participants identified are not all involved in metered demand connections work either - now or in the past.*

- 2. How does your experience of SPEN's engagement compare with that of other DNOs you work with?**

Our experience of SPEN's engagement is poor and does not appear to have the same level of priority to them as that ascribed by other DNOs. SPEN engagement appears to be coordinated at a "lower" managerial level than any other DNO (during all of the meetings we have attended we have not seen a Director of the company attend). As a consequence, we are not convinced that those managing the engagement have the vires to give commitments and take matters forward. Other DNOs have senior Directors of either MD or CEO status who clearly can give such commitments.

- 3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected**

We feel the poor engagement issue is across all market segments, not just the ones identified. However, the work that we undertake is predominantly in metered demand market segments so we feel strongly that these are affected.

- 4. Do you consider that SPEN has undertaken its comprehensive work plan of activities to meet the requirements of its connection stakeholders? If not, are the reasons SPEN provided reasonable and well justified? In answering this question, please focus on SPEN's delivery of the activity in its work plan to**

further develop its provision of emergency response cover to its key stakeholders, where it is commercially practical.

We have been negotiating with SPEN for the last two years on this matter. We now have a contract that has been agreed as of the 8th of September 2017. The date for implementation of the contract is scheduled for November 2017 which is a good step forward. We have still got a number of issues that are different to other DNOs but it appears that we will have this contract in place.

5. How does SPEN's engagement on the issue of emergency response cover compare with that of other DNOs you work with?

SPEN are in the middle group of engagement on this matter. They have engaged and have now offered a contract which is welcome by all IDNOs. Some of the issues raised have proved easy to resolve and we have also had a number of matters that have proved to be more difficult to put in place. We are pleased that the contract has now been offered and will be in further discussion with them in terms of implementation and roll-out across their footprint areas.

6. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

Connected customers do not the same parity of service that SPEN's customer see. Particularly where we have had faults across the boundary of networks and we have had to call SPEN to attend as it is a fault on their network. This has led to delays in restoring supplies and in some cases failures in GSOS due to the protracted time to restore supply.

Annex 4 – SSEN

1. Do you consider that SSEN implemented a robust and comprehensive engagement strategy? In answering this question, please focus in particular on providing evidence of any experience you have of:
 - a. Clarity of responsibility within the DNO for the processes involved in getting a connection,
 - b. Having access to a contact in SSE with whom you can raise issues, and
 - c. SSEN's responsiveness to issues raised at their engagement events.

Yes, we do believe that SSEN have implemented robust and comprehensive engagement. We have attended many events that they have held and found them to be engaging and two-way. We have also been asked to contribute items to their staff and other customers to share matters that we believe require improvement. We have also listened to other customers that have been asked to provide similar contributions

2. How does SSEN's engagement compare with that of other DNOs you work with?

Whilst their approach is different to other DNOs we have found it effective and a good way of developing strategies that work for us and our customers.

3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

Yes, we believe that the above market segments are the relevant ones.

4. Do you consider that SSEN has undertaken its comprehensive work plan of activities to meet the requirements of its connection stakeholders? If not, are the reasons SSEN provided reasonable and well justified?

We see SSEN as changing their approach and we have been discussing more challenging targets and improved processes. We are confident that the new commitments that SSEN are putting in place will provide long term benefits for all ICPs/IDNOs and our customers.

5. Do you have evidence that SSEN did or did not complete these commitments:
 - a. Project evaluation card
 - b. Produce guidance document for laying cable
 - c. Make GIS mapping 'shape' files available to all customers
 - d. Provide an explanation for reinforcement costs in quotations
 - e. Create process flow chart for tasks to be undertaken to deliver your connection after project acceptance.

We do not recognise these as issues that we have with SSEN.

6. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

Yes, we believe that these are the relevant market segments.

