Scottish and Southern Energy

Power Distribution

COMPETITION NOTICE – DECEMBER 2013

Executive endorsement

Scottish and Southern Energy Power Distribution (SSEPD) has long been a passionate supporter of competition in the energy sector. We hold two electricity distribution licences and we are an active network operator outside our licensed areas. In fact SSEPD now owns and operates 238 electrical networks across the length and breadth of Great Britain.

As well as engaging in out-of-area network competition, we have worked hard to establish straightforward processes and procedures to support new entrants in our licensed areas, without compromising safety or our customer service standards. Our competitions in connections procedures are readily available to customers and alternative providers alike.

Our experience of this market, coupled with the growing number of businesses competing alongside us is, we believe, compelling evidence of the existence of an open competitive market in electrical connections.

This submission is our second Competition Notice. We listened to and acted upon feedback received about our first Competition Notice. Our second notice reflects the improvements we have made.

In view of this, I firmly endorse our Competition Notice and believe it clearly shows our commitment to ensuring customers realise the benefits of competition.

Stuart Hogarth

Director of Distribution
Scottish and Southern Energy Power Distribution

Contents

Appendices

Section 1: the legal test and competition test

The Electricity Distribution Licence, Charge Restriction Condition 12[1] requires us to publish and submit a Competition Notice or a report for each of the nine relevant market segments. There are two parts to the competition notice or report:

- the legal test
- the competition test

Should both the competition and legal test be satisfied, the licensee is then able to, although not obliged to, charge an unregulated margin.

1.1 the legal test

The legal test involves an assessment of the licensee's compliance with legal requirements in terms of making connections to its distribution system. The legal test is a pre-requisite to the competition test.

For both SHEPD and SEPD, we can confirm there were no enforced breaches in 2012/13 nor in the current regulatory year 2013/14 to date, of the following:

- Standard licence condition 12.6(c): Requirement to offer terms for use of system and connection;
- Amended standard licence condition 15: Standards for the provision of non-contestable connections services;
- New standard licence condition 15A: Connections policy and connection performance;
- Standard licence condition 19: Prohibition of discrimination under Chapters 4 and 5; or
- The Competition Act 1998.

We conclude from this that both SHEPD and SEPD pass the requirements of the legal test.

1.2 the competition test

The competition test presents evidence from market data, market research, and DNO activities, to assess effective competition in relevant market segments. Specifically, competition is assessed against 6 key criteria:

- actual and potential competition;

[1] Scottish Hydro Electric Power Distribution Limited Special Conditions, 31 March 2010 and Southern Electric Power Distribution Special Conditions, 31 March 2010

- barriers to competition;
- pricing and transparency of pricing to customers;
- customer awareness of competitive alternatives;
- competition in connections procedures and processes; and
- efforts to open up non-contestable activities to competition.

Section 2: summary and overview

2.1 who we are and what this notice is

SSEPD comprises two licensed Distribution Network Operators (DNOs): Scottish Hydro Electric Power Distribution plc (SHEPD) which owns and operates the distribution network in the North of Scotland; and Southern Electric Power Distribution plc (SEPD), which owns and operates the distribution network in central southern England. 'Appendix A: About us', gives more detail about who we are and where we operate.

Ofgem, the industry regulator, is keen to stimulate more competition in the electricity connections market and therefore placed obligations on all DNOs to promote competition. We have produced this Competition Notice as per Charge Restriction Condition 12 of our Electricity Distribution Licence, in order to highlight the segments of the market in both the SHEPD and SEPD area that we consider to be competitive.

SSEPD considers that the requirements of the Competition Test have been satisfied for eleven of the eighteen market segments across our two licensed areas, while in the remaining seven segments, effective competition has not yet emerged. This document forms a **Competition Notice** under Charge Restriction Condition 12 of our Electricity Distribution Licence for the eleven market segments where **there is effective competition**. This should be read in conjunction with our Report on Competition – December 2013 which details those segments where effective competition has not yet emerged.

		SEPD	SHEPD
Description	**Relevant Market Segment**	**Notice Submitted**	**Notice Submitted**
HV and EHV market	HV and EHV generation – generation with works above LV	√	√
	Demand HV - LV and/or HV end connections that involve HV works	√	√
	Demand HV and EHV - LV and/or HV end connections involving EHV works	√	√
	Demand EHV and above – EHV (and where relevant 132kV) customer connections	√	√
Unmetered connections	Unmetered LA - new connections for local authorities	√	
	Unmetered PFI -new connections for Private Finance Initiatives (PFIs)	√	
	Unmetered other – all unmetered work not covered by the other unmetered connections (non-local authority, or PFI)	√	

Figure 2.0

2.2 common terms used and expanded on throughout this notice

Distribution Network Operator (DNO)

Electricity distribution networks distribute electricity from high voltage lines, to end customers including domestic and commercial properties. There are 14 licensed distribution network operators (DNOs) in Britain where each one is responsible for a regional distribution services area.
SSEPD is the owner of two licensed distribution network operators (DNOs): Scottish Hydro Electric Power Distribution (SHEPD) and Southern Electric Power Distribution (SEPD). Throughout this notice SSEPD is often referred to as a DNO.

Contestability

Following the introduction of competition in connections, electricity customers in Great Britain have the option for their new electricity connection to be provided and operated by alternative service providers independent of the Distribution Network Operator (DNO).
Companies who can provide this service are Independent Connection Providers (ICPs) and Independent Network Operators (IDNOs). An ICP will build a new connection while an IDNO will operate the new network once built.
Throughout this document we refer ICPs and IDNOs jointly as alternative providers and the work that alternative providers can complete as ‘contestable’.

Some work may have to be completed by SSEPD. We refer to this as ‘non-contestable’. For more information about the terms above, please see the Glossary in the appendices of this notice.

Quotation

When SSEPD sends a quotation for new connection work to any of the metered connections customers included in this notice, it automatically includes a choice. The customer may either ask us:

- to carry out all the work needed. We refer to this as SSEPD carrying out ‘all works’; or
- just to carry out the works we have to do, and appoint an alternative provider to complete the remaining tasks.

2.3 how we measure competition throughout this notice

There are six criteria used in order to measure the competitiveness of the market. These are shown in the figure below, and are presented in Ofgem's Final Proposals[2].

In Section 3 of this notice, the two distinct markets that form the 11 market segments covered by this Competition Notice are assessed against each criteria.

Criteria 1	no barriers to competition
Criteria 2	actual and potential competition
Criteria 3	price, and transparency of pricing to customers
Criteria 4	promoting awareness of competitive alternatives amongst customers
Criteria 5	competition in connections processes and procedures
Criteria 6	efforts to open up non-contestable activities

Figure 2.1

Criteria 1: the extent to which there are barriers to competition is demonstrated by providing evidence that SSEPD has inflicted no barriers to competition, so that alternative providers are able to enter and grow in each of the three markets without experiencing barriers to entry. This is primarily measured through the number of actions the DNO has carried out in order to help open up the market, and in ensuring processes are open and transparent and SSEPD is not hindering alternative providers from entering or grow in the market.

Criteria 2: actual and potential competition is shown by SSEPD's market data in order to evidence the amount of actual and potential levels of competition in each of the three markets. Specifically, measuring the number of tasks, their value, and the split of work between alternative provider and DNO gives a clear indication of actual and potential competition.

[2] 7 December 2009.12.18 of Ofgem Final Proposals, Incentives and Obligations p.70 https://www.ofgem.gov.uk/ofgem-publications/46748/fp2incentives-and-obligations-final.pdf

Criteria 3: price and transparency of pricing to customers is measured by a comparison against other DNO prices, where transparency is measured by considering the methods used in communicating prices to customers.

Criteria 4: promoting awareness of competitive alternatives amongst customers is examined with reference to the activities SSEPD carries out in order to ensure customers are aware of competitive alternatives. The success of activities is measured through a customer survey.

Criteria 5: competition in connections processes and procedures are measured by the amount that SSEPD's processes have been created, developed, and tailored in order to be focused on competition in connections.

Criteria 6: efforts to open up non-contestable activities are measured by the amount and quality of activities and initiatives the DNO has implemented in order to extend the amount of contestable works.

The assessment of each one of these criteria is supplemented by end customer and alternative provider evidence, whether through survey results, or face to face meetings and testimonials to demonstrate that they agree we have met the criteria.

Section 3a: HV and EHV market

This section should be read in conjunction with section 2.3: how we measure competition throughout this notice.

This section of our Notice considers the status of competition in the provision of new connections in the HV and EHV market. It is split into 3 parts:

1. about the HV and EHV market: Describes the HV and EHV market comprising the four segments as defined by Ofgem, the regulator: HV and EHV generation, demand EHV and above, demand HV and EHV and demand HV. This part also includes examples of the types of projects involved in each of the defined segments.

2. assessment of the potential for competitive activity: Describes the nature of the HV and EHV market. An assessment is made against the six criteria for competition in connections, as described in Section 2.3: how we measure competition throughout this notice. The views of customers and alternative providers are discussed with specific reference to:

- no barriers to competition;
- actual and potential competition price;
- transparency of pricing to customers;
- promoting awareness of competitive alternatives amongst customers;
- competition in connections processes and procedures; and
- efforts to open up non-contestable activities.

3. This section concludes that there is:

- Actual, and effective competition in the four HV and EHV segments (HV and EHV generation, demand EHV and above, demand HV and EHV, and demand HV) for both the SEPD and the SHEPD areas

There is evidence of sustainable competition in connections across the HV and EHV market in both the SEPD and SHEPD geographic areas. There is a substantial volume of high value work, well informed and engaged end customers, alternative providers with wide geographic range active across all of the four segments and processes that facilitate easy entry for new providers.

3.1 about the HV and EHV market

For a connection project to form part of the HV and EHV market there must be a requirement as an element of providing the new connection to do work at HV and/or EHV.

Examples of connections projects that meet these requirements could include:

- a single new home in a rural location;
- a larger single shop or unit in an urban location usually requiring 100kW or more, or a number of units totalling a requirement of that size;
- a housing development of more than 10 domestic properties in a rural location or more than 40 domestic properties on an urban site;
- a single generator or generation power station usually in excess of 50kW; or
- any mix of the above: a mixed site such as a housing development with shops and a school.

The HV and EHV market is comprised of four of the relevant market segments:

- HV and EHV Generation: a connection involving work above LV that also includes a generator
- EHV Demand: a connection metered at EHV (and where relevant 132kV)
- HV and EHV Demand: a connection metered at LV and/or HV but involving EHV works
- HV Demand: a connection metered at LV and/or HV involving HV works

We consider that together these segments form a single market as the work involved is similar across all four segments: the skills necessary to make an HV or EHV, generation or demand connection are the design, materials, installation and commissioning of HV and EHV cable, switchgear and transformers. That this is a single market is also demonstrated by the approach of alternative providers to this market that, where active in one segment, are routinely active across others:

- In the SEPD area, 10 of the major alternative providers (having been involved in ten or more projects in this market in the last eighteen months) are active in 2 or more of the four segments that make up this market.
- In the SHEPD area, 6 of the major alternative providers (having been involved in ten or more projects in this market in the last eighteen months) are active in 2 or more of the four segments that make up this market

To participate in this market, providers must achieve the same set of NERs accreditation skills, this accreditation being applicable across all four segments. All our agreements, processes and procedures

automatically apply across all four segments. An alternative provider active in one segment has transferable skills making it a simple process to become active in another.

3.2 assessment of the potential for competitive activity

This part presents each of the six criteria in turn in order to assess the level of actual competition in the market, as well as the level of potential competition.

Criteria 1	no barriers to competition

As can be seen from the detailed market data, included in Section 5 of this notice, there are currently 52 alternative providers with accepted ongoing projects in the HV and EHV market in the SEPD area and 24 in the SHEPD area. There are 114 alternative providers in the SEPD area and 30 alternative providers in the SHEPD area that have been actively seeking work by applying for quotations in this market.

SSEPD proactively seeks to both remove barriers to competition and to promote new entrants. Our approach to this, and illustrations of the actions we have taken, is set out in Section 4 of this notice.

Some specific actions recently taken by SSEPD to support the HV and EHV market include:

- Focussed stakeholder meetings for major connections customers. These provide opportunities for customers and alternative providers to raise anything about competition in connections.
- A comprehensive suite of process, design and technical specification documents. These include copies of the national framework documents (known as G81), together with our company specific appendices.
- Active engagement with alternative providers including the offer of a start up meeting to all new alternative providers who wish to enter the market in either of our areas where we explain what alternative providers need to do in order to carry out work in this market including the skill set and relevant processes and procedures.
- Dedicated contract managers and portfolio management of the basket of works our end customers, developers and alternative providers are in the process of delivering.

In order to validate our approach in ensuring an open market with no barriers we appointed TTi Global as an independent party to approach all accredited alternative providers registered with Lloyds, including those both already active and considering entering the HV and EHV market. This allowed us to understand their experiences and expectations around entering and operating in the HV and EHV market in the SHEPD and

SEPD geographic areas. This research was carried out via face to face and telephone interviews and a detailed report of their findings is attached in Appendix G.

This research concluded that:

- For alternative providers active in our geographic area, SSEPD was attributed a higher score than other DNOs that these alternative providers work with towards getting a quotation and getting connected
- 80% of active and 92% of not yet active alternative providers intend to expand their work in the SSEPD areas in the next two years

The number of alternative providers carrying out work in the SEPD and SHEPD areas, along with the widespread and substantial intention to expand their work in these areas, demonstrates there are no barriers to competition in this market. Comments from customers support this view:

"We believe that SSE has a positive attitude in trying to help developers actually get connected."

"SSE have maintained their position as the company that has done, and continues to do, the most to support competition"

Comments from testimonials and surveys as attached in Appendix G.

Finally, the number of projects accepted with the intention to be completed by alternative providers across SHEPD and SEPD is plotted visually below. This demonstrates there are no barriers to alternative providers in the form of geography as we see projects being completed by alternative providers widely distributed across the SEPD and SHEPD areas.

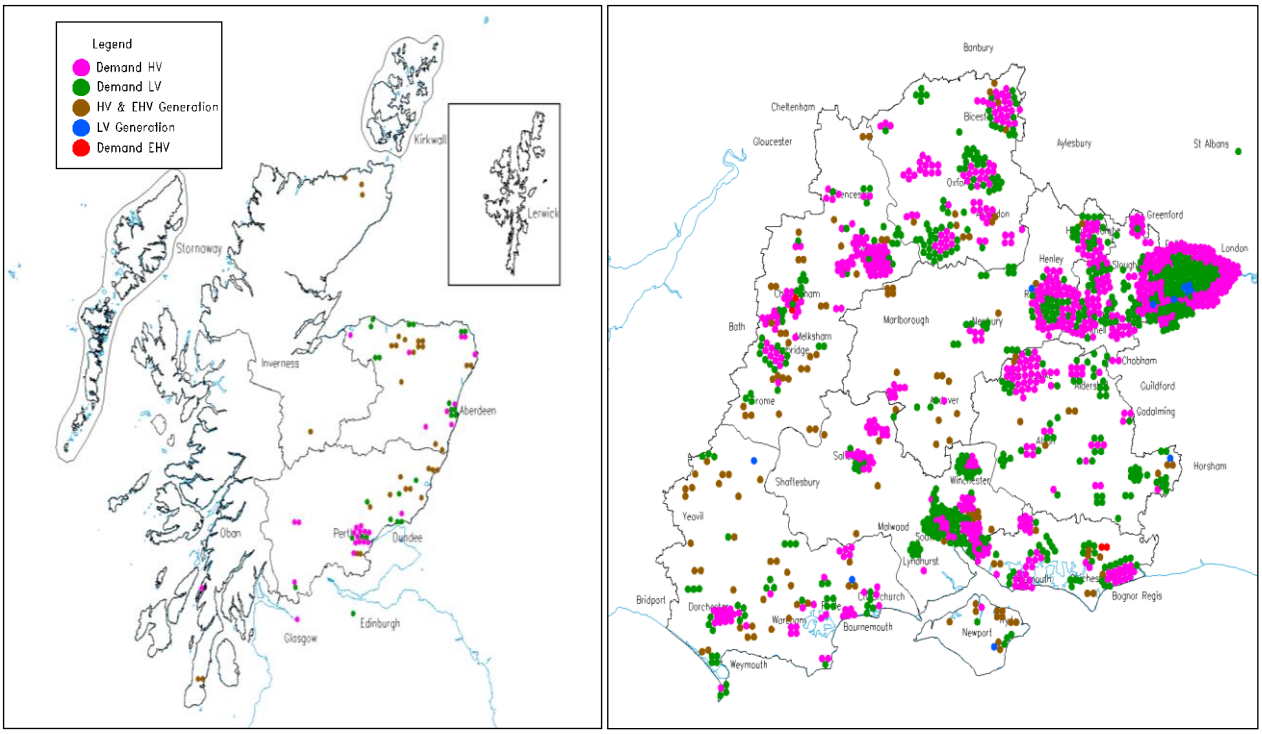


Figure 3.0

Criteria 2	actual and potential competition

This section presents the amount of actual and potential competition within the HV and EHV market by measuring the number of projects, their value, and the split of work between SSEPD and alternative providers. A more detailed breakdown of this market data is also provided in Section 5 of this notice.

Figure 3.1 below shows the size of each of the segments within this market in terms of the number and value of the projects available.

SEPD	Size of market: number of quotes issued to market (accepted)	Value of market: total to be made with no margin	Average value of projects
HV and EHV generation	661 (181)	£41.8M	£230,721
EHV demand	9 (0)	N/A	N/A
HV and EHV demand	26 (5)	£3.5M	£693,334
HV demand	2834 (785)	£32.5M	£41,419
Total	3504 (971)	£77.8M	£80,123

SHEPD	Size of market: number of quotes issued to market (accepted)	Value of market: total to be made with no margin	Average value of projects
HV and EHV generation	1317 (575)	£62.8M	£109,269
EHV demand	3 (0)	N/A	N/A
HV and EHV demand	84 (26)	£6.2M	£238,825
HV demand	1810 (877)	£10.2M	£11,584
Total	3214 (1478)	£79.2M	£53,585

Figure 3.1

The tables above demonstrate that within the SEPD and SHEPD areas there are a large number of high value projects available in the HV and EHV market.

Figure 3.2 below looks at the number of alternative providers that are active in the SHEPD and SEPD areas in this market; the percentage of quotations that are issued to these alternative providers; and the acceptance level of these quotations in order to quantify the success of alternative providers within this market.

SEPD area	Alternative provider activity			Number of alternative providers	
	% of total quotations provided	% of acceptances	% of market Value	Quoted	Accepted
HV and EHV generation	54%	69%	90%	81	26
EHV demand	89%	0%	0%	5	0
HV and EHV demand	30%	0%	0%	7	0
HV demand	28%	10%	11%	36	16
Total	33.3%	21%	53%	108	33

SHEPD area	Alternative provider activity			Number of alternative providers	
	% of total quotations provided	% of acceptances	% of market Value	Quoted	Accepted
HV and EHV generation	5.4%*	16%	19%	18	13
EHV demand	100%	0	0	2	0
HV and EHV demand	38%	19%	71%	7	4
HV demand	4%	1%	1%	10	4
Total	5.5%	7.15%	20.8%	27	12

*low as a result of the historic practice of offering a quotation with the option to accept non contestable

Figure 3.2

As can be seen, there are significant numbers of alternative providers active in this market at the quotations stage – a clear example is in the SEPD area in the HV and EHV generation segment, where there are 81 different alternative providers all seeking quotations.

It can also be seen that the focus and success of alternative providers is on the higher value projects. For example in the HV and EHV demand segment in the SHEPD area it can be seen that whilst alternative providers are seeking quotations for only 34% of the projects, this accounts for greater than 70% of the value of the market for this segment.

Alternative providers have been very successful across this market, are being issued 100% of quotations in certain segments and are now delivering up to 90% of projects by value.

Even where a segment by its nature has a small number of infrequent projects, because of their high value these are of interest to alternative providers. For example in the Demand EHV and above segment:

- In SEPD, alternative providers have received 5 of the 9 quotations issued
- In SHEPD, alternative providers have received 2 of the three quotations issued

Criteria 3	price, and transparency of pricing to customers

The majority of activities in the four HV and EHV market segments are fully contestable. As a participant in that market, SSEPD is fully transparent about its pricing to both customers and potential competitors for both the contestable and non-contestable costs, in particular, SSEPD:

- publish HV and EHV connection rates in our Common Connection Charging Methodology Statement;
- provide a comprehensive break-down of costs at quotation; and
- Provide two options within the quotation showing the contestable and non-contestable elements of the project.

	SHEPD	SEPD	All DNO	SHEPD	SEPD
	Average (£)	Average (£)	Average (£)	% of Average	% of Average
HV and EHV generation	£136,808	£352,335	£446,390	31%*	79%
EHV demand	£605,265	£838,534	£1,055,855	57%	79%
HV and EHV demand	£136,808	£352,335	£446,390	31%*	79%
HV demand	£7,312	£6,941	£8,504	86%	82%

*pricing does not include 132kV works in SHEPD area

Figure 3.3

Our pricing is transparent and clearly competitive compared to others. This can be seen in the figure above which shows the average cost for services for obtaining a new connection in the HV and EHV market

compared with the average amount other DNOs charge for the same service. This demonstrates the competitive prices charged by SSEPD.

SSEPD's competitive price is recognised as such by our alternative providers:

"This [SSEPD] efficiency is reflected in their non-contestable charges." and

"'My view is that *SEPD's breakdowns provide good information are therefore transparent and enable proper comparison" and*

"'[We] feel that SSE quotations and cost breakdowns are detailed appropriately"'

Quotation from two testimonials attached as Appendix G

Criteria 4	promoting awareness of competitive alternatives amongst customers

Customers in the HV and EHV Market may be divided into four distinct types:

- one-off customers requiring a single connection but that has driven work at high voltage (this may simply be because there rural home requires a dedicated HV transformer);
- small, one-off customers but with projects requiring multiple connections;
- small, regular, repeat customers with projects of under 100 connections; and
- large or repeat customers with projects in the order of 100 connections or more.

An estimate of the proportion of quotations issued to each customer type based on contracted party details held can be seen in the Figure 3.4 below.

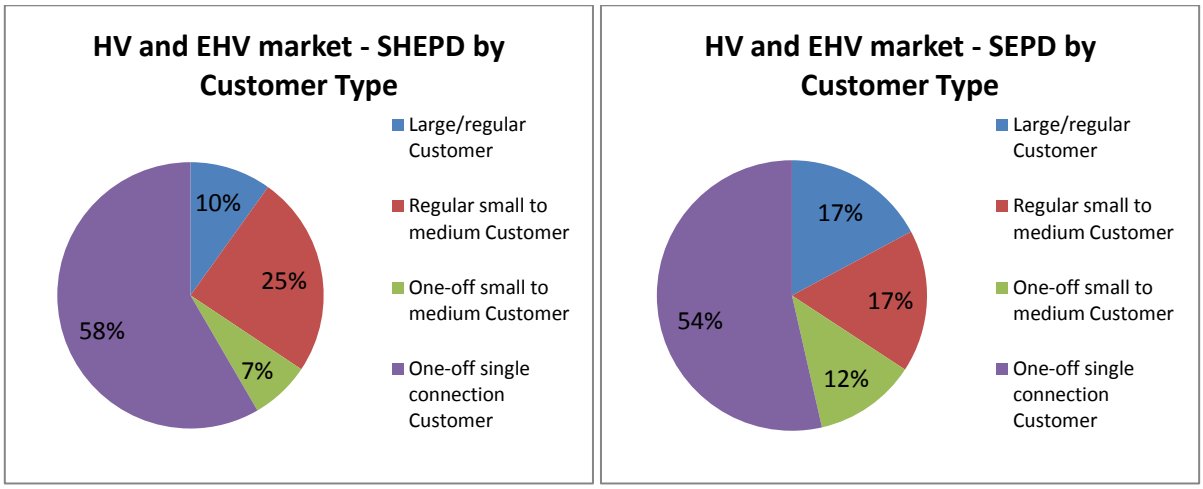


Figure 3.4

One-off single connection customers: These are customers within this market who have only approached us on one occasion for a single connection although this may now be for a generator, and whose project falls into the connection requirements for this market. These customers may not be as informed about the process or about competition as some other larger or more regular customers are. For these customers it is particularly important that we provide them with all of the information that they need in a clear and concise way. We place a lot of useful information on our website with these customers in mind. An example of this is our Distributed Generation Leaflet, attached in Appendix D of this notice. We also ensure that all of the staff involved with connections are fully trained so that they are able to explain the connections process to these customers and answer any questions they may have.

One-off multiple connection customers: These customers are similar to whose described above but whose project involves more than one connection so they are more likely to be small builders or developers. Again our priority for these customers is to ensure that they know they have a choice, that our processes are explained clearly and that we are there to help answer any questions they may have.

Regular, small customers: These are customers that generally contact us two or more times over an 18 month period. Often although their projects involve works at HV or EHV, there will commonly also be some work required at LV. Often these customers are commercial or business customers, such as developers or multi utility companies. These customers tend to be more informed about our processes and more commercially aware. We look to build long term relationships with these customers, where timeliness of connection and price tend to be of particular importance.

Large customers with more than 100 connections: These customers contact us for a quotation often two or more times within an 18 month timeframe, with projects involving 100 or more connections. These projects are often linked with major engineering works onsite therefore projects are attractive to those with skills being used on other parts of the project. Customers are not domestic homeowners; they are commercial or business customers.

The way we promote competition in connections is the same no matter who the customer is. Specifically we:

- ensure that every customer that applies for a connection receives a factsheet that explains that customers may choose to use an alternative provider to carry out the non-contestable works. This factsheet is provided in Appendix D and is also sent out to all customers that apply for a connection.
- Provide two options within the quotation showing the contestable and non-contestable elements of the project.
- For many of our customers we hold regular workshops and one-to-one meetings where we explain the processes around getting a connection and the option for choosing an alternative provider to carry out the non-contestable works.

How SSEPD measures customer awareness of competition

To measure customer awareness of competition, over a six week period in August and September 2013 we followed up every quotation issued to one of the four segments in the HV and EHV market by SEPD and SHEPD with a phone call or email. The results for the HV and EHV market can be seen in Figure 3.5.

