Competition Notice

December 2013

UTILITY INDUSTRY ACHIEVEMENT AWARDS 2012

UTILITY OF THE YEAR

UK Power Networks

Delivering your electricity

Contents

Executive Summary

1 Scope of this Notice

This document constitutes a formal Competition Notice submission in respect of the three following licensed distribution networks:

- Eastern Power Networks plc. (EPN)
- London Power Networks plc. (LPN)
- South Eastern Power Networks plc. (SPN)

The Legal Requirements Test

As at the date of publication of this document, there have been no enforced breaches in the current regulatory year or in the past twelve months. Consequently UK Power Networks has passed the Legal Requirements Test for the EPN, LPN and SPN areas.

Competition Test Submission

In August 2013 Ofgem determined that the Competition Notice UK Power Networks had submitted provided sufficient evidence of effective competition to allow margin regulation to be removed for all three networks in two Relevant Market Segments (RMS): HV metered connections involving EHV work and metered connections at EHV and above, and also for the Unmetered Local Authority RMS for the EPN and SPN networks. Ofgem had previously determined in October 2012 that margin regulation could be removed for all three networks in the 'HV and EHV Distributed Generation' and 'Unmetered PFI' RMS.

The initial framework of improvement actions and efforts to extend the scope of contestability that were described in those submissions are now taking effect, together with the implementation of a number of subsequent additional improvements. This Competition Notice demonstrates a step change in the ability of competitors to seek and win work in an environment conducive to effective competition. This is evidenced by significant increases in both competitor market share and competitor numbers, supported by customer and competitor feedback. For each RMS included in this Notice, there is significant loss of market share in at least one of our three DNO areas. We believe competitor mobility and the consistency of our processes and services across all three of those areas indicates the potential for similar advances to be made across all three of our DNO areas.

Alternative Relevant Market Segments

Charge Restriction Condition 12 (CRC12) of the Electricity Distribution Licence states that:

"The licensee may give to the Authority a Competition Notice that, instead of relating to one or more of the segments listed in paragraphs A1.2 to A1.4, relates (in whole or in part) to one or more alternative segments." (Section A1.5).

CRC12 also sets out the actions a licensee must take if it chooses to make such a submission:

(a) define the alternative segments to which the Notice relates;
(b) set out the licensee's reasons for specifying those alternative segments; and

(c) be accompanied by such evidence as, in the opinion of the licensee, is sufficient to substantiate its reasons for specifying those alternative segments instead of the segments listed in paragraphs A1.2 to A1.4."(Section A1.7)

Competitor market share in the HV RMS, ranging from 42 per cent to 47 per cent over the three networks for the 12 months to October 2013, points to a healthy competitive market. However this masks a significant variance between the size of scheme typically won by competitors and those carried out by UK Power Networks. Ofgem's rationale for its decision not to remove regulated margin for the HV RMS following UK Power Networks' 2013 Competition Test submission highlighted a need to continue to provide regulatory protection for those smaller customers with less effective access to competition. Analysis of the HV RMS has indicated that the two regulatory categories as defined in para 7.9 of Ofgem's Cost and Revenue Reporting RIGs Ref 66c/10 (26 May 2010) accurately reflect the two classes of work:

- Low voltage connections involving high voltage work ("LVHV"),and
- High voltage connections involving only high voltage work ("HVHV").

The nature of the HVHV market is particularly conducive to competition as evidenced by the fact that at least 62 per cent of work is now won by competitors in each of the three network areas.

UK Power Networks therefore requests that Ofgem accept the definition of that part of the HV RMS relating to high voltage connections involving only high voltage work as an Alternative Relevant Market Segment (ARMS). The rationale for this approach is set out in Section 9.2 of this Notice, which comprises:

- An updated Market Statement in respect of the entire HV RMS
- A formal application in respect of the HVHV Alternative Relevant Market Segment
- A Market Statement in respect of the remaining LVHV element of the HV RMS

UK Power Networks therefore now considers that it has satisfied the Competition Test for each of following RMS*:

Relevant Market Segment	Analysis provided in Section	EPN	LPN	SPN
HVHV	9.2	YES	YES	YES
UMC LA	9.4		YES	
UMC Other	9.5	YES	YES	YES

*The table at the end of this summary confirms how the abbreviations used above refer to the Relevant Market Segments (RMS) as defined in Appendix 1 of Charge Restriction Code 12 (CRC12).

Competition Test Criteria
It is UK Power Networks' fundamental belief that an assessment of "effective competition" in any market segment must be based upon a balanced set of criteria. In essence there are a number of important measures which must be taken into consideration over and above actual market share. We believe that those factors should include:

- Barriers to competition
- Processes and procedures
- Actual and potential competition
- Price and transparency of pricing to customers
- Promoting awareness of competitive alternatives
- Efforts to open up non-contestable activities to competition; and
- Customer service

The rationale for our selection of the above three RMS is that the evidence in this Notice confirms that these RMS satisfy each of these criteria i.e. there is sufficient customer protection to enable customers to switch to other service providers in the event that Ofgem were to remove margin regulation. Nonetheless, even when all of the above conditions for effective competition exist within a market segment, some customers' perception of value and service may influence their choice of connection provider. This should be regarded as one of a number of acceptable outcomes in any effective competitive market.

We have implemented a substantial business change programme to enable effective competition to exist and develop in each of our DNO markets. Sections 2 to 8 describe these changes in more detail and they are summarised below.

Stakeholder engagement - UK Power Networks' distinctive approach to competition
Since becoming UK Power Networks there has been a sea-change in the Company's philosophy and approach to Competition in Connections. This has involved:

- A distinctive form of stakeholder engagement;
- Commitment to a large change programme of improvement actions, innovation and ongoing continuous improvement; and
- Becoming one of the leading DNO groups in our support for the extension of contestability, progressive implementation of Ofgem's recommendations regarding jointing to LV and HV mains and the introduction of pilots to evaluate the potential for other developments (such as competition in part-funded connections).

Section 2 analyses our approach to **identifying and addressing barriers to competition** and highlights the benefits our improvement actions have delivered to both customers and competitors. In particular, it describes our distinctive stakeholder engagement process, with direct engagement and consultation with the competitors operating in our areas leading to an agreed and prioritised Competition Improvement Plan; this formed the basis of a unique Commitment Charter which was signed by both UK Power Networks and 19 competitors. Since then a second phase of improvements has also been implemented. We made a public commitment to those stakeholders to engage in ongoing stakeholder engagement and continuous improvement and this approach has now become well-established, delivering a number of further stakeholder-led improvements.

We continue to drive tangible change through engaging with customers and other stakeholders and our commitment to stakeholder engagement was ratified by Ofgem when we were awarded second place among DNOs in the 2012 Stakeholder Engagement Incentive Scheme. It is our firm intention to continue to engage in this way after margin regulation has been removed.

Business changes

Section 3 examines our **processes and procedures**, including policies and organisation structure. It describes the approach by which we seek to ensure both consistency with and independence from the traditional (contestable and non-contestable) connection activities undertaken by UK Power Networks. In addition we outline the impact of our programme of progressive investment in resources in our Competition in Connections team in terms of absorbing rising work volumes and delivering improved customer service.

Section 4 contains our approach to considering **actual and potential Competition in Connections** in our area. It examines the various options for measuring market share in the metered and unmetered connections markets. It explains why we believe that load won/lost is the most appropriate measure for metered connections and "lost income" the most appropriate measure for unmetered work. An analysis of potential competition is provided, including a summary of the sustained rising trends in competitor applications, together with a summary of the competitor analysis that has been undertaken and a reference to ease of processes for new market entrants.

Section 5 focuses on **price and transparency of pricing to customers,** including our early actions to introduce fully detailed breakdowns of non-contestable charges in the format agreed by our stakeholders and later extending this to contestable charges, bringing full price breakdown to all our customers. We also describe our experience to date with a pilot for a Convertible Quote and our plans to broaden this both geographically and in terms of the types of project included.

Section 6 describes the various methods by which we continue to **promote awareness of competitive alternatives**. The channels used include our website, application packs, quotation packs and employee training and awareness. We have obtained feedback from stakeholder engagement and periodic customer surveys to assess the effectiveness of our approach.

Section 7 analyses our extensive **efforts to open up non-contestable activities to competition**. It confirms that UK Power Networks' progress in the extension of contestability is recognised as being at the forefront amongst the DNOs. We formally transferred 'Live jointing to LV underground radial mains' to contestable status on 26 October 2012 and HV final connections in July 2013. We describe the progress on the various pilots that are completed, underway and are being planned for the future. We also highlight some examples of innovation and pro-activity in attempting to overcome various obstacles e.g. a Cable Signal Injection service, a Linking and Fusing service, a pilot for combined LV point of connection self-identification and 'self-connect', prototyping an approach to "Competition in Part-Funded connections" and provision of some specialist contestable services. We continue to seek opportunities to further extend the scope of contestability and are currently exploring options for LV jointing to overhead mains.

Section 8 covers **customer service.** We recognise that our competitors are also our customers of non-contestable services and we should therefore treat them in the same manner as all our other customers. We have therefore sought and continue to maintain engagement and regular two-way feedback with these customers through a variety of mechanisms, including workshops, sub-groups, newsletters, emails and a Competition Q&A service. At our May 2013 workshop 85 per cent of those attending, representing a mix across all RMS, agreed that UK Power Networks should pass the Competition Test. It is important to recognise that:

- Two-way stakeholder feedback has been fundamental to the new era of focus, change and business improvements that has created a framework for effective competition to flourish within UK Power Networks.
- We have a clear focus on end customer service. Recent examples include the Critical Friends panels we initiated as part of our consultation on RIIO-ED1 business plans, where competition in connections has been widely discussed, and the ongoing programme of engagement with the Distributed Generation community to explore areas for service improvement and development.
- Whilst operational problems on individual projects will arise from time to time, the enhanced focus on service and commitment to change, supported by executive and senior managers, will mean that any issues identified will be addressed promptly.
- We operate a comprehensive rolling programme of employee awareness that delivered face-to-face briefing to over 2,800 employees during 2012 and a video briefing to all staff in 2013, reinforcing policy and expected behaviours with regard to competition in connections.
- Appendix 13 contains a broad cross-section of testimonials from competitors and end customers who have witnessed, and benefited from, the improvements that have been delivered over the past three years i.e. they represent metered and unmetered connections and both established competitors and more recent market entrants.

Section 9 comprises a **detailed analysis of each market segment** in the scope of this Notice for each DNO area. Using the balanced approach described in Section 1, a summary assessment of all the key and relevant factors is provided at the end of each market segment to justify our recommendation as to why it should pass the Competition Test. It is clear that the market share of competitors has increased markedly, new players have entered the market, and some competitors have gained market share while others have seen reductions. All of these dynamics indicate that, in overall terms, effective competition has developed and will continues to develop.

A tabular summary of this Notice is included overleaf that highlights the key criteria that are applicable to each of the three segments that form part of the formal Competition Notice.

SUMMARY OF KEY DATA AND EFFECTIVENESS CRITERIA FOR EACH RMS				
Key data and criteria	**Relevant section of this Notice**	**Relevant Market Segment**		
		HVHV	**UMC LA**	**UMC Other**
Eastern Power Networks (EPN)				
Market size - value	Section 9	£6m		£1m
Number of projects/tasks	Section 9	107		1695
Barriers to competition	Section 2	✓		✓
Processes and procedures	Section 3	✓		✓
Competition - DNO market share	Section 4	35%		69%
Competition - number of active participants	Section 4	23		11
Price and transparency of pricing	Section 5	✓		✓
Promoting awareness of competitive alternatives	Section 6	✓		✓
Efforts to open up non-contestable activities to competition	Section 7	✓		✓
Customer Service	Section 8	✓		✓
London Power Networks (LPN)				
Market size - value	Section 9	£20m	£5m	£0.5m
Number of projects/tasks	Section 9	109	6242	738
Barriers to competition	Section 2	✓	✓	✓
Processes and procedures	Section 3	✓	✓	✓
Competition - DNO market share	Section 4	38%	81%	83%
Competition - number of active participants	Section 4	19	11	11
Price and transparency of pricing	Section 5	✓	✓	✓
Promoting awareness of competitive alternatives	Section 6	✓	✓	✓
Efforts to open up non-contestable activities to competition	Section 7	✓	✓	✓
Customer Service	Section 8	✓	✓	✓
South Eastern Power Networks (SPN)				
Market size - value	Section 9	£7m		£0.5m
Number of projects/tasks	Section 9	58		576
Barriers to competition	Section 2	✓		✓
Processes and procedures	Section 3	✓		✓
Competition - DNO market share	Section 4	33%		87%
Competition - number of active participants	Section 4	19		11
Price and transparency of pricing	Section 5	✓		✓
Promoting awareness of competitive alternatives	Section 6	✓		✓
Efforts to open up non-contestable activities to competition	Section 7	✓		✓
Customer Service	Section 8	✓		✓

Note 1: ✓ indicates that the relevant criterion has been met

In the above table and throughout this Notice, the following abbreviations are used to refer to the Relevant Market Segments (RMS) defined in Appendix 1 of Charge Restriction Code 12 (CRC12).

RMS	CRC12 definition
	In respect of Metered premises owned or occupied by Demand Customers:
LV	**LV work:** Low voltage Connection Activities involving only low voltage work, other than in respect of Excluded Market Segments.
HV	**HV work** Low voltage or high voltage Connection Activities involving high voltage work (including where that work is required in respect of Connection Activities within an Excluded Market Segment).
HVEHV	**HV and EHV work:** low voltage or high voltage Connection Activities involving extra high voltage work
EHV & above	**EHV work and above:** extra high voltage and 132kV Connection Activities.
	In respect of Metered premises in which Distributed Generation is situated:
DGLV	**LV work:** low voltage Connection Activities involving only low voltage work.
DGHV	**HV and EHV work:** any Connection Activities involving work at high voltage or above.
	In respect of Unmetered premises:
UMC LA	**LA work:** New Connection Activities in respect of local authority premises.
UMC PFI	**PFI work:** New Connection Activities under private finance initiatives.
UMC Other	**Other work:** all other non-local authority and non-PFI unmetered connections work.

In addition to the RMS listed in the table above, the two following abbreviations are used throughout this Notice to refer to Alternative Relevant Market Segments as defined in CRC12.

ARMS	Definition
	In respect of Metered premises owned or occupied by Demand Customers:
LVHV	**HV work** Low voltage Connection Activities involving high voltage work (including where that work is required in respect of Connection Activities within an Excluded Market Segment).
HVHV	**HV work** High voltage Connection Activities involving only high voltage work (including where that work is required in respect of Connection Activities within an Excluded Market Segment).

A full Glossary of Terms is included as Section 10.

1 Introduction

1.1 Structure of this document

Following this Introduction, the remainder of this document is structured into two broad sections:

i) Sections 2 to 8 provide an analysis of the overall approach that UK Power Networks has taken to address the factors that it believes may generally be considered to act as potential barriers to effective Competition in Connections. Each section reviews one of those seven factors in turn, including a description of the nature and extent of the numerous improvement initiatives that we have identified and implemented over the past three years and the impact of those actions in terms of effective competition.

ii) A Segmental Analysis – section 9 describes the characteristics and dynamics for market segments:

- Those that form part of the scope of this Competition Notice – including a rationale for including the segment in this Notice.
- Those that formed part of a previous Competition Notice submission but were unsuccessful – these are included to provide an updated market report.

1.2 Competition in Connections and the Competition Test

As part of Ofgem's final proposals for the regulatory period 2010-2015 (Electricity Distribution Price Control Review Final Proposals – Incentives and Obligations 7 December 2009), each Distribution Network Operator (DNO) is required to submit a Competition Notice by 31 December 2013 in accordance with the requirements detailed in Chapter 12 of that document.

The Competition Case comprises two tests: the Legal Requirements Test and the Competition Test. These are detailed in sections 1.2.1 and 1.2.2.

Unless stated otherwise, where the term 'Competitor' is used in this document it should be taken to include both Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs). To preserve commercial confidentiality, all references to ICPs or IDNOs in this document have been anonymised as ICP1, ICP2 etc., references to highways and local authority customers to LA1, LA2 etc. and customers in the UMC Other RMS to Other1, Other2 etc.

1.2.1 The Legal Test

Requirements of the Legal Test
Charge Restriction Condition 12 (CRC12) of the Electricity Distribution Licence states that:

"The Legal Requirements Test involves an assessment of the licensee's compliance with such legal requirements in respect of the making of connections to its Distribution System as are set out in Chapter 12 of the Authority's decision document published on 7 December 2009 under reference 145/09." (Section 12.23)

The Authority's decision document ref. 145/09 (Section 12.17) states that:

"Compliance with the legal requirements is essential for passing the competition test. The legal requirements are for the DNO to have no enforced breaches in the given regulatory year of:

- 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; and
- The Competition Act 1998."

Current position

As at the date of publication of this document, there have been no enforced breaches in the current regulatory year, nor in the last 12 months. **Consequently UK Power Networks has passed the Legal Test.**

1.2.2 The Competition Test

The Competition Test requires each DNO to demonstrate that there is "effective competition" in each of the "Relevant" (competitive) Market Segments" that is covered by the Competition Notice that is submitted. DNOs have flexibility to determine how and when a Competition Notice will be submitted to Ofgem for each relevant market segment, provided that a submission has been made in respect of each DNO area for each segment by December 2013.

In August 2013 Ofgem determined that UK Power Networks' second Competition Notice submission provided sufficient evidence of effective competition to allow margin regulation to be removed for all three networks in two Relevant Market Segments (RMS): HV metered connections involving EHV work and metered connections at EHV and above, and also for the Unmetered Local Authority RMS for the EPN and SPN networks. Ofgem had previously determined in October 2012 that margin regulation could be removed for all three networks in the HV and EHV Distributed Generation and Unmetered PFI RMS. Figure 2 summarises the current position.