- 7. Do you consider that SSEN has taken into account ongoing feedback from a broad and inclusive range of connection stakeholders in developing their strategy, activities and outputs. If not, has is given reasons that are reasonable and well justified?**

Yes, we are involved in numerous strategy groups and working groups with SSEN across all of their areas where they have encouraged feedback on their performance. On a day to day basis we do receive feedback on queries and are pleased with the way they have taken on our feedback. In fact, we have seen this happen overnight when matters have been raised to SSEN.

- 8. Do you consider that SSEN has taken appropriate steps to engage with customers who want to connect in Oxfordshire, and to address the issues they face?**

We do not see any difference in the level of service across any of the areas that SSEN operate.

- 9. Have you approached SSEN to arrange emergency response cover? What has been your experience of engaging with them on that issue?**

We have approached SSEN on this matter on behalf of all IDNOs and we are waiting for a draft contract to be issued. This has taken some time but it has now been raised at a senior level within SSEN and we have assurances that we will have this available for review in the very near future.

- 10. How does SSEN's approach to emergency response cover compare with that of other DNOs you have worked with**

This is no better or worse than other DNOs that do not offer this service at the present time.

- 11. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

Connected customers do not the same parity of service that SSEN's customer see. Particularly where we have had faults across the boundary of networks and we have had to call SSEN to attend as it is a fault on their network. This has led to delays in restoring supplies and in some cases failures in GSOS due to the protracted time to restore supply.

Annex 5 – UKPN

- 1. Do you consider that UKPN delivered any actions in response to the issues highlighted above? Do you have any additional evidence to support your view?**

We have worked for over seven years with UKPN on the land rights issues and they made commitments to us prior to ICE to deliver the incorporated rights process. This was delivered for all ICPs and IDNOs and has eventually been taken up by other DNOs. The commitments they put in place during 2010 and on to the present day has meant that UKPN have taken the lead in responsiveness and pushed the boundaries more than any other DNO in the UK. We do not recognise the other areas as issues which we have faced so we cannot comment on those.

- 2. Where relevant, do you consider that UKPN provided reasonable and justified reasons why the commitment was not included in the work plan?**

We are not aware of any of these areas not being delivered for the relevant markets we operate in.

- 3. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

N/A, see Q2.

- 4. Do you consider that UKPN delivered any of these commitments? Do you have any additional evidence to support your view?**

For the work that we are involved in we do believe that UKPN have delivered on their commitments. We cannot comment on the unmetered work that we do not have any visibility of.

- 5. What specific actions did you expect UKPN to complete in order to deliver the commitment(s) that you feel they did not fulfil? Which of these actions do you believe was not complete?**

From our point of view, we do not see any issues in these areas and have undertaken disconnections and transfers of services for a number of years with UKPN. We are not aware if this is BAU but we do carry this out so have assumed this to be the case.

- 6. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

We are not aware of UKPN having overhead street lighting connections in the LPN area. We would also see that the disconnection work would only be applicable to 'Unmetered Demand – LV work'.

- 7. Do you consider that UKPN implemented a comprehensive and robust engagement strategy for engaging with its local authority stakeholders?**

We are not a party to this area of work so we make no comments on questions 7-10 in this Annex.

- 8. What specific actions did you expect UKPN to complete in order to deliver a robust and comprehensive engagement strategy for engaging with local authorities? Which of these actions do you believe was not completed?**

N/A

- 9. If applicable, do you consider that UKPN provided reasonable and justified reasons why it did not deliver a robust and comprehensive engagement strategy for engaging with local authorities?**

N/A

- 10. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

N/A

- 11. Do you consider that UKPN delivered its commitment? Do you have any additional evidence to support your view?**

The negotiations on the contract have taken far longer than anticipated, both by us and UKPN. This has been affected by changes in personnel and UKPN have now put in place a team that we have confidence in to deliver the commercial arrangements required for a contract of this nature. We now have a final draft provided to us and we believe that the outstanding commercial issues will be resolved in the next few weeks.