Segment	Number of Customers who took part	% who scored us 7 or more in keeping them aware of Competition (on a scoring range of 1-10)	% who had considered or sought alternative offers
SEPD			
HV and EHV generation	9	78%	33%
Demand EHV and above	n/a	n/a	n/a
Demand HV and EHV	n/a	n/a	n/a
Demand HV	19	63%	26%
SHEPD			
HV and EHV generation	8	88%	38%
Demand EHV and above	n/a	n/a	n/a
Demand HV and EHV	n/a	n/a	n/a
Demand HV	22	55%	32%

Figure 3.5

We concluded from our survey that:

- The majority of customers in the HV and EHV market are aware of their options
- There is evidence that a significant number of customers in this market sought or considered an alternative offer

Where customers did not seek an alternative quotation, reasons typically included:

"'Tried in past found SSE are very competitive so didn't consider this time" and

"I am very happy with the service I receive from my local depot so I would not go elsewhere" and

"SSE are a company that I know and trust"

Quotation from a number of testimonials attached as Appendix G

The detailed results from this survey are included in Appendix G of this notice.

Criteria 5	competition in connections processes and procedures

As part of our commitment to facilitating an open and competitive market in connections, we have straight forward and accessible processes and procedures in place. Content and services specifically applicable to the HV and EHV market includes;

- An simple adoption agreement, bilateral in nature (simply between the alternative provider and ourselves) with a minimum warranty period and security requirements and streamlined legal process
- a comprehensive suite of process, design and technical specification documents. These include copies of the national framework documents (known as G81), together with our company specific appendices.
- access to our mains records through our Geographical Information System (GIS), long term development statements and network capacity information;
- an explanation of competition and a link to the Lloyds register of suitably accredited alternative providers. This identifies provides contact details of all currently accredited alternative providers for the customer.

This work has been recognised by a number of our alternative providers:

"We are also pleased that we implemented a new legal process for SSE in Scotland that was acceptable to all IDNOs and SSE. This was developed in a few months and appears to be working well for our customers as well as SSE and have not had any issues with its use." and

"'SSE's approach has moved forward throughout the last 5 years. [We] feel that SSE's attitudes have changed towards ICPs in the form of acceptance and working as a partnership" and

"I would confirm that we often cite SSE in our discussions with both Ofgem and other DNOs as being the benchmark to illustrate best practice and to encourage other DN's to improve their service to customers in all aspects of connections work."

Quotation from a number of testimonials attached as Appendix G

Criteria 6	efforts to open up non-contestable activities

Working with a number of alternative providers and following successful trials, a number of non-contestable tasks have recently become contestable within the SEPD and SHEPD areas. These are now open for a customer to appoint an alternative provider to carry them out on their behalf, opening up the connections market. This includes:

- HV Final connections: this forms part of our methodology as a contestable activity and we have processes in place to carry this out. However no alternative provider has come forward wishing to deliver this. We remain keen to work in partnership to prove and then enhance this process so facilitating additional alternative providers performing final HV connections.
- Distribution Safety Rules (DSR): SSEPD supports alternative providers that operate under their own DSR, rather than requiring SSEPD's DSR be followed.
- Contestable Stand-alone Disconnections: in the SEPD and SHEPD areas, contestability has been extended beyond connections works to include stand-alone metered and unmetered disconnections projects.

SSEPD continue to be open to further extension of contestable activities, and are for example currently actively involved in trials to reduce the requirement for auditing of alternative provider works.

3.3 Conclusion

There is evidence of sustainable competition in connections in the HV and EHV market in both the SHEPD and SEPD geographic areas. There is a substantial volume and value of work, well informed and engaged end customers, a high number of alternative providers active across the segments and processes that facilitate easy entry by new providers. There is a very high level of alternative provider participation in a number of the segments and strong evidence of alternative providers actively competing in the remaining segments. In addition to this several alternative providers have stated their intention to further expand within this market.

		HV and EHV generation	Demand EHV and above	Demand HV and EHV	Demand HV
Criteria 1	no barriers to competition	√	√	√	√
Criteria 2	actual and potential competition	√	√	√	√
Criteria 3	price, and transparency of pricing to customers	√	√	√	√
Criteria 4	promoting awareness of competitive alternatives amongst customers	√	√	√	√
Criteria 5	competition in connections processes and procedures	√	√	√	√
Criteria 6	efforts to open up non-contestable activities	√	√	√	√

Figure 3.6

Given the above, we conclude that there is actual and effective competition in the four HV and EHV segments (HV and EHV generation, EHV demand, HV and EHV demand and HV demand) for the SHEPD and SEPD areas. On this basis SSEPD recommends that unregulated margins are allowable within these segments.

Section 3b: unmetered market (SEPD only)

This section should be read in conjunction with section 2.3: how we measure competition throughout this notice.

This section of our Notice considers the status of competition in the provision of new connections in the unmetered market in the SEPD area. It is split into 3 parts:

1. about the SEPD unmetered market: Describes the unmetered market comprising the three segments as defined by Ofgem, the regulator: Unmetered Local Authority (LA), Unmetered Private Finance Initiative (PFI), and Unmetered Other. This part also includes examples of the types of projects involved in each of the defined segments.

2. assessment of the potential for competitive activity: Describes the nature of the unmetered market in the SEPD area. An assessment is made against the six criteria for competition in connections, as described in Section 3: measuring competition where the views of customers and alternative providers are discussed with specific reference to:

- no barriers to competition;
- actual and potential competition price;
- transparency of pricing to customers;
- promoting awareness of competitive alternatives amongst customers;
- competition in connections processes and procedures; and
- efforts to open up non-contestable activities.

3. This section concludes that there is:

- Actual, and effective competition in the three unmetered segments (PFI, LA and Other) for the SEPD area.

There is evidence of sustainable competition in connections in the unmetered market in the SEPD geographic area. There is a substantial volume of work, well informed and engaged end customers, alternative providers with wide geographic range active across two of the three segments and processes that facilitate easy entry by new providers. There is alternative provider participation in the LA and PFI segments with no barriers to further entry and extension into the unmetered Other segment.

3.4 about the unmetered market

For a connection to be unmetered it must:

- be of low capacity, commonly less than 500W;
- have a predictable demand profile; and
- be demonstrably inefficient to install and operate a meter.

In these situations the electricity used may be reasonably estimated and so the additional costs associated with a meter are not justified. Those connections that meet these requirements are commonly street furniture such as street lights, traffic lights and road signs.

The unmetered market is comprised of three unmetered segments:

- unmetered LA: Local Authorities, including any other organisation acting as the operator of street furniture (such as telecommunications companies), and those working on their behalf;
- unmetered PFI: Private Finance Initiative operators or those working on their behalf; and
- unmetered Other: any other customer not falling into the above categories, for example house builders.

We consider that these segments form a single market as the work involved is identical across all segments: the skills necessary to make an unmetered connection are restricted to the jointing and terminating of LV service connections. To participate in this market, providers must achieve the same set of NERs accreditation skills, this accreditation being applicable across all three segments. All our agreements, processes and procedures automatically apply across all three segments. An alternative provider active in one segment becomes active in another simply by being appointed by a different end user.

To additionally support the opening of this market, DNOs offer a ‘Rent a Jointer’ scheme whereby alternative providers may hire skilled resource to undertake work across the three segments.

3.5 assessment of the potential for competitive activity

This part presents each of the six criteria in turn in order to assess the level of actual competition in the market, as well as the level of potential competition.

Criteria 1	no barriers to competition

As can be seen from the detailed market data included in Section 5 of this notice, there are currently six alternative providers in the unmetered market. Four of these alternative providers are actively participating in the unmetered market in the SEPD area, and the other two have recently formalised the necessary agreement as they actively seek work. Alternative providers have successfully entered the highest value segment, and are also participating in one of the smaller segments.

SSEPD proactively seeks to both remove barriers to competition and to promote new entrants. Our approach to this, and illustrations of the actions we have taken, is set out in section 5 of this notice.

Specific actions taken by SSEPD to support the unmetered market include:

- Active engagement with Unmetered Connections Consumers Group to discuss issues and encourage participation in SSEPD's unmetered market;
- Organising and hosting workshops with all LAs and interested and active alternative providers to ensure that all are aware of their choice in new connections work; and
- These events provide opportunities for customers and alternative providers to openly discuss options, become familiar with our processes and procedures and raise any issues they foresee regarding competition in connections.

We appointed TTI as an independent party to speak to customers in the unmetered market and understand their experiences of entering and operating in the market. They carried out their research via face to face and telephone interviews and a detailed report of their findings is attached in Appendix G.

From this research it is evident that:

- Our customers are aware of their choice in connections, have and are considering alternative providers, and that a number of providers are active in SSEPDs geographic area
- We are seen to have promoted awareness of competition across our customers.

Criteria 2	actual and potential competition

This section presents the amount of actual and potential competition within the SEPD unmetered market by measuring the number of tasks, their value, and the split of work between SEPD and alternative providers. Full and detailed market data can be found in Section 5 of this notice.

Figure 3.9 below looks at the size of the unmetered market in the SEPD area in terms of the number and value of jobs available.

SEPD	**Size of market:** number of tasks completed	**Value of market:** total to be made with no margin	Average value of tasks
Unmetered LA	6,690	£1.5m	£231
Unmetered PFI	50,450	£9.3m	£184
Unmetered Others	4,751	£1.5m	£318
Total	61,891	£12.3m	£199

Figure 3.9

This demonstrates that within unmetered market in the SEPD area there are a very large number of low value tasks available.

Figure 3.10 below shows the number of tasks completed by alternative providers, the value of the tasks and the resulting proportion of work in the unmetered market that is being carried out by alternative providers.

SEPD	Alternative Provider market: by volume	Alternative Provider market: by value	% of market delivered by alternative providers
Unmetered LA	44	£9,134	0.66%
Unmetered PFI	45,349	£8.3M	89.9%
Unmetered Others	0	0	0
Total	45,393	£8.3M	73%

Figure 3.10

It can be seen from this that in the unmetered market in the SEPD area:

- There is a high number of alternative providers active; and
- alternative providers are carrying out 89% of the work in the highest value segment.

Criteria 3	price, and transparency of pricing to customers

All activities in the three unmetered market segments are fully contestable. As a participant in that market, SSEPD is fully transparent about its pricing to both customers and potential competitors. In particular, SSEPD:

- publish unmetered connection rates; and
- publish Rent a Jointer rates.

	SHEPD	SEPD	All DNO	SHEPD	SEPD
	Average (£)	Average (£)	Average (£)	% of Average	% of Average
Rent a Jointer	£937	£927	£980	96%	94%
Unmetered new Connection up to 5m	£387	£370	£538	72%	69%

Figure 3.11

Our pricing is transparent and clearly competitive compared to others. This can be seen in the figure above which shows the average cost of using the SSEPD 'Rent a Jointer' scheme, and obtaining a new unmetered connection up to 5 metres by appointing SSEPD, compared with the average amount other DNOs charge for the same service. The last two columns compare other DNO costs with SSEPD's costs as a percentage, showing SSEPD is always more competitively priced than other DNOs' average costs.

SSEPD's competitive price is recognised as such by our alternative providers:

"This [SSEPD] efficiency is reflected in their non-contestable charges."

Quotation from testimonials attached as Appendix G.

From our independent research it was also evident that:

- SSEPD is seen as a competitively priced organisation, with a transparent approach to pricing. Price is important to our customers.

Criteria 4	promoting awareness of competitive alternatives amongst customers

Who SSEPD's customers are, and how SSEPD promotes competition

Within the unmetered market we have identified there are different types of customers:

- **Local Authorities –** designated Local Authorities such as city councils;
- **Commercial Entities –** large companies with the authority to carry out streetworks such as BT, Virgin and transport authorities, PFIs and alternative providers acting on their behalf. These customers may work across the three unmetered segments depending on who they are acting on behalf of;
- **Other customers –** this typically includes builders and housing developers such as Barratt Homes; and
- **Parish councils** (exist in the SEPD area only)

The number of unmetered projects for each of these customer types is shown for the SEPD area in Figure 3.11 below.

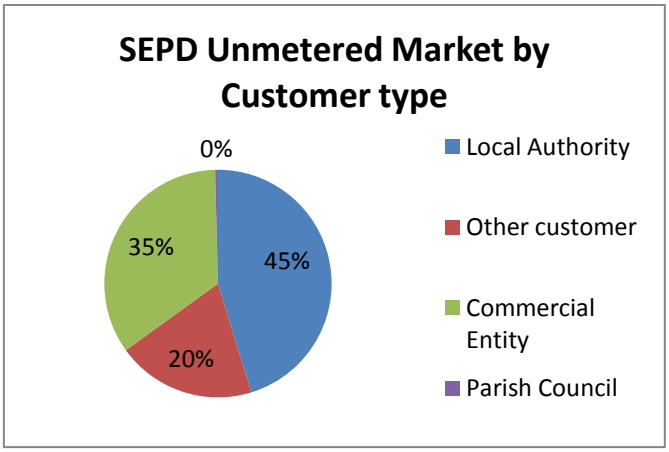


Figure 3.11

We have developed long term working relationships with the **Local Authorities** in SEPD, and meet with them quarterly to discuss their various new connections projects in conjunction with other matters such as street light refurbishment programmes and unmetered fault response. These quarterly meetings provide the opportunity to discuss competition in connection options face to face. To supplement this, we ran workshops in SEPD with all Local Authorities and members of Unmetered Connections Consumers Group to ensure that all are aware of their choice to use an alternative provider.

Local Authorities have commented on the success of this approach:

"We are aware that there is a choice and we're talking about street lighting contracts... So yes, we are very aware that we have a choice."

Quotation from testimonials attached as Appendix G.

Commercial entities are those larger companies such as BT, Virgin and Transport Authorities, that are authorised to carry out streetworks but are not Local Authorities. These larger companies often work in other segments in the SEPD area so meet regularly with their Contract Manager to discuss their variety of projects.

Promoting awareness to these customers involves talking through their options at the relevant stages of the project, and providing them with any information they would like to help them make an informed decision about competition in connections.

Commercial Entities also include alternative providers. SSEPD have recently met with three alternative providers who are considering working in the unmetered market in SEPD. After discussion about the amount of opportunities available in the unmetered market, all three of the alternative providers signed the Access and Adoption Agreements in 2013 thereby allowing them to begin to operate in the market.

We also explain to alternative providers who are considering entering the unmetered market that there is the Rent a Jointer option which is currently well utilised, and offers them a different option when considering costs for working in this market.

'With a very short lead in time to work starting on site, we were pleased that right from our initial contact, we found SSEPD accommodating, informative and sufficiently flexible, to meet our ICP contract mobilisation needs.'

Quotation from testimonials attached as Appendix G.

Other customers are usually builders or developers with small developments where there is usually a need to install and connect small numbers of street lights or illuminated road signs, so the unmetered connections for these customers are often part of a larger project.

Customers are offered a designated Account Manager, Designer, and Team Manager in a similar fashion as Commercial entities. Promoting awareness to these customers is similar to Commercial entity customers in that we always ensure we promote the option of using an alternative provider during the relevant stages of

the project. We ensure competition in connections is promoted during each and every project, and the customer is provided with the necessary information they require in order to make an informed decision.

Parish Councils account for a small percentage of the SEPD unmetered market (0.4%). The needs of these customers differ from other customers as they tend to be smaller, less informed, and looking for a more personal service. They are often run by volunteer or charitable organisations.

We ensure that the processes around obtaining a connection including competition in connections are clearly explained to these customers. We also hold depot open days and invite along local parish councils, as these customers tend to appreciate local assistance. Discussing all options with these customers is important for them to make an informed choice. This includes explaining that there may be community grants available to them and directing them towards where they can find out more information.

How SSEPD measures customer awareness of competition

From our independent research with TTi Global, it was evident that:

- Our customers are aware of their choice in connections, have and are considering alternative providers, and that a number of providers are active in SSEPD's geographic area

Criteria 5	competition in connections processes and procedures

As part of our commitment to facilitating an open and competitive unmetered market, we have straight forward and accessible processes and procedures in place. Content and services specifically applicable to the unmetered market includes:

- An adoption agreement which is not only bilateral in nature (simply between the alternative provider and ourselves) but also overarching: covering an entire licence area (rather than one for each authority that an alternative provider may work in).
- a comprehensive suite of process, design and technical specification documents. These include copies of the national framework documents (known as G81), together with our company specific appendices.
- access to our mains records through our Geographical Information System (GIS);

- a link to the Lloyds register of suitably accredited alternative providers. This identifies provides contact details of all currently accredited alternative providers for the customer.

Additionally we automatically offer a start up meeting to all new unmetered alternative providers who wish to enter the market in either of our areas. This gives them an opportunity to discuss anything related to the market, from understanding our responsibilities as a DNO, to how we can help them with any aspect of a project. End customers, developers and alternative providers have found the process to be extremely useful in terms of answering queries in a more informal manner, and building a rapport with those who they will be working with going forward.

"...and have found their ICP processes, interface arrangement and staff easy to work with."

Quotation from testimonials attached as Appendix G.

From our independent research with TTi Global, it was evident that:

- Processes and procedures are in place to facilitate alternative provider entrance, to the extent that alternative providers, where active, have scored higher in their performance than SSEPD

Criteria 6	efforts to open up non-contestable activities

Working with a number of alternative providers and following successful trials, a number of non-contestable tasks have recently become contestable within the SEPD area. These are now open for a customer to appoint an alternative provider to carry these tasks out on their behalf, opening up the connections market. This includes:

- LV Final Connection – following on from a successful trial, alternative providers are carrying out live LV final connections across the SEPD region. This is now accepted as a business as usual practice.
- Unmetered POC identification – SSEPD provides open access to its GIS system making it easy for alternative providers to identify unmetered POCs.
- Self Design Approval for Unmetered Connections – SSEPD provides standard designs for unmetered POC making it easy for alternative providers to approve their own design.
- Distribution Safety Rules – SSEPD supports alternative providers that operate under their own DSR's, rather than requiring the SSEPD DSR be followed.

- Contestable Stand-alone Disconnections – contestability has been extended beyond connections works to include stand-alone metered and unmetered disconnections projects.

SSEPD continue to be open to further extension of contestable activities, and are, for example, currently actively involved in trials to reduce the requirement for auditing of alternative provider works.

From this research it was evident that:

- SSEPD is seen to be open to alternative providers, engaging in trials to open up the market.

3.6 Conclusion

There is evidence of sustainable competition in connections in the unmetered market in the SEPD geographic area. There is a substantial volume of work, well informed and engaged end customers, alternative providers active across two of the three segments and processes that facilitate easy entry by new providers. There is alternative provider participation in the LA and PFI segments, and a significant appetite for entry in the unmetered other segment.

		unmetered PFI	unmetered LA	unmetered others
Criteria 1	no barriers to competition	√	√	√
Criteria 2	actual and potential competition	√	√	√
Criteria 3	price, and transparency of pricing to customers	√	√	√
Criteria 4	promoting awareness of competitive alternatives amongst customers	√	√	√
Criteria 5	competition in connections processes and procedures	√	√	√
Criteria 6	efforts to open up non-contestable activities	√	√	√

Figure 3.12

Given the above we conclude that there is actual and effective competition in the three unmetered segments (PFI, LA and Other) for the SEPD area. On this basis, SSEPD recommends that unregulated margins are allowable within these segments.

Section 4: Improvements, opportunities and initiatives

This section identifies the key improvements, opportunities and initiatives we have put in place over the last eighteen months to facilitate an open and competitive market. It also includes imminent and important next steps we plan to make. These have been divided into five of the six criteria used to measure the competitiveness of the market. Criteria 2: actual and potential competition is separately explored in Section 5 of this notice, market data. This section goes on to quantify the impact that these initiatives have had on our Ofgem defined broad measure score of customer satisfaction.

For each of the five criteria there follows a list of the key initiatives which we have introduced, which market segments these initiatives apply to, and a brief description of the initiatives themselves.

4.1 Criteria 1: no barriers to competition

	EHV /HV Generation	Demand EHV	Demand HV with EHV	Demand HV	Unmetered PFI	Unmetered LA	Unmetered Other
Web site improvement	√	√	√	√	√	√	√
Alternative provider start-up meeting and workshops	√	√	√	√	√	√	√
Contract Managers, Portfolio Management	√	√	√	√	√	√	√
Online application, emails of dates	√	√	√	√	X	X	X
Online payment and project tracking	√	√	√	√	√	√	√
Increased front line staff and senior managers	√	√	√	√	√	√	√
You can contact us however you like	√	√	√	√	√	√	√
Keeping in touch	√	√	√	√	√	√	√
Complaints process, dedicated team	√	√	√	√	√	√	√

4.1.1 Website improvement

As part of our commitment to facilitating an open and competitive market, we are continually making improvements to the information available on our website. Content and services recently added in response to feedback from alternative providers and other stakeholder groups includes;

- an improved explanation of competition and the connections market and the choices available to customers.
- a comprehensive suite of process, design and technical specification documents. These include copies of the national framework documents (known as G81), together with our company specific appendices. We have adopted an open approach and do not restrict access to any of the documents on the site. We review the information every three months and add or amend documents as necessary.
- a detailed help section covering all aspects of the connections process. It includes frequently asked questions, a glossary and gives customers and alternative providers an easy way to ask any questions that remain unanswered for them.
- access to our mains records through our Geographical Information System (GIS);
- network load information and feeder load analysis in our long term development statements. They provide detailed system data for all voltage levels except 11kV and LV systems which have generic design and operation statements. This is because of the volume of data and the speed with which it can become invalid.
- a link to the Lloyds register of suitably accredited alternative providers. This identifies provides contact details of all currently accredited alternative providers for the customer.

We also provide code of practice documentation relating to connections on request and we offer guidance to help customers and alternative providers in interpreting this documentation if required. Part of this includes process maps, namely the connection call off process, design approval process, point of connection process and project release process.

NEXT STEPS: To enhance the information available we plan to publish heat maps on our website. These will show where our network has capacity, and where our network is full unless we reinforce it. Providing this level of detail about our network will help customers to choose where and when to apply for a connection, and demonstrates our commitment to providing transparent and clear information.

4.1.2 Alternative provider start-up meetings and workshops

"Both their regional ICP manager and Records Information Manager made time for us at short notice, to explain their unmetered processes and arrange for our online access to their GIS information system."

Quotation from one of our customer testimonials in Appendix G.

We automatically offer a start up meeting to all new alternative providers who wish to enter the market in either of our areas. This gives them an opportunity to discuss anything related to the market, from understanding our responsibilities as a DNO, to how we can help them with any aspect of a project. End customers, developers and alternative providers have found the process to be extremely useful in terms of answering queries in a more informal manner, and building a rapport with those who they will be working with going forward.

We have complemented this with specific workshops on particular areas of competition: for example we recently ran a number of well attended and well received Unmetered Connections Workshop for local authorities and prospective alternative providers. We invited all local authorities in our licensed areas, and used the national Unmetered Connections Consumer Group (UCCG) to promote the event to alternative providers and ensure as wide a circulation as possible.

4.1.3 Contract Managers, Portfolio Management

"... the commercial contracts team are always available to discuss the quote either on the phone or via a face to face meeting if required and they are able to explain the quote and the different segments that comprise it in layman terms."

Quotation from one of our customer testimonials in Appendix G.

After engaging with major connections customers over the last few years, it became clear that a regular meeting with these customers would prove very useful for both parties. In response to customer feedback our customers have also asked that we managing their basket of ongoing projects through regular meetings. In order to get the most from this engagement, we introduced Portfolio Management. A single Contract Manager looks after all works associated with an individual customer through regular catch up meetings to discuss current and potential projects. This streamlines the process, making things easier for both parties and is widely supported by our stakeholders: They help to simplify and ease the overall process of getting a

connection. Introducing this role means we speak with the alternative provider, or the customer, to fully understand their request, and work with them in order to provide the best service we can.

"Whereas technical tools are useful, the key SHEPD asset is the helpful contracts and engineering staff."

Quotation from one of our customer testimonials in Appendix G.

4.1.4 Online application, emails of dates

We know customers and alternative providers need quick and easy access to information throughout the whole processes of getting a connection. Much of the feedback received through all the stakeholder engagement we have carried out identifies an online application as being useful, as well as generally using email to communicate work schedules. Since 2012 we have been able to process customers' application forms both via post, and email. Our system allows customers to email any attachments required such as plans. We now routinely transfer documents and information electronically, including providing an application form online.

This means customers (including both alternative providers, and end customers) have the option of corresponding with us regarding their connection solely by use of the internet as detailed below:

- can view the overall process on our website, including information about using an alternative provider, Guaranteed Standards, and Code of Practice documentation
- we provide an online application form, along with guidance including what information is needed
- can email the application form to us
- we can email quotation to customer
- customer can email us to confirm acceptance
- we can email the customer to confirm dates for site visits etc
- we can email the customer to confirm the date of the final connection to our network
- the customer can email any questions directly to a named contact looking after the project

4.1.5 On line payment and project tracking

We currently accept payment for connections projects by bank transfer (BACS) payment, as well cheques. We offer staged payments for all projects over £100k in value, or likely to take longer than eighteen months to deliver. Where a project is likely to take more than eighteen months to deliver we have a reduced payment

to secure capacity and cover initial design of just £10k. We will also consider alternative payment schedules and arrangements with customers on an individual basis.

NEXT STEPS: As part of our stakeholder engagement it has now become clear that online payment is something that our customers also want. Therefore, we are in the process of introducing debit payments for new connections projects either over the phone and this will be in place in summer 2014.

Moreover, our engagement with stakeholders also found that project tracking would be useful in seeing what stage the project is at. This facility will be available in summer 2014. It will allow on-line track of a project by a customer from the day the application is submitted, right through to job completion.

4.1.6 Increased front line staff and senior managers

"As part of any process the interface at a personnel level is just as important as the formal exchange of information. In this respect Blyth Utilities have found SSE staff very helpful in resolving any issues during the design process or point of connection request."

Quotation from one of our customer testimonials in Appendix G.

Our ongoing customer satisfaction focus identified a number of key areas within our New Connections business that required additional resources in order to help improve the level of customer service provided to our customers. Our aim is to ensure our staff can provide our customers with a "10 out of 10" service. In order to achieve this, we have recently enhanced our management structure with regards to customer service for connections. We have:

- A new and dedicated Head of Customer Service reporting directly to the Director of Distribution and responsible for driving our 10/10 customer service improvements throughout the Distribution business
- New Connections and Engineering Enquiry Team Managers for both SEPD and SHEPD in order to improve front line call centre services to new connections customers.
- Nearly doubled the number of call takers responding to New Connections enquiries in both SEPD and SHEPD
- Additional Commercial Managers in both SEPD and SHEPD in order to have one manager responsible for new connections quotations
- An additional 3 Unit Managers to take responsibility for all Connections Designers.
- Reorganised Connections Designers under the Commercial Management structure in order to provide a more robust and consistent approach to customer quotations

4.1.7 You can contact us however you like

We want to make it easy for everyone to fill out a form by giving each person the option of doing it online, by post, or by phone.