Figure 1: Summary of decisions in respect of UK Power Networks' Competition Notice submissions

Relevant Market Segment	Date last submitted	EPN	LPN	SPN
LV	July 2012	Not passed	Not passed	Not passed
HV	April 2013	Not passed	Not passed	Not passed
HVEHV	April 2013	PASSED	PASSED	PASSED
EHV & above	April 2013	PASSED	PASSED	PASSED
DGLV	April 2013	Not passed	Not passed	Not passed
DGHV	July 2012	PASSED	PASSED	PASSED
UMC LA	April 2013	PASSED	Not passed	PASSED
UMC PFI	July 2012	PASSED	PASSED	PASSED
UMC Other	April 2013	Not passed	Not passed	Not passed

Alternative Relevant Market Segments
Charge Restriction Condition 12 (CRC12) of the Electricity Distribution Licence states that:

"The licensee may give to the Authority a Competition Notice that, instead of relating to one or more of the segments listed in paragraphs A1.2 to A1.4, relates (in whole or in part) to one or more alternative segments." (Section A1.5).

CRC12 also sets out the actions a licensee must take if it chooses to make such a submission:

> (a) define the alternative segments to which the Notice relates;
> (b) set out the licensee's reasons for specifying those alternative segments; and
> (c) be accompanied by such evidence as, in the opinion of the licensee, is sufficient to substantiate its reasons for specifying those alternative segments instead of the segments listed in paragraphs A1.2 to A1.4."(Section A1.7)

Competitor market share in the HV RMS, ranging from 42 per cent to 47 per cent over the three networks for the 12 months to October 2013, points to a healthy competitive market. However this masks a significant variance between the size of scheme typically won by competitors and those carried out by UK Power Networks. Ofgem's rationale for its decision not to remove regulated margin for the HV RMS following UK Power Networks' 2013 Competition Test submission highlighted a need to continue to provide regulatory protection for those smaller customers with less effective access to competition. Analysis of the HV RMS has indicated that the two regulatory categories as defined in para 7.9 of Ofgem's Cost and Revenue Reporting RIGs Ref 66c/10 (26 May 2010)accurately reflect the two classes of work:

- Low voltage connections involving high voltage work ("LVHV"),and
- High voltage connections involving only high voltage work ("HVHV").

UK Power Networks therefore requests that Ofgem accept the definition of that part of the HV RMS relating to high voltage connections involving only high voltage work as an Alternative Relevant Market Segment. The rationale for this approach is set out in Section 9.2 of this Notice, which comprises:

- An updated Market Statement in respect of the entire HV RMS
- A formal application in respect of the HVHV Alternative Relevant Market Segment
- A Market Statement in respect of the remaining LVHV element of the HV RMS

UK Power Networks considers that it has now satisfied the Competition Test in respect of the following three Relevant Market Segments (RMS) or Alternative RMS (ARMS):

RMS / ARMS	Analysis provided in Section	EPN	LPN	SPN
HVHV	9.1	YES	YES	YES
UMC LA	9.3		YES	
UMC Other	9.4	YES	YES	YES

Sections 2 to 8 of this document provide an analysis of the UK Power Networks' overall approach to addressing the factors that it believes may generally be considered to be potential barriers to effective Competition in Connections i.e.

- barriers to competition (including stakeholder engagement)
- Competition in Connections procedures and processes
- actual and potential competition
- price and transparency of pricing to customers
- promoting awareness of competitive alternatives
- efforts to open up non-contestable activities to competition
- customer service

Section 9 provides a narrative for each RMS and each UK Power Networks DNO area that is in the scope of this Notice, in each case setting out the distinctive characteristics and dynamics for that type of work in that area.

A suite of appendices provides supporting data that is referenced throughout the document.

This document demonstrates some significant changes since our first Competition Notice submission in June 2012; not only have UK Power Networks continued to build on previous achievements by maintaining a momentum of business process improvements and developments in the areas of extending contestability but there has also been a marked increase in the level of competitor activity and overall share of the markets that they now provide. What does remain constant however is UK Power Networks' commitment to stakeholder engagement.

1.3 UK Power Networks

UK Power Networks owns, operates and maintains three electricity distribution networks across London, the East of England and the South-East, covering 29,165 sq km and serving more than eight million customers. Altogether, there are 170,000 kilometres of underground cables and overhead lines and more than 130,000 substations.

We design and undertake new and altered electricity supply connections tailored to meet the needs of individual domestic, commercial and public highways customers. Combined turnover in 2012 for our three DNOs was approximately £200m. The most recent data available from Ofgem's Electricity Distribution Report confirmed that in 2010/11 overall penetration by competitors in EPN, LPN and SPN had already risen to 23%, 13% and 15% respectively. As demonstrated in this Notice and our previous submission, these overall levels of penetration have risen considerably since then and we confidently predict that they will continue to rise steadily as a result of having implemented all the business changes that are described in this document.

UK Power Networks fully embraces Competition in Connections and has a general company-wide policy statement on this subject. We also already have a policy for extension of contestability including live jointing and HV final connections.

UK Power Networks' philosophy

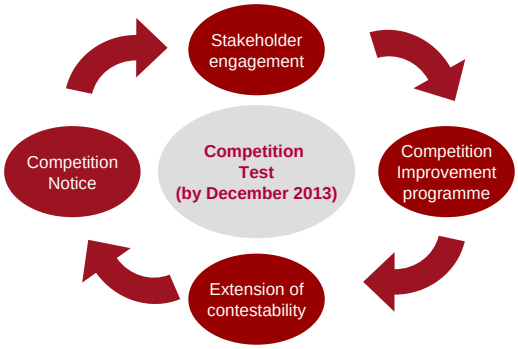
Since becoming UK Power Networks there has been a sea-change in the Company's philosophy and approach to Competition in Connections. This has involved:

- A distinctive form of stakeholder engagement;
- Commitment to a large change programme of improvement actions, innovation and ongoing continuous improvement; and
- Becoming one of the leading DNO groups in our support for the extension of contestability, introduction of pilots and progressive implementation of Ofgem's recommendations regarding jointing to LV and HV mains and a willingness to innovate and develop new solutions.

We have implemented a substantial business change programme to enable effective competition to exist and develop in each of our DNO markets. Sections 2 - 8 describe these changes in more detail.

1.4 Stakeholder engagement: a distinctive approach

Figure 2: Overview of UK Power Networks' approach to the Competition Test



Early consideration of the approach to the competition test suggested that, in order to achieve a successful competition test submission, we would need to both improve the current services supporting Competition in Connections and also explore every opportunity to extend the scope of work open to competition. We recognised our stakeholders as key to achieving both these objectives.

Having identified the importance of stakeholder engagement, it was clear that the best way to understand and satisfy stakeholders' needs was to ask them directly. We therefore established a comprehensive programme of stakeholder engagement as the central element of our approach. A key aspect of this has been a now well-established series of regular workshops with competitor companies, backed up by a regular newsletter aimed specifically at the competitor group. We have also sought to engage with Ofgem and with customers, via our website, targeted surveys and special-interest forums. We featured a case study concerning stakeholder engagement and Competition in Connections in our submission for Ofgem's Electricity Stakeholder Engagement Incentive Scheme 2011/12 – see **Appendix 18: Stakeholder Engagement case study.** This submission resulted in UK Power Networks being awarded second place among DNOs.

Competition Workshops for ICP and IDNO stakeholders
An inaugural competition workshop was held in November 2010, and subsequently these have become established as regular stakeholder events, with the twelfth held in September 2013 and a commitment to provide these sessions on a permanent basis. In all, 79 different individuals have represented 37 competitor companies at one or more of these events. Invitation to the workshops is by an email sent personally to one or more known contacts at every competitor company that we are aware is active in the UK Power Networks area. These are generally half-day meetings held in London, where attendees are able to collaborate with a wide range of UK Power Networks representatives to agree desired improvement actions, hear about progress in delivering those actions, and on the effectiveness of their implementation.

Feedback on this approach has been sought at every stage and has been consistently positive, with stakeholders welcoming the opportunity to help shape our plans and learn of progress in making tangible improvements. We have also worked with subsets of this group to develop specific improvement solutions, such as a more efficient process for ICPs to secure land consents. A log of all key external stakeholder engagements is shown in **Appendix 3: Stakeholder engagement log**. Our engagement with these competitor stakeholders is also recorded on UK Power Networks' central stakeholder database to ensure co-ordination and consistency in their interactions across the company.

We believe that this distinctive approach to stakeholder engagement has brought demonstrable success, as evidenced by positive feedback from stakeholders. A significant early indicator of the success of this collaborative approach occurred in May 2011, when representatives from 19 competitor companies agreed to join our Director of Connections and his team in signing a Commitment Charter affirming that delivery of the agreed actions, together with any mutually agreed follow-on actions, would help create the conditions necessary for competition to flourish in the UK Power Networks area. **Appendix 13: Testimonials from customers and competitors** contains positive feedback received from a number of customers and competitors, including some of those signatories of the Commitment Charter.

An initial step-change was achieved through two phases of improvement actions, now complete and delivering real improvements in service. Our enduring continuous improvement approach ensures we continue to optimise the service we provide.

Customer and competitor surveys

A second key strand of our stakeholder engagement strategy has been an ongoing programme of surveys. We began undertaking these in 2011 as a means to seek feedback from actual and potential competitors and from regular and one-off customers. These surveys have been invaluable not only in terms of understanding how others see us, but also as a vehicle to raise awareness and engage with a wider range of stakeholders. A particular example of this has been our survey to those competitors that are accredited to carry out connections activity in the UK Power Networks area but have not done so. This has not only provided useful feedback, but also opened up a channel of communication that has led to telephone calls, exploratory meetings and in some cases, attendance at workshops. Details of these surveys are included in **Appendix 16: Customer and competitor surveys**.

Wider engagement

The activities described in this section sit within a comprehensive approach to stakeholder engagement throughout UK Power Networks.

UK Power Networks initiated Critical Friends Panel sessions in 2012 to engage with a range of key stakeholders including representatives from consumer groups, environmental groups, developers, local authorities, major energy users and suppliers. We initially used these sessions to test and modify the key outputs that form the basis of the RIIIO-ED1 business plan, including those associated with connections. However the value and purpose of Critical Friends Panels extends far beyond RIIO-ED1 consultation. Since the sessions were initiated, we have held 18 meetings across 3 DSAs (6 per DSA) and we will continue to hold them as we have found they elicit useful suggestions for change to our business operations.

In common with other DNOs, UK Power Networks realised in recent years that we were not providing the level of service and information provision necessary to respond to the significant increase in Distributed Generation (DG) enquiries we were experiencing, UK Power Networks therefore surveyed its DG customers in October 2012 and subsequently held a workshop, which was well attended and identified over sixty areas for improvement. We combined these with feedback from the 2012 Ofgem DG Fora and from internal stakeholders and created a Service Improvement Plan. This was published on our website and all DNO Plans were also published on Ofgem's website in late 2012. We have established a small team to focus specifically on engaging with the DG community and delivering service improvement and development. Since the inception of the DG Forum, we have held 4 fora in 2013 and we have organised a further 3 in 2014. All have been very well attended by our customers and competitors alike.

2 Barriers to Competition

2.1 Identifying and addressing barriers to competition

Of all the considerations in assessing readiness to pass the Competition Test, it was clear from the outset that the removal of barriers to competition was of paramount importance. In line with our stakeholder engagement approach, we therefore chose to begin by asking our competitor connection providers to help us identify existing barriers and suggest how we might overcome them.

In November 2010, the 18 competitor companies that were active in the UK Power Networks area at that time were invited to send a representative to a stakeholder workshop. The 13 representatives who attended were asked for their views on:

- barriers and issues preventing competition;
- which new areas of contestability were the most important, and why; and
- any other ideas not previously considered.

Participants were asked to confirm which of the issues raised they felt were the most important, and this was used to prioritise actions to be taken forward in developing a Competition Improvement Plan. **Appendix 10: Competition Improvement actions arising from stakeholder workshops** sets out how feedback on barriers to competition translated into improvement action plans.

Section 7 sets out how we used the feedback relating to extension of contestability to develop a programme of pilot trials that have led to formally extending the scope of contestable works.

At a second stakeholder workshop on 17 February 2011, attendees reviewed our draft plan and suggested revisions and some additional actions. We also asked for clarification regarding a small number of points that we felt had not been sufficiently clearly articulated to enable us to understand the change required, and obtained confirmation that those issues were either not relevant or already covered by proposed actions. Following this meeting, an updated plan was sent out to competitors as part of the first issue of a competition newsletter and formed the basis of the Commitment Charter that was signed at the following workshop (see section 2.2). This plan is included as **Appendix 1: Competition Improvement Plan – Phase 1**.

With the successful completion of the original improvement plan in September 2011, momentum was maintained through the development of a Phase 2 plan**(see Appendix 2**), which included a further tranche of significant changes building upon the progress made in Phase 1. A draft was shared with our competitors at the October 2011 workshop and, with revisions to incorporate their feedback, was implemented over the following six months.

In all, over 45 improvement actions were delivered through these two initial phases. This excludes all the changes that have been implemented in support of our extension of contestability activity, which are detailed in Section 7. During 2012 we made the transition to a continuous improvement approach,

implementing any incremental improvements identified via the Competition Notice process, via stakeholders or internally to ensure the focus on Competition in Connections is maintained.

Regular stakeholder engagement has continued, with all those competitors active in the UK Power Networks areas being invited to three further workshops in 2011, four in 2012 and three in 2013. See section 8 for attendance statistics for all stakeholder workshops. Where appropriate we have also invited smaller groups of stakeholders to work with us to analyse specific issues and help develop mutually acceptable solutions. This face-to-face engagement is complemented by regular newsletters, emails and web-based updates. We have maintained a log of all such engagement activity, which is included as **Appendix 3: Stakeholder engagement log.**

Throughout this period of improvement action planning and delivery, a cross-check has been maintained to ensure that the scope of improvements covers not only those issues raised through engagement with competitor representatives, but also those arising from three further sources:

- competitor and customer feedback, including from complaints
- 12 points identified by the Competitive Networks Association (which represents some of the IDNO community); Appendix 10 maps those items against our specific improvement actions.
- potential barriers to competition identified via a survey prepared by Ofgem and presented to the Electricity Connections Steering Group (ECSG) in March 2011. **Appendix 12** confirms how we have addressed each of those items.

2.2 Stakeholder consultation and sign-off

At the third stakeholder workshop, in May 2011, each of the actions in the Phase 1 improvement plan was reviewed in detail and acceptance confirmed by the competitor attendees. Signalling their commitment to supporting our efforts to create the conditions necessary for competition to flourish in our areas, representatives of all 16 companies present, and three more subsequently, joined UK Power Networks in signing a Commitment Charter, attached as **Appendix 5: Commitment Charter**. There was discussion as to the need for actions that were initially exploratory to be followed up with tangible changes, but the degree of change already implemented to plan gave the signatories sufficient confidence that we would continue to deliver reliably. This innovative approach was publicised more widely through press articles (Utility Week: May 2011) and in a presentation to the Society of British Gas Industries (SBGI) in April 2011.

2.3 Testing the efficacy of improvement actions

The success of the changes implemented has been tested by seeking stakeholder feedback at every opportunity, whether from stakeholder workshops, articles in newsletters, or engagement with individual competitors and customers. We continue to actively seek feedback in this way.

We also initiated a number of surveys to gain first-hand feedback from our competitors and our customers. These are covered in Section 8, and full details are shown in **Appendix 16: Customer and competitor surveys**.