- 12. What specific actions did you expect UKPN to complete in order to complete this commitment? Which of these actions do you believe was not complete?**

The contract is in the final stages of negotiations and we fully expect it to be in place in the next few weeks.

- 13. If applicable, do you consider that UKPN provided reasonable and justified reasons why the commitment was not completed?**

Yes, we are working with UKPN on the commercial negotiations on behalf of all IDNOs. We believe that we are close to achieving a contract and that we are confident it will provide a fast and responsive service for our connected customers.

- 14. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

Connected customers do not the same parity of service that UKPN's customer see. Particularly where we have had faults across the boundary of networks and we have had to call UKPN to attend as it is a fault on their network. This has led to delays in restoring supplies and in some cases failures in GSOS due to the protracted time to restore supply.

- 15. Do you consider that UKPN delivered a single point of contact for connection customers? Do you have any additional evidence to support your view?**

We have a number of points of contact with UKPN and a single point would not serve us as a customer in the best way. We are more than satisfied with the engagement we have with UKPN and would not want to have just one point of contact as it would not meet the needs of us or our customers.

16. Do you consider that UKPN's commitment to reduce the time to provide a quote has been delivered?

We are undertaking self-assessment of points of connections within UKPN's area to a larger degree and we do find that if we need UKPN to provide us a quotation in a quicker timescale they work with us and can normally meet our requirements.

17. What specific actions did you expect UKPN to take to ensure this commitment was delivered?

We believe that opening up the UKPN network to us so that we can self-assess our own points of connection was the commitment we have had from them. By definition if they are not quoting as many points of connection then this will free their staff up to provide our quotes when it is not possible for us to self-assess. In this matter, we feel that they are delivering on this commitment.

18. If applicable, do you consider that UKPN provided reasonable and justified reasons why the commitment was not delivered?

We do not believe that this is applicable.

19. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?

The market segments above are relevant to this area of work.

- 1. Do you consider that WPD provided reasonable justification for delaying the completion of its commitment to implement new policies and procedures as required to improve the self-connect process for HV customers, or to revise its proposals and present the updates to its Independent Connection Provider (ICP) and IDNO stakeholders?**

We recognise the process and procedure that WPD have implemented as best in class across the DNOs in terms of the new option 4. This has been put in place thanks to a lot of hard work by our team as well as WPD's. This has taken some time to put in place as it has pulled together a number of important network authorisation processes as well as Health & Safety Considerations. Whilst this has taken longer than expected we have been actively operating this new process along with other ICPs that expressed an interest in early adoption of the process. We now feel that we have a robust and easy process that will allow self-connect at HV to operate in an open market. Our next step is to take this to other DNOs and request that they provide a similar service.

- 2. Do you think that WPD's target to deliver this commitment in the year 2016-17 was ambitious?**

Yes, this was a very challenging process and we have spent a lot of hours with them putting the new procedures and processes in place. At the start of the development we believed, like WPD, that it would only take a few months but we have discovered a lot of issues along the way that we have both worked on to resolve. In fact the original idea has been modified as we have developed it and it looks very different to what was originally envisaged. This could not have been foreseen at the beginning of the process.

- 3. In your experience, how does WPD's facilitation of self-connection for HV customers compare with other DNOs' service?**

We see the new option 4 as a market leading process and we want all other DNOs to learn from what we have put in place with WPD and provide the same service.

- 4. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

Yes, we would consider that this is the market segment affected.

- 5. Do you consider that WPD implemented a comprehensive and robust engagement strategy for engaging with its local authority stakeholders? If not, do you consider that WPD provided reasonable and justified reasons?**

We are not a party to this area of work so we make no comment on questions 5 to 7 of Annex 6

- 6. What specific actions did you expect WPD to complete in order to deliver a robust and comprehensive engagement strategy for engaging with local authorities that was not completed?**

N/A

- 7. Do you consider that market segments mentioned above were the relevant ones affected? Were other market segments also affected?**

N/A