We know customers and alternative providers need easy and instant access to information throughout the whole process of getting a connection and this is what we aim to provide. We already process connections projects by email, post and by phone.

NEXT STEPS: In response to feedback received we are enhancing our online services and in the first half of 2014 customers will be able to submit application forms and plans directly through our website, track the progress of their project and make online payments.

By 2015 we intend to introduce LiveChat as another communication channel. Customers will be able to contact our customer service team through our website in real time to ask questions and agree dates if they wish.

4.1.8 Keeping in touch

"Having known the SHEPD construction team for a number of years, we are able to openly discuss the programme and specific technical issues directly with the engineers. This is really valuable because it gives us flexibility and, in real terms, can often lead to savings. Flexibility of the SHEPD engineers is most welcome – good Customer Service"

Quotation from one of our customer testimonials in Appendix G.

We know we need to keep in touch with our customers and alternative providers throughout the whole process of getting a connection and this is what we aim to do. Feedback from all our customers has highlighted occasions when some have experienced difficulty in trying to get through to individuals within the organisation.

Our Director of Distribution recently recognised this and implemented the following Communications initiative in order to improve customer communication. All staff are required to follow these:

- I will answer the phone within three rings

- I will have a personal voice mail message recorded on my phone
- My desk phone will be transferred to my mobile or other desk phone when I am out of the office
- When communicating with a customer, I will always provide my contact details
- I will always treat my customers like family

In addition all office staff are required to leave out of office messages on their emails, directing customers to alternative points of contact thus allowing them to progress their enquiry.

NEXT STEPS: We have made a commitment to always get in touch with you within three days of your application to connect. This provides an opportunity to discuss requirements, build a rapport with customers, and tackle any questions at the very start of the process. We understand how important communication is, so if we don't meet our commitment we are in the process of putting into place a payment of £20 (by April 2015).

4.1.9 Complaints process, dedicated team

We are committed to offering our customers the very best in customer service, and we are keen to hear how they feel about us especially if things have gone wrong. SEPD and SHEPD have a common complaints handling process which is applicable to any type of complaint.

We train all of our staff to offer the best possible customer service and do their utmost to help the customer. If they need to involve their manager, they will do so to ensure the matter is resolved as quickly and easily as possible. As part of resolving the complaint, we will offer an explanation and an apology. We will also take remedial action and may award compensation in appropriate circumstances.

Additionally, recognising the importance of complaints as part of the broad measure of community satisfaction, we have recently established a dedicated team to handle both complaints and compliments. Working under one Performance Manager, two Team Managers are responsible for the efforts of nine advisors who all actively engage with customers to resolve complaints at source. The team is split between SEPD and SHEPD with all ultimately reporting to our newly appointed Head of Customer Service.

4.2 Criteria 2: actual and potential competition

Please refer to Section 5.

4.3 Criteria 3: price, and transparency of pricing to customers

	EHV /HV Generation	Demand EHV	Demand HV with EHV	Demand HV	Unmetered PFI	Unmetered LA	Unmetered Other
Quotation breakdown	√	√	√	√	X	X	X
Designer contact details	√	√	√	√	√	√	√
Validity period extended to 90 days	√	√	√	√	√	√	√
Quotation expiring reminder	√	√	√	√	X	X	X
No charge for budget estimates	√	√	√	√	√	√	√
Benchmarking costs exercise, including CinC charges	√	√	√	√	√	√	√
Annual report	√	√	√	√	√	√	√

4.3.1 Quotation breakdown

"SSE are always consistent and clear on the costs and timescales when providing quotations and a and we are given the name and direct contact details of the SSE team member who is dealing with each project should we wish to discuss anything in more detail."

Quotation from one of our customer testimonials in Appendix G.

Over the last eighteen months we have enhanced our breakdown of costs and introduced a single quotation for all of our metered customers. This includes the choice with the relevant charges to appoint us to complete all the works involved in their connection (i.e. 'All Works' offer) or just appoint us to deliver those elements of the project that only we are able to (i.e. Non-Contestable offer). Examples of these quotations with breakdown and choice are attached for each of the metered segments in Appendix C.

We had offered this quotation with choice to our HV and EHV generation customers for a number of years but extended it to all our metered customers during December 2012. This innovation provides the applicant with true clarity in terms of pricing and allows the customer to assess the competitive option on every scheme for which we issue an offer of terms. It also simplifies the application process for the customer by completing only one application form in order to receive two options with charges.

4.3.2 Designer contact details

"The application process and guidelines are straightforward and there is always a name and number to calls and when queries arise. Again from our dealings with your company, we inevitably find that you hit your standards of service, which is something that we cannot say for every DNO"

Quotation from one of our customer testimonials in Appendix G.

As well as offering choice, all our quotations also include the connection designer's name and contact details to give the customer the opportunity to speak to the person who planned their connection. This effectively gives customers a 'direct line' to the person most able to help answer any questions they may have to allow them to make an informed decision.

4.3.3 Validity period extended to 90 days

A common theme that has come out of our stakeholder engagement has been the validity period of our quotations. This was the most commonly identified barrier identified in our alternative provider survey as carried out by TTI Global (details in Appendix G) with 55% of our customers identifying this as a barrier. This equally applies to all our customers: customers, developers and alternative providers.

We historically offered a 30 day validity period for all our quotations to minimise the risk of any quotation becoming interactive with another where there are capacity constraints on the network.

However, following stakeholder feedback we have reviewed this validity period. Going forward our standard validity period will be 90 days.

"*[We] are very pleased to hear in the change in policy. Thank you for taking on board our concerns regarding the previous 30 day validity period."*

Quotation from one of our customer testimonials in Appendix G.

4.3.4 Quotation expiring reminder

NEXT STEPS: Additionally to address concerns over quotations expiring, whatever the validation period of an individual quotation may be, we are in the process of putting in place a follow-up phone call or automatic email (depending on customer contact preferences) to remind a customer that a quotation is about to expire within five working days.

4.3.5 No charge for budget estimates

We historically charged for a budget estimate. However this practice was identified as an issue in the "Barriers identified via Ofgem survey February 2011" and further reinforced by our own stakeholder engagement. We have therefore reviewed these and removed any up front charge for Budget Estimates.

4.3.6 Benchmarking costs exercise, including CinC charges

"Whilst we are well aware of ICPs and the role they provide and have requested quotes from ICPs for a few of our projects we have never actually utilised an ICP. The reasons for this are that the cost of work is not necessarily cheaper than SSE's cost" and

"I work with all DNO's across the UK. SSE is one of the best DNO's to work with regards to customer service, costs and level of service." and

"For note on a recent project where we sought an alternative quote for the contestable works SSE's price was significantly lower and took less time to be produced that the ICP's."

Quotations from three of our customer testimonials in Appendix G.

We are required under our licence to publish a Charging Methodology Statement providing price and transparency in connections to our customers. This document remains a primary tool for keeping our customers informed. It was recently brought together as a Common Charging Methodology Statement (CCMS), with a structure, format and many elements of the information provided common to all DNOs.

In order to assess our transparency of pricing and the value for money we actually provide to our customers we regularly benchmark our Common Charging Methodology Statement (CCMS) with that of all other DNOs. The results, supported by stakeholders, are consistently show the competitive nature of our connections offers. Details of this exercise are attached in Appendix C.

This is recognised by our alternative providers:

"In summary we have been pleased with SSEPD's assistance in helping us to mobilise as an unmetered connections ICP in their Southern Region and have found their ICP processes, interface arrangement and staff easy to work with. This efficiency is reflected in their non-contestable charges."

Quotation from one of our customer testimonials in Appendix G.

4.3.7 Annual report

NEXT STEPS: are committed to asking everyone how we could do better and publishing a report every year on what we're doing about it. Our first annual report, reviewing our 2013/14 performance, will be published by the end of June 2014.

Throughout our everyday and specialist engagement we understand that customers and alternative providers appreciate us listening and doing something about it. In order to make this all encompassing and transparent, we commit to asking people how we could do better, and publish a report every year on what we're doing about it. This is intended to reach all different types of people, from end customers, to alternative providers, to people who are considering applying for a connection for example.

We strongly believe this commitment will encourage an open and competitive market, further enhance transparency about what we are doing, and provide an opportunity for customers to tell us exactly what they would like to see.

4.4 Criteria 4: promoting awareness of competitive alternatives amongst customers

	EHV /HV Generation	Demand EHV	Demand HV with EHV	Demand HV	Unmetered PFI	Unmetered LA	Unmetered Other
Keeping customers aware of choice	√	√	√	√	X	X	X
Quotation with choice	√	√	√	√	X	X	X
Stakeholder engagement	√	√	√	√	√	√	√
Customer Voice, Stakeholder events	√	√	√	√	√	√	√

4.4.1 Keeping customers aware of choice

"It is useful however that the SSE quotation clearly states where a list of ICPs or IDNOs can be found online as this can cause a degree of confusion for our clients so formal clarification in SSE's documentation is appreciated."

And

"SSE have always been very open about the option of utilising ICPs (more so than other DNOs we have worked with) to carry out part of the works relating to a connection. I also have noted that SSE now send out a fact sheet titled 'You have a Choice' that provides useful information regarding ICPs, who they are, what they can do etc. This is another step towards ensuring transparency and providing the client with all the options in order to select the one that best suits them."

Quotations from two of our customer testimonials in Appendix G.

As part of our customer service ethos we are committed to ensuring all of our customers are aware of their options under competition in connections. We highlight this on our website which includes, alongside the

Common Charging Methodology Statement, a comprehensive explanation of the options available under competition in connections and a link to the Lloyds register of suitably accredited alternative providers.

We also send out, with every application form and all quotations, a fact sheet 'You know you have a choice'. A copy of this is attached in Appendix D.

This identifies for customers, at connection application and again at quotation, what work can be carried out by other providers as well as giving the customers details of currently accredited alternative providers who are also qualified to do this work.

We follow this up in the body of the quotation with highlighted information:
'SSE Power Distribution is the Distribution Network Operator (DNO) for the area in which your project is located. There are Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs) who may be able to provide you with an alternative quotation to carry out some of this work. Please refer to www.lloydsregister.co.uk for further details'.

4.4.2 Quotation breakdown and choice

"Accordingly, SEPD policy of making standard offers which provide the option to accept all of the works, or just the non-contestable effort has been well received. I would also add that it makes our life as consultants seeking out comparable pricing a deal easier! "

Quotation from one of our customer testimonials in Appendix G.

As already described under Criteria 3: price, and transparency of pricing to customers, our standard quotation for all of our metered customers now includes the choice with the relevant charges to appoint us to complete all the works involved in their connection (i.e. 'All Works' offer) or just appoint us to deliver those elements of the project that only we are able to perform (i.e. Non-Contestable offer). Examples of these quotations with breakdown and choice are attached for each of the metered segments in Appendix C.

We had offered this quotation with choice to our HV and EHV generation customers for a number of years but extended it to all our metered customers during December 2012. This innovation provides the applicant with true clarity in terms of pricing and allows the customer to assess the competitive option on every scheme for which we issue an offer of terms. It also simplifies the application process for the customer by completing only one application form in order to receive two options with charges.

Should a customer accept the non-contestable only offer, we always follow this up with a phone call and email confirming the selection, and advising on the next stage of the process. We want to ensure the customer has all the information they need about how to go about appointing an alternative provider.

We are seen as “best in class” by our metered segment customers in offering this:

“SSEPD is showcasing best practice amongst the DNOs in terms of enabling access to competitive quotes by issuing two offers in every case, an “all works quotation” together with a “non-contestable works” only quotation. This means that developers are given a real choice to accept a non-contestable only quotation and then appoint the alternative provider themselves without having to reapply for an offer.”

Quotation from one of our customer testimonials in Appendix G.

There is now evidence in our data (Section 5 of this notice) that offering our customers a choice has allowed customers to accept a “non –contestable only” quotation and then approach alternative providers for a competitive quotation, ultimately awarding contracts to these providers. Examples of this practice include HV and EHV Demand, EHV Demand as well as HV and EHV Generation.

4.4.3 Stakeholder engagement

Over the past eighteen months we have put in place a dedicated stakeholder engagement team and carried out focussed stakeholder engagement across the market segments covered by this notice. A key task for this team is the promotion of customer choice. The outputs from this focus, over the past 18 months include:

- Appointment of Head of Stakeholder Engagement with dedicated Stakeholder Engagement Managers and a supporting team.
- Established a Stakeholder Engagement Policy, Strategy and Implementation Plan which has been endorsed at Executive level through the SSEPD Board
- Published the key themes arising from our structured stakeholder consultation processes and our responses to them.
- Introduction of a Corporate Stakeholder Engagement Key Performance Indicator designed to measure how important and effective our engagement processes are in delivering meaningful changes for our stakeholders.
- Implementation of a SSEPD-wide engagement process which has clear values, reliable data and is operated in accordance with audited and accredited processes and standards – an ISO 9001:20018 accredited approach

- Development of a centralised stakeholder, contact and record, management system to enable us to actively manage engagement across the business
- Categorised all of our stakeholders based upon our existing relationships with them; the level of influence they have over our business plan and processes; and their interest in helping us shape it.

We listened carefully to the 2012/13 Ofgem feedback we received and made a large number of changes, resulting in us being rewarded in the first year of the incentive scheme in 2012/13.

For our stakeholders, this means that once we understand their individual needs and interests; we contact them only in relation to issues which are relevant to them; engage with them in a way which suits their needs to help make best use of the time they give up to help us.

4.4.4 Customer Voice, Stakeholder Events

Over the last eighteen months we have engaged with a wide range of different customers across all of the segments associated with this competition report. Attached in Appendix F is a record of the key stakeholder events we have recently carried out that were focussed on new connections, with their objectives and outcomes.

This has included the establishment and inaugural meeting of our quarterly Customer Voice Groups in SHEPD and SEPD to:

- inform our other programme of stakeholder engagement to establish what our stakeholders' priorities are around safety, customer service, supply reliability, connections, social obligations and the environment
- critically evaluate our stakeholder engagement strategy, policy, implementation plans, our business response to stakeholders views and our annual stakeholder report
- enable members to draw on their professional networks to support and facilitate discussions with appropriate groups on key issues of current or emerging stakeholder concern
- act as a scrutiny panel for new ideas and offer advice on any other issues that may be referred to it by SSEPD

The group is chaired by the Director of Distribution, Stuart Hogarth with a minimum of six customer voice group members who can input on the topics of safety, customer service, supply reliability, connections, social obligations and the environment.

Other specifically connections focused events have also been held in local Depots where major customers as well as other stakeholders were invited to hear and see what we do with their applications and how we process new connections from initial contact, design and quotation through to delivery. This allowed developers to meet the designers to understand the level of information required to make an application competent to quote, discuss constraining factors such as capacity, legal's and wayleaves, street works notifications and competition in connections. The attendees also heard from project delivery Team Managers on how to help their developments progress more smoothly, covering topics such as trenching requirements, site readiness, MPAN registration, meeting customer timescales.

We went forward, building on this, to carry out focussed stakeholder workshops for each of the different segments covered in this report including:

- Minor connecting customers
- Major connecting customers, including ICPs and IDNOs
- Microgen and Larger generation connecting customers, consultants and installers
- Specific interest groups such as the Orkney Active Network management Surgery
- Distributed generation forum in London, Cardiff and Glasgow: the Glasgow event run in conjunction with Scottish Power.

These events were extremely well attended and received and directly resulted in a number of the initiatives around an open competitive market, all of which are detailed in this section for our report. These include::

- Web site improvement
- Alternative provider start-up meetings and workshops
- Contract Managers, Portfolio Management
- Quotation breakdown and choice
- Validity period extended to 90 days
- No charge for budget estimates
- Increased front line staff and senior managers
- Two year defect warranty period

In relation to our unmetered stakeholders, SSEPD have regular biannual meetings with Local Authorities covering a range of services provided by SSEPD. These meetings not only cover new connections, but faults and knock downs, catering for the full range of needs of the local authorities. We have also held workshops with the Local Authorities where alternative providers have been invited to attend, helping the Authorities to recognise the role of the alternative provider and the services available from them.

4.5 Criteria 5: competition in connections processes and procedures

	EHV /HV Generation	Demand EHV	Demand HV with EHV	Demand HV	Unmetered PFI	Unmetered LA	Unmetered Other
Single incorporated legal process	√	√	√	√	X	X	X
Two year defect warranty period	√	√	√	√	√	√	√
Bilateral connection agreement	√	√	√	√	√	√	√
Single overarching connection agreement	X	X	X	X	√	√	√
Revised requirement for additional security	√	√	√	√	√	√	√
Revised requirement for a letter of authority	√	√	√	√	√	√	√
Recognition of NERs accreditation	√	√	√	√	√	√	√
Inspection and monitoring	√	√	√	√	√	√	√
IAudit trial	√	√	√	√	√	√	√
Staff awareness of the contestable process	√	√	√	√	√	√	√

Our suite of legal and adoption agreements were originally produced in line with Ofgem's 'Competition in connections to electricity distribution systems' decision document of February 2005. This fairly reflected the unknown level of adoption risk for DUoS customers at the time, as competitive activities were opening up.

Elements of these documents were identified in both the 'Barriers identified via Ofgem survey February 2011' and 'Competitive Networks Association 12 tests for competition' (Appendix E) and further reinforced by our own stakeholder engagement. We have therefore extensively reviewed and revised these over the last eighteen months.

4.5.1 Single incorporated legal process

We have fully adopted the streamlined independent network operators Incorporated Legal Process - April 2013

4.5.2 Two year defect warranty period

We have reduced the defect correction period for assets adopted from alternative providers from three to two years. This is now in line with the warrantee period we apply to our direct contractors on turn-key projects - April 2013.

4.5.3 Bilateral connection agreement

We have also rewritten our Adoption Agreement to be bilateral in nature (simply between the alternative provider and ourselves) rather than tripartite (to also include the developer) – September 2013.

4.5.4 Single overarching connection agreement

We have further refined the bilateral agreement for unmetered connections to be a single overarching agreement covering an entire licence area (rather than one for each authority that an alternative provider may work in) - April 2012.

4.5.5 Revised requirement for additional security

We have also reviewed our requirement for additional security should a company be of have high financial risk. Although we reserve the right to assess this, we will only ask for additional security where we also have

experience of the specific party concerned defaulting on an agreement. Even when requested, this security need only simply be a parent company guarantee – September 2013

This work has been recognised by a number of our alternative providers:

"We are also pleased that we implemented a new legal process for SSE in Scotland that was acceptable to all IDNOs and SSE. This was developed in a few months and appears to be working well for our customers as well as SSE and have not had any issues with its use."

and

"The process for securing an unmetered ICP adoption agreement with SSEPD was quick and efficient as it involved very little legal bureaucracy and delay."

Quotations from two of our customer testimonials in Appendix G.

4.5.6 Revised requirement for a letter of authority

We continue to take the approach, supported by Section 16 of the Electricity Act, that we may require a letter of authority before we will offer a formal quotation to anyone who is *not* the land owner or tenant. However we have reviewed this and now only ask for this where we also have experience of a high level or likelihood of speculative enquiries. We have also reviewed the format required, reinforcing that this need only be a simple email or note on headed paper from the landowner concerned, not a legally drafted document. Where this cannot be provided we continue to provide a budget estimate (at no cost) for the project.

This approach to letters of authority is supported by our metered segment customers:

"One thing I learnt (to my horror) was that [another DNO] don't require those applying for an export connection to include a "landowner/landlord letter of authority" – we always get these (SSE and [another DNO] won't process and application without) and I was flabbergasted that [another DNO] were on the one hand saying they have seen an exponential rise in applications whilst on the other not having implemented a simple measure that would significantly reduce speculative applications!"

Quotation from one of our customer testimonials in Appendix G.

4.5.7 Recognition of NERs accreditation

We recognise the NERs accreditation. We do not carry out any form of trade test to verify skills.

Only when LIVE working on our existing assets or making a final HV connection to our existing network do we carry out an initial audit of jointers at one of our training schools. This is as a result of the risk and complexity of such work and the large number of different types of existing cable assets in use in our distribution area. It is extremely important to us for operational safety reasons and from a security of supply risk to our existing customer base.

4.5.8 Inspection and monitoring

We do not carry out any more stringent inspections or monitoring activities than has been suggested by Ofgem in their 'Competition in connections to electricity distribution systems' decision document of February 2005. In order to positively reduce the level of inspection and monitoring of alternative providers activity within the SEPD and SHEPD distribution areas we have also adopted the following practises:

- All works in any segment will count towards '"reduction' in I&M rate. Alternative providers are not required to be inspected in every aspect of work for each segment task they may be undertaking.
- Any inspection in any segment of work will count towards reducing the number of overall inspections required.
- Work carried out in either SEPD or SHEPD distribution areas counts towards reducing the level of inspections and monitoring required for the individual alternative provider.

Applying this approach, we currently have alternative providers on the minimum (2%) inspections.

4.5.9 IAudit Trial

NEXT STEPS: In order to reduce the burden of inspection and maintenance we are in the process of trialling I-Audit, a mobile application that can be used to photograph and log tasks for central auditing and recording in real time avoiding the constraints of on-site visits.

We already have some experience of the I-audit application and are in conversation with one alternative provider on the use of this. I-audit can be designed and used to provide an accurate and complete audit trail of alternative provider activities. It can be used to generate real time email notifications, delivering high

visibility information. It can be used to generate instant reports and also incorporates digital photos of any task undertaken. We see this as an exciting opportunity. There are potentially many benefits for ourselves and alternative providers in speeding up the audit process allowing all parties to act upon good quality real time information.

4.5.10 Staff awareness of the contestable process

In order to ensure our customers can benefit from the choices an open competitive market offers, be they developers, alternative providers or end customers we need not only to have up-to-date processes and procedures in place but all our internal staff with clear visibility of them.

Over the past eighteen months we have therefore carried out an extensive training programme, refreshed our internal processes and augmented these with key performance indicators around projects being delivered by alternative providers. These include:

- A suite of additional advice and guidance documents around projects delivered by alternative providers, readily available to all staff
- Reminder “crib” sheets for staff. An example of these is included in Appendix D.
- Monthly reports to senior managers targeting their alterative provider projects

This renewed focus has been recognised by our alternative providers.

“SSE's approach to competition has moved forward throughout the last 5 years. FES Ltd feels that SSE's attitudes have changed towards ICPs in the form of acceptance and working as a partnership. FES Ltd has had no negative issues with any of the SSE staff. SSE staff has proven time and time again that they are approachable and helpful.”

and

“Whilst we do not believe that SSE have completely achieved all of the things required to make their market open for competition, they are demonstrating a changed approach and we believe they will eventually be successful in that goal if they continue to focus on the key issues.”

Quotations from two of our customer testimonials in Appendix G.

4.6 Criteria 6: efforts to open up non-contestable

	EHV /HV Generation	Demand EHV	Demand HV with EHV	Demand HV	Unmetered PFI	Unmetered LA	Unmetered Other
Activities recently opened to competition	√	√	√	√	√	√	√
Ongoing contestability trials	√	√	√	√	√	√	√
Examples of working together	√	√	√	√	√	√	√

4.6.1 Activities recently opened to competition

Working with a number of alternative providers and following successful trials, a number of non-contestable tasks have recently become contestable within SEPD and SHEPD. These are therefore now open for a customer to appoint an alternative provider to carry them out on their behalf, opening up the connections market. They include:

- LV Final Connection – allowing the final connection to be carried out by an alternative provider gives them the flexibility to carry out the connection within their time frames rather than relying on ourselves. Following on from a successful trial, we now have an alternative ICPs carrying out live LV final connections across SEPD region. This is now accepted as a business as usual.
- HV Final connections – this forms part of our methodology as a contestable activity and we have processes in place to carry this out. However no alternative provider has come forward wishing to deliver this. We remain keen to work in partnership to prove and then enhance this process so facilitating additional alternative providers performing final HV connections.
- Unmetered POC identification – using the open access we provide to our GIS, our alternative providers are now able to identify their own unmetered POC.
- Self Design Approval for Unmetered Connections – using our standard designs our alternative providers are now able to approve their own design for unmetered POC.

- Alternative providers DSR – we now allow alternative operate to operate under their own DSR's, with no need to be authorised under ours. We do not see the need for ICPs to be individually authorised for each DNOs DSRs, a barrier identified in 'Competitive Networks Association 12 tests for competition' (Appendix E). We believing the best practice is that alternative providers should operate under their own avoiding requirement for multiple DNO authorisations.
- Rent - a - jointer for metered works – we have extended this service beyond unmetered connections works to LV metered connections. This allows the option for an alternative provider to use rent-a-jointer to carry out LV jointing tasks.

Contestable Stand-alone disconnections - we have recently opened up the market by extending contestability beyond connections works to stand-alone metered and unmetered disconnections projects.

4.6.2 Ongoing contestability trials

"We are still working with SSE on self-connect and self-assessment of points of connection. We have tried a few self-connects projects and have come across some procedural issues which we are in discussion with SSE."

Quotation from one of our customer testimonials in Appendix G.

NEXT STEPS: We are currently trialling a number of currently non-contestable activities with alternative providers to develop a model that would allow these to become contestable and so open for a customer to appoint an alternative provider to carry them out. These include:

Metered POC identification - having discussed this with a number of interested parties, we are currently trialling this with an alternative provider. Once this trial is complete we would expect to extend this facility to other suitably accredited ICPs.

Cost Apportioned Reinforcement – We are also committed to opening up competition in the provision of part funded connections reinforcement work and have taken an active and positive approach to the Ofgem proposal. We believe the only major outstanding issues are contractual and financial. In order to progress this we are in discussion with an alternative provider regarding a specific project in order to deliver this as a trial.

Shared POI on DNO equipment – We are also trialling the sharing of the final connection point-of-isolation on common DNO/IDNO equipment (eg LV cabinet). Although we are working through operational issues, this has the advantage of reducing duplicate equipment with its inherent cost and fault implications.