2.4 Improvement actions implemented

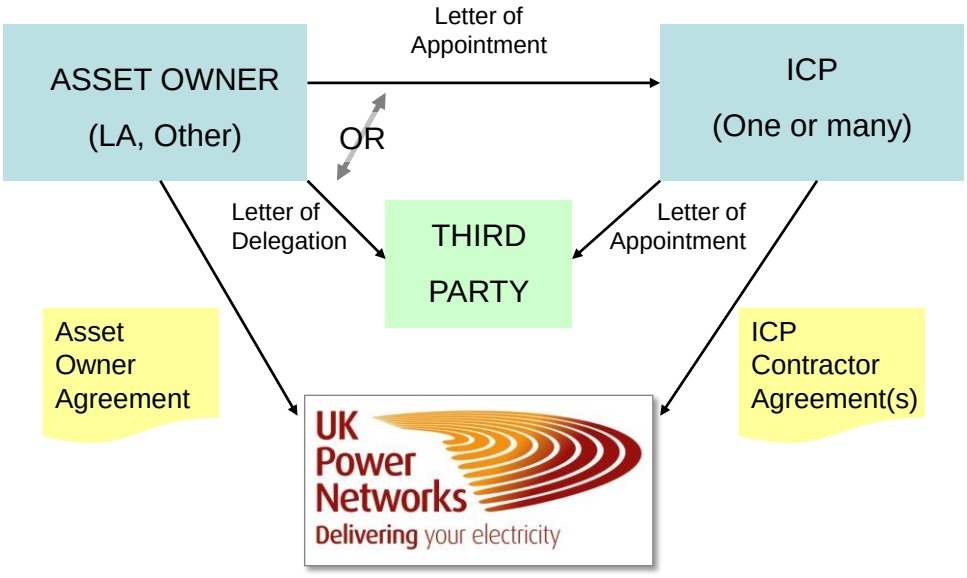
Many of the improvement actions implemented in the course of our competition development programme were included in response to barriers identified as described in paragraph 2.1 above. For example:

2.4.1 **Agreements:** We undertook a major review of our non-contestable Construction and Adoption agreements:

- For metered work, we produced standardised terms and conditions that are aligned with our Section 16 agreements. All project-specific information is now included in a covering letter, with the terms and conditions published online. This has significantly reduced the volume of paperwork involved.
- For unmetered work, we devised an innovative approach that has created a fully open market in which local authorities and ICPs can operate freely. Figure 3 shows a diagrammatic view of how these agreements operate.
- In April 2012 we implemented a pair of agreements, one for the Asset Owner (highway authority or PFI) and the other for the ICP. Both are enduring agreements. Once these are in place, any Asset Owner is free to engage any ICP that holds an agreement with us, simply notifying us of this arrangement by letter. These arrangements, available as templates online, remove the need for negotiation of cumbersome tripartite or bilateral agreements that have tended historically to have the effect of tying a local authority to a single ICP. Now they have the flexibility to explore the market and contract with multiple ICPs to secure the arrangements that best suit their needs. From the ICPs' perspective they are able to approach any LA with a commercial offering without the time and effort involved in putting complex agreements in place. Figure 3 gives a diagrammatic representation of how the agreements work and further details specific to each RMS and DNO area are included in Section 9.
- **Benefits**:
  - i) This action applies to all unmetered RMS's across all DSAs.
  - ii) These arrangements have been welcomed by both unmetered customers and ICPs. **Appendix 13: Testimonials from customers and competitors** includes positive feedback from competitors and a major communications utility customer.
  - iii) As of December 2013 we have 55 Asset Owner Agreements across all three unmetered RMS either in place or being finalised. Of these, 70 per cent were facilitated by competitors, aided by the availability of agreement templates on our website. This demonstrates the advantage of UK Power Networks' approach in enabling competitors and customers to establish competitive arrangements.
  - iv) The wording of the template of the letter of appointment means that it has been made simple for the Asset Owners to place clear restrictions on the activity each ICP is appointed to carry out, as well as to appoint multiple ICPs. Asset Owners have commented in forums and workshops that they feel that this simple inclusion of limitations in the letter of appointment enables the Asset Owner to retain control over the works being carried out on their assets. There has also been positive feedback from Asset Owners regarding how easy it is to enter into the new style Asset Owner Agreement.

v) A delegate from a leading central London Authority spoke out at a Highways Electrical Association seminar in February 2013 to challenge an unrepresentative criticism of UK Power Networks' Asset Owner Agreement arrangements, citing his experience of "signing off a simple form in 20 minutes".

Figure 3: An innovative approach to Highway Services agreements



Note: Templates for the Letter of Appointment and Letter of Delegation are included as appendices to the Asset Owner Agreement

vi) We believe the most persuasive argument in support of the success of this innovation is that 94 per cent of UMC LA customers who responded to our recent survey would be *completely, to a moderate or great extent* confident that, if Ofgem were to give UK Power Networks approval to set prices as if we were in a freely competitive market, they could seek alternative competitive offerings from other providers (see Appendix 16).

2.4.2 **Design approval:** Competitors asked us to improve our approach to design approval, to avoid rejection for minor omissions and to introduce a fast-track process for agreed standard designs:

- our design acceptance process now allows for acceptance to be granted subject to the correction of minor errors or omissions, thereby minimising delay to the customer.
- We have been working with an IDNO competitor (ICP18) to agree a generic IDNO substation design arrangement that can be successfully used in a range of network connections situations. The core substation civil design, electrical plant layout and earthing system are fixed but can accommodate external finish variations to suit on site conditions e.g. cladding, pitched roof. The generic design will be identified by the IDNO on the design submission (e.g. IDNO Sub 1) so

that our designers will know that the arrangement and associated materials list have already been accepted and approved, freeing our designer to focus on the point of connection, substation location and access aspects. Once agreed, the generic design will be stored in the CiC reference files for designers to access and will be reviewed annually by the CiC Manager (or when changes are proposed by UK Power Networks or the IDNO). The CiC design managers will monitor application of the generic design and after twelve months, or the submission of five generic designs if sooner, we will meet with the IDNO and review the process with the intention of moving to business as usual.

- **Benefits:**
  i) These actions apply to all the metered demand and generation RMS across all DSAs
  ii) These efforts to streamline the approvals process have enabled us to maintain the level of service that competitors are able to provide for their customers in the face of a significant upward trend in the volume of enquiries as shown in Section 4 Figure 5.
  iii) The proportion of designs that we have accepted has increased from 63 per cent in 2010 to 74 per cent in the 9 months to September 2013 (source: Ofgem returns).

2.4.3 **Breakdown of contestable and non-contestable charges**: In our first Competition Notice submitted in July 2012, we described the actions we had taken to increase the level of detail provided in the Non-Contestable Charges section of our quotations provided to IDNOs and ICPs. In response to stakeholder feedback, in March 2011 we introduced an extended breakdown of non-contestable charges across 16 categories in the Construction and Adoption Agreement, the maximum available by manual extraction. At the same time we asked our designers to provide a narrative description of any reinforcement works. In the meantime we also developed proposals for system changes to obtain a highly detailed breakdown of costs, which was warmly received by the competitors who attended a workshop in October 2011 where we took on board a number of their suggested amendments. This was implemented in July 2012 for non-contestable quotations provided to IDNOs and ICPs. More recently in response to customer feedback we have extended this level of detail to include contestable charges and since June 2013 we have provided this information for all connections quotations. Details of all these improvements are included in Section 5.

Benefits

i) These actions apply to all the metered demand and generation RMS across all DSAs
All customers for metered projects benefit from a fully detailed breakdown of their non-contestable and contestable (Section 16 only) charges

2.4.4 **Policy**: Since 2010 we have undertaken a progressive review of G81 policy, standards and specifications provided online for competitors:

- During Q1 2011 we ensured that all the documents that were appropriate for publication at that time were published online, and provided a list of relevant UK Power Networks standards and specifications to enable competitors to see what was available and request suitable extracts from our CiC designers

- Since then we have carried out a structured review of all such standards and specifications, creating 'clean' versions more appropriate for competitor use (with internal references removed) and publishing these as they were completed
- During 2012 we created a new online G81 library which gives users easily-navigated access to hundreds of design standards, specifications and drawings.
- With the increasing levels of ICP/IDNO activity in the EHV Demand and Distributed Generation arena we are focussing on the development of specific documents to meet these requirements. During 2013 we progressively released a suite of documents for 33kV and 11kV DG connections which have been well received as they set out our general requirements in a clear and concise manner. Our focus then moved towards the development of a similar set of documents for 132kV connections which will be published during Q1 of 2014. To date we have 568 documents and drawings online.
- Competitors requiring additional guidance are able to request this either from our design team or via our Competition Q&A mailbox which is accessed directly from the G81 site.
- In August 2013 we added an index to our G81 website. Supplementing the existing navigable library and provided in response to a request from a major infrastructure customer, the index provides version history and gives real-time visibility of recent updates.
- **Benefits:**
  - i) These actions benefit competitors and customers in all RMS across all DSAs
  - ii) We have received many compliments from our competitors and other customers that use our improved G81 provision. ICP31 recently told us that they now cite UK Power Networks as the standard which they expect other DNOs to attain.
  - iii) At an April 2012 workshop, several ICPs commented positively about our G81 provision: "Improved access to information available such as G81 and records" (ICP35); "G81 Material and specs, documents and procedures are ever improving" (ICP31); "G81 and network documents available and easy to find" (ICP27).

2.4.5 **Review of internal processes:** Stakeholders asked us to review our internal processes to improve the efficiency of our non-contestable activities:

i) We audited all internal CiC processes in Q1 2011 to ensure they were being consistently followed

ii) In April 2011 we implemented a process of visible workflow tracking whereby the CiC design team hold a weekly review of all work, aided by a visual tool that tracks the status of their projects and enables them to jointly prioritise workload.

iii) A recent review of processes associated with live jointing to unmetered LV mains led us to greatly simplify and automate the request and authorisation process.

- **Benefits:**

  All of the above affect all UK Power Networks DSAs
  Item i) affects all RMS
  Item ii) affects all metered demand and generation RMS

Item iii) affects all unmetered RMS. This new UMC process has been particularly welcomed by a major communications utility customer currently using ICP27 to deliver its connections to pressing timescales (see testimonial from BT Openreach in Appendix 13/1).

2.4.6 **People and organisation**:

- Following the retirement of the previous CiC Manager early in 2011, the opportunity was taken to conduct an organisational review of the CiC activity in tandem with the audit of our internal processes resulting in an injection of additional resources(see Section 3.1).
- In keeping with our approach of engaging with external stakeholders, we also recognised the need to engage with our employees to ensure there was consistent understanding of the processes and behaviours required to support competition. As a consequence we greatly increased the scope and content of our employee awareness programme, providing dedicated expert resource to develop and deliver bespoke briefing to over 2,800 employees during 2012 and implementing an innovative web-based approach in 2013. Section 6.1.4 provides more detail of this activity.
- **Benefits:**

  i) This affects all RMS across all DSAs

  ii) Over 600 questions raised at the 2012 employee awareness briefings were answered, the majority on-the-spot, resolving any concerns or misconceptions and reinforcing the correct processes and behaviours.

  iii) The directorate-based approach to issuing the 2013 briefing reinforced to all employees the importance their own Director places on their awareness and appropriate behaviours.

2.4.7 **Communications:** In line with our focus on stakeholder engagement, considerable effort has been directed towards the many ways in which we communicate with both competitors and customers:

- Section 6.1.1 describes the staged improvements we have made to our external website for the benefit of both competitors and customers. It also covers a leaflet we produce that clearly and simply explains to customers what competition means and what areas of work are contestable.
- Section 6 also describes a Competition Q&A service that we set up in response to a request from stakeholders. This enables a competitor to submit a question to a dedicated mailbox on any subject related to Competition in Connections, whether associated with policy, standards, specifications or processes, with responses being coordinated via a network of subject matter experts across the business.
- **Benefits:**

  i) These actions affect all of the RMS across all DSAs

  ii) Although we now have a vast amount of technical information online, the Q&A service has enabled customers and competitors to discuss requirements for those few specialist areas of design not yet published

  iii) The Q&A service provides early assistance those customers that do not yet have a design under way and do not therefore have access to a UK Power Networks designer.

  iv) To date most enquiries have been project-specific, however if we provide responses that we feel may benefit others we will make them available either online or via our newsletter

2.4.8 **Access to network records:** This was identified by competitors from the outset as one of the areas of greatest priority. They expressed concern that they were unable to obtain access to the plans and diagrams they need. As a result we engaged with Ordnance Survey (OS) to explore options to share plans with OS backgrounds within the terms of our OS licence, inviting the OS to attend meetings at our office. After some negotiation and full explanation of the circumstances surrounding ICP activities, the OS overcame initial reluctance to permit competitor access under the terms of our licence. They agreed that we could offer online access to specified competitor representatives provided that the plans were used only to identify points of connection to the UK Power Networks network and that the competitor had the correct Lloyds Register National Electricity Registration Scheme (NERS) accreditation. Competitors electing to use this service had access to network record plans (i.e. 1:500 scale geographic OS map based plans) from January 2012. LV operational diagrams (i.e. the 'geoschematic' single line diagrams that show the operational configuration of our low voltage network) became available in November 2012 for EPN and SPN and in February 2013 for LPN.

Benefits:

i) This action affects all of the RMS across all DSAs

ii) Competitors have acknowledged the benefit of this service offering. In their feedback to a recent workshop in February 2013 ICP31 commented that "Better access to cable records web system is encouraging".

2.4.9 **Legal processes associated with obtaining land rights:** In response to concerns expressed by competitors regarding the timescales associated with obtaining land consents and easements:

- In December 2011 we implemented new processes for ICPs to obtain consents and easements, placing more autonomy with the ICP and simplifying the end-to-end process.
- During 2011 we piloted an innovative approach to IDNO consents with one IDNO. A representative of the Competitive Networks Association, which comprises many IDNOs, presented this new approach to the ECSG in May 2011 as an example of best practice. After several iterations to align IDNO requirements we are now awaiting their final sign-off before full implementation.
- **Benefits**:
  i) These actions apply to all metered demand and generation RMS across all DSAs
  ii) At our November 2012 workshop an IDNO commented that "The UKPN IDNO agreements process is now the best in the UK" (ICP18).
  iii) In response to stakeholder feedback requesting better access to progress updates on projects progressing through the legals process, we worked with our primary third party legal provider to arrange for competitors to have direct access to their web portal to view progress on live projects. Following a re-tendering process, all three of our third party legal service providers have created web portals. The first portal went live in April 2012, the second in July 2013 and the third portal went live in September 2013.

2.4.10 **Splitting contestable works**: Stakeholders asked us to consider opportunities for them to carry out only part of the contestable work on a project. We asked what area was the highest priority and were told that the design of non-standard substations, particularly in the London area, was a chief concern, as these are often bespoke designs in restricted spaces with challenging customer requirements. We have therefore developed and implemented a service that allows a competitor to engage UK Power Networks to carry out this design work.

Benefits:

i) This affects primarily the HV and above demand RMS's in the LPN area
ii) It enables ICPs to bid for more complex schemes

2.4.11 **"Convertible quotes"**: In an effort to provide greater flexibility to our customers, and in response to one of the 12 points set out by the Competitive Networks Association as indicators of effective competition (see **Appendix 11: Competitive Networks Association: 12 tests for competition),** we developed and piloted a "convertible quote" enabling our Section 16 customers easily to transfer the non-contestable element for acceptance by a competitor. More detail on this initiative is included in section 5.3.

.**Benefits:**

i) This affects the HV demand RMS in all DSAs
ii) It enhances customer awareness of the competitive option
iii) It avoids the need for a competitor to re-apply for a non-contestable quote, thereby reducing the lead time to the customer

2.5 Improvement suggestions not pursued

All improvement suggestions proposed by stakeholders were taken into consideration when developing our action plan, however not all suggestions were carried through to implementation. In some instances feasibility was explored in Phase 1 but was taken no further and in other cases it was insufficiently clear what was being proposed and stakeholders agreed the item could be closed. All such items are noted in **Appendix 10: Competition Improvement actions arising from stakeholder workshops,** with an explanation of the circumstances of each case.

2.6 Best practice

In our pursuit of developing most effective policies and practices we engage with a number of different stakeholders as a result of which contrasting views and approaches can be compared. Those stakeholder groups include ECSG, ECSG sub-groups, customers, competitors and consultants. It has also included consideration of more broadly-based experience in the general utilities sector via the South East Utilities Group. We also ask our competitors to share their experiences of what works well with other DNOs.

Four recent examples of learnings include:

- The development of a new legal process which in itself has been noted as best practice across the industry.
- The development of the "Convertible Quote".
- The development of a Linking and Fusing service that allows our competitors to work on the interconnected network in central London.
- Our participation in the Inspection and Monitoring Working Group. This is a sub-group of the ECSG and is working towards improving Inspection and Monitoring across the industry.

3 Processes and Procedures

3.1 Structure and resources

We have operated a ring-fenced Competition in Connections team since 2004, providing a dedicated, focussed and specialist service that includes the provision of quotations through to managing the construction and inspection of the final point of connection prior to adoption. The validity of this approach was tested early in 2011 when an internal review of the Competition in Connections activity was undertaken; this concluded that the current arrangements provided the optimum service to Section 16 customers and competitor customers alike.

The rationale for the current organisation was primarily to discharge our obligations in respect of SLC15 but was also mindful of our non-discrimination obligations under Licence Conditions 4 and 19.

We monitor the level of activity within this team on a regular basis and during 2012 we invested in eight additional resources (a 38 per cent increase) to address increasing workloads and to improve service levels. This increase in resource levels has enabled us to keep pace with the increase of over 50% in the volume of CiC enquiries in the year to February 2013 compared to the previous year. In June 2013, the team was extended by a further nine resources which brings the overall increase to 57 per cent since 2011. At a 2012 workshop competitors commented that “Design approvals process improved now CiC team has increased in size”’ (ICP30); “POC application process and design approval are good” (ICP6).

3.2 Policies and standards

UK Power Networks’ overarching philosophy is to ensure that it does not operate in a way that is deliberately or effectively anti-competitive and there are specific policies and standards in place that require compliance with all relevant Licence Conditions and Competition Law. In addition we have developed specific policies to cover extension of contestability and Competition in Connections.

In terms of technical standards, we have undertaken a phased approach. At an early stage we made it a priority to:

- ensure that all available material was made available online
- publish a list of all our internal design specifications to enable competitor to request extracts as necessary

Over the course of the last two years we have made a number of incremental improvements to the way our standards and specifications are both documented and shared.

In addition we embarked upon a comprehensive review of G81 standards and specifications. We determined that it would be more helpful to develop bespoke G81 documents rather than simply replicate the full range of our own documentation, and these have been released online as they are completed. Competitors now have online access to all available relevant design standards, specifications and drawings. During 2013 we published a suite of documents for 33kV and 11kV DG connections. Our focus is now towards the development of a similar set of documents for 132kV connections which will be published during Q1 2014.

We constantly seek to improve our G81 site, and in August 2013 we added a "G81 Index". The G81 Index lists all documents and drawings held in the G81 site and shows the current and previous version number and date. This was created in response to a request from a customer who required version history information for inclusion in tender documentation and it has been warmly welcomed by stakeholders. The index is updated whenever a document is added, removed or updated, with colour coding to highlight recent changes. This has given our competitors and other customers visibility of any recent updates that may have occurred as well as assurance that they are looking at the most recent document.