4.6.3 Examples of working together

As well as the above ongoing trials of contestable activities, which are themselves examples of working together, we also pride ourselves on the flexible approach we take in delivering alternative provider connections. Recent examples of this include:

Accelerated connection dates – Under SLC15, an ICP will provide a DNO with 10 days to provide a final LV connection. However on a number of occasions recently, where the ICP/IDNO has had customer expectations or project issues, we have turned these round in substantially less time: most recently three working days after the request was made.

Adoption of existing embedded network – We are in the process of adopting an embedded network which the IDNO no longer wishes to operate.

Temporary operation of embedded network – We are currently operate HV equipment on a temporary basis as an IDNO network is built out, with the arrangement for this to revert to the IDNO once the network is completed.

Consortia connection – we have facilitated a consortia of developers appointing a single alternative provider to build a shared, not sole use, asset for adoption.

"We have also had positive experience of SSEPD being willing to think outside the box on connections and are currently involved in a major connections project, Parley 33kV Hub, that involves an ICP building a new 33kV substation into which four separate distributed generators will be able to make a metered connection. This project has been anything but "business as usual" for all sides but SSEPD were very open to trying something new."

Quotation from one of our customer testimonials in Appendix G.

4.7 Broad measure initiatives and improvements

Since the launch of the broad measure of customer service incentive, we have listened actively to feedback from our customers and implemented a series of initiatives, procedural changes, and managerial changes as detailed in the above initiatives.

Under broad measure incentive, customers are anonymously contacted by a third party to find out about their experience with us as we delivered their new connection project. This experience is divided into “Quotation” taking them from applying for a quotation to receiving an offer and “Connection” taking them from accepting an offer to their new connections energisation. Following a series of questions the customer is asked to give an overall score of the DNOs performance out of 10, with 1 being the poorest performance. This survey included all customers: end customers, developers and alternative providers.

Many customer survey results are provided anonymously; hence it is not always possible to break this down by the relevant market segment. Additionally, as larger projects make up a proportionately smaller volume of the connections market, in a randomised survey they are less likely to be surveyed.

Taking our survey results where we were able to identify by segment our performance over the last eighteen against, each segments performance under the broad measure incentive by Quotation and Connection is tabled below:

Figure 4.1: SSEPD broad measure score by segment for Quotation

SEPD	QUOTATION: How satisfied were you with the service provided by the distributor (out of 10)?											
segment/score	No. of Surveys	1	2	3	4	5	6	7	8	9	10	Avge Score
HV and EHV Generation	*-none-*											
Demand EHV and above	*-none-*											
Demand HV and EHV	1								1			8.00
Demand HV	61		1	3		5	2	10	20	11	9	7.66
UM PFI	*-none-*											
UM LA	*-none-*											
UM Other	13					2			1	2	8	8.92
Total	**75**	**0**	**1**	**3**	**0**	**7**	**2**	**10**	**22**	**13**	**17**	**7.88**

SHEPD	QUOTATION: How satisfied were you with the service provided by the distributor (out of 10)?											
segment/score	No. of Survey	1	2	3	4	5	6	7	8	9	10	Avge Score
HV and EHV Generation	14							2	5		7	8.86
Demand EHV and above	*-none-*											
Demand HV and EHV	*-none-*											
Demand HV	69	1	1	2	2	1	6	7	8	11	30	8.26
UM PFI	*-none-*											
UM LA	5					3			2			6.20
UM Other	2					1			1			6.50
Total	**90**	**1**	**1**	**2**	**2**	**5**	**6**	**9**	**16**	**11**	**37**	**8.20**

Figure 4.2: SSEPD broad measure score by segment for Connection

SEPD	CONNECTION: How satisfied were you with the service provided by the distributor (out of 10)?											
segment/score	No. of Surveys	1	2	3	4	5	6	7	8	9	10	Avge Score
HV and EHV Generation	*-none-*											
Demand EHV and above	*-none-*											
Demand HV and EHV	*-none-*											
Demand HV	10				1		2		1	4	2	8.00
UM PFI	*-none-*											
UM LA	*-none-*											
UM Other	*-none-*											
Total	**10**	**0**	**0**	**0**	**1**	**0**	**2**	**0**	**1**	**4**	**2**	**8.00**

SHEPD	CONNECTION: How satisfied were you with the service provided by the distributor (out of 10)?											
segment/score	No. of Surveys	1	2	3	4	5	6	7	8	9	10	Avge Score
HV and EHV Generation	*-none-*											
Demand EHV and above	*-none-*											
Demand HV and EHV	1								1			8.00
Demand HV	26			2					5	7	12	8.81
UM PFI	*-none-*											
UM LA	*-none-*											
UM Other	*-none-*											
Total	**27**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**6**	**7**	**12**	**8.78**

From these results, it is evident that for the segments covered by this notice:

- Overall SSEPD consistently score 7.88 out of 10 or above;
- No segment in SEPD or SHEPD scored us below 6.2 out of 10; and
- Some segments felt that we performed at a 8.8 or above out of 10.

Taking these results alongside others, SEPD and SHEPDs overall broad measure for new connections is plotted by monthly performance below, along with a progressive trend line. The overall trend demonstrates a positive continuous improvement in the level of customer satisfaction provided.

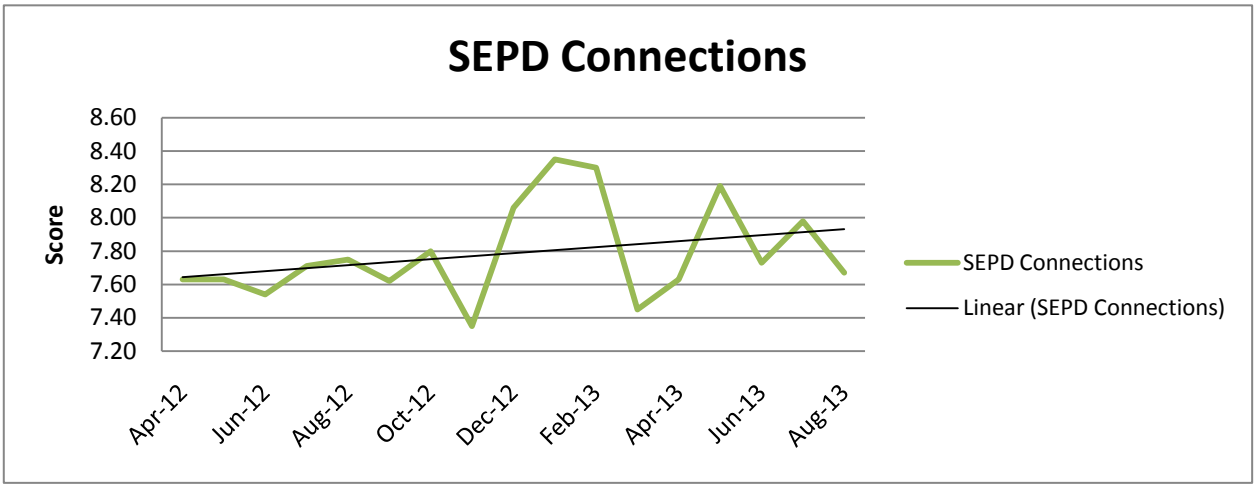


Figure 4.3

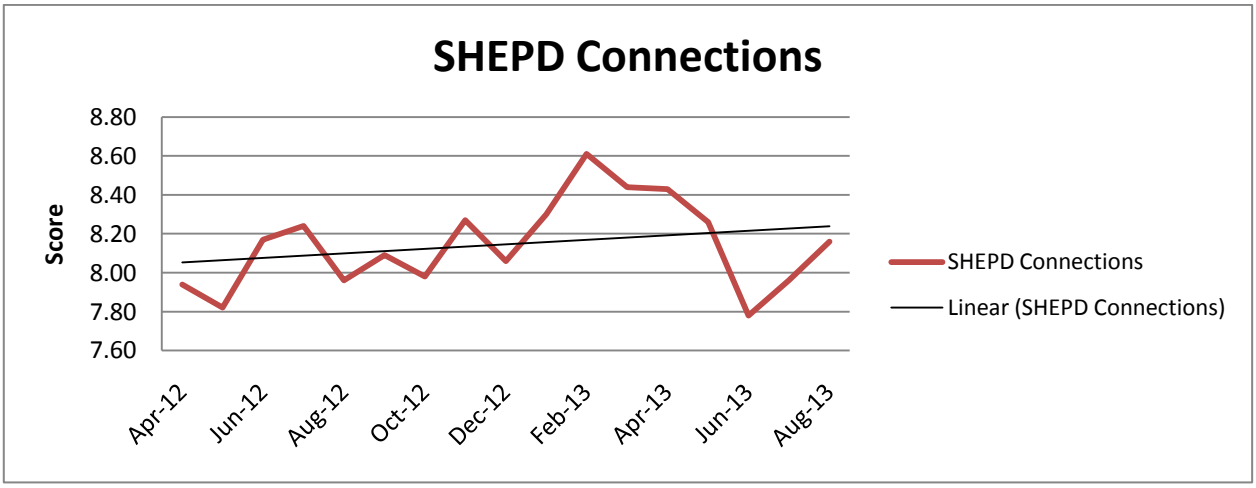


Figure 4.4

It is clear from these graphs and the detailed results above that although there are monthly fluctuations in score, the overall trend has been a positive increase in customer satisfaction.

Section 5a: HV and EHV Market data

In this section of our Competition Notice we present the relevant market data from the four segments that form the HV and EHV market, first in the SEPD area and secondly in the SHEPD area. Specifically this data section presents: the number of quotations issues, number and contestable value of those accepted, the proportion of the market quoted and accepted by alternative providers and the number of alternative providers active at each stage of the process.

5.1 HV and EHV Generation

This segment comprises all projects including a generator and involving HV or EHV works. Common examples would be a new wind farm, hydro scheme or photovoltaic farm.

The detailed segment data that follows is summarised in the Figure 5.1 below:

	Alternative Provider Activity			Number of Alternative Providers	
	% of Quotations	% of Acceptances	% of market Value	Quoted	Accepted
SEPD	54%	69%	90%	81	26
SHEPD	5.4%*	16%	19%	18	13

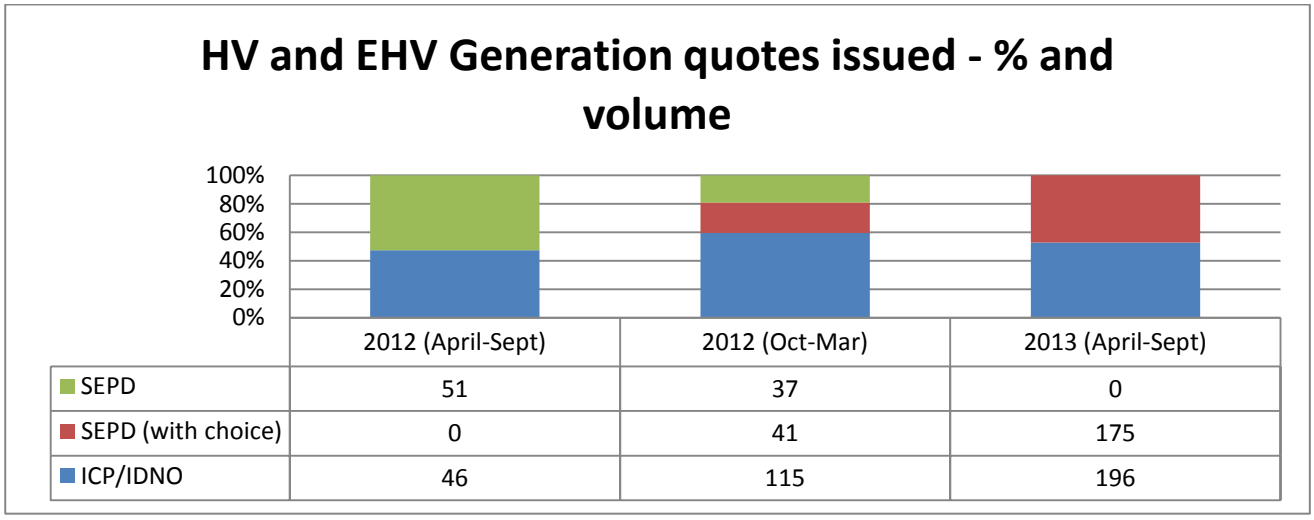
Figure 5.1

*low as a result of the historic practice of offering a quotation with the option to accept non contestable.

Across this segment there is also clear evidence of

- an increasing volume and value of projects delivered by alternative providers
- and increasing absolute number of participants in the market.

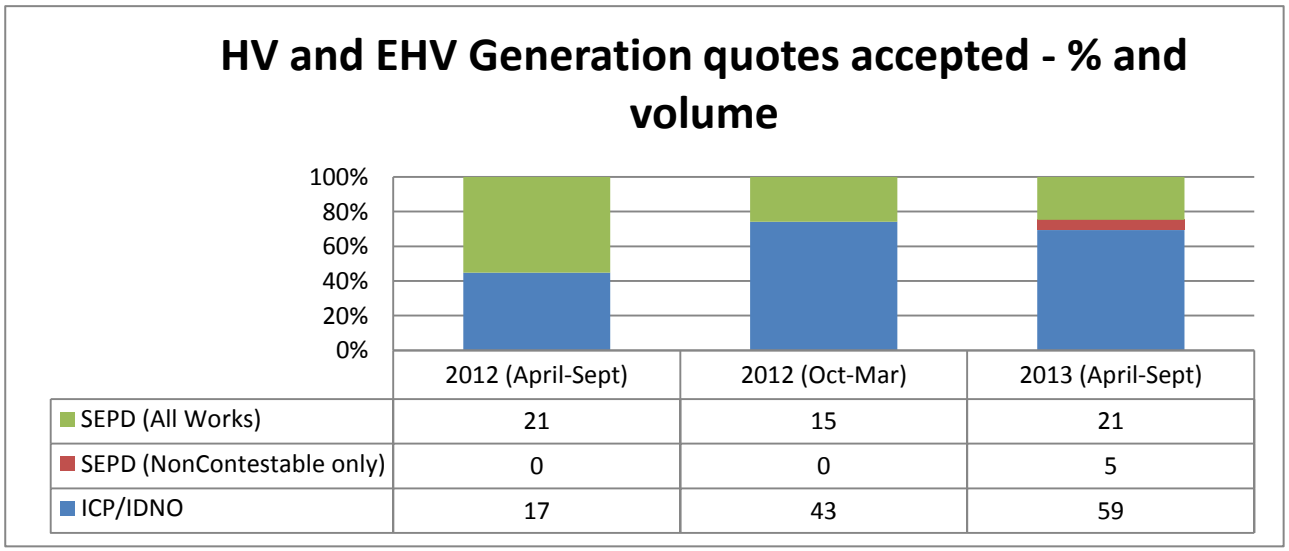
5.1.1 HV and EHV Generation in SEPD



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD	51	37	0
SEPD (with choice)	0	41	175
ICP/IDNO	46	115	196

Figure 5.2

During 2012 we saw a steady increase in the number of SLC15/POC quotations issued to alternative providers, as seen in the graph above by the blue ICP/IDNO. This resulted in more quotations being issued directly to alternative providers between April and September 2013, demonstrating that customers are increasingly going directly to an alternative provider for quotations. Since the introduction as standard of our quotation with choice (where the customer can accept either all works or just the non-contestable element as described in Section 5.3 above) the number of requests from alternative providers has reduced marginally. This is not surprising: as we offer choice, we expect to see customers, consultants, and alternative providers requesting this fully flexible option as standard.

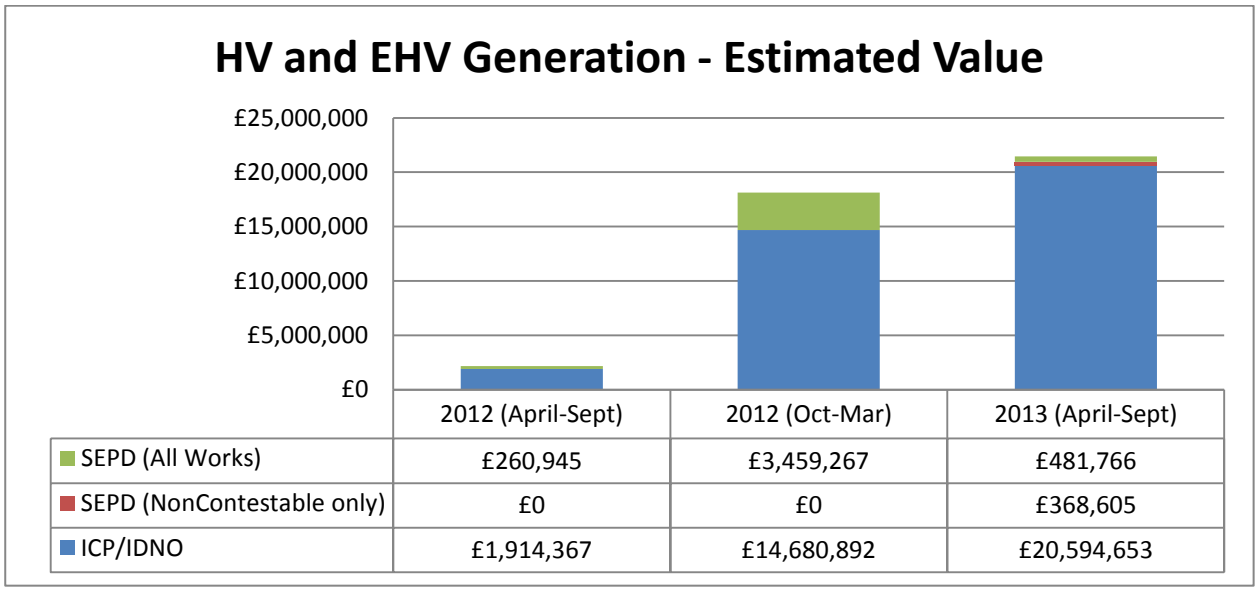


	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD (All Works)	21	15	21
SEPD (NonContestable only)	0	0	5
ICP/IDNO	17	43	59

Figure 5.3

Over the eighteen month period we have seen a substantial increase in the total number of quotations accepted, in particular, there has been a significant increase of those accepted by alternative providers, with a reduction of those acceptances received by ourselves directly from a customer.

Additionally, taking both figure 5.2 and figure 5.3 together, our alternative providers have seen an overall acceptance rate of 69%, comparing favourably with our equivalent acceptance rate of just 31%.



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD (All Works)	£260,945	£3,459,267	£481,766
SEPD (NonContestable only)	£0	£0	£368,605
ICP/IDNO	£1,914,367	£14,680,892	£20,594,653

Figure 5.4: Accepted HV and EHV Generation Quotations by contestable value

Even more marked than the increase in alternative provider acceptances over the period, is the exponential growth in the value of these projects: the value of the element of the projects now delivered by alternative providers. This equates to 90% of the total market value, or £37.5m. What is evident from our data is that the projects pursued by alternative providers tend to be those larger than average.

Where we do not have the absolute value of the contestable element of a project, because we have not provided a quotation for the works, we have used our equivalent average value for that type of project.

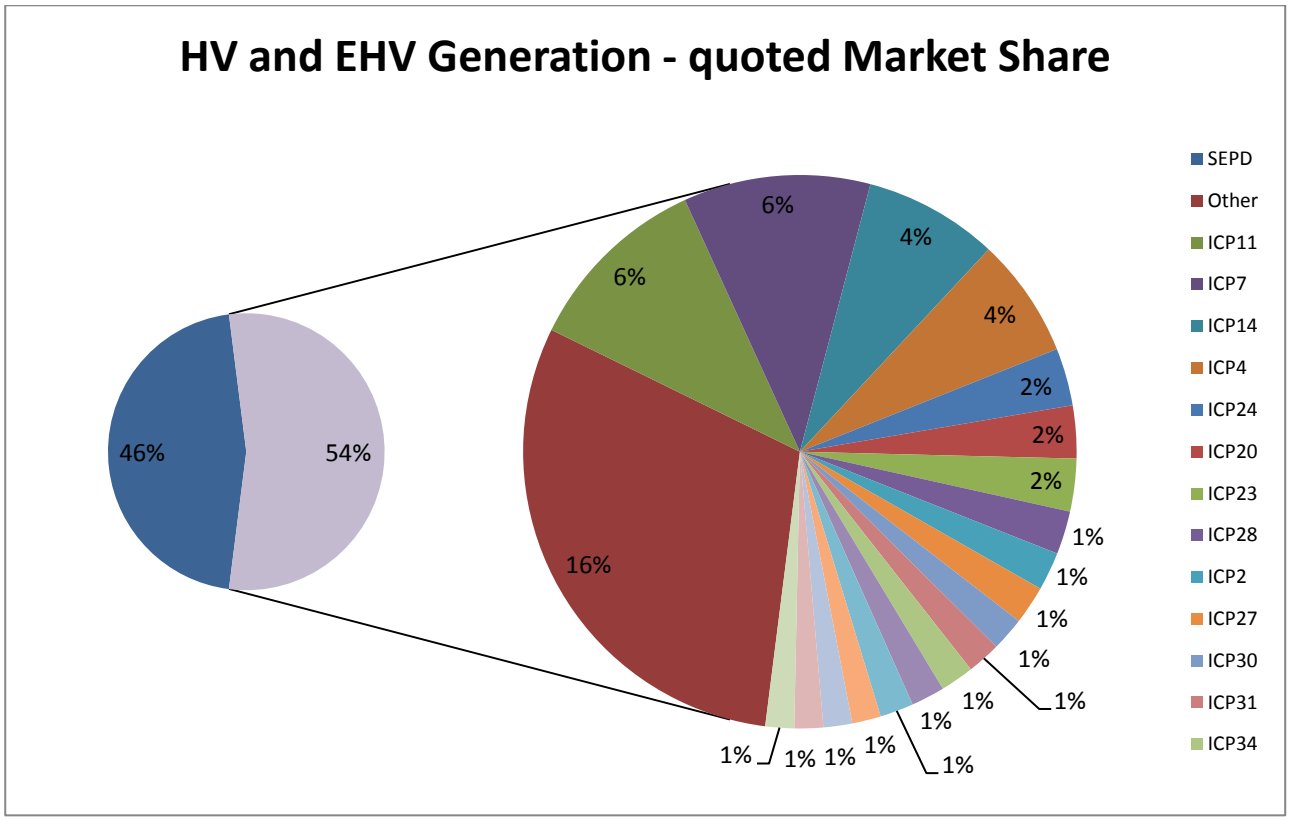


Figure 5.5: Alternative providers active in the HV and EHV Generation segment at quotation

Figure 5.5 above shows the percentage of quotations issued to alternative providers as SLC15/POC quotations in the last eighteen months. As can be seen 54% of the total number of quotations issued in this segment were directly issued to 81 different alternative providers with between one and 39 quotes being issued to any individual alternative provider.

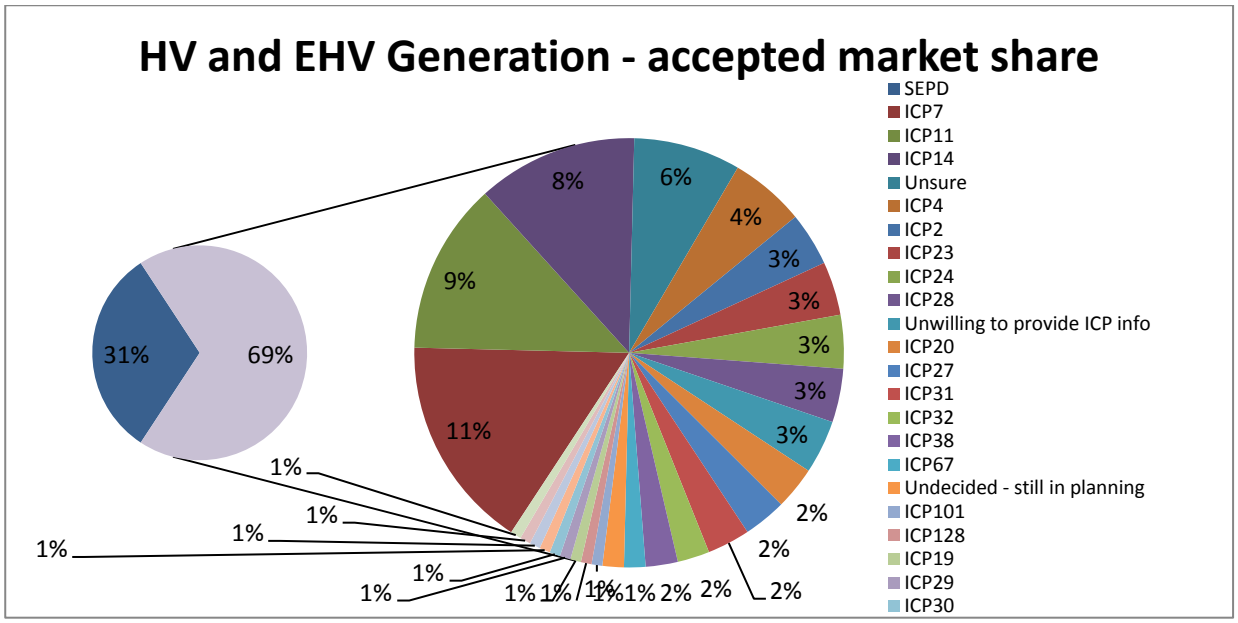
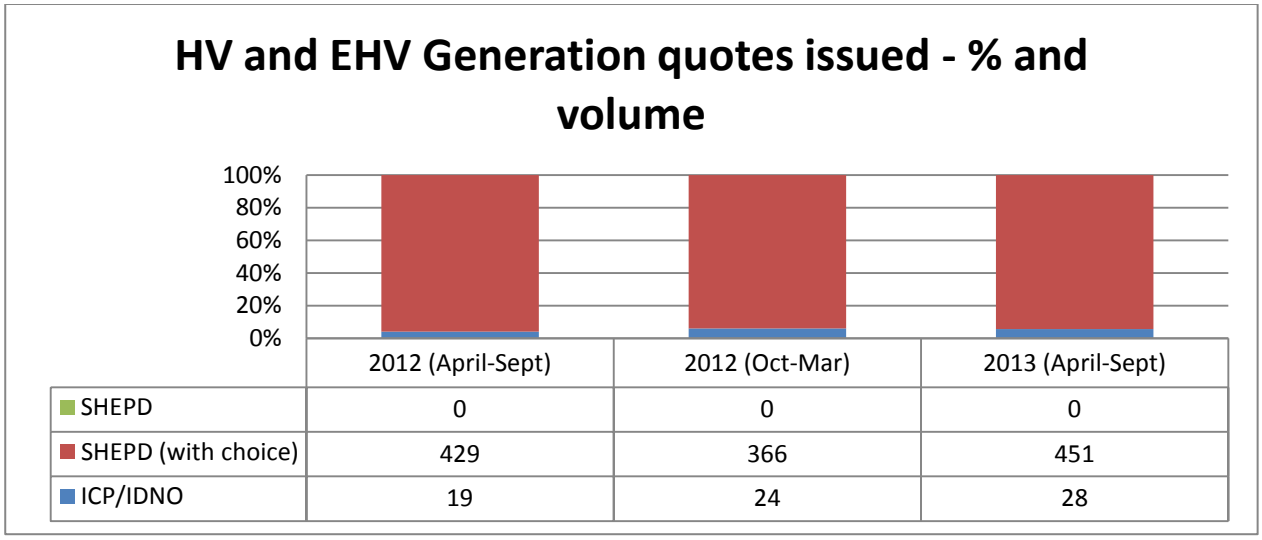


Figure 5.6: Alternative providers active in the HV and EHV Generation segment at acceptance

Finally, Figure 5.6 above shows the percentage of quotations accepted by alternative provider. As can be seen 69% of the total number of the acceptances received in this segment were accepted on the basis that an alternative provider would complete the contestable element of any works.