3.3 Consistency of service to competitors and our own connections customers

UK Power Networks takes all of its licence and regulatory obligations seriously and as such devotes considerable care and attention to ensuring that there is no discrimination between the services provided to competitors and those to our own connections customers. This includes:

- delivery of and compliance with SLC15 standards for services to competitors
- voluntary application of penalty payments to SLC15 customers (demand and DG)
- development and operation of common, consistent policies, processes and pricing models wherever practicable
- two-yearly competition briefings to all management teams
- annual competition awareness briefings to all relevant UK Power Networks employees
- routine auditing of connection offers to ensure that the Common Connection Charging Methodology Statement (CCCMS) is applied correctly
- submission of an annual LC19 return to Ofgem

In addition to these routine activities we have also taken the opportunity to:

- write to all major contractors and suppliers to remind them that they are free to enter and/or participate in the competitive connections market if they so choose (see **Appendix 17**)
- develop an innovative new non-contestable service (Approved Signal Injection Device - Cable Identification) where it became clear that such a service would be necessary to facilitate the extension of contestability
- develop a comprehensive awareness and training programme aimed at communicating important facts and required behaviours across all parts of the UK Power Networks organisation (see para 6.1.4)
- affirm that, if requested specifically by the end-customer, and subject to the contractor being both an accredited ICP and approved to undertake non-contestable services, we shall consider if it may be possible to allow that contractor to complete all aspects of the customer's connection.
- provide a Linking and Fusing service that allows our competitors to work on the interconnected network in central London.

3.3.1 Design consistency

Currently the design and quote for a non-contestable project are undertaken separately from a traditional Section 16 offer and therefore there are a number of measures that we take to ensure that there is consistency of approach. These include policies and procedures, commercial briefing notes, designer training, periodic audits by the lead design engineers in each region and ad-hoc connection charge audit. However we have a pilot under way for a convertible quote that enables a Section 16 customer to transfer the

non-contestable element for acceptance by a competitor, which ensures consistency as the same quote applies for each option. Section 5.3 provides more details about this new offering.

3.3.2 Price consistency

We can confirm that all source price units are identical for all non-contestable and contestable work regardless of whether the quote is for a full Section 16 or a CiC customer, since both types of quotation are created from the same source of cost components in a single IT system (CQS).

4 Actual and potential competition

4.1 Actual competition

4.1.1 Market share

In theory it is possible to calculate market share using a number of different methods, including volumes of projects, overall value of work, number of connections and connected load. There is no one perfect measure, but we have chosen the most representative measure that is applicable to the metered and unmetered areas of work respectively.

Metered:
In our view the most representative measure is based upon connected load. We believe that, for metered work, this correlates closely with income. We considered basing market share on income but rejected this on the basis that, given the diversity of work involved in metered connections projects, we do not believe it would be appropriate to attempt to estimate the competitor's charges for the contestable element of the work. We also elected not to use either the number of connections or the number of projects, each of which would produce an unsophisticated perspective that would not take into account the diversity of connections projects, the range in their associated values and the significant impacts of new IDNO network connections.

Using connected load, Figure 4 summarises the market share for each segment and the graphical trends included in each of the metered market segment analyses in Section 9 are all based upon connected load. We comment on each segment by DNO in the segmental analysis in Section 9.

Unmetered:
For unmetered work we believe the most representative measure is value. We have therefore calculated the proportion of the market lost by valuing each task at the price UK Power Networks charges for that type of task. The nature of the work involved means that connected load is both inappropriate and impracticable to capture for this market and is not a viable option. Task volume analysis is a simplistic and inaccurate approach as it does not recognise the variation in complexity of different task types, nor does it recognise income lost to others when UK Power Networks are not responsible for the groundworks, such as via delivery through a Rent a Jointer or Jointer Only arrangement.

For unmetered work, in addition to the loss of market share arising from the new connections competitors deliver to local authorities (LAs), either directly or via PFI schemes, or to other highway services customers, LA customers who enter into Rent a Jointer or Jointer Only schemes with us also benefit from being able to deliver their own groundworks - work which UK Power Networks would otherwise have carried out along with the electrical connections. We therefore include in the value of market share lost an estimate of the value of work the customer is able to place elsewhere, again based upon valuing each task type at the price UK Power Networks would charge for the associated groundworks.

Figure 4 shows the percentage of market share retained, for each RMS and each DNO n the scope of this Notice, for the 12 months to October 2013 (for Metered RMS) and September 2013 (for Unmetered RMS), calculated on the bases set out above. Current market share for UMC LA in the EPN and SPN network areas are provided for comparative purposes.

Figure 4: Market Share Retained by UK Power Networks

	HVHV	UMC LA	UMC Other
EPN	35%	58%	69%
LPN	38%	81%	83%
SPN	33%	42%	87%

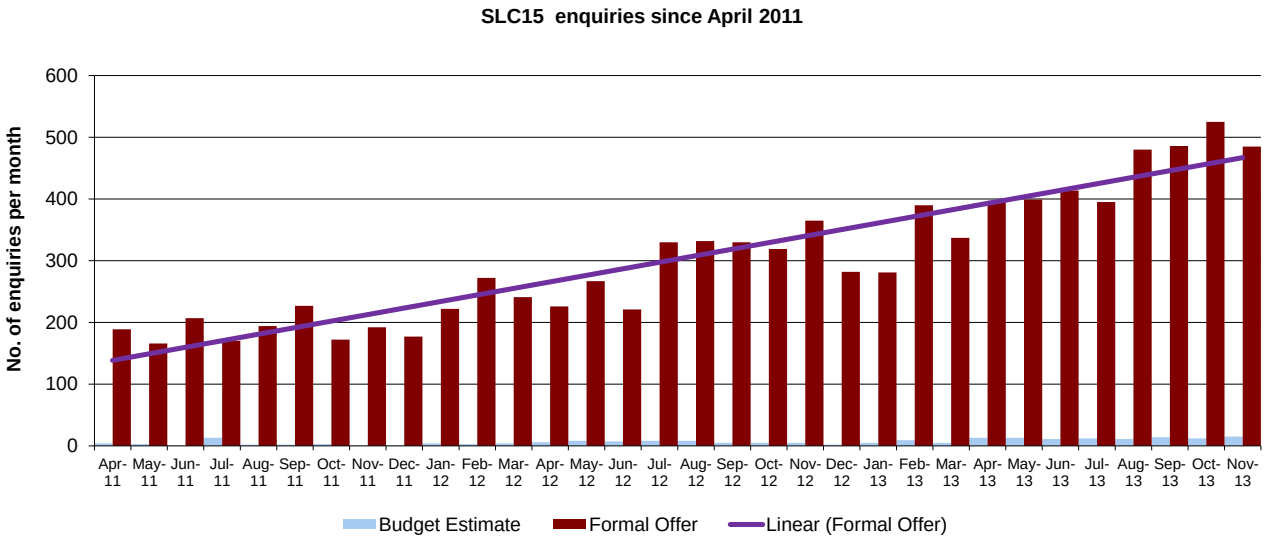
There is clear evidence of loss of market share within each RMS. In particular loss of market share in the newly defined HVHV metered market segment has been extensive and consistent all three of our DNO areas. For unmetered work, ICP activity is greatest in EPN for the UMC Other market segment. For specific market share analysis for each market segment, see Section 9.

4.2 Potential competition

The effects of the extension of contestability and the cumulative effects of all the improvements implemented within the competition improvement programme have begun to have an effect on the market share figures but are still to be fully realised. As a consequence of those changes and along with our ongoing commitment to stakeholder engagement and continuous improvement, we would expect market share to continue to fall further in all segments. In addition, the increasing numbers of players and new entrants in each segment suggest that there is the potential for competition to flourish in those segments. Figure 5 shows the steady rise in the numbers of SLC15 enquiries received during the last two years.

UK Power Networks' market share has fallen to two thirds in some market segments and there are examples of significant loss of market share in all three DNO areas. The consistency of our systems, processes and procedures coupled with growing customer awareness and the evident mobility of the competitor community both within UK Power Networks and nationally all point to the existence of potential competition in all the RMS included within the scope of this Competition Notice.

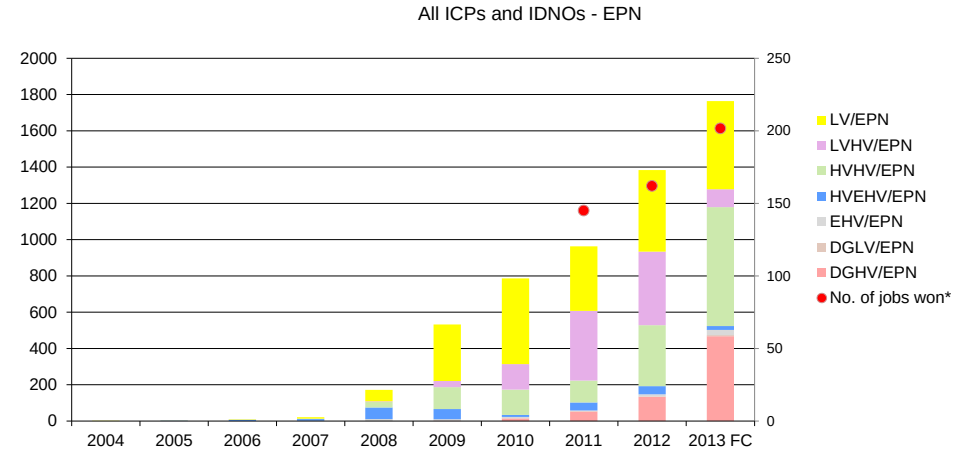
Figure 5: **Volumes of SLC15 enquiries received**

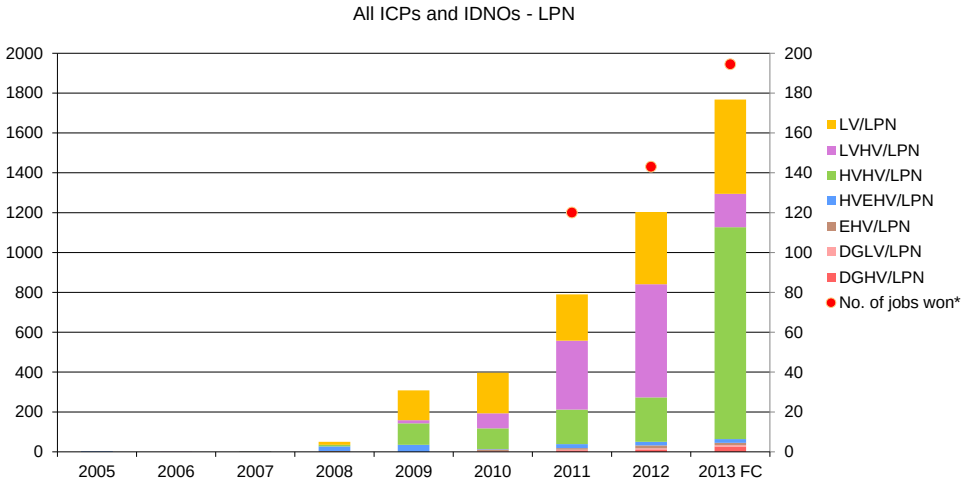


4.3 Competitor activity

We have invested significant effort in carrying out a detailed analysis of competitor activity in the three DNO areas and nine market segments. Appendix 9 includes full details of this analysis. Drawn from this detailed analysis -Figure 6 shows, for each DNO area, the growth in volumes of SLC15 enquiries for metered work, analysed by market segment, together with the number of quotes issued to ICPs for each of the last three years. Similarly Figure 7 shows market share and activity trends for unmetered work. More detailed findings relevant to each segment and each DNO are included in the segmental analyses in Section 9.

-Figure 6: Competitor activity - growth in numbers of enquiries and quotes accepted for metered work
Note that the left axis shows numbers of enquiries and the right axis shows the number of quotes accepted (full year quote data only available since 2011). The forecast for 2013 is based on 10 months' actual data.





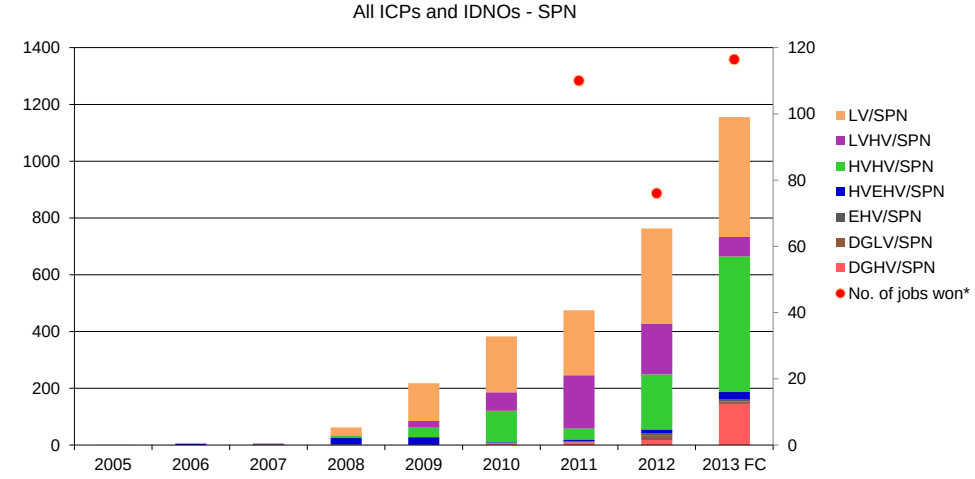
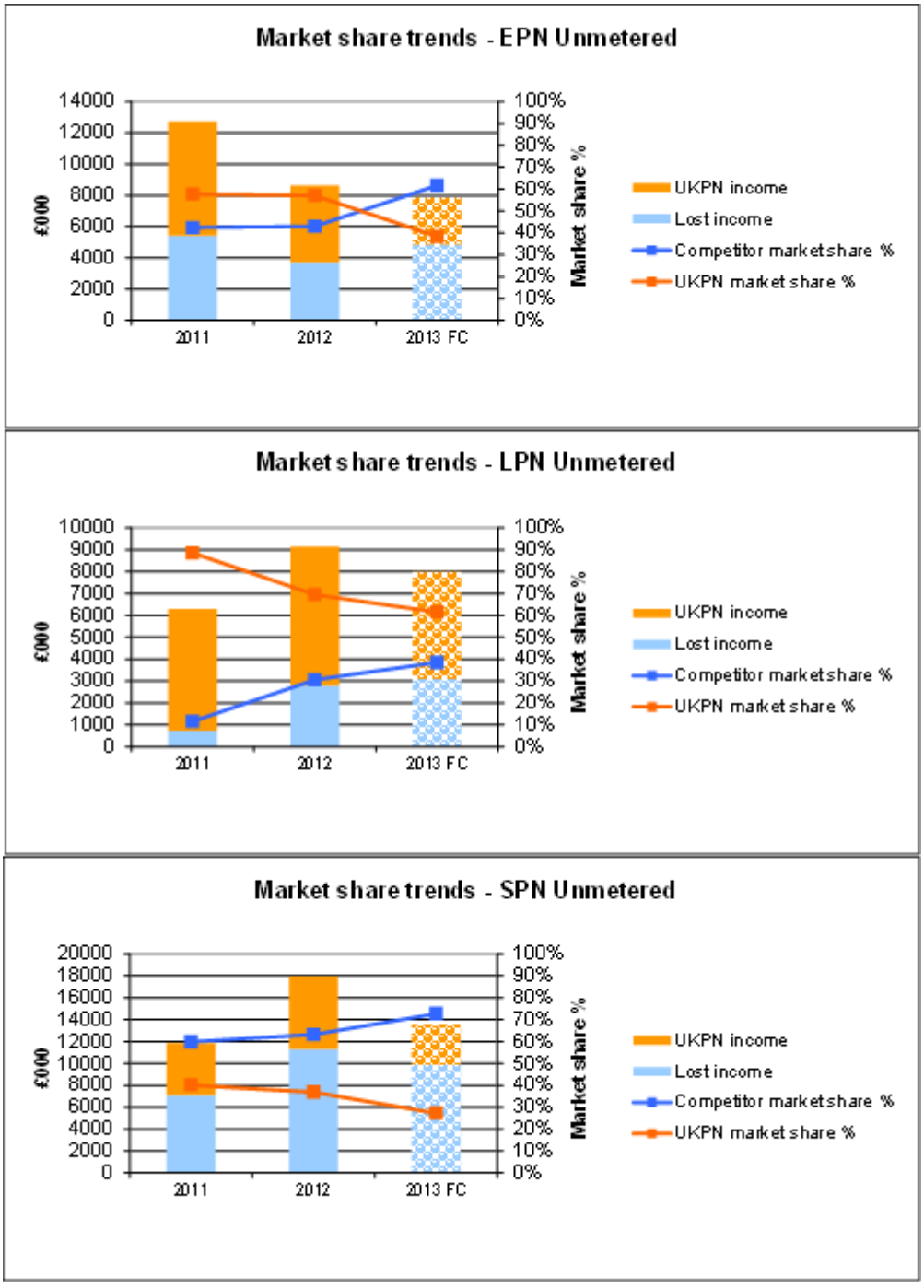


Figure 7: Competitor activity in the unmetered markets
Note: This is a summary of all three Unmetered RMS. The forecast for 2013 is based on actual data to September.



4.3.1 Number and location by segment

There are currently 134 competitors registered with NERS with varying levels of accreditation to work in the UK Power Networks area. Of those, 28 have submitted enquiries for metered work and 27 have had designs accepted. Of those 27, 23 have been successful in winning work in all three of our DNO areas, two in two areas and the remaining two in one area. In the unmetered arena, we have Contractor Agreements signed with 11 different ICPs and three more under way and these ICPs have access to 55 different Asset Owners.

Appendix 6: Number of SLC15 enquiries by metered RMS and competitor trends shows the rise in volumes of participants and numbers of enquiries for the metered market segments during the last five years for each DNO area.