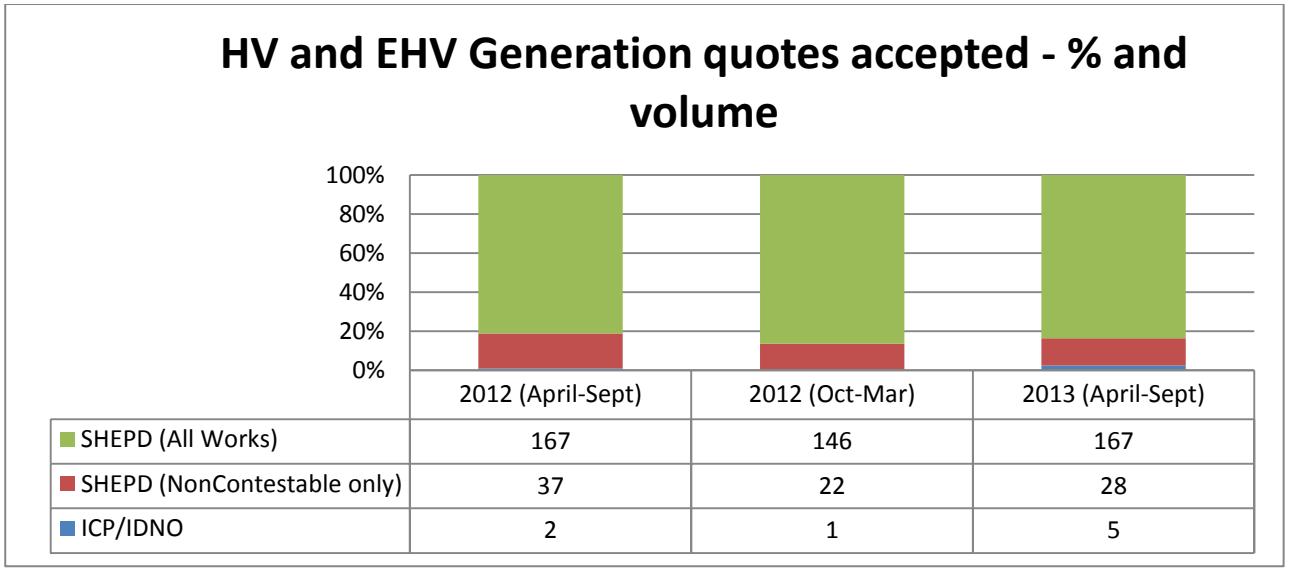
5.1.2 HV and EHV Generation in SHEPD



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SHEPD	0	0	0
SHEPD (with choice)	429	366	451
ICP/IDNO	19	24	28

Figure 5.7: HV and EHV Generation Quotations issued by % and Volume

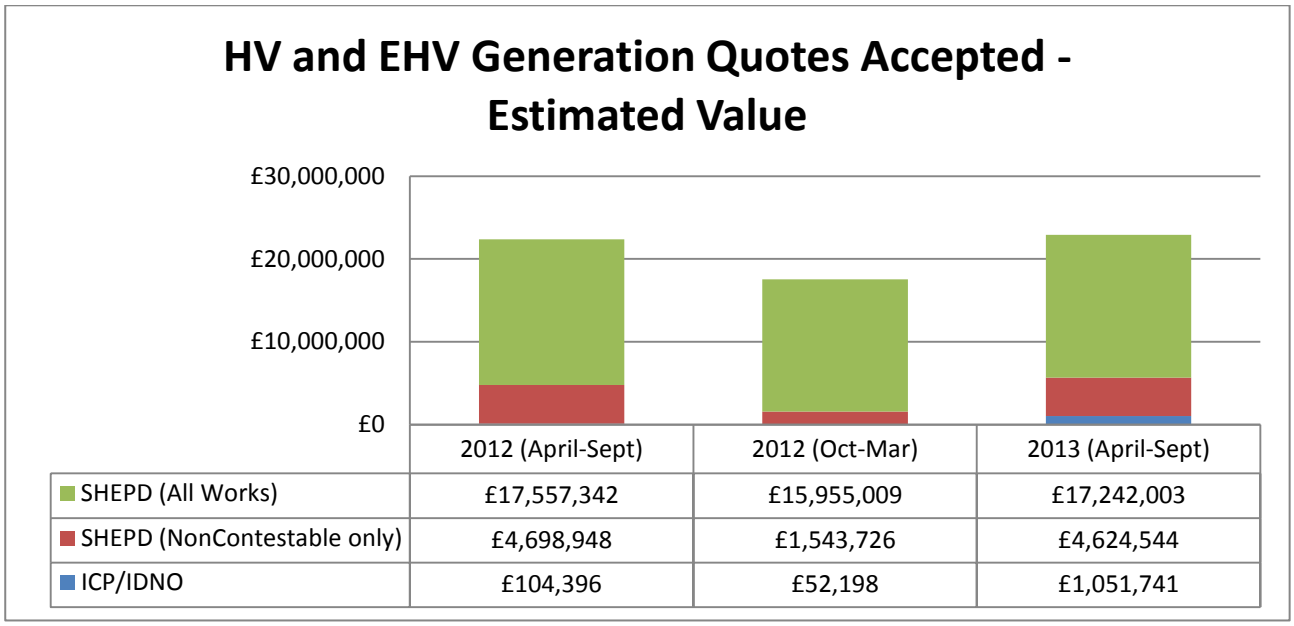
Over the last eighteen months we saw a slight but steady increase in the number of SLC15/POC quotations issued directly to alternative providers alongside a consistently high level of quotations issued directly to our customers, consultants, and alternative providers. The provision of a quotation with choice has been a longstanding offer in this segment. Our customers, consultants and alternative providers are familiar with receiving this fully flexible option up-front.



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SHEPD (All Works)	167	146	167
SHEPD (NonContestable only)	37	22	28
ICP/IDNO	2	1	5

Figure 5.8: HV and EHV Generation Quotations accepted by % and Volume

We continued to see substantial number of quotations accepted by alternative providers, by customers on a non contestable only basis with the intention of exploring alternative providers, and by our customers on an all works basis. These acceptances on a non-contestable basis provide evidence that choice is being utilised by our customers.



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SHEPD (All Works)	£17,557,342	£15,955,009	£17,242,003
SHEPD (NonContestable only)	£4,698,948	£1,543,726	£4,624,544
ICP/IDNO	£104,396	£52,198	£1,051,741

Figure 5.9: Accepted HV and EHV Generation Quotations by contestable value

Over the last eighteen months we have also seen a steady increase in the value of alternative provider accepted projects: the value of the element of the projects now delivered by alternative providers. This equates to 19% of the total market value, or £12m. What is also evident from our data is that the projects pursued by alternative providers tend to be those larger than average.

Where we do not have the absolute value of the contestable element of a project, because we have not provided a quotation for the works, we have used our equivalent average value for that type of project.

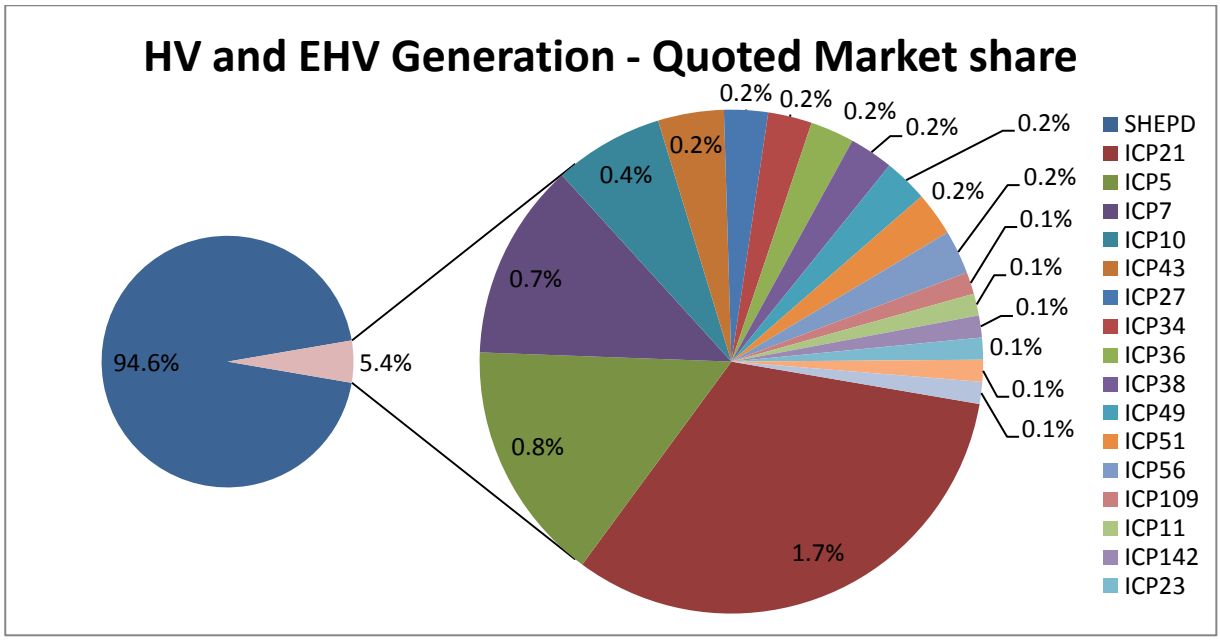


Figure 5.10: Alternative providers active in the HV and EHV Generation segment at quotation

Figure 5.10 above shows the percentage of quotations issued directly to alternative providers as SLC15/POC quotations in the last eighteen months. As can be seen, 5.4% of the total number of quotations issued in this segment were directly issued to 18 different alternative providers with between one and 23 quotes issued to any individual provider.

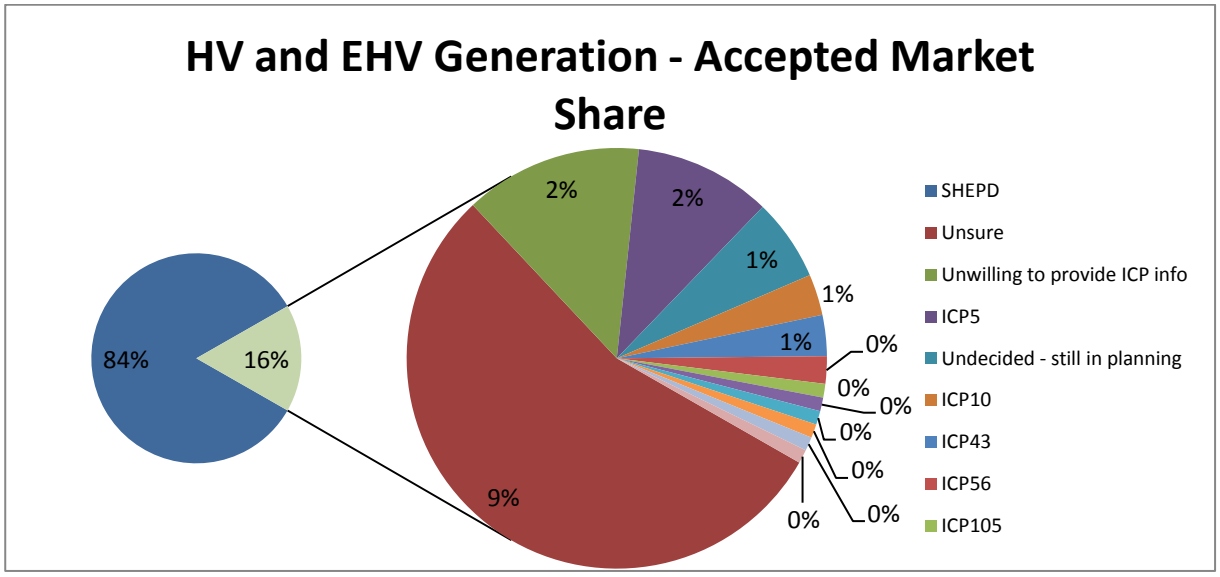


Figure 5.11: Alternative providers active in the HV and EHV Generation segment at acceptance

Figure 5.11 above shows the percentage of quotations accepted by alternative providers in the last eighteen months. As can be seen 16% of the total number of the acceptances received in this segment were accepted on the basis that an alternative provider would complete the contestable element of any works.

5.2 Demand EHV and above

This segment comprises all projects providing a demand only (no generation) connection which involves a final metered connection point at EHV (33,000 volts) or above. By their nature these are infrequent projects but with substantial demand requirements. Common examples would be a new load in excess of 5MW however less common examples but particularly in SHEPD would include a single rural connection (fish farm, marina etc) in excess of 1.5MW connected directly to our EHV network because there is little or no HV network in the area.

The detailed segment data that follows may be summarised in the Figure 5.12 below:

	Alternative Provider Activity			Number of Alternative Providers	
	% of Quotations	% of Acceptances	% of market Value	At Quotation	At Acceptance
SEPD	89%	0	0	5	0
SHEPD	100%	0	0	2	0

Figure 5.12

Although during the period no quotation has been accepted to be delivered by any party there remains clear evidence of

- very substantial project values; and
- the dominance of alternative providers at tendering and quotation.

5.2.1 Demand EHV and above in SEPD

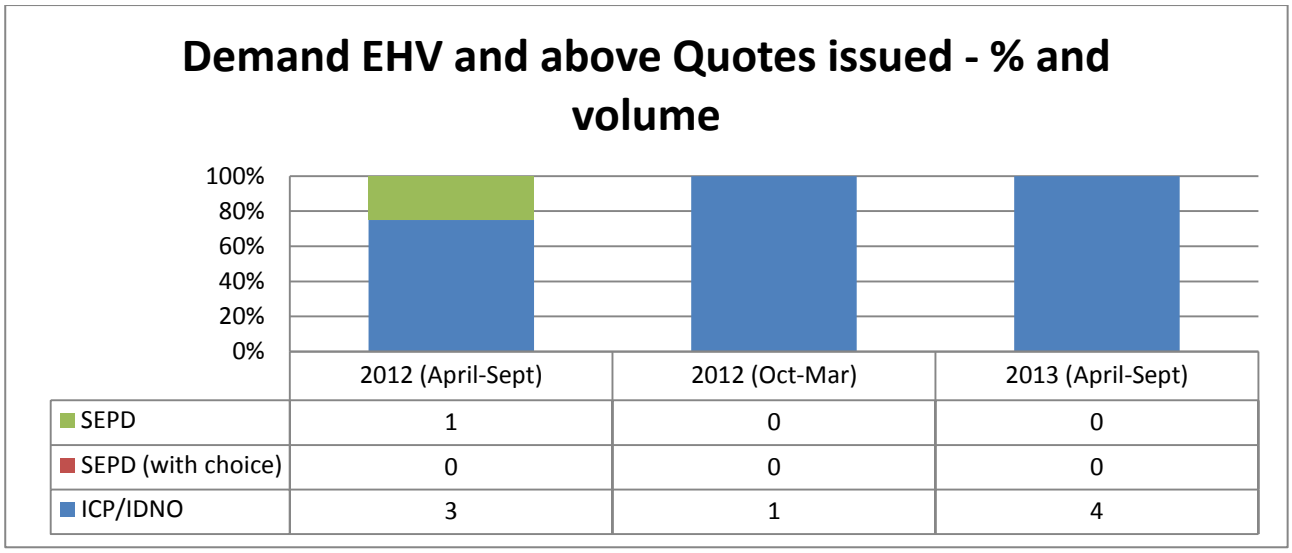


Figure 5.13: Demand EHV and above Quotations issued by % and Volume

By their nature these projects are both rare and unique. During the last eighteen months we have issued nine quotations for this type of work, of which 89% (eight) were directly to alternative providers.

We have introduced as standard our quotation with choice to this segment and expect our customers, consultants, and alternative providers to start requesting this fully flexible option as standard.

Demand EHV and above Quotations accepted by %, Volume and Value

Over the eighteen months of this data, no Demand EHV and above project has been accepted. These projects, by their nature, often have a long development phase.

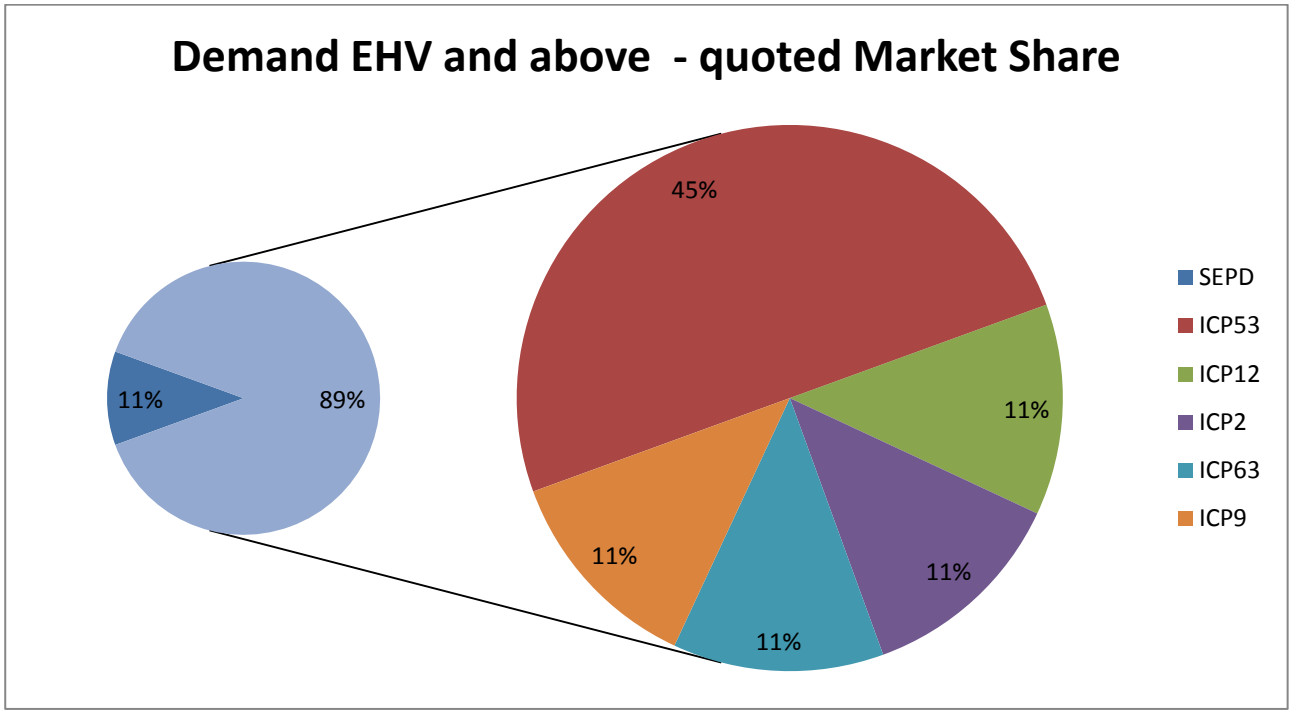


Figure 5.14: Alternative providers active in the EHV and above segment at quotation

Figure 5.14 above shows the percentage of quotations issued to alternative providers in the last eighteen months. As can be seen 89% of the total number of quotations issued in this segment were directly issued as SLC15/POC offers to five different alternative providers with between one and four quotes issued to any individual provider.

Alternative providers active in the Demand EHV and above segment at acceptance

Over the eighteen months of this data, no Demand EHV and above project has been accepted. These projects, by their nature, often have a long development phase.

5.2.2 Demand EHV and above in SHEPD

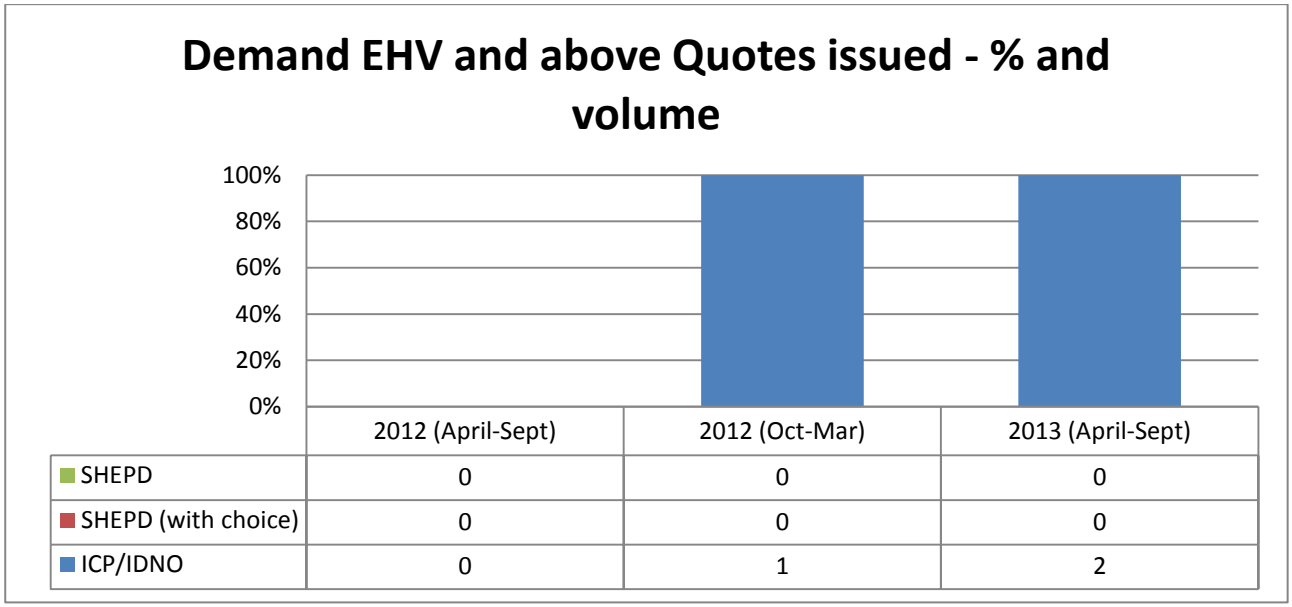


Figure 5.15: Demand EHV and above Quotations issued by % and Volume

By their nature these projects are both rare and unique. During the last eighteen months we have issued three quotations for this type of work, of which 100% (all three) were directly to alternative providers.

We have introduced as standard our quotation with choice and expect customers, consultants and alternative providers to start to request this fully flexible option as standard.

Demand EHV and above Quotations accepted by %, Volume and Value

Over the eighteen months of this data, no Demand EHV and above project has been accepted. These projects, by their nature, often have a long development phase.

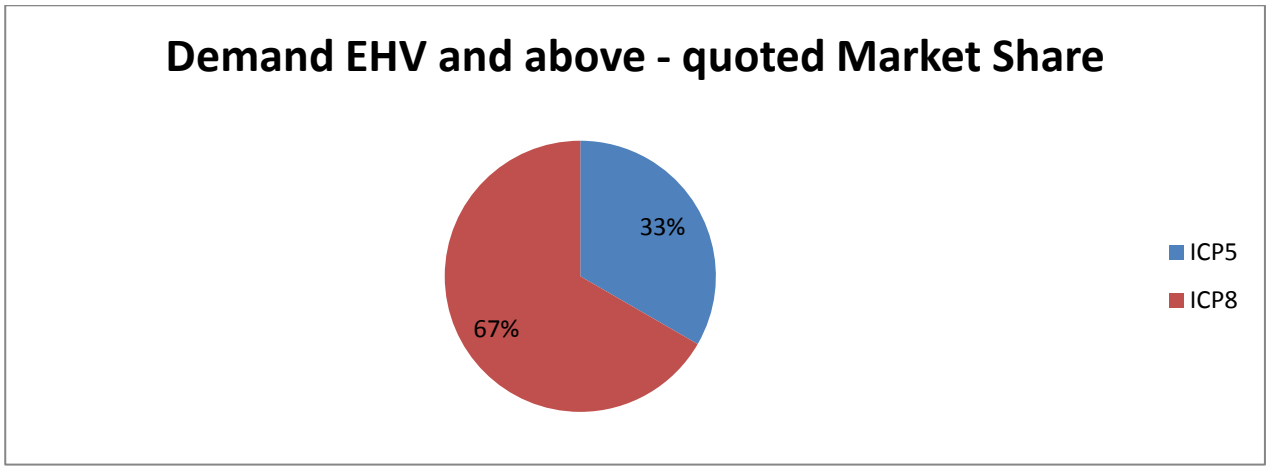


Figure 5.16: Alternative providers active in the EHV and above segment at quotation

Figure 5.16 above shows the percentage of quotations issued to alternative providers in the last eighteen months. As can be seen 100% of the total number of quotations issued in this segment were SLC15/POC offers directly issued to two different alternative providers with one receiving one quotation, the other receiving two.

Alternative providers active in the Demand EHV and above segment at acceptance

Over the eighteen months of this data, no Demand EHV and above project has been accepted. These projects, by their nature, often have a long development phase.

5.3 Demand HV and EHV

This segment comprises all projects involving a demand only (no generation) connection with final metered connection point at HV or LV but with some works at EHV. Common examples of these projects include a larger domestic housing, retail, commercial or industrial project or any mix of the above with a requirement to do work at EHV although the connections themselves will be metered at either LV or HV. The reinforcement or extension to the EHV network may be because there is limited capacity available on the local EHV/HV transformer or on the local EHV network.

This may less commonly include a single smaller project (house, shop or factory) connecting directly to our EHV network but transformed to LV because there is no HV network in the area.

The detailed segment data that follows may be summarised in the table below:

	Alternative Provider Activity			Number of Alternative Providers	
	% of Quotations	% of Acceptances	% of market Value	At Quotation	At Acceptance
SEPD	30%	0	0	7	0
SHEPD	38%	19%	71%	7	4

Figure 5.17

Although during the period only a limited number of projects were accepted there remains clear evidence of

- alternative provider activity; and
- that this is focussed on larger value projects.

5.3.1 Demand HV and EHV in SEPD

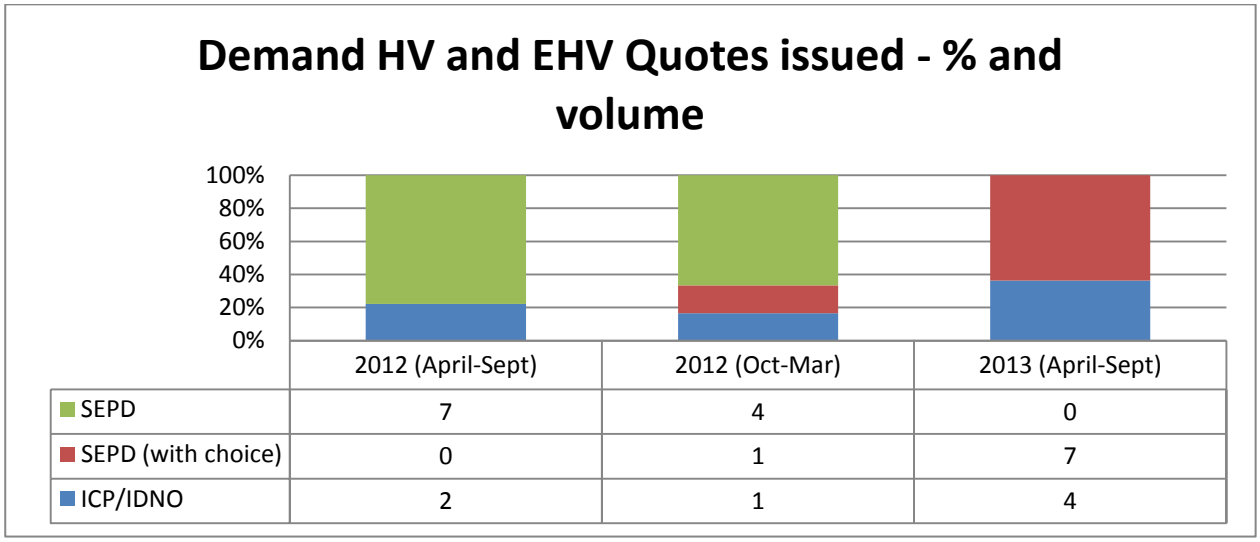
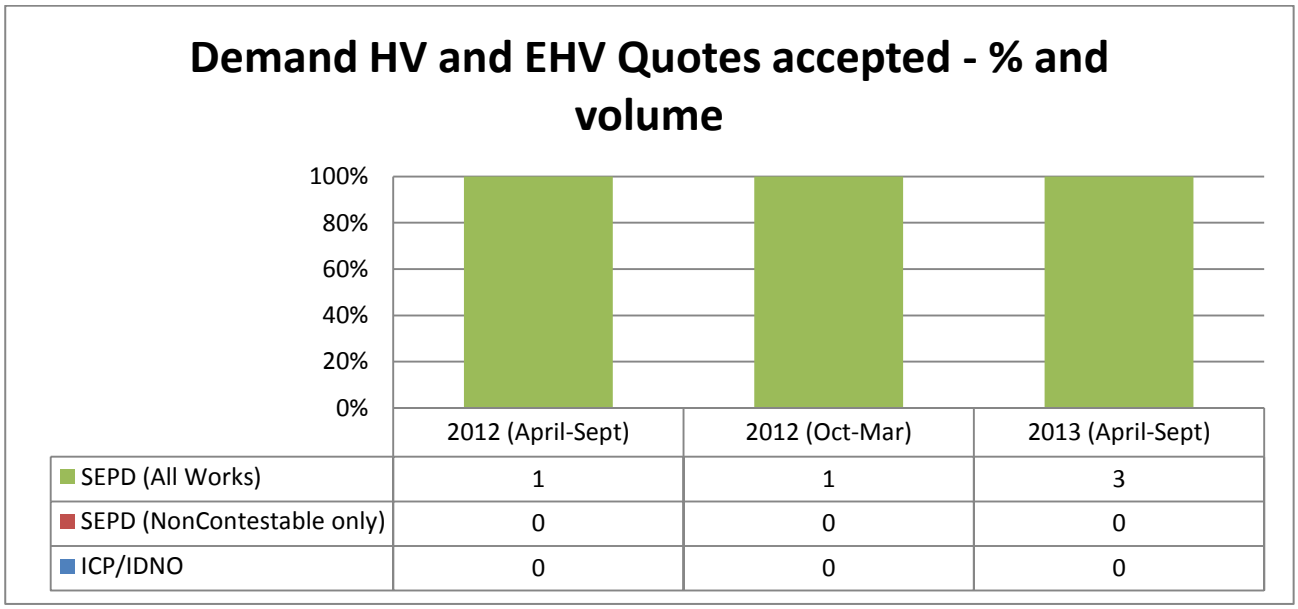


Figure 5.18: Demand HV and EHV Quotations issued by % and Volume

We have seen a steady increase in the number of SLC15/POC quotations issued directly to alternative providers over the last eighteen months, with this representing 27% of quotations issued over the period.

We have also introduced as standard our quotation with choice. As our customers, consultants, and alternative providers become more familiar with this choice we expect them to request this fully flexible option as standard.



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD (All Works)	1	1	3
SEPD (NonContestable only)	0	0	0
ICP/IDNO	0	0	0

Figure 5.19: Demand HV and EHV Quotations accepted by % and Volume

Although over the eighteen month period we have issued a number of quotations to alternative providers and with the option to accept only the non contestable works, all acceptances received have been on the basis of ourselves delivering all the works.

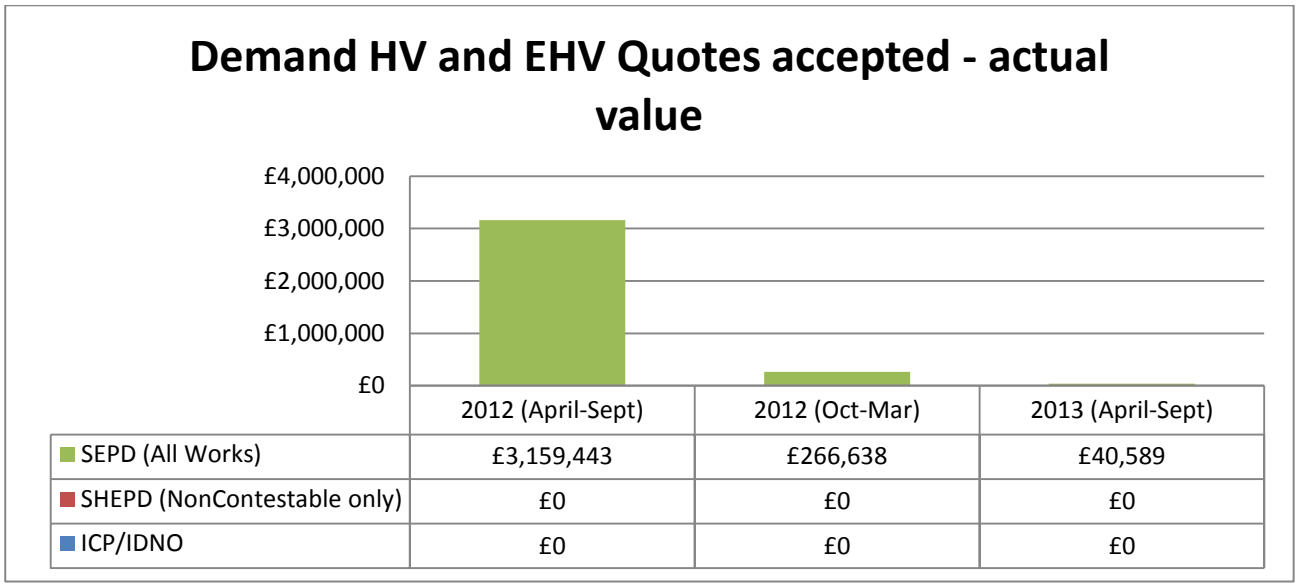


Figure 5.20: Accepted Demand HV and EHV Quotations by contestable value

Figure 5.20 above shows the contestable value of quotations accepted in this segment.

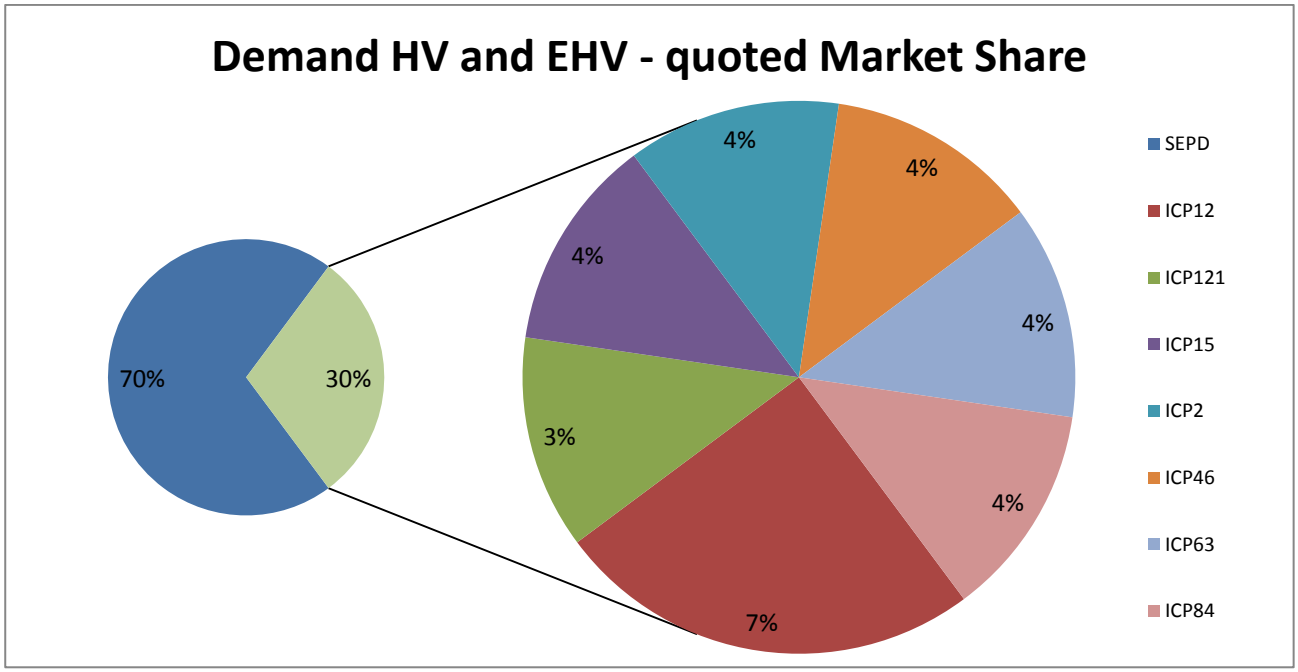


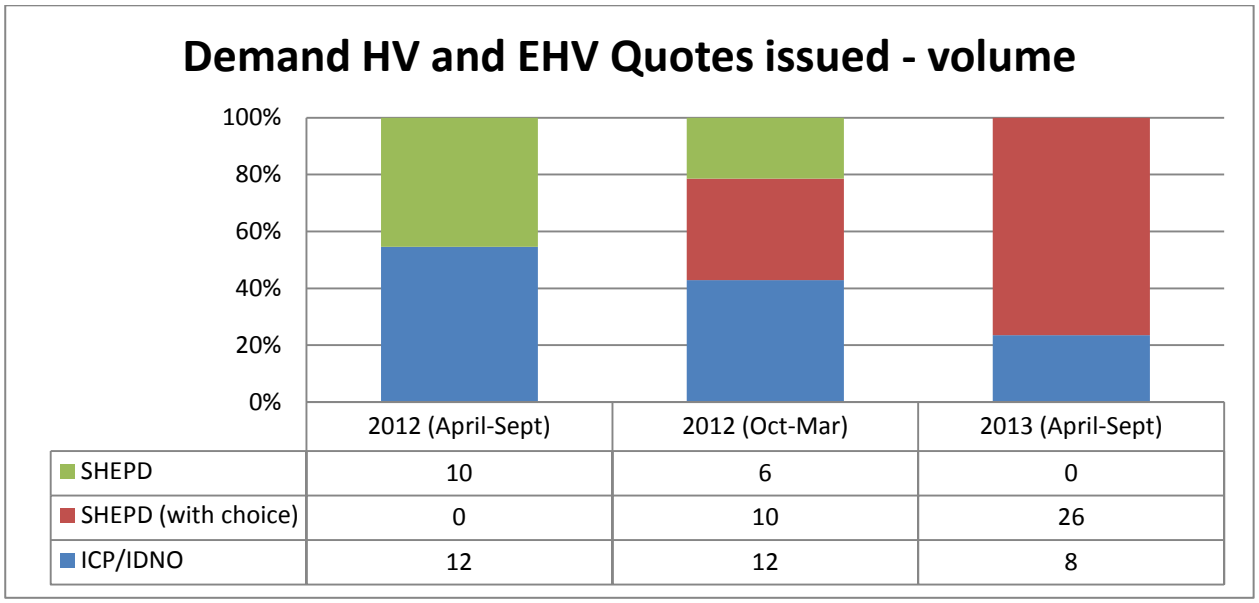
Figure 5.21: Alternative providers active in the HV and EHV Generation segment at quotation.

Figure 5.21 shows the percentage of quotations issued as SLC15/POC offers to alternative providers in the last eighteen months. As can be seen a substantial 30% of the total number of quotations issued in this segment were directly issued to seven different alternative providers. With the low volume of work in this segment the alternative providers only received one or two quotations each over the period.

Alternative providers active in the Demand HV and EHV segment at acceptance

Over the eighteen months of this data, no Demand HV and EHV project has been accepted by alternative providers. Over the same period, customers accepted five projects directly from ourselves. This segment, by its nature has a low volume of projects.

5.3.2 Demand HV and EHV in SHEPD



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SHEPD	10	6	0
SHEPD (with choice)	0	10	26
ICP/IDNO	12	12	8

Figure 5.22: Demand HV and EHV Quotations issued by % and Volume

The standard offer of a quotation with choice is more familiar to our larger customers in SHEPD area so the introduction of this quotation to this segment has resulted in a reduction in quotations issued directly to alternative providers over the last eighteen months. However, 34% of quotations still fell into this category over the period. As we extend this choice we expect to see this trend continue.

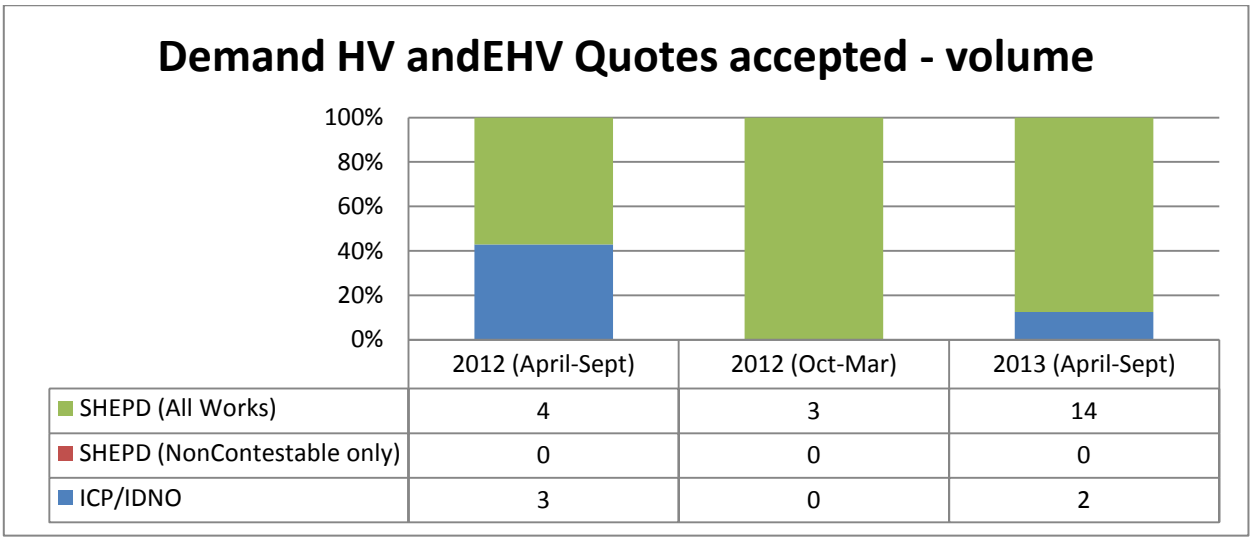


Figure 5.23: Demand HV and EHV Quotations accepted by % and Volume

We have seen a conservative number of quotations accepted directly by alternative providers over the last eighteen months, with this representing 16% of quotations accepted over the period. However as will be seen below, the low percentage by volume disguises the focus on the larger projects in this sector.

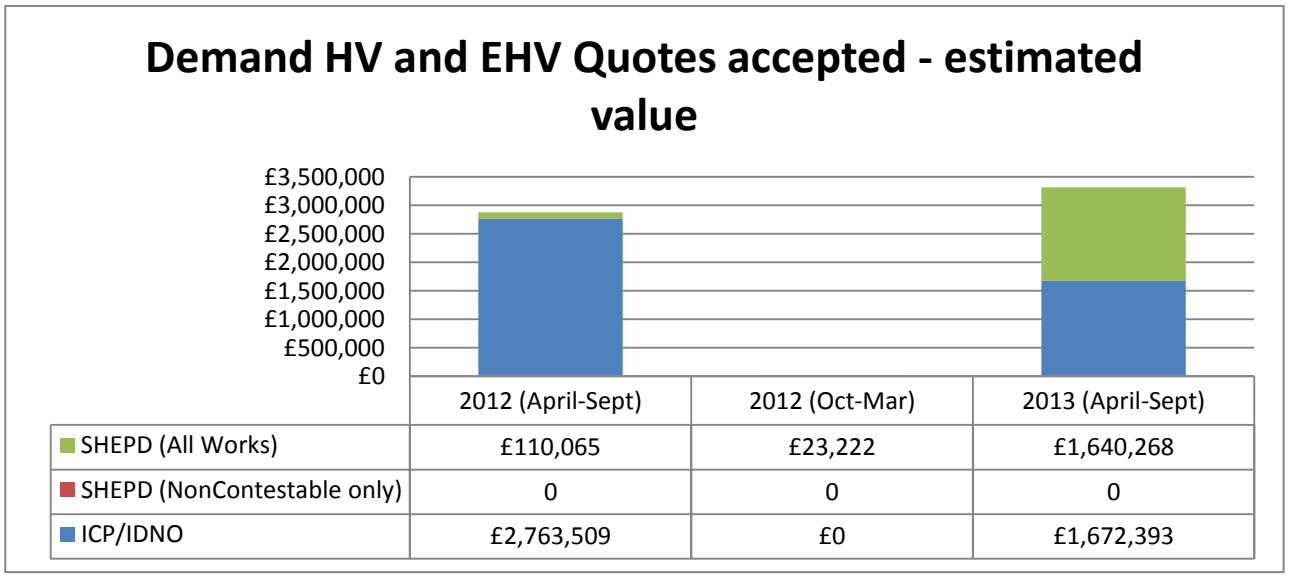


Figure 5.24: Accepted Demand HV and EHV Quotations by contestable value

Above is a table of the relative market value of accepted projects. What is evident from this data is the disparity between the volume and value of projects accepted, with the 16% acceptance by alternative

providers equates to 71% of the value of these projects: the value of the element of the projects now delivered by alternative providers. This equates to market value of £4.4M over five projects. It is evident from our data that the projects pursued by alternative providers tend to be those of larger than average value.

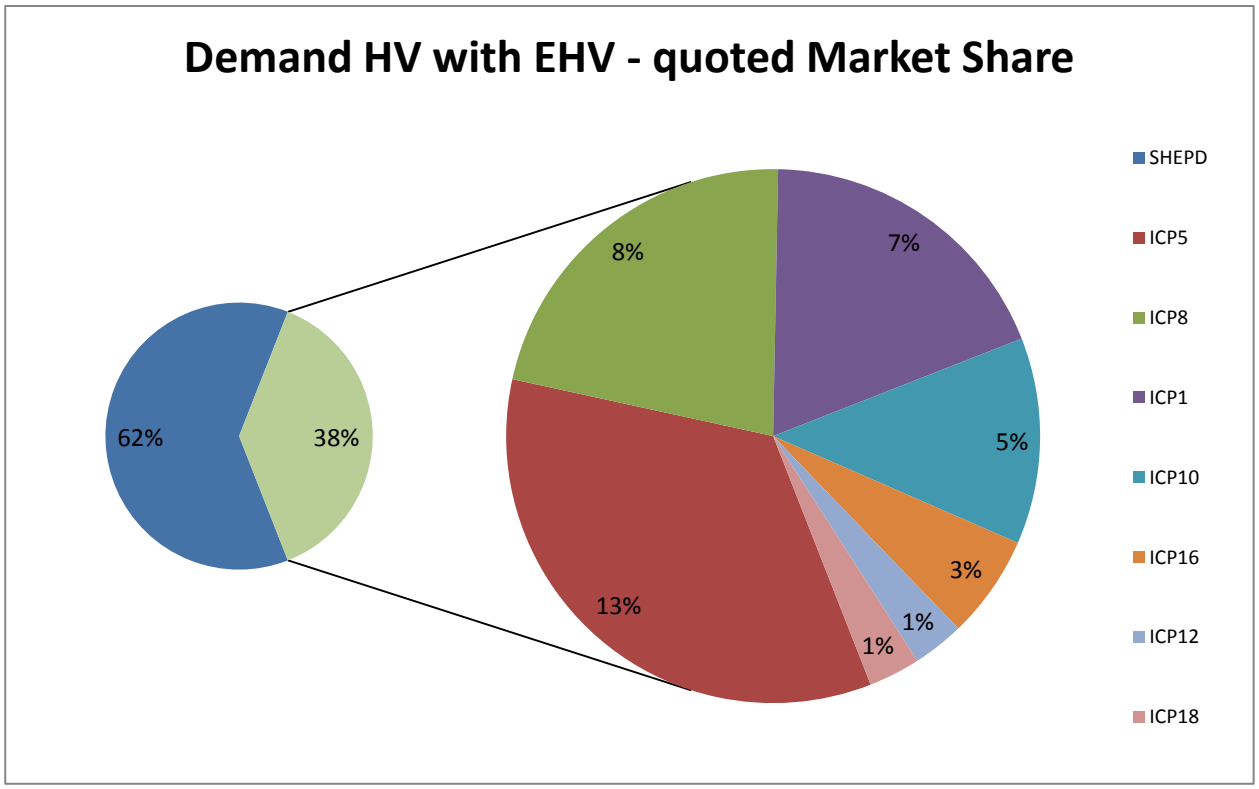


Figure 5.25: Alternative providers active in the Demand HV and EHV segment at quotation.

Figure 5.25 above shows the percentage of quotations issued to alternative providers in the last eighteen months. As can be seen 38% of the total number of quotations issued in this segment were directly issued to seven different alternative providers as SLC15/POC offers with between one and eleven quotes issued to any individual provider.

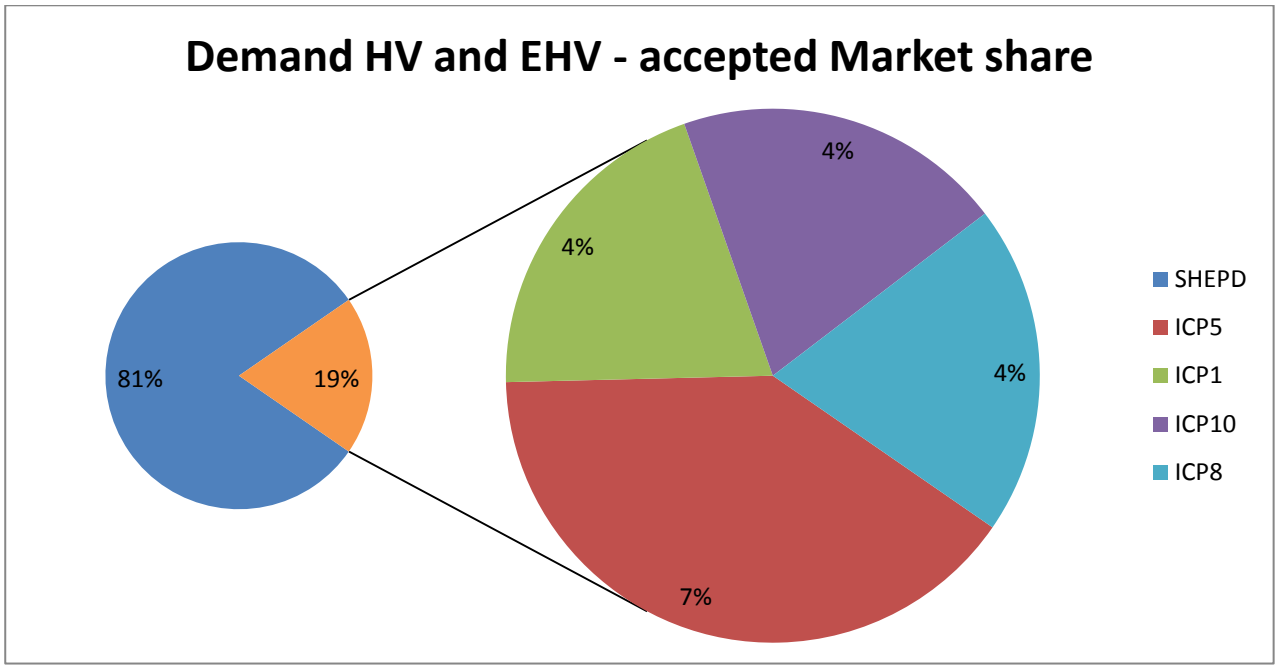


Figure 5.26: Alternative providers active in the Demand HV and EHV segment at acceptance

Figure 5.26 above shows the percentage of quotations accepted by alternative providers in the last eighteen months. 19% of the total number of the acceptances received in this segment were accepted on the basis that an alternative provider would complete the contestable element of any works. These were accepted by four different alternative providers active in this segment.