Appendix 7: Analysis of SLC15 quotes issued and new entrants shows the numbers of formal quotes issued to each competitor over time. It indicates that five new competitors have entered the UK Power Networks market since 2012, representing 20 per cent of all competitors that received quotes in 2012, and their share of all quotes issued was 8 per cent. In the ten months of 2013 this percentage has risen to 12 per cent.

4.4 Ease of processes for new entrants to start operating in our area

Competitors have often commented that it is unreasonable and unnecessary for them to be subject to DNO trade tests given that they have achieved Lloyds Register NERS accreditation. We would agree with this position in respect of previously existing contestable work areas and UK Power Networks has no such requirement for trade tests.

When making a final connection, whether as business as usual or under a pilot arrangement, competitors are working on existing DNO assets (rather than assets that will subsequently be adopted by the DNO) and we believe that it is appropriate that for this category of work UK Power Networks should carry out checks on competitor staff to ensure appropriate network familiarisation and assessment.

A competitor intending to participate in these activities is required to provide details of the staff it is proposing to use to carry out jointing or operational work. This is done in the form of a request for a letter of acceptance. Competitors are required to provide evidence of the suitability of their candidates for acceptance and this is achieved initially by the provision of the following information to our CiC Manager;

- The candidate's NERS registration number and preferably a copy of their NERS passport.
- Valid (in date) emergency first aid certificate.
- Copy of the ICP's own competency certificate issued to their member of staff.
- Evidence of training received and work completed.
- If appropriate, a copy of the candidate's UK Power Networks competency certificate
- The skills for which the candidate is to be assessed

The accreditation team reviews each application and determines whether there is sufficient evidence to suggest that the candidate can be issued with a letter of acceptance without further assessment. This is only likely in cases where the candidate holds a current UK Power Networks competency certificate and can demonstrate these skills have been applied regularly in a work portfolio. In all other cases the candidate will be asked to attend an assessment where their competence and skill level will be assessed against performance criteria for the work they will be undertaking.

In the case of operational work, candidates are required to attend a network familiarisation course to ensure that they have adequate knowledge of plant and equipment in use on UK Power Networks' network and are familiar with its operation.

We generally run assessment sessions monthly. Duration varies dependent upon the competencies being tested. For street lighting service transfers, unmetered and metered jointing to mains most assessments are completed in one day. We anticipate an HV jointing assessment may take two days and the HV operational familiarisation assessment is likely to take 2/3 days. Therefore the end-to-end duration is typically between two days and four weeks, averaging around two to three weeks. We endeavour to make competitors aware that an assessment date is coming up so they can organise their staff.

Whilst UK Power Networks advise potential competitors of what they need to do to start operating as an ICP, we will always direct them to Lloyds Register for advice and guidance on the NERS accreditation scheme as this ensures consistency. The Lloyd's website provides comprehensive guidance on the registration scheme, what the ICP needs to have in place to obtain accreditation and how to apply.

Competitors wishing to carry out live jointing to LV mains or to participate in any of the extension to contestability pilots simply need to confirm an expression of interest and be able to demonstrate that they have the requisite skills to undertake the proposed work activity and hold the appropriate NERS accreditations. They are invited to an initiation meeting where the process is explained together with an explanation of how to obtain Letters of Acceptance, the connections agreements required and the NERS accreditations required.

Between August 2012 and 6th December 2013 73 candidates attended an assessment session and of those, 63 passed the assessment (86 per cent). These figures do not include those ICP employees who already held a UK Power Networks Certificate of Competence (circa one per month).

5 Price and transparency of pricing to customers

5.1 Transparency of pricing

Our Section 16 quotations are consistent across all three of our DSA areas. They show the charges and scope of contestable and non-contestable work separately, which is necessary to enable the customer to make an informed purchasing decision for the contestable work between UK Power Networks and one of its competitors. When we tested our customer's satisfaction with regard to transparency of pricing in a survey of recent one-off customers in 2012, 72 per cent of respondents understood what was included in the price quoted *either to a great extent or completely*.

For SLC15 quotations, 67 per cent of competitors who responded to our survey in November 2011 indicated that our quotes were not sufficiently transparent; their detailed responses indicated that the main concern was about the level of detailed cost breakdown provided, hence our efforts to maximise the degree of breakdown (see 5.1.1 below).

5.1.1 Breakdowns of contestable and non-contestable charges

In section 2.4 we gave an overview of the series of staged improvements we embarked upon to increase the breakdown of charges provided in our quotations. Our initial priority, driven and agreed by our competitors, was to focus on non-contestable charges. Figure 8 shows the 16 cost elements our designers provided manually from our quotation system from March 2011 and Figure 9 shows the full breakdown provided to competitors following system changes from July 2012, the proposals for which were discussed and agreed with our competitors.

Figure 8: Breakdown of non-contestable charges – stage 1

Cost Breakdown Associated With Quotation/Estimate			
Non Contestable Charges	**Plant & Material (£)**	**Installation & Other (£)**	**Total (£)**
LV Works	£72.27	£615.45	£687.72
HV Works	£431.29	£7,767.47	£8,198.76
EHV Works	£0.00	£0.00	£0.00
Miscellaneous	£0.00	£1,226.40	£1,226.40
Credits	£0.00	£0.00	£0.00
Customer Funded Reinforcement Works	£0.00	£0.00	£0.00
Assessment/Design Charges			£1,711.80
Testing & Inspection Charges			£746.50
Operation, Repair & Maintenance			£0.00
Second Comer Contribution			£0.00
Total Non Contestable Charges (Ex VAT)			£12,571.18

Figure 9: Significantly enhanced detailed breakdown of non-contestable charges – stage 2

NON - CONTESTABLE BREAKDOWN OF CONSTRUCTION COSTS (incl overhead)					
	LV Work	**HV Work**	**EHV Work**	**Miscellaneous Work**	**Total**
Labour - Jointer & Mate					
Labour - Fitter & Mate					
Labour - Linesman & Mate					
Labour - AP / SAP					
Labour - Other					
Labour Total	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Materials - Cable HV, EHV & Pilot					
Materials - Cable LV & Earth					
Materials - Jointing Kits & Accessories					
Materials - Termination Equipment					
Materials - Other					
Materials Total	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Plant - Grnd. Mounted Tx & ACB's					
Plant - Pole Mounted Tx & OH'd Plant					
Plant - RMU, Switchgear & LV Cabinets					
Plant – GRP, Pre-Fab Subs & Accessories					
Plant - Other					
Plant Total	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Other - Excavate Lay & Reinstatement					
Other - Specialist OH'd Line Works					
Other - Off-loading & Traffic Management					
Other - Specialist Contractor Cost					
Other - Misc Items					
Other Total	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Less Non Contestable Credits					
Total Non Contestable Credits	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Total Non Contestable Works	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

The benefits arising from this increased breakdown of non-contestable charges include:

- Significantly improved customer understanding of what work had been included in the Connection Offer, enabling both parties to agree any variations more quickly and project manage the works more efficiently
- Greater visibility of the extent of any off-site works that may be required to provide the new or modified connection e.g. network reinforcement works
- Greater visibility of the aspects of work that incur greatest cost thus generating opportunities for the customer to consider more cost effective design changes or modifications to their requirements e.g. comparing route length of cable against plant cost

As a result of the positive feedback received from our competitors, with all except one agreeing in a recent survey that the breakdown of non-contestable charges was now adequate, we have now implemented changes to our IT systems that extend this level of detailed breakdown to the Contestable and Dual Funded elements of all Connection Offers in addition to the non-contestable work. Rollout of these changes was completed in June 2013. Additional benefits from this development include:

- The provision of more detailed Contestable cost information enabling our customers to make better informed value judgements regarding the benefits that could potentially be gained from the use of alternative suppliers
- This supports competition by assisting IDNOs and ICPs to more efficiently offer quotations on a like-for-like basis

5.2 Consistency in non-contestable pricing

As described in its published Common Connections Charging Methodology Statement, UK Power Networks does not apply any differences between the pricing of traditional full Section 16 quotes (contestable and non-contestable work) and those for SLC15 customers (non-contestable work only). All prices are derived from the same cost components contained within the established IT system for cost estimation and quotations.

5.3 Transferring Section 16 non-contestable charges to a competitive quote

Until recently, all customers who received a full Section 16 quote and then wished to pursue the competitive option needed to make a separate application to the CiC team to receive a quote for the non-contestable elements of the work only. The CiC designer liaised with the Section 16 designer and utilised their design and point of connection to determine the non-contestable charges. The quote is prepared within the SLC15 timescales.

However in response to stakeholder feedback, in October 2012 we developed a format for a Section 16 quote that can easily be transferred to a competitor. This arrangement, which is known as a “Convertible Quote”, also either enables the customer to accept only the non-contestable element of the quote or facilitates the transfer of that element for acceptance by the competitor. This greatly simplifies the

arrangements for both customers and competitors where a customer in receipt of a Section 16 quote subsequently decides to appoint a competitor to carry out the contestable works.

Where a customer is not fully aware of the process we provide advice on where to find a competitor. It is also quite usual for the customer to engage an ICP and discuss their requirements before asking for the non-contestable quote. In this scenario it is the ICP that subsequently makes the application on behalf of the customer.

We initiated a pilot for HV quotes and following the initial success we have now begun a programme of progressive roll-out, starting with distributed generation customers across all three DNO areas, then incorporating all HV customers, and finally all other types of quoted work once new IT applications have been implemented.

A pilot for HV convertible quotes was initiated in our SPN area in November 2012 and subsequently in specific geographic locations within our LPN and EPN areas. We sought specific feedback as part of this pilot; this was not particularly complimentary and may explain why a convertible quote has yet to be accepted. We therefore took the decision to delay the wider introduction of convertible quotes to include DG customers until the second half of 2014 and to incorporate the further development of this into our Business Transformation Programme.

6 Promoting awareness of competitive alternatives

6.1 Actions to promote customer awareness

6.1.1 Website

An early priority was to review the area of our external website that deals with Competition in Connections, to provide more streamlined navigation and clearer layout for both competitors and customers. The proposed layout was tested with competitors and implemented in March 2011. **Appendix 14: UK Power Networks' website – before and after** shows in diagrammatic form the layout before and after this re-design. Section 8 provides more detail of our current website. We continue to evolve the website to improve customer experience.

6.1.2 Application packs

There is a single application form for all metered demand projects within the scope of the Competition Notice and this has been improved to include definitions of key terms to aid customer understanding, and a clearer layout to help the customer indicate whether they were choosing the competitive option.

All customers requesting an application form to be posted or emailed receive a copy of a factsheet entitled 'Did You Know You Have a Choice?' (**Appendix 15**) which explains how competition works and how to seek a competitive quotation. This factsheet was modified in consultation with competitors. However some 85 per cent of customers now make their application online without first contacting us and most of those who do call are happy to be directed to our online application form, which provides ample explanation of the competitive option as referred to above.

6.1.3 Quotes

All Section 16 quotes sent out are accompanied by a copy of the factsheet described in section 6.1.2 above.

6.1.4 Employee training and awareness

We recognise the need to engage with our employees to ensure consistent understanding of the processes and behaviours required to support competition. During 2011 this was achieved primarily by engaging with senior and middle management, supported by communications material issued for team briefing.

Although this cascade approach to communication went some way to increasing awareness across UK Power Networks, feedback from competitors as well as our own observations have highlighted some localised shortcomings in understanding and behaviour. This led us to re-invigorate our employee awareness programme, securing additional resource to support our competition development team in surfacing issues and designing and starting to deliver targeted face-to-face briefings to improve understanding and identify and address any remaining concerns.

In June 2012 we began a comprehensive programme of awareness briefings, with over 2,800 employees receiving targeted face-to-face briefings reminding them of the nature of competition in connections and reinforcing the behaviours required of them. These briefings were delivered to small groups allowing questions to be addressed on the spot and over 85 per cent of those who attended agreed that they now understood more about competition and how it can be affected by their behaviour. All the questions raised have been addressed and we have published key points on our intranet for staff to refer to.

In 2013 the main focus of the annual briefing was on behaviours expected of staff, giving examples of behaviours that can be detrimental to competition. We took a different approach to the communication medium for this briefing in that we arranged for each Director to personally send their staff a video link to a presentation created using Kulu Valley – a web-based tool that enables the briefer to be recorded so viewers can see and hear the briefer alongside the slide content. This medium ensured the message was delivered consistently and this has received positive feedback from employees: “interesting and relevant”; “this style of approach was refreshing and interesting”; “Very good graphics which illustrated the point well.”

6.2 Customer surveys

In order to gain first-hand feedback from our competitors and our customers, we have undertaken a comprehensive series of surveys across the customer/competitor landscape. An overview is provided in Section 8 and full details in **Appendix 16: Customer and competitor surveys.**

7 Efforts to open up non-contestable activities to competition

7.1 A 'business as usual' approach

At UK Power Networks 'live jointing to LV underground radial mains' was formally transferred to contestable status on 26 October 2012. This has facilitated significant volumes of live jointing work to now be completed by ICPs particularly in respect of Highway Services connections. Further, we are pleased to report that jointing to existing DNO HV mains was also formally transferred to contestable status on 31 July 2013. Since that time we have continued to promote the use of pilots (our term for 'trials') over a wide range of non-contestable activities as a means to test their suitability for transfer to 'business as usual' working.

7.2 A leading player in extending contestability

We have referred to trials as 'pilots' in order to signal a positive intention to move to business-as-usual working at the successful conclusion of a pilot. We have demonstrated that we were prepared to run a reasonable number of pilots concurrently so that experience may be gained quickly and for our processes to be tested by a range of ICPs. UK Power Networks has carried out extension of contestability pilots across the following range of original non-contestable activities:

- Unmetered live jointing to services
  This concerns work for disconnections, transfers and reconnections involving live jointing on the service cable only, that was introduced voluntarily in UK Power Networks' areas prior to the current round of extension of contestability
  - Started 2009
    - significant activity volumes: see Figure 10.
    - agreements in place with 15 ICPs
    - 8,000 transfers or disconnections in 2010, more than 17,000 in 2011, more than 21,000 in 2012 and almost 32,000 in the first nine months of 2013
  - UK Power Networks revised design standard (April 2011)
    - Overall permissible service length increased to 15 metres
      Prior to live jointing to mains becoming a contestable activity on 26 October 2012 this provided a greater opportunity for ICP participation as it acted to significantly increase the number of cases where a service 'transfer' could be used instead of a new connection to main and hence significantly increased the number of jobs that could be completed by an ICP
    - Formal transfer of this work category to contestable status resulted in this becoming 'business as usual' with effect from 26 October 2012

- Unmetered live jointing to mains
  This concerns the jointing of new 'unmetered' service cables to existing UKPN mains
  - The first pilot, with ICP26 on a PFI in the EPN area began in April 2011 and is now operating as business as usual

- We provided an Approved Signal Injection Device Service to enable ICPs to facilitate cable identification
- A second pilot with ICP8 for LA9 and LA13 in the EPN area began in October 2011
- ICP9, ICP22 and ICP33 began carrying out live jointing to LV mains during 2012 and ICP13, ICP19, ICP48 and ICP49 in 2013.
- See Figure 10 for volumes
- This activity was transferred to business as usual when formal contestable status was established on 26 October 2012

Figure 10: Unmetered live jointing – volumes

Unmetered live jointing volumes

Live Jointing to Services		2010		2011		2012		2013 (11m to Nov)	
		Requests received	Joints completed	Requests received	Joints completed	Requests received	Joints completed	Requests received	Joints completed
EPN	ICP8	329		755	680	374	215	2018	1341
	ICP9	0		0	0	619	296	2193	259
	ICP12	445		1469	1018	854	437	0	0
	ICP13	0		77	77	36	30	22	6
	ICP19							6	2
	ICP22					249	77	1228	984
	ICP26	546		1295	942	1822	1298	73	78
	ICP27							261	138
	ICP47							1130	430
	ICP48							196	187
	ICP49							9	2
Total EPN		**1320**	**0**	**3596**	**2717**	**3954**	**2353**	**7136**	**3427**
LPN	ICP8	666		325	309	225	162	984	277
	ICP9	0		0	0	522	259	1123	421
	ICP22	0		0	0	817	521	1005	587
	ICP33							3	2
	ICP34	0		170	18	763	501	124	26
Total LPN		**666**	**0**	**495**	**327**	**2327**	**1443**	**3239**	**1313**
SPN	ICP9	0		0	0	43	41	750	68
	ICP22	0		130	102	1920	1310	4967	3539
	ICP27							75	45
	ICP33	295		227	118	1837	1176	5554	2487
	ICP34	6031		13054	11263	11061	10259	10232	5084
	ICP48							6	0
Total SPN		**6326**	**0**	**13411**	**11483**	**14861**	**12786**	**21584**	**11223**
Total UKPN		**8312**	**0**	**17502**	**14527**	**21142**	**16582**	**31959**	**15963**

Live Jointing to Mains		2010		2011		2012		2013 (11m to Nov)	
		Requests received	Joints completed	Requests received	Joints completed	Requests received	Joints completed	Requests received	Joints completed
EPN	ICP8			47	0	136	124	59	29
	ICP9					13	6	299	76
	ICP13							10	4
	ICP19							5	5
	ICP22					46	16	140	77
	ICP26			339	242	623	390	25	28
	ICP48							6	5
	ICP49							2	0
Total EPN		**0**	**0**	**386**	**242**	**818**	**536**	**546**	**224**
	ICP8							35	9
	ICP9							3	1
	ICP22					1	0	23	19
Total LPN		**0**	**0**	**0**	**0**	**1**	**0**	**61**	**29**
	ICP9							185	84
	ICP22					1	0	196	232
	ICP33					28	0	1910	291
	ICP48							6	0
Total SPN		**0**	**0**	**0**	**0**	**29**	**0**	**2297**	**607**
Total UKPN		**0**	**0**	**386**	**242**	**848**	**536**	**2904**	**860**