5.4 Demand HV

This segment comprises all projects involving a connection for demand only (no generation) which requires work to be carried out at HV although the final metered connection points may be either at HV or at LV. Common examples of these projects are smaller domestic housing, retail, commercial or industrial project or any mix of the of above with a load usually between 300kW and 1.5MW.

This also includes single rural connections for homes and farms that are supplied directly from our HV network via pole mounted transformers, then transformer down to low voltage, because there is no existing LV network.

The detailed segment data that follows may be summarised in Figure 5.27 below:

	Alternative Provider Activity			Number of Alternative Providers	
	% of Quotations	% of Acceptances	% of market Value	At Quotation	At Acceptance
SEPD	27.7%	10%	11%	36	16
SHEPD	4.4%	1%	1%	10	4

Figure 5.27

Across this segment, particularly in SEPD, there is consistent evidence of

- alternative provider activity particularly at quotation; and
- steady growth in the number of providers active in this segment.

5.4.1 Demand HV in SEPD

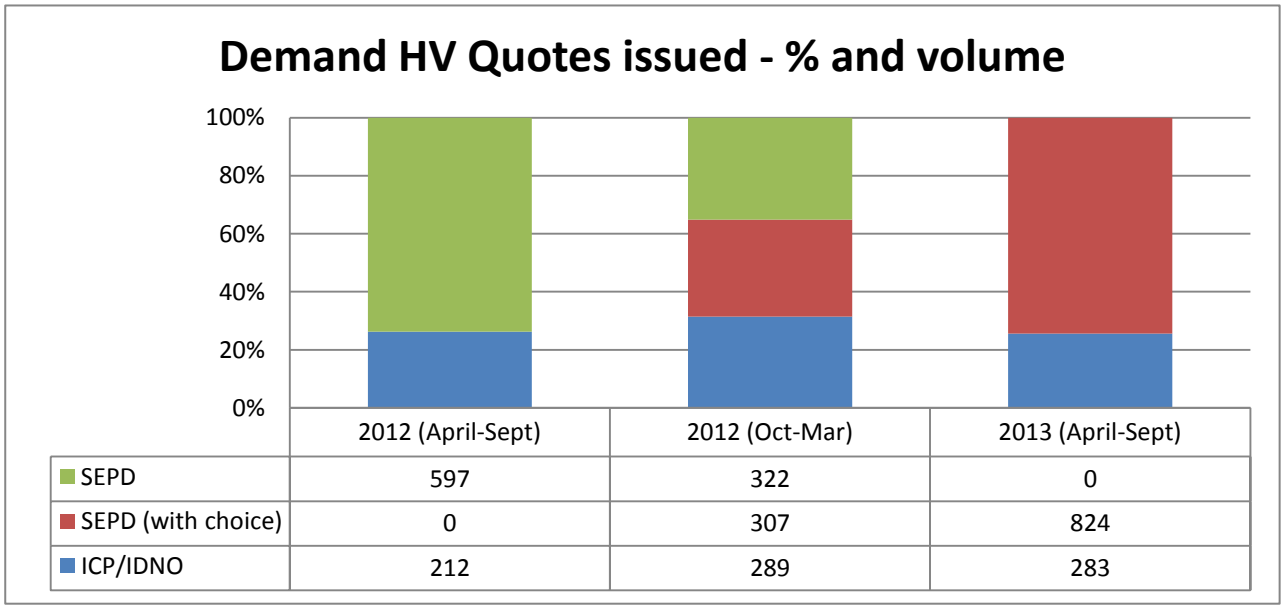
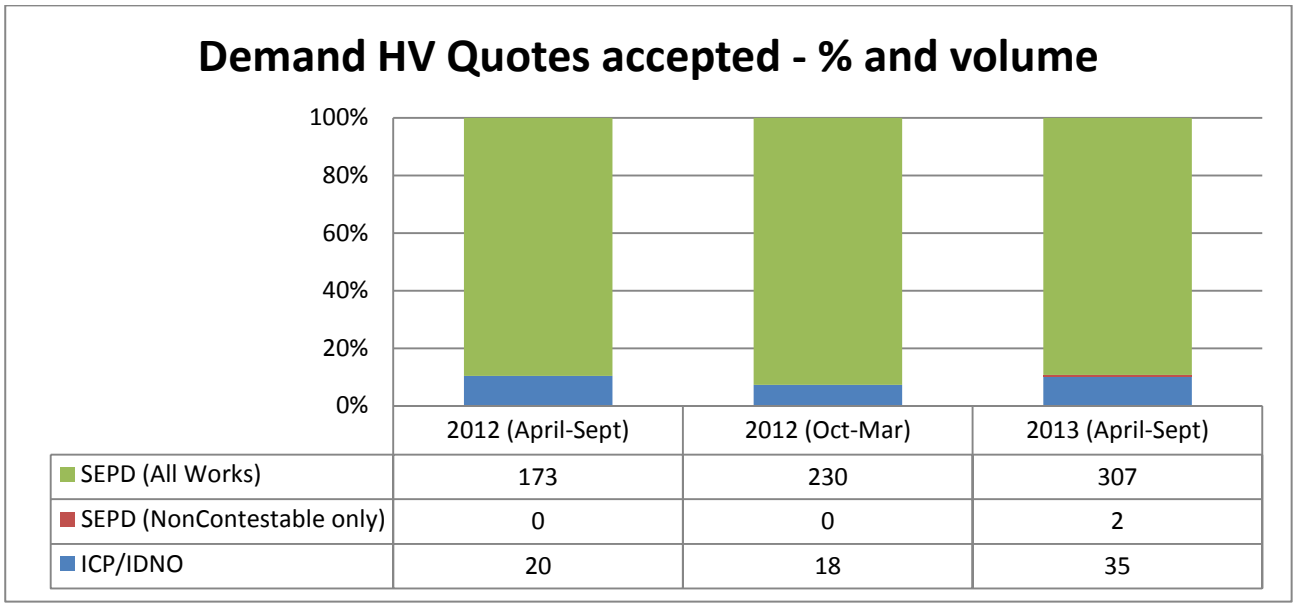


Figure 5.28: Demand HV Quotations issued by % and Volume

We have seen steady numbers of SLC15/POC quotations issued directly to alternative providers over the last eighteen months in this segment, with this representing 28% of quotations issued over the period.

We have also introduced as standard our quotation with choice. Now that we offer this choice we expect to see customers, consultants, and alternative providers requesting this fully flexible option as standard.



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD (All Works)	173	230	307
SEPD (NonContestable only)	0	0	2
ICP/IDNO	20	18	35

Figure 5.29: Demand HV Quotations accepted by % and Volume

We have seen, over the last eighteen month period, a steady increase in the number of alternative provider quotations being accepted alongside customers beginning to accept quotations on a non contestable only basis with the intention of exploring alternative providers. This now represents 10% of the market. The accepted on a non-contestable basis provides evidence that our quotation with choice is being utilised.

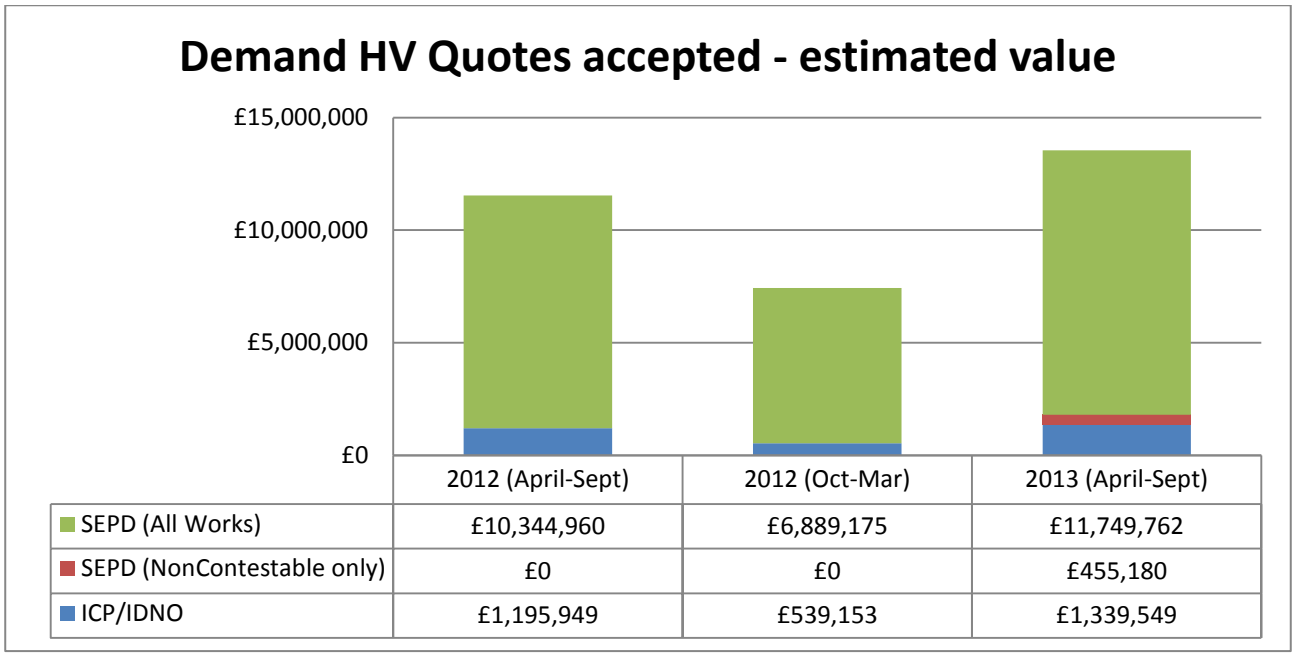


Figure 5.30: Accepted Demand HV Quotations by contestable value

Over the last eighteen months we have also seen an increase in the value of both alternative provider and our non contestable quotation offer acceptances: the value of the element of the projects now delivered by alternative providers. This equates to a not insubstantial and growing 11% of the total market value, or £3.5m. It is also anecdotally evident that the projects pursued by alternative providers tend to be those larger than average.

As we do not have the absolute value of the contestable element of these projects because we have not provided a quotation for the works, we have used our equivalent average value for that type of project.

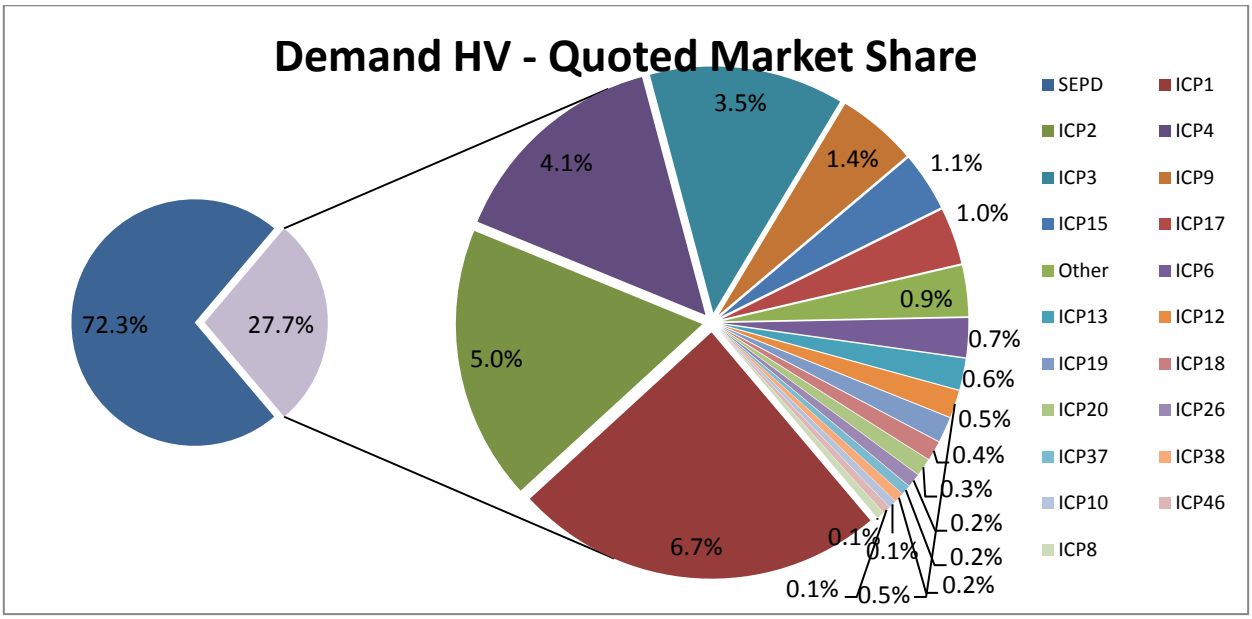


Figure 5.31: Alternative providers active in the Demand HV segment at quotation.

Figure 5.31 above shows the percentage of quotations issued to alternative providers in the last eighteen months. As can be seen, a significant 27.7% of the total number of quotations issued in this segment were directly issued to 36 different alternative providers with between one and 191 quotes being issued to any individual provider.

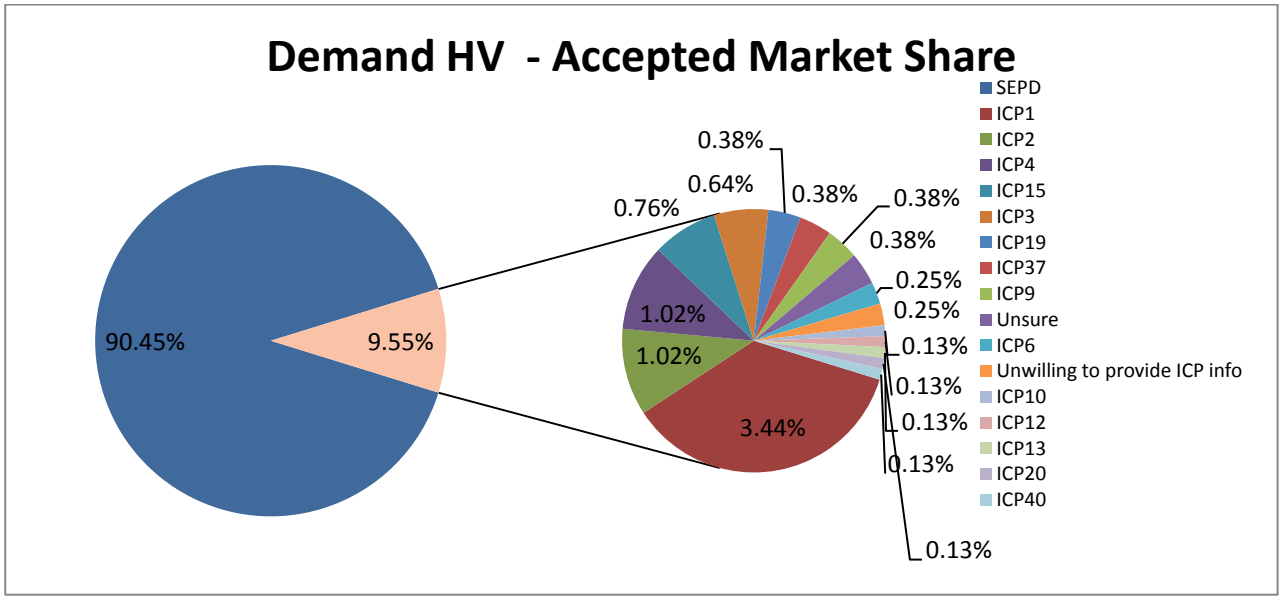


Figure 5.32: Alternative providers active in the Demand HV segment at acceptance

Figure 5.32 shows the percentage of quotations accepted by alternative providers in the last eighteen months. 9.6% of the total number of the acceptances received in this segment were accepted on the basis that an alternative provider would complete the contestable element of any works, with 16 ICP active in the area accepting between one and 27 different projects each.

5.4.2 Demand HV in SHEPD

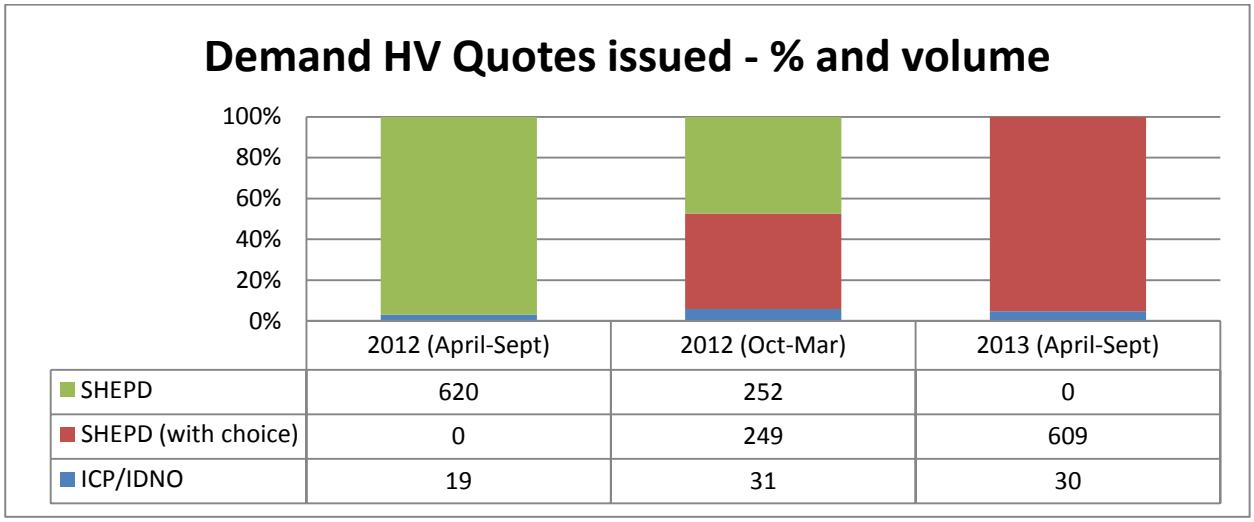


Figure 5.33: Demand HV Quotations accepted by % and Volume

Over the last eighteen months we have seen a slight but steady increase in the number of SLC15/POC quotations issued to alternative providers equating to 4.4% of the total offers made alongside a steady volume of quotations issued directly to our customers, consultants and alternative providers.

The provision of a quotation with choice now applies to this segment and we expect our customers, consultants and alternative providers to consistently request this fully flexible option going forward.

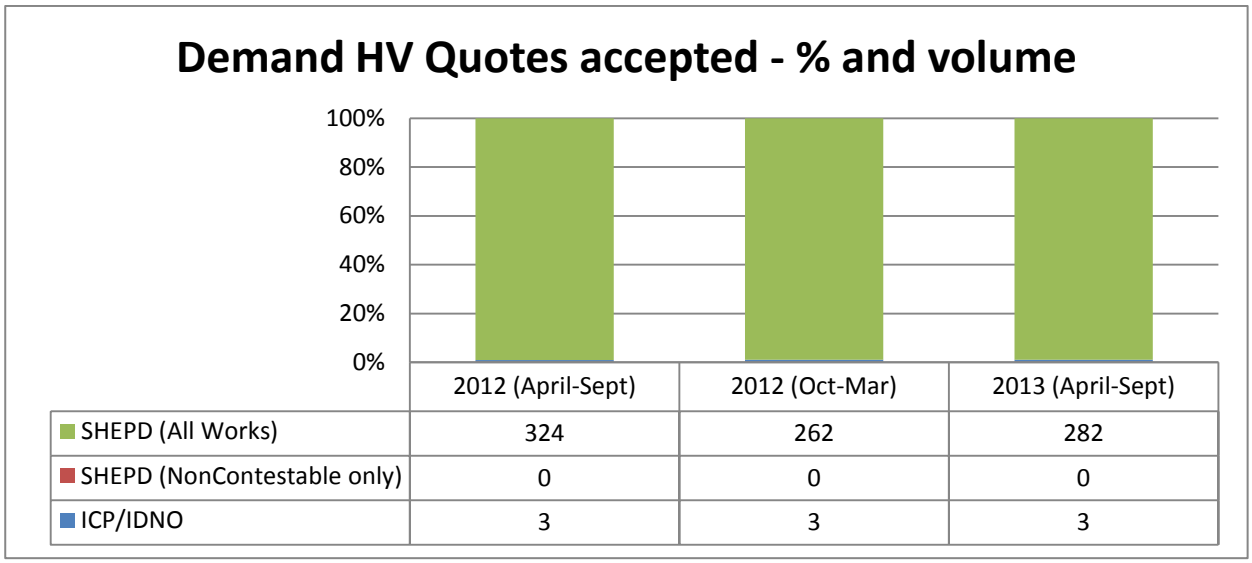


Figure 5.34 Demand HV Quotations accepted by % and Volume

The overall acceptance rate for this segment has remained buoyant at 50% over the last eighteen months. However although we have seen some increase in quotations issued to alternative providers the number of projects accepted remains low at 1%. We have also yet to see evidence of customers utilising the option of choice by accepting a quotation on a non contestable only basis with the intention of exploring alternative providers.

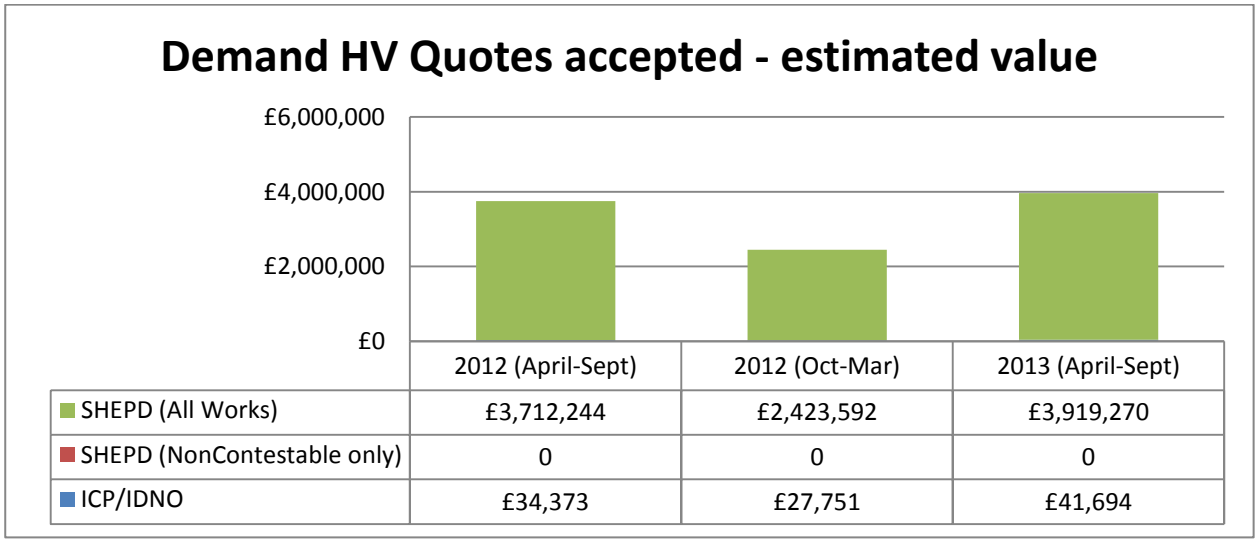


Figure 5.35: Accepted Demand HV Quotations by contestable value

Over the last eighteen months we have also seen a marginal increase in the value of alternative provider offer acceptances: the value of the element of the projects now delivered by alternative providers.

As we do not have the absolute value of the contestable element of these projects because we have not provided a quotation for the works, we have used our equivalent average value for that type of project.

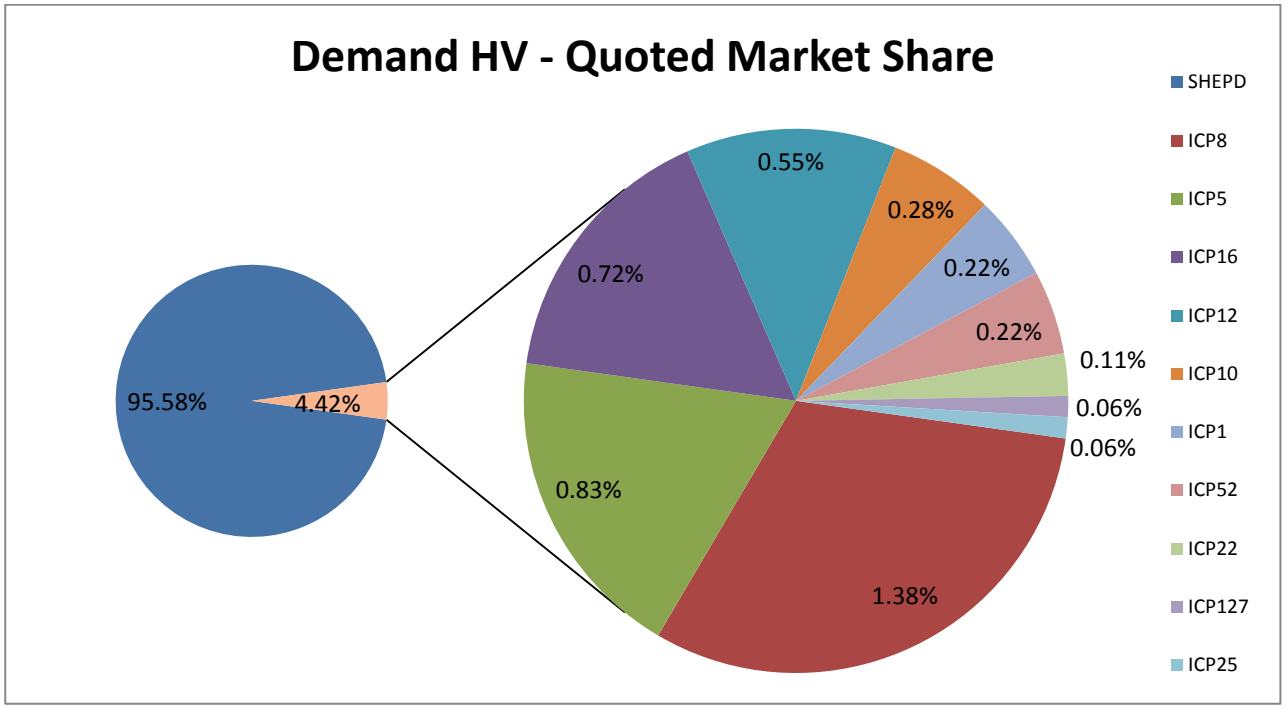


Figure 5.36: Alternative providers active in the Demand HV segment at quotation.