- Metered LV jointing to mains
  This concerns the jointing of both new service cables and new mains cables to existing UKPN mains cables for metered connection projects including both 'on-site' and in the public highway
  - The first pilot, with ICP27 started in October 2011
  - 68 joints completed (28 in EPN, 5 in LPN and 35 in SPN area) as at November 2013
  - Project initiation meetings have been held with several other competitors (ICP7, ICP15, ICP24, ICP26) who have expressed an interest in taking part
  - We have developed proposals for a combined LV point of connection and self-connect arrangement (see section 7.3) which the competitors who attended our February and May 2013 workshops welcomed. We first initiated discussions with ICP27 to progress this and have now completed one such project with ICP18. ICP4 have also expressed an interest and are seeking the relevant NERS scopes for final connection.
  - Live LV jointing to radial underground mains was transferred to business as usual when formal contestable status was established on 26 October 2012

- Highway Services Metered LV jointing to mains
  This work concerns connections for equipment normally located in the public highway where there is no exemption from the requirement for metering (i.e. not subject to The Electricity (Unmetered Supply) Regulations 2001)
  - Specific new area of highway services work identified in discussions with ICPs
  - Uses a modified version of the procedure for Unmetered Live Jointing to Mains
  - In the first pilot with ICP27 there were 65 requests in 2012 (32 completed) and 707 requests in the 11 months to November 2013 covering all 3 DNO areas (475 completed)
  - Interest has also been shown by ICP5, ICP6, ICP8, ICP9, ICP24, ICP25, ICP26 and ICP36
  - The activity was transferred to business as usual when formal contestable status was established on 26 October 2012

- HV final connections
  This category of work concerns the jointing of new high voltage cables to the existing UKPN high voltage network. There is a requirement for suitable arrangements to be put in place in order for a section of network to be temporarily isolated and released to the ICP to facilitate access for the jointing work to be completed
  - Pilots were developed in 2012 and have been available to ICPs since September 2012
  - It involves limited 'operational activity' by the ICP in addition to the 'connection activity'
  - Six joints have been completed with ICP31 in EPN
  - Six other ICPs have expressed interest (ICP15, ICP21, ICP24, ICP25, ICP36, ICP37) in HV final connections
  - jointing to existing DNO HV mains was formally transferred to contestable status on 31 July 2013
  - It provides for UK Power Networks to provide all of the associated operational activity
  - Two joints have been completed with ICP31 in LPN

– ICP4 and ICP36 are currently seeking NERS accreditation and expecting to commence in early 2014
– See additional comments in section 7.3

7.3 Pilots (trials) beyond those championed by the ECSG

These include:

- Split contestability
- Part funded reinforcement
- LV Point of Connection design
- Generic designs
- LV jointing to overhead mains

- Split contestability
  As a means to promote competition for those competitors that do not wish to provide the full range of contestable services, we have informed stakeholders that we are prepared to consider offering those elements of contestable works that the competitor does not wish to provide ("splitting contestability"). In response to their feedback we have started with non-standard substation civils design - the competitors' top priority, primarily in London. In addition, we also permit split contestability in respect of network extension design (i.e. UK Power Networks will carry out the network extension design) and specialist minor works (e.g. the installation of metering current transformers and remote control/automation equipment).

- Part funded reinforcement
  We are also working at the forefront of industry-wide efforts to open up part-funded reinforcement works to competition. We have agreed with ICP31 to carry out a pilot to include part funded reinforcement work so as to identify and resolve any issues that would otherwise act as a barrier. The work involves the installation of circa 2.5km of 11kV underground cable and is now almost complete. We have produced an initial 'lessons learnt' document, a copy of which has been provided to Ofgem. A meeting was held with both ICP31 and Ofgem in May 2013 so that the experiences of both parties could be presented and discussed. We understand that previous Ofgem work will be re-commenced early in 2014 and we are keen to make a full contribution.

- LV Point of Connection design
  In addition we have set up a pilot for 'LV Point of Connection Design' with ICP18. Other ICPs have also been invited to take part in a pilot. This will allow the competitor to propose the point of connection in addition to the design of the extension assets. Design approval will be required in the normal manner. See also our combined point of connections design and LV self-connect pilot proposals referred to under Metered LV jointing to mains pilots in section 7.2 above.

- Generic designs
  We have been trialling 'generic designs' with ICP18 whereby if the competitor submits a generic design

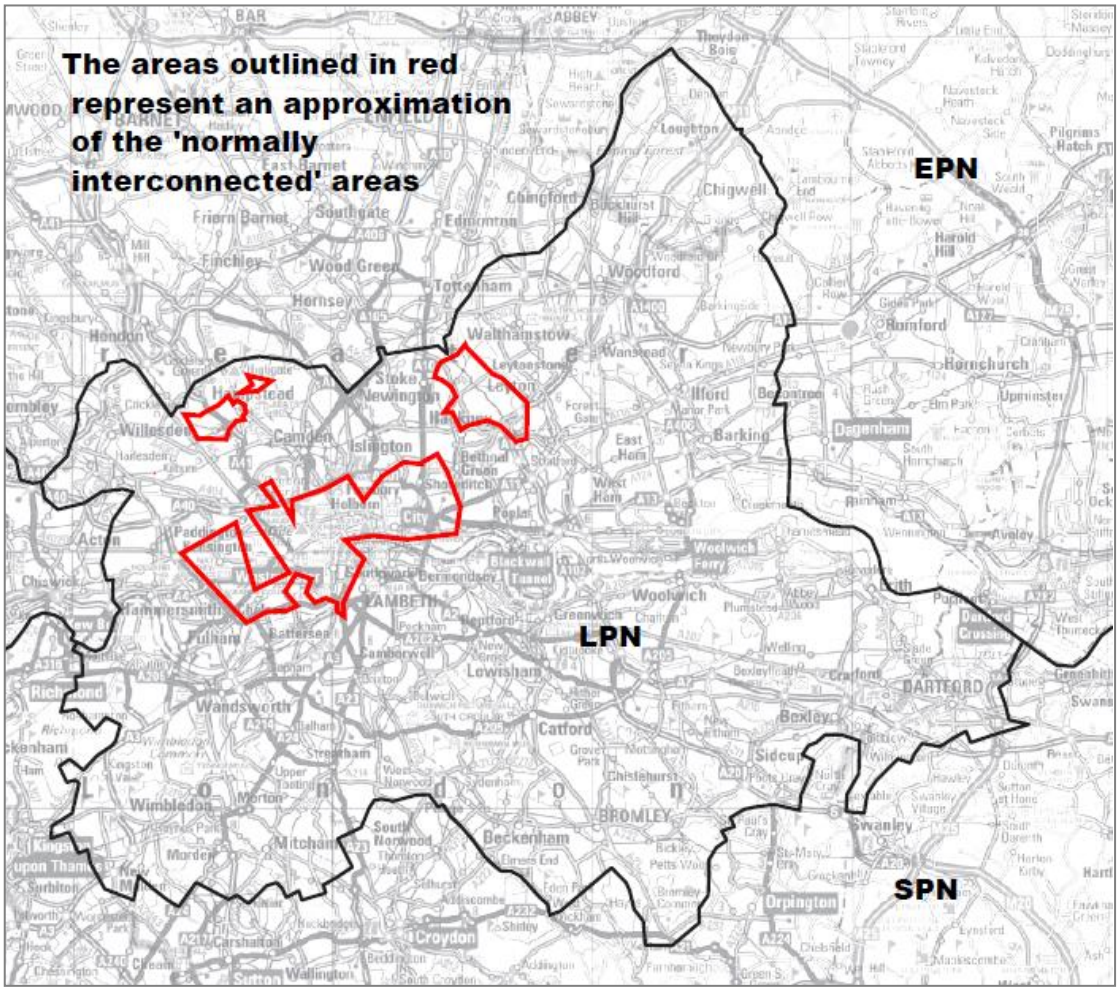
for approval, the design approval process is much simplified as a significant content of the design will have previously been approved. With this approach we believe that a more consistent approval expectation results that will in many cases allow the ICP to progress further with the project in advance of formal design approval

- LV jointing to overhead mains
  We have received interest from some competitors in making new connections to LV overhead mains. We note the comment in Ofgem's decision letter (8 May 2012) about safety concerns raised in the ENA paper but in any case we propose to explore if such concerns can be overcome and to consider if, in principle, a pilot would be appropriate. A meeting was held with both ICP9 and ICP33 in May 2013. We have made a request to Lloyds Register to create NERS scopes for this work activity.

7.4 Jointing to DNO existing mains

We support the 'in principle' decision made in Ofgem's letter dated 8 May 2012. UK Power Networks declared live jointing to low voltage underground radial mains as a contestable activity with effect from 26 October 2012. Ofgem will be aware that UK Power Networks did not initially include its LPN normally interconnected networks within this extension of contestability. This concerns the small proportion (circa 7 per cent) of the LPN network in central London (see Figure 11) where additional 'operational activity' is required prior to any live jointing taking place. However, we recognise that ICPs wish to compete in this area and so we are now pleased to report that all necessary arrangements are in place for us to provide a Linking and Fusing (i.e. 'operational activity') service that will allow live jointing in this area. We have already submitted a revised Connection Charging Methodology document to this effect and subject to Ofgem approval live LV jointing will become contestable in this area by 27 December 2013. ICP8, ICP9, ICP22 and ICP34 have all shown strong interest in the new Linking and Fusing service. We have issued them with the updated agreements and new procedures and we are expecting the initial requests to be made in the very near future.

Figure 11: The LPN distribution supply area showing the 'normally interconnected' areas



An early learning point from the initial unmetered live jointing to mains pilots was that we should offer a general low voltage cable signal injection service for ICPs in order to assist with their cable identification procedures and we now have procedures in place for them to call off this service where required.

Jointing to existing DNO HV mains was formally transferred to contestable status on 31 July 2013. It provides for UK Power Networks to provide all of the associated operational activity (refer 'option 2' below).

We based our initial pilot methodology on one of the two options provided within the ENA Connections Working Group 'Report to the ECSG'. This is the option where a section of high voltage network is temporarily transferred to the ICP by use of an Operation, Isolation and Earthing Certificate. We refer to this

here as ‘option 1’. We believe that this is the most appropriate option as it provides clearly defined roles and responsibilities particularly in respect of the ICP putting its own staff to work. It also provides for the ICP to carry out a significant amount of the required ‘operational activity’ associated with the ‘connection activity’. We believe including ‘operational activity’ within the pilot better meets Ofgem’s expectations and requirements, as set out in its decision letter of 8 May 2012.

We had initially been reluctant to adopt the alternative option where the DNO Senior Authorised Person issues a Permit to Work directly to the ICP cable jointer (referred to here as ‘option 2’) as this may blur the responsibilities associated with putting people to work. It also provides no opportunity for the ICP to carry any part of the associated ‘operational activity’ in line with Ofgem’s expectation. Experience within UK Power Networks and predecessor companies in recent years has highlighted that it is difficult to separate the act of issuing a Permit to Work document from the act of putting people to work.

We understand that another DNO has adopted a similar process to our pilot (i.e. our ‘option 1’) but where a DNO Authorised Person moves the high voltage ‘open point’ to one end of the feeder section to be worked upon following which a transfer of control for this feeder section is passed to the ICP Senior Authorised Person (referred to here as ‘option 3’). This option allows the ICP to perform more of the ‘operational activity’ and acts to minimise any duplication costs.

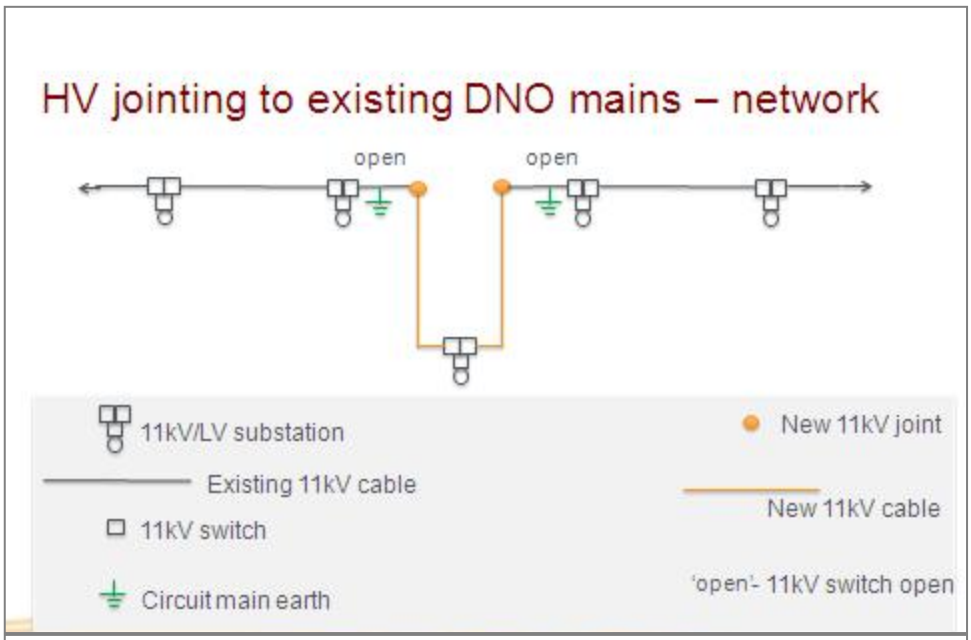
An illustrative network diagram and a table to show the ICP/DNO roles and responsibilities for each of the three options are shown in Figure 12 below.

At an ICP/IDNO Stakeholder Engagement Workshop we asked which of the three options described below were preferable to ICPs. There was limited reaction to the question and it was not clear if any of the ICPs present were interested in undertaking HV jointing to existing DNO mains within UK Power Networks areas. In the next following edition of our Competition Newsletter we asked the same question to see if we would get any different response from a wider ICP audience however no responses were received. On 15 April we emailed all our competitor contacts personally to seek their views.

At previous ICP/IDNO Workshops some ICPs had suggested that they would be interested to enter into the arrangement where our Senior Authorised Person would issue the Permit to Work to the ICP cable jointer (option 2). Notwithstanding our concerns explained above and in response to ICP preferences we have now reconsidered our position on this matter, developed arrangements and formally introduced this option but where it would still be absolutely clear that the ICP is fully responsible for putting its own staff to work.

We believe that all of the above demonstrates that UK Power Networks has taken all appropriate steps to enter into HV jointing to existing DNO mains pilots, whilst recognising its health and safety responsibilities to both staff and to ICPs and in consideration of Ofgem’s intention for the trialling of ‘operational activity’.

Figure 12: Options for HV jointing to existing DNO HV mains



HV jointing to existing DNO mains
Extent of contestability – options

task	Option 1	Option 2	Option 3
Close 11kV normal open point	DNO	DNO	DNO
Open 11kV switch	DNO	DNO	DNO/ICP
Apply circuit main earth (CME)	DNO	DNO	ICP
Remove CME for testing	ICP	DNO	ICP
Testing and spike cable	ICP	DNO	ICP
Issue Permit to Work to cable Jointer	ICP	DNO	ICP
Make cable joints	ICP	ICP	ICP

7.5 Commitments for trials to become business as usual

We have chosen to describe our trial activity as 'pilots' rather than 'trials'. We had sensed there was a feeling amongst competitors that DNOs were running trials in perpetuity, and we wanted to make it clear that, subject to satisfying mutually agreed criteria, we would be keen to work with the pilot competitor to move into business as usual for that competitor. In the meantime we would conduct parallel pilots with other ICPs, and at the point when we were satisfied that a sufficient number of pilots had been successfully concluded for the aspect of contestability in question, we would move to a business as usual position whereby any accredited applicant would be eligible to undertake the work subject to any relevant acceptance of the competency of their operational teams.

7.6 Stakeholder views of efforts to extend contestability

This can be ascertained partly by seeking feedback e.g. face-to-face and via surveys, and partly by learning from the process underway. We can clearly demonstrate a willingness to collaborate to resolve issues, e.g. provision of Approved Signal Device Service ('Grumbler') to assist in cable identification, also introduction of a Linking and Fusing service for the LPN interconnected network. In a survey carried out in May 2012 66 per cent of competitors scored UK Power Networks positively relative to other DNOs in terms of customer service. Competitor stakeholders, including those participating in pilot trials, have commended us on our innovative approach to developing ways to foster competition. At a recent competitor workshop one commented in feedback that "UKPN are becoming very proactive in their self-connection pilots which should help the ICP/IDNO industry greatly".

7.7 Next steps to further extend contestability

We believe it is important to continue to extend contestability where appropriate to do so. In line with Ofgem's decision document (8 May 2012) we intend to consider ways to allow ICPs to carry out more 'operational activity' that would lead to: more efficient and effective ways of working, to minimise 'hand-offs, and to reduce overall costs ultimately to be met by customers.

8 Customer Service

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We recognise that our competitors are also our customers of non-contestable services and we should therefore treat them in the same manner as all our other customers. We have therefore sought, and continue, to maintain engagement and regular two-way feedback with these customers through a variety of mechanisms.

8.1 Improvement actions

In the course of our competition development programme, we have implemented a number of offerings designed to improve customer service, and enhanced those already in place.

Competition workshops

Since November 2010 we have run workshops approximately four times per year, with the twelfth taking place in September 2013 and the next one planned for Q1 2014. All the competitors active in our areas are invited to these, and we will continue to hold them at similar intervals subject to ongoing demand. In all, 79 different individuals have represented 37 competitor companies at one or more of these events. From the September 2013 workshop, invitations to the session were also extended to other customer representatives. Attendance at these workshops is summarised in Figure 13.