Figure 5.36 shows the percentage of quotations issued to alternative providers in the last eighteen months. As can be seen 4.4% of the total number of quotations issued in this segment were directly issued to 10 different alternative providers with between one and 25 quotes being issued to any individual provider.

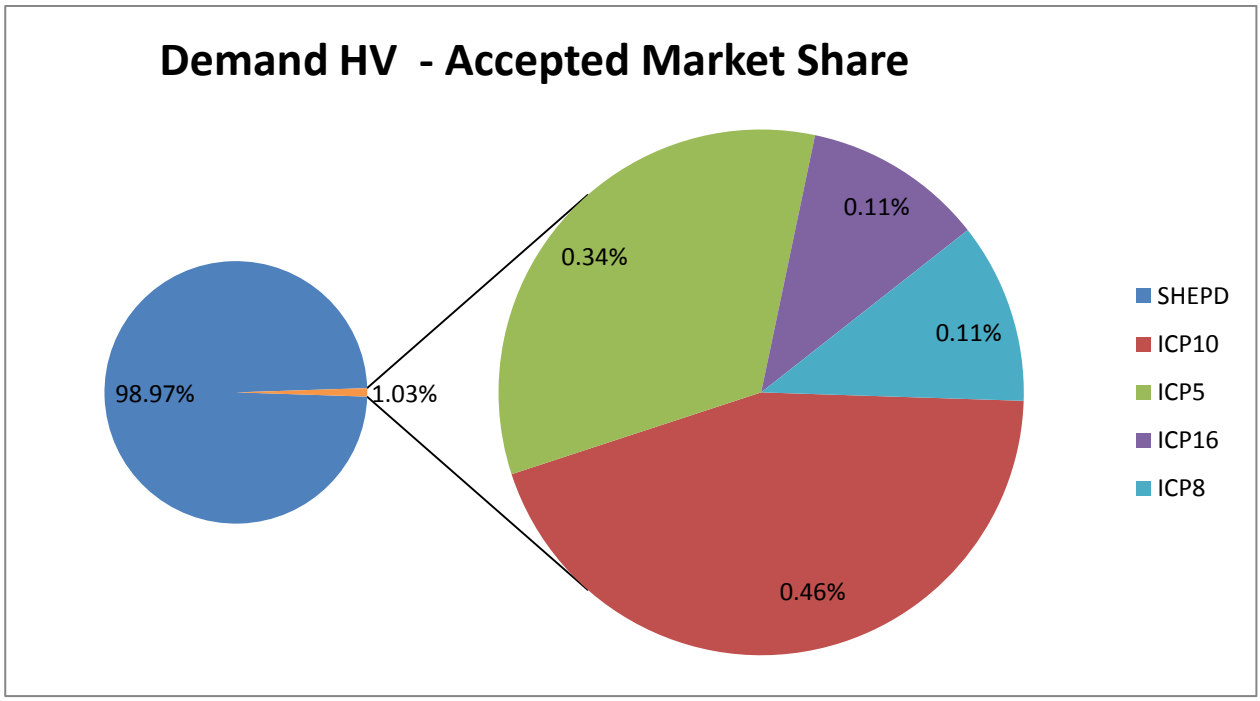


Figure 5.37: Alternative providers active in the Demand HV segment at acceptance

Figure 5.37 shows the percentage of quotations accepted by alternative providers in the last eighteen months. 1% of the total number of the acceptances received in this segment were accepted on the basis that an alternative provider would complete the contestable element of any works, with four alternative providers active in the area accepting up to four different projects each.

Section 5b: Unmetered Market data (SEPD only)

In this section of our Competition Notice we consider the relevant market data for each of the three segments that form the unmetered market in the SEPD area. Specifically this data section presents: the number of tasks completed by alternative providers, the contestable value of these and their proportion of the market together with the absolute number of alternative providers active in the segment.

For a connection to be unmetered (not to have a meter) it must be both small, commonly less than 500W, and of a predictable nature. This is to ensure that the electricity used may be reasonably estimated. The inherent benefits from metering a supply must also be outweighed by the cost to install and operate the meter. Those connections that normally fall into this category are commonly street furniture such as street lights, traffic lights and road signs.

Unmetered projects are quoted from a schedule of rates for both customers and alternative providers while the projects can vary in size from one to 1,000 tasks. To provide meaningful data therefore, the market data for these segments are not by project but by the volume and value of tasks: connections and transfers.

The detailed segment data that follows may be summarised in the table below:

	Market by Volume	**Market by value**	**Average value of tasks**	**Alternative Provider market by volume**	**Alternative Provider market by value**	**% of total market delivered by alternative providers**
Measured by	number of tasks completed	value of each task completed	average value of each task completed	number of tasks alternative providers have completed	value tasks completed by an alternative provider	
SEPD	61,891	£12.3	£199	45,393	£8.3M	73%

Figure 5.38

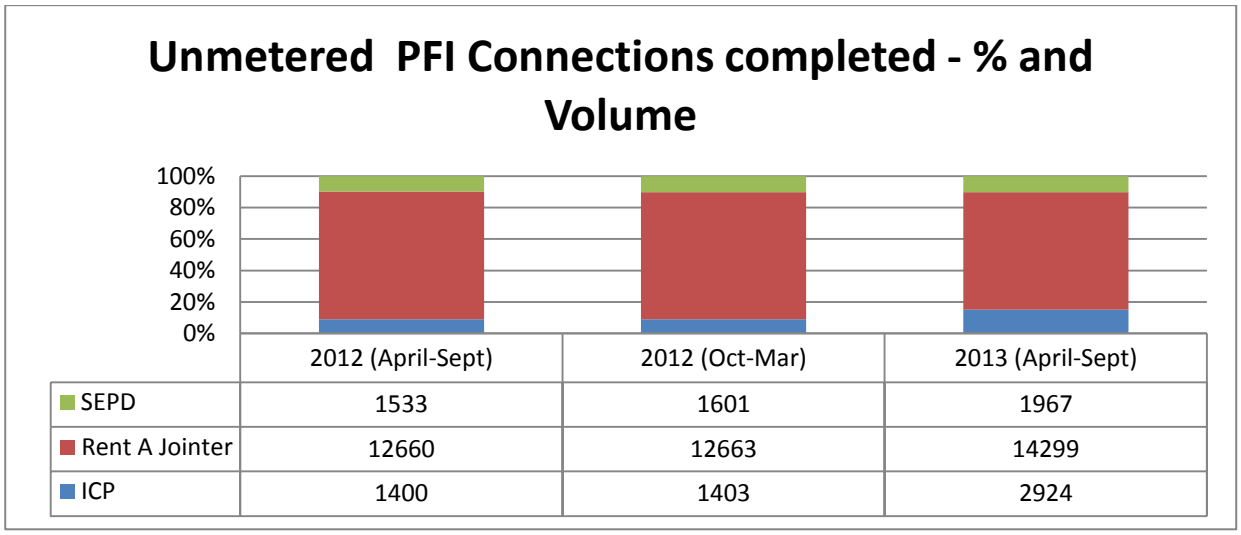
What is also evident from this data is that

- processes and procedures are in place for alternative providers to deliver unmetered works
- suitably skilled alternative providers exist in the market place
- where the projects are of a suitable size these are attracting alternative providers

5.5 Unmetered PFI

This segment includes all projects for new connections or transfers where the customer is a Private Finance Initiative (PFI) and the connection is not metered.

5.5.1 Unmetered PFI in SEPD



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD	1533	1601	1967
Rent A Jointer	12660	12663	14299
ICP	1400	1403	2924

Figure 5.39: Unmetered PFI tasks completed by % and Volume

As can be seen from Figure 5.39, the vast majority of unmetered PFI tasks are completed by alternative providers, either as a task directly carried out by themselves or, where the alternative provider chooses, with the jointing element of the task contracted back to ourselves through the rent-a-jointer arrangement (as described in Section 3b of this notice).

All of the alternative providers who currently operate in our area are fully accredited to carry out all elements of the unmetered tasks. Rent-a-jointer is simply a commercial arrangement alternative providers utilise to manage volume and costs.

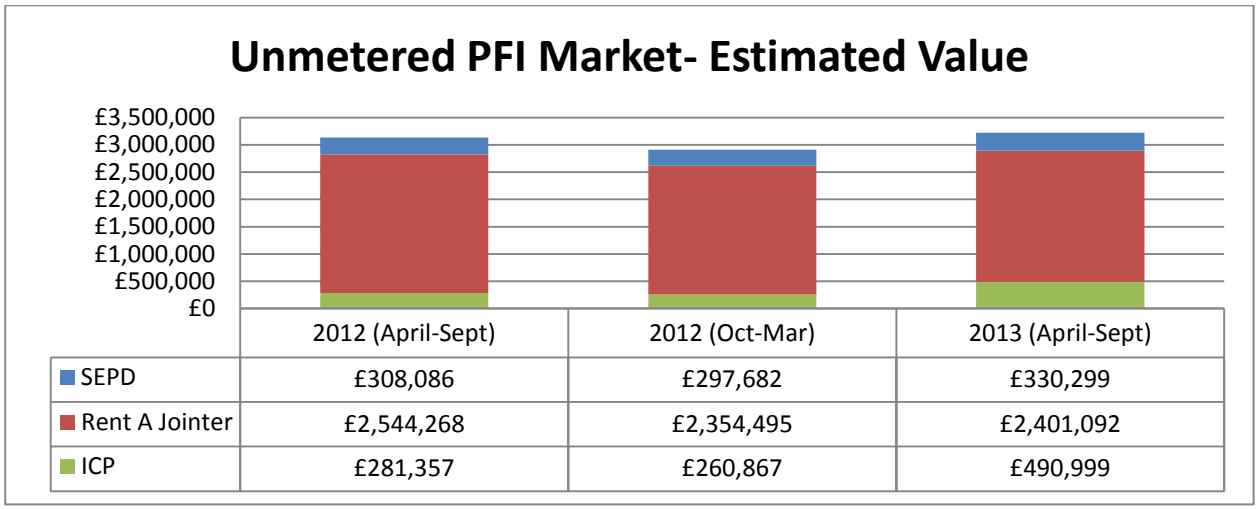


Figure 5..40: Unmetered PFI tasks completed by contestable value

As we do not have the actual value of the contestable element of the tasks carried out by alternative providers, using our equivalent average costs for these tasks, the above table estimates the likely market value delivered by alternative providers. This equates to 90% of the market or £8.3M.

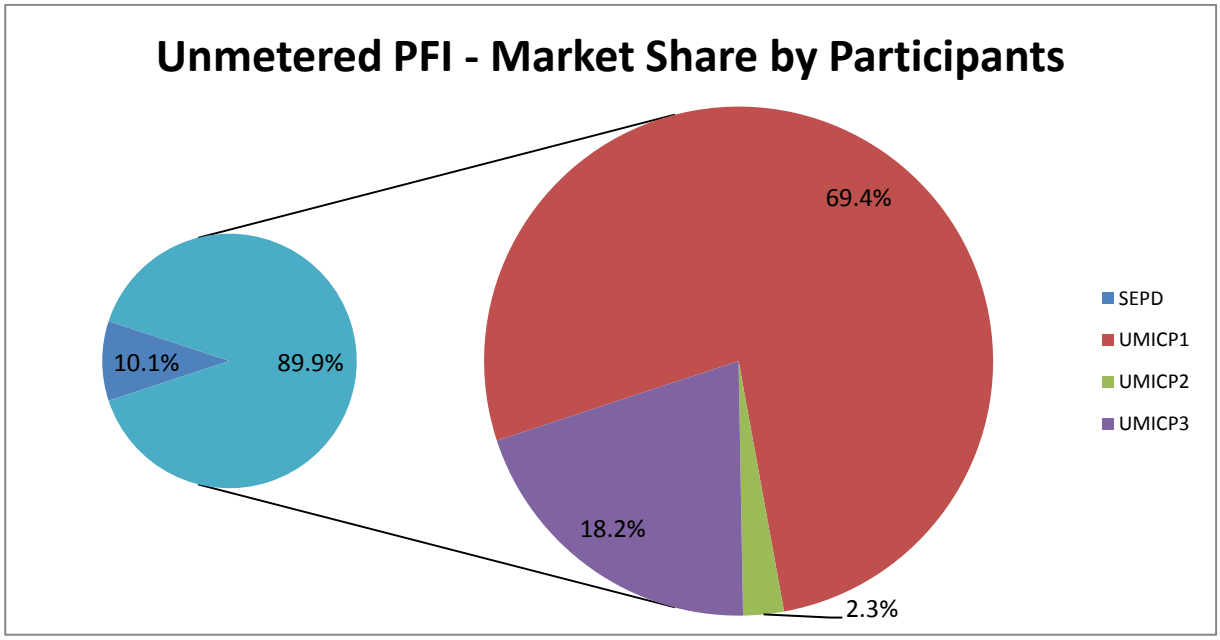


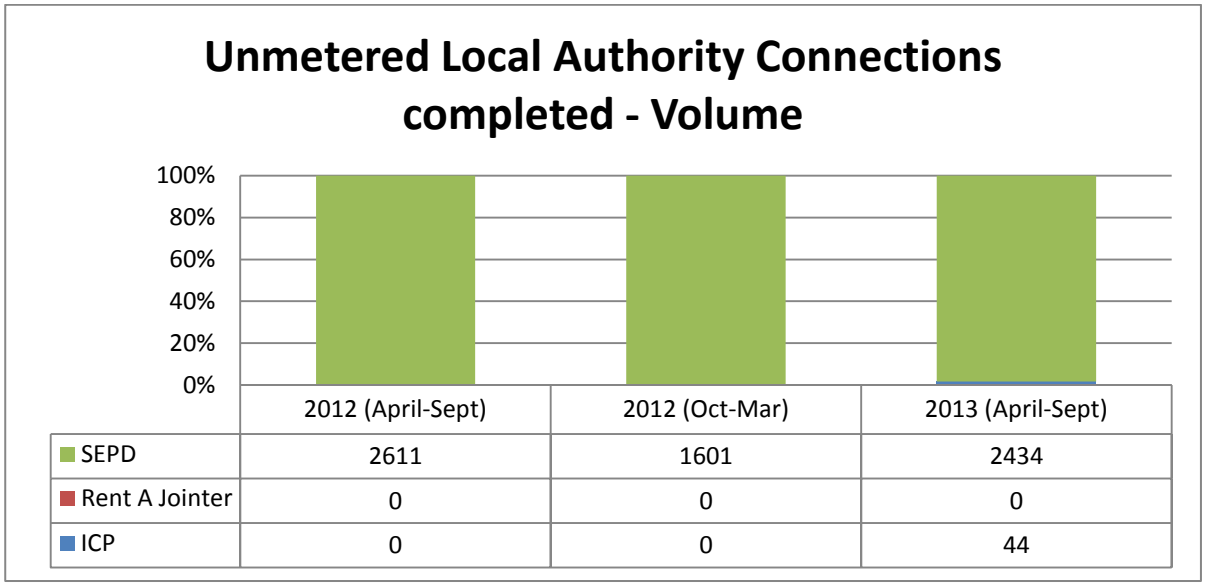
Figure 5.41: Alternative providers active in the Unmetered PFI segment

Figure 5.41 shows the percentage of tasks completed by alter alternative providers in the last eighteen months. As can be seen 90% of the total number of tasks delivered have been delivered or managed by three different alternative providers.

5.6 Unmetered Local Authority

This segment includes all projects for new connections or transfers where the customer is an authority with responsibility for street lighting or street furniture (LA) and the connection is not metered.

5.6.1 Unmetered LA in SEPD



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD	2611	1601	2434
Rent A Jointer	0	0	0
ICP	0	0	44

Figure 5.42: Unmetered LA tasks completed by % and Volume

In addition to those alternative providers active in the PFI market, three new alternative providers have expressed an interest in this market signing Access and Adoption Agreements with ourselves, with one going on to successfully complete work from a local authority.

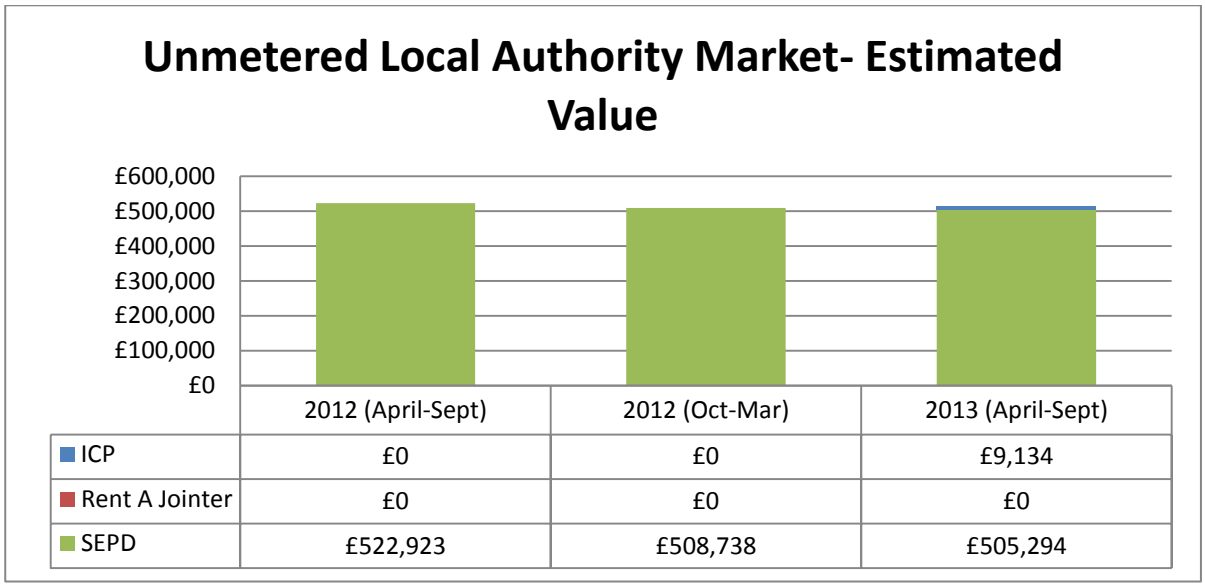


Figure 5.43: Unmetered LA tasks completed by contestable value

As we do not have the actual value of the contestable element of the tasks carried out by alternative providers, using our equivalent average costs for these tasks, the above table estimates the likely market value delivered by alternative providers. This equates to 1% of the market.

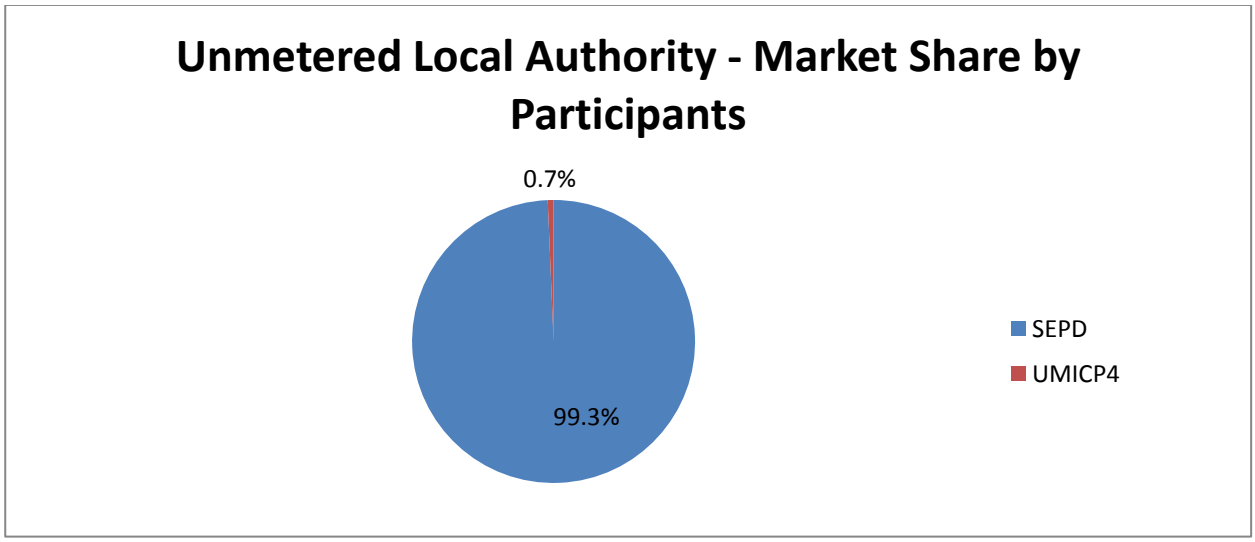


Figure 5.44: Alternative providers active in the Unmetered LA segment

Figure 5.44 shows the percentage of tasks completed by alter alternative providers in the last eighteen months. As can be seen 1% of the total number of tasks delivered have been delivered or managed by a single alternative providers.

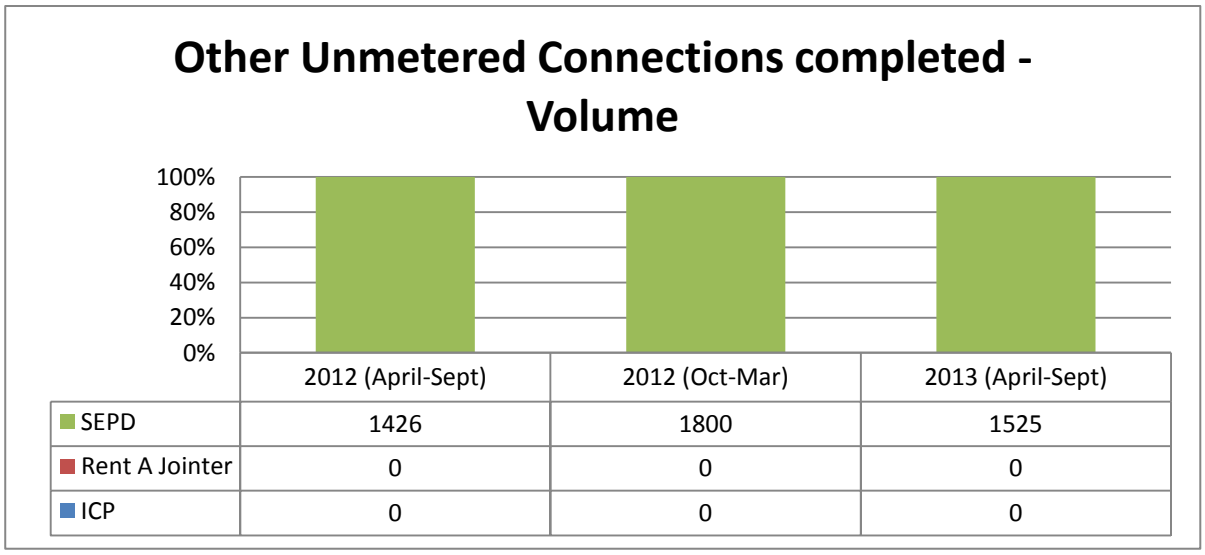
5.7 Unmetered Other

This segment includes all projects for new connections or transfers where the customer is neither an LA nor a PFI and the connection is not metered.

Common examples of projects in this segment would be street lighting associated with a new housing estate or retail park but not included in the larger project because it is

- remote from the main project, possibly forming an access road; or
- taking place either before or after the main project.

5.7.1 Unmetered Other in SEPD



	2012 (April-Sept)	2012 (Oct-Mar)	2013 (April-Sept)
SEPD	1426	1800	1525
Rent A Jointer	0	0	0
ICP	0	0	0

Figure 5.45: Unmetered Other tasks completed by % and Volume

No alternative provider has completed stand-alone unmetered projects directly for others over the last eighteen months in SEPD area.

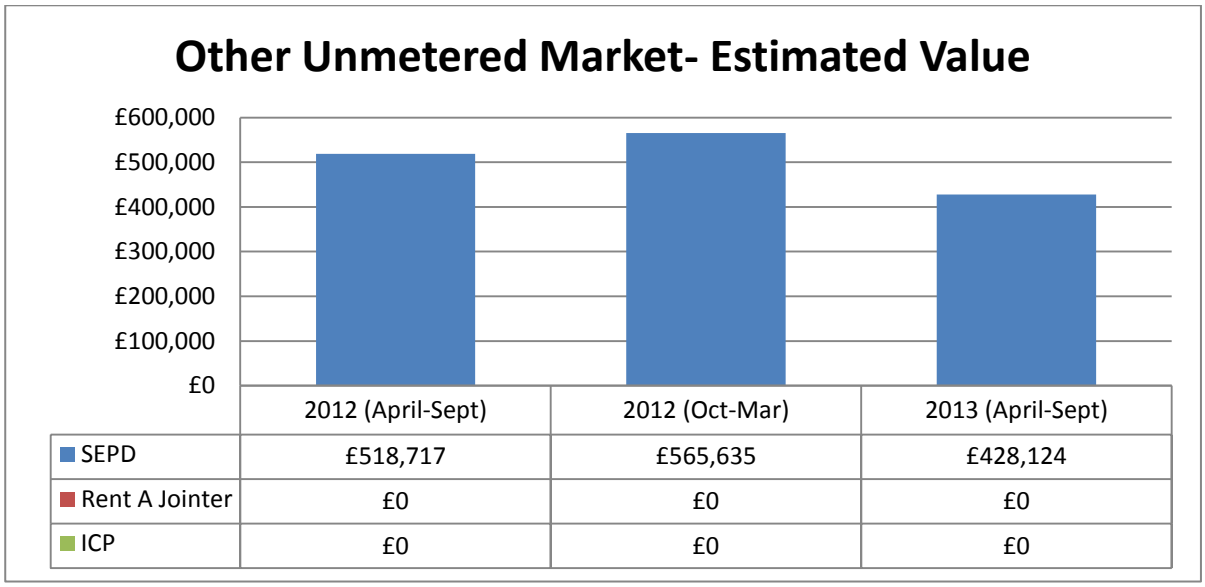


Figure 5.46: Unmetered Other tasks completed by contestable value

Alternative providers active in the Unmetered Other segment

Although alternative providers do complete unmetered tasks as part of larger metered projects, which are subsequently adopted by ourselves, we have not seen these delivered by others as stand-alone unmetered projects. This segment, by its nature includes many one-off low volume, low value projects.