Figure 13: Stakeholder workshop statistics

Workshop No.	Date	Individuals invited	Companies invited	No. attended	Companies represented
1	22/11/2010	19	18	12	11
2	17/02/2011	14	14	12	11
3	18/05/2011	50	28	17	16
4	20/07/2011	52	29	18	17
5	14/10/2011	52	30	14	13
6	17/01/2012	54	34	21	18
7	03/04/2012	65	35	21	19
8	14/08/2012	73	40	14	13
9	15/11/2012	80	38	16	14
10	12/02/2013	84	39	14	12
11	10/05/2013	83	42	14	12
12	10/09/2013	86	52	15	13

These sessions have been used to surface issues, develop and test plans, report on progress and invite comment. Feedback from those attending, monitored in detail through feedback questionnaires (see **Appendix 4**) has been positive from the outset, and increasingly so as we have been able to demonstrate real improvement in response to issues raised. At our May 2013 workshop 85 per cent of those attending,

representing a mix across all RMS, agreed that UK Power Networks should pass the Competition Test. Comments included:

"We think that UKPN are ready and are ahead of the competition (DNOs)"
"Willingness to offer alternatives and work with ICPs to resolve issues"
"Quotations team are extremely helpful pre-quote, providing info to assist in getting the best offer/PoC. They are friendly, open and have given useful advice"
"Market share reduction across EPN/LPN/SPN"
"IDNO legal process is best in class"
"Bilateral Technical Statement process is best in class"

Consultative sub-groups
We have worked with small groups of stakeholders to develop solutions to specific issues, e.g. processes for live jointing to mains and issues with our legal consents. This approach has proven to be successful in gaining buy-in from the wider group.

Competition newsletter
Since March 2011 we have issued regular newsletters to all competitors active in our area, providing an update on progress with our improvement plans and seeking views on future proposals. These are issued by email and also published on the Competition in Connections pages of the UK Power Networks website. **Appendix 7** includes a recent sample newsletter.

Email communication
During the early period of intense activity we issued a monthly email to all stakeholders to explain what had been done to complete each action closed out. We continue to use email where appropriate to ensure key messages are communicated effectively.

Competition Q & A Service
In January 2012, in response to requests made at a competition workshop, we launched a service to enable competitors to ask questions about our standards, specifications and processes. Our competition team track emails to the dedicated Q&A mailbox (CompetitionQandA@ukpowernetworks.co.uk), refer questions to the relevant subject matter expert from a network we have established across the company and co-ordinate replies to the individuals concerned. The Q&A mailbox address is published in every newsletter and also appears on the front page of our online G81 library. Up to November 2013, 74 questions have been received and dealt with.

Website
We have an area of our website dedicated to Competition in Connections, which is clearly differentiated between information to assist customers in understanding and selecting the competitive alternative, and information for competitors. This is located at the following link:
http://www.ukpowernetworks.co.uk/internet/en/connections/competition-in-connections/

For customers, we provide:

- definitions including the role of an ICP and an IDNO

- a one-page step-by-step guide to the Competition in Connections process
- a copy of our 'competition leaflet' which includes a table showing what work a competitor can do, and what the DNO has to do.
- a link to our application form, which has been improved to make it easier to make a non-contestable-only application
- a link to the Lloyds Register list of NERS accredited competitors
- A list of competitors working in the UK Power Networks area, with links to their websites.
- a link to the SLC15 standards
- a link to our Statement of Basis and Methodology of Charges for Connection to the Electricity Distribution System

For competitors, we provide:

- a comprehensive G81 library with a dedicated search function and index
- links to our agreements
- templates for legal consents documents
- a guide to the Competition in Connections process
- symbol guides for each of our DNO areas
- an archive of competition newsletters

In July 2012 we upgraded the information provided for Highway Services customers in line with this level of service and provided a direct link to the competition in connections area of our website.

8.2 Customer and competitor surveys

As indicated in Section 6.2, In order to gain first-hand feedback from our competitors and our customers, we have undertaken a comprehensive series of surveys across the customer/competitor landscape. We created six separate surveys:

Online surveys were sent in November/December 2011 to:

- 43 contacts from competitors who had been involved in metered work in our areas
- 12 competitors who had been involved in unmetered work in our areas
- 42 competitors who had gained accreditation to work in UK Power Networks' areas, but had not yet done so
- 114 end customers (who had accepted offers for 10 or more projects in 2011)
- 54 Local Authority Highway Services customers

A postal survey was sent in March 2012 to 100 one-off customers.

These online surveys were repeated in May/June 2012 and February 2013 and will be repeated periodically to test the growing effectiveness of our improvement actions. Full details are shown in **Appendix 16: Customer and competitor surveys.** Some highlights of the most recent findings include:

ICPs and IDNOs involved in metered work

- 78 per cent of respondents find it easy to operate in the UK Power Networks areas to a moderate or great extent. This marks a considerable improvement from earlier surveys where responses ranged from 43 per cent to 56 per cent.
- **89 per cent agreed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas**

ICPs involved in unmetered work

- All responded in a positive or neutral manner (score 3 to 5) when asked about the ease of the adoptions process
- All responded in a positive or neutral manner when asked how quickly and fully UK Power Networks responds to questions
- **All respondents confirmed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas**

ICPs accredited to work in UK Power Networks' areas who have not done so

- 77 per cent responded in a positive or neutral manner when asked how quickly and fully UK Power Networks responds to questions
- 56 per cent responded in a positive or neutral manner when asked how easy they found it to operate in the UK Power Networks area

Highway Services customers

- Those respondents who had appointed an ICP gave us an average score of 4 out of 5 in terms of enabling Independent Connection Providers to operate on an equal footing
- 83 per cent of respondents were aware to a great extent or completely understood the competitive alternatives that are available to them when appointing a connection provider.
- 71 per cent of respondents rated UK Power Networks as Good or Very Good in terms of being easy to work with
- 71 per cent of respondents rated UK Power Networks as Good or Very Good in terms of our level of service.
- 73 per cent of those respondents who had appointed an Independent Connection Provider to carry out Highway Services activities felt UK Power Networks has enabled the Independent Connection Provider to operate on an equal footing
- **94 per cent of respondents would be completely, to a moderate or great extent confident that, if Ofgem were to give UK Power Networks approval to set prices as if we were in a freely competitive market, they could seek alternative competitive offerings from other providers**

  We strongly believe that the responses to our surveys of both competitor and LA customers provide a more credible reflection of satisfaction in the unmetered markets than the survey carried out in 2012 by the Unmetered Connections Customer Group, which we considered included several misleading questions that were not relevant to our submission.

8.3 Commitment and feedback

It is important to recognise that:

- Two-way stakeholder feedback provides a strong basis for focus, change and business improvements, creating a framework for effective competition to flourish within UK Power Networks
- Whilst operational problems on individual projects will arise from time to time; the enhanced focus on service and commitment to change, supported by executive and senior managers, will mean that any issues identified will be addressed promptly
- We have a clear focus on end customer service. Recent examples include the Critical Friends panels we began holding as part of our consultation on RIIO-ED1 business plans, where competition in connections has been widely discussed, and the programme of engagement under way with the Distributed Generation community to explore areas for service improvement and development.
- **Appendix 13** contains a broad cross-section of testimonials from competitors, and one end customer, who have witnessed, and benefited from, the improvements that have been delivered in recent years i.e. they represent metered and unmetered connections and both established competitors and more recent market entrants.

9. Segmental Analysis

The following sections provide a detailed narrative for each RMS in each DNO area. There are four sub-sections for each RMS:

i) Information common to all three DNO areas
ii) Information specific to EPN (not applicable for UMC LA)
iii) Information specific to LPN
iv) Information specific to SPN (Not applicable for UMC LA)

9.1 LV

This analysis of the LV RMS is provided as an updated Market Report and does not form part of the formal Competition Notice.

9.1.1 LV: Information common to all three DNO areas

The scope of this RMS is as defined in Appendix 1 of CRC12 and set out in Section 1.1 of this document.

Description of products and services

This segment covers the provision of all low voltage connections to five or more domestic premises or two or more commercial premises with no element of associated high voltage work. The largest voltage connection in this category is generally 415V 3-phase with capacity ranging from 70 kVA to around 1 MVA. There are products offered by the DNO, by competitors, by consultants and by bundled services providers. For clarity, this EXCLUDES all domestic connections involving four or fewer connections, which fall into an excluded market segment.

Work in this segment may also include activities related to the highways. This may take the form of unmetered street lighting where this is associated with a domestic or commercial development, as it generally serves the customer better to have the metered and unmetered work bundled rather than fragmented by carrying out a separate highway services project. There is also a category of work involving metered equipment in the highways, such as bus shelters and cash machines, that falls within this segment.

Critical success factors and relative market attractiveness

In general, this segment is characterised by relatively high volumes and low value per connection. Projects with a higher volume of connections in a contiguous area will be more attractive to competitors. To be successful in this segment requires access to sufficient volumes of work to adequately absorb any fixed costs and effectively manage unit costs, or access to local sub-contractors. The larger the number of connections and load the greater the attractiveness to competitors.

Customer profile

Relationship/one-off transactional

Within this segment the majority of customers are transactional, comprising a mix of one-off Small and Medium Enterprises (SME), individuals undertaking their own development, or companies working on their behalf as a one-stop shop project manager. There are also some relationship-type customers, such as house developers and consultancy companies, that provide bundled services for a wide range of developments.

Customer needs/buying criteria – price, service, certainty etc.

Price is very important for the lower-end customer. For the larger customer or intermediary, service is the primary driver, both in terms of certainty of delivery and quality of service. In the latter case the electricity connection cost is relatively insignificant in the overall cost of a development**.**

Customer surveys – views of choice, competition etc.

In a survey of one-off customers, 57 per cent of those who responded were aware of our leaflet "Did you know you have a choice?" and all except one claimed some understanding of the competitive alternatives available to them. However one customer also commented that it would help if we could provide a list of suitable competitors. Although we provide the link to the NERS listing on our website, we found particularly with the smaller customer that they can have difficulty in locating a competitor willing to undertake a small project. As a result we invited competitors to be represented in a list that we publish on our website, which provides web links to competitor sites to enable customers to more easily locate and contact an alternative connection provider.

Competitor analysis: Recent trends, developments

The number of competitors has fallen slightly over the last two years. We believed the opportunity to undertake metered highway services work, was likely to introduce to this market competitors whose previous experience has been in the unmetered sector. This typically involves equipment such as feeder pillars or other street furniture such as electric vehicle charging points or superfast broadband cabinets that are suitable for directly fed metered connections. See also Section 7.2. However this has not yet had a material effect on market share.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) our own stakeholder engagement workshops
ii) Ofgem and the ECSG
iii) the Competitive Networks Association
iv) other sources which include consultants and responses to other competition consultations

These are dealt with in the main body of the Notice but key features relevant to this segment are:

- A proportion of the work is one-off, customer-driven projects, i.e. small projects that can be widely dispersed and which therefore makes it difficult to achieve economies of scale by concentrating large volumes of work in a small area e.g. reducing travel between projects.
- The overall average value of projects within this segment is low, and lower still when the non-contestable charges are deducted. The financial exposure associated with unforeseen operational

difficulties can result in some competitors deciding that there is a minimum project size below which they will not wish to offer; this is particularly the case for the lower value projects.

Section 2 sets out how we have approached the systematic identification and removal of barriers to competition. In most cases these improvements have benefitted many or all RMS.

Extension of contestability

We support the 'in principle' decision made in Ofgem's letter dated 8 May 2012. UK Power Networks declared live jointing to low voltage underground radial mains as a contestable activity with effect from 26 October 2012. Ofgem will be aware that UK Power Networks did not initially include its LPN normally interconnected networks within this extension of contestability. This concerns the relatively small proportion of the LPN network in central London where additional 'operational activity' is required prior to any live jointing taking place. However, we recognise that ICPs wish to compete in this area and so we are now pleased to report that all necessary arrangements are in place for us to provide a Linking and Fusing (i.e. 'operational activity') service that will allow live jointing in this area. We have already submitted a revised Connection Charging Methodology document to this effect and subject to Ofgem approval live LV jointing will become contestable in this area by 27 December 2013.

LV: Information specific to EPN

Dimensions

Figure 14provides a summary of the range and typical nature of projects in this segment.

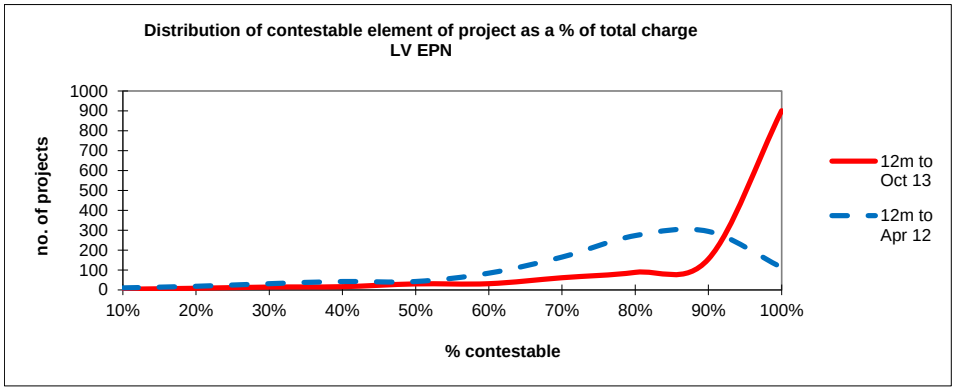
Figure 14: Project dimensions: LV EPN

Scope	Domestic	Commercial
Number of connections	1–120 Typical 10	1–20 Typical 1 to 2
Load	1–900 kVA Typical 40 kVA	1–1000 kVA Typical 100 kVA
Value quoted (per project)	£2K-£100k Typical £12k	£2K-£80k Typical £10k

Split of contestable/non-contestable

On average (mean), 93 per cent of the charge relates to the contestable element of work which is subject to competition and, as the Figure 15 indicates, the most common (mode) outcome is above 95 per cent contestable**.** This is a considerable shift from the position when this RMS was included in our first Competition Notice, when the average was 81 per cent and the most common (mode) outcome was around 88 per cent contestable. This is due to a shift in the contestability mix as a result of our actions to extend contestability in this (and other) RMS.

Figure 15: Contestable element as a percentage of total charge: LV EPN



Market dimensions

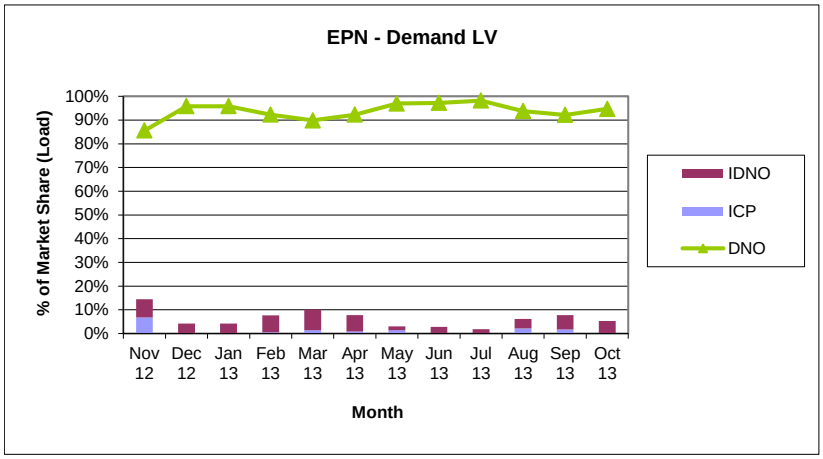
Estimated annual market and our market share

Currently the overall size of the market equates to approximately £21m per annum in EPN, covering 1281 projects. Based upon electrical load, the percentage of the market that is provided by UK Power Networks over the 12 months to October 2013 was approximately 94 per cent, which is unchanged since the period covered by our first submission in 2012.

Recent growth trends

During the past 12 months, the value of this segment has remained relatively static and the monthly competitor market share has varied between 14 per cent and 2 per cent based on electrical load.

Figure 16: Market share: LV EPN



Competitor analysis

Competitor numbers

There are 21 competitors that have actively participated (enquiries) in this market segment in EPN in the last three years (from November 2010). Of those, 19 were active (enquiries) in the last 12 months and 10 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9,** see also Figure 47 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

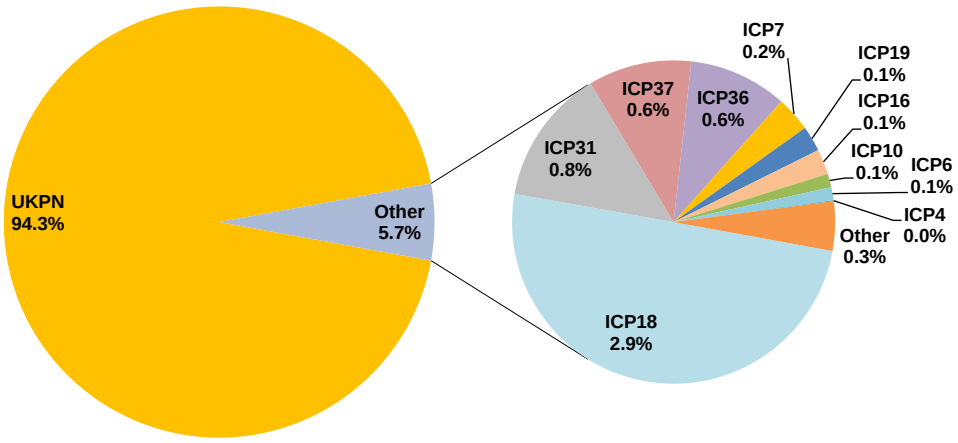
Figure 17: Competitor analysis: LV EPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	**91,586**	**1,200**		76
ICP18	2,782	34	2006	
ICP31	759	8	2006	
ICP37	577	4	2009	
ICP36	549	8	2012	
ICP7	195	2	2007	
ICP19	142	5	2009	
ICP16	141	4	2012	
ICP10	75	1	2003	
ICP6	73	2	2010	
ICP4	5	1	2011	
Other	**275**	**9**		
Total	96,884	1,269		76

Percentage and value of market share

Figure 18 below shows the competitor intensity in the EPN LV market, based on load, for work won in the last 12 months.

Figure 18: Market share by participant: LV EPN



Extension of contestability
LV live jointing to mains became a contestable activity on 26 October 2012.

Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work
- On average, contestable work now accounts for approximately 93% of the total costs
- Live Jointing to Mains is now contestable and competitors' take-up of LV Mains jointing work would lead to further erosion of market share

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections.

9.1.2 LV: Information specific to LPN

Dimensions

Figure 19 provides a summary of the range and typical nature of projects in this segment.

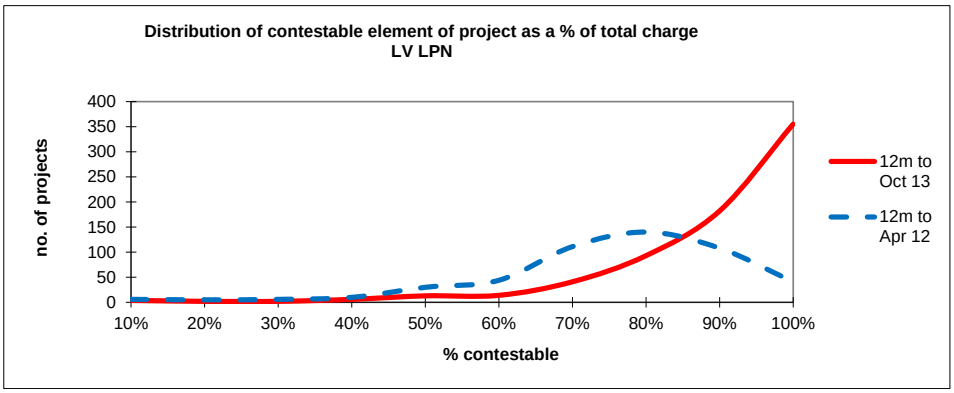
Figure 19: Project dimensions: LV LPN

Scope	Domestic	Commercial
Number of connections	1–120 Typical 10	1–20 Typical 1 to 2
Load	1–900 kVA Typical 40 kVA	1–1000 kVA Typical 100 kVA
Value (per project)	£2K–£100k Typical £9k	£2K–£80k Typical £19k

Split of contestable/non-contestable

On average (mean), 90 per cent of the charge relates to the contestable element of work which is subject to competition and, as the Figure 20 indicates, the most common (mode) outcome is above 95 per cent contestable**.** This is a considerable shift from the position when this RMS was included in our first Competition Notice, when the average was 76 per cent and the most common (mode) outcome was around 80 per cent contestable**.**

Figure 20: Contestable element as a percentage of total charge: LV LPN



Market dimensions

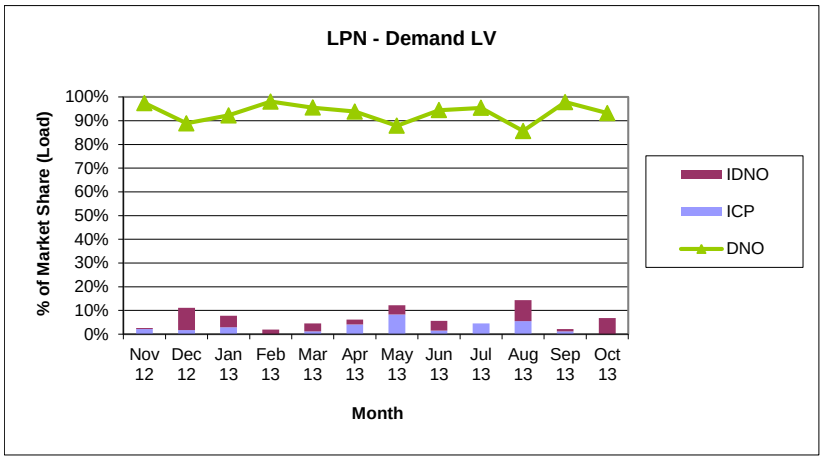
Estimated annual market and our market share

Currently the overall size of the market equates to approximately £14m per annum in LPN, covering circa 735 projects. Based upon electrical load, the proportion of the market that is provided by UK Power Networks during the 12 months to October 2013 was 93 per cent.

Recent growth trends

During the past 12 months, the value of this segment has remained relatively static and the monthly competitor market share has varied between 14 per cent and 2 per cent based on connected load.

Figure 21: Market share: LV LPN



Competitor analysis

Competitor numbers

There are 18 competitors that have actively participated (enquiries) in this market segment in LPN in the last three years (from November 2010). Of those, 15 were active (enquiries) in the last 12 months and 7 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9,** see also Figure 22 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

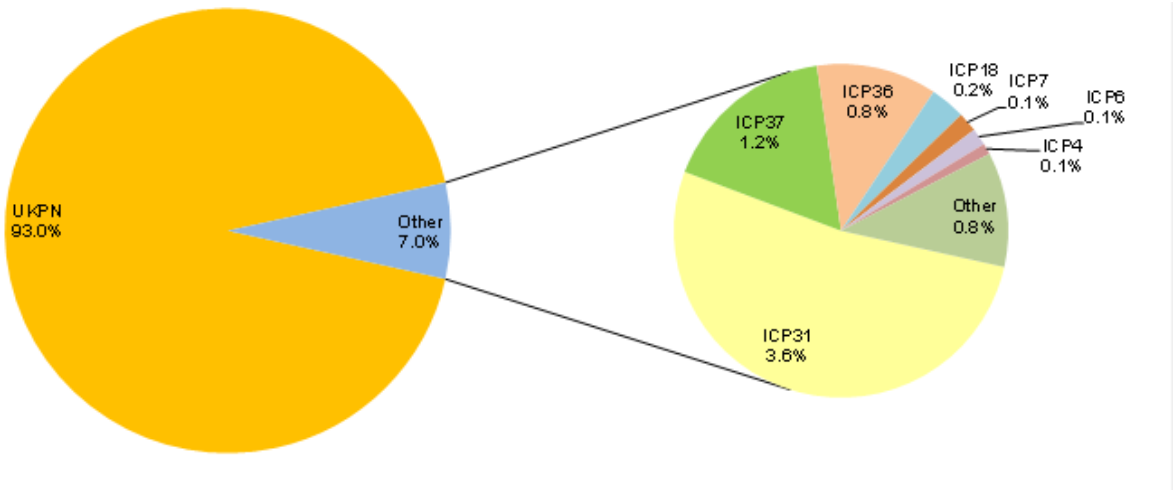
Figure 22: Competitor analysis: LV LPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry
UKPN	87,349	672	
ICP31	3,417	29	2006
ICP37	1,107	10	2009
ICP36	762	8	2012
ICP18	223	4	2006
ICP7	124	2	2007
ICP6	108	2	2010
ICP4	70	1	2011
Other	726	6	
Total	93,885	728	

Percentage and value of market share

Figure 23 shows the competitor intensity in the LPN LV market, based on load, for work won in the last 12 months.

Figure 23: Market share by participant: LV LPN



Extension of contestability

Conclusion

The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work
- On average, contestable work now accounts for approximately 90% of the total costs
- Live Jointing to Mains is now contestable and competitors' take-up of LV Mains jointing work would lead to further erosion of market share

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections.

9.1.3 LV: Information specific to SPN

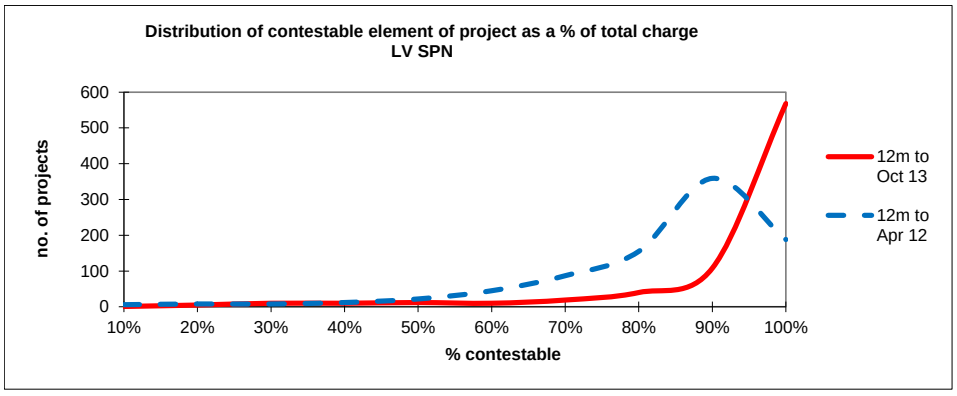
Dimensions.
Figure 24 provides a summary of the range and typical nature of projects in this segment.

Figure 24: Project dimensions: LV SPN

Scope	Domestic	Commercial
Number of connections	1–120 Typical 10	1–20 Typical 1 to 2
Load	1–900 kVA Typical 40 kVA	1–1000 kVA Typical 100 kVA
Value (per project)	£2K–£100k Typical £12k	£2K–£80k Typical £10k

Split of contestable/non-contestable
On average (mean), 93 per cent of the charge relates to the contestable element of work which is subject to competition and, as the Figure 25 indicates, the most common (mode) outcome is above 95 per cent contestable**.** This is a considerable shift from the position when this RMS was included in our first Competition Notice, when the average was 88 per cent and the most common (mode) outcome was around 90 per cent contestable**.**

Figure 25: Contestable element as a percentage of total charge: LV SPN



Market dimensions

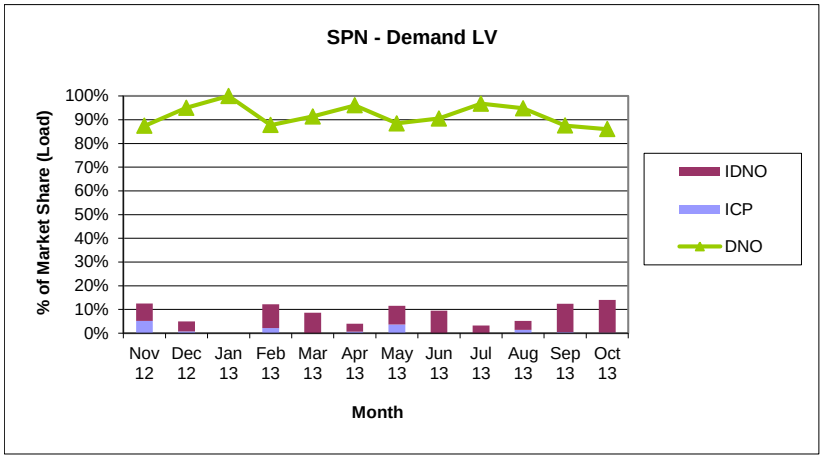
Estimated annual market and our market share

Currently the overall size of the market equates to approximately £16m per annum in SPN, covering circa 776 projects. Based upon electrical load, the proportion of the market that was provided by UK Power Networks in the 12 months to October 2013 was 91 per cent.

Recent growth trends

During the past 12 months, the value of this segment has remained relatively static and the monthly competitor market share has varied between 13 per cent and 0 per cent based on connected load.

Figure 26: Market share LV SPN



Competitor analysis

Competitor numbers

There are 19 competitors that have actively participated (enquiries) in this market segment in LPN in the last three years (from November 2010). Of those, 14 were active (enquiries) in the last 12 months and 8 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9,** see also Figure 27 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

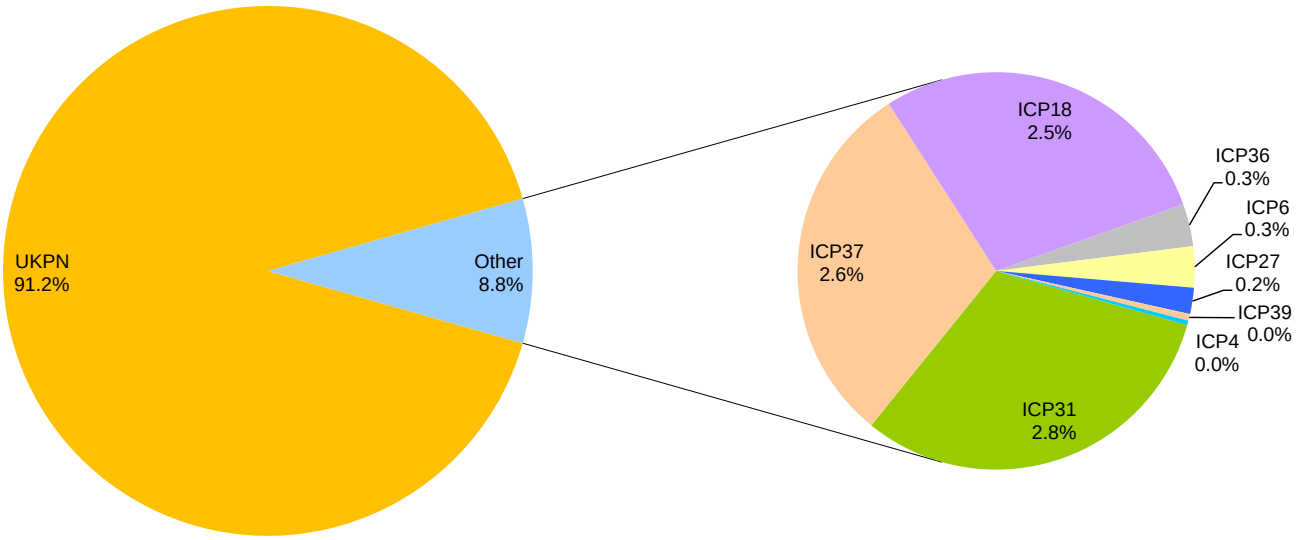
Figure 27: Competitor analysis: LV SPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry
UKPN	56,634	718	
ICP31	1,718	14	2006
ICP37	1,645	7	2009
ICP18	1,567	21	2006
ICP36	188	2	2012
ICP6	183	2	2010
ICP27	117	6	2010
ICP39	30	1	2004
ICP4	20	1	2011
Other	184		
Total	62,286	772	

Percentage and value of market share

Figure 28 shows the competitor intensity in the SPN LV market, based on load, for work won in the last 12 months.

Figure 28: Market share by participant: LV SPN



Extension of contestability
LV live jointing to radial underground mains became a contestable activity on 26 October 2012.

Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work
- On average, contestable work now accounts for approximately 99% of the total costs
- Live Jointing to Mains is now contestable and competitors' take-up of LV Mains jointing work would lead to further erosion of market share

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections.

9.2 HV

This analysis of the HV RMS comprises:

a. Section 9.2.1: An updated Market Report for the full **HV** RMS
   -**This does <u>not</u> form part of the formal Competition Notice.**
b. Section 9.2.2: An analysis of an "**HVHV**" Alternative Relevant Market Segment
   -**This forms part of the formal Competition Notice**.
c. Section 9.2.3: A definition and Market Report for an "**LVHV**" Alternative Relevant Market Segment
   -**This does <u>not</u> form part of the formal Competition Notice**

9.2.1 HV

9.2.1.1 HV: Information common to all three DNO areas

The scope of this RMS is as defined in Appendix 1 of CRC12 and set out in Section 1.1 of this document.

Description of products and services
This segment covers the provision of all high voltage connections that have no element of associated extra high voltage work, and all low voltage connections with associated high voltage work.

The largest voltage connection in this category is 11kV. There are products offered by the DNO, by competitors, by consultants and by bundled services providers.

Critical success factors and relative market attractiveness
In general, this segment is characterised by mid-range volumes and a wide variability in value per connection. With a higher value per project than low voltage work and a lower level of complexity relative to EHV work, this segment is the largest and potentially the most attractive to competitors. To be successful in this segment requires access to sufficient volumes of work to adequately absorb any fixed costs and effectively manage unit costs, and/or access to local sub-contractors. The larger the number of connections and load the greater the attractiveness to competitors.

Customer profile

Relationship/one-off transactional
Within this segment customers will either be relationship-type customers such as house developers, or one-off, transactional SME enterprises. There is a growing number of companies that provide bundled services for a wide range of developments.

Customer needs/buying criteria – price, service, certainty etc.
For customers in this segment service is the primary driver, both in terms of certainty of delivery and quality of service, as the electricity connection cost tends to be a relatively low proportion of the overall cost of a development but is likely to act as a critical enabler to the overall success of that development. There have been some examples where a developer has chosen to pay a higher price than that quoted by a competitor because they had greater faith in UK Power Networks' ability to

deliver on schedule. Customers in this segment are likely to have more purchasing power than in the LV segment.

Customer surveys – views of choice, competition etc.

In a survey of one-off customers carried out in March 2012, 57 per cent of those who responded were aware of our leaflet "Did you know you have a choice?" and all except one claimed some understanding of the competitive alternatives available to them. However one customer also commented that it would help if we could provide a list of suitable competitors. Although we provide the link to the NERS listing on our website, we found particularly with the smaller customer that they can have difficulty in locating a competitor willing to undertake a small project. As a result we invited competitors to be represented in a list that we publish on our website, which provides web links to competitor sites to enable customers to more easily locate and contact an alternative connection provider.

Competitor analysis

Recent trends, developments

Typically active competitors in this market segment are technically proficient and look for opportunities to undertake complex HV/LV and HV/HV substation installations which may also require significant quantities of cable laying. Large domestic housing estates requiring a substation(s) and associated low voltage distribution mains and services are favoured as are single points of supply to large commercial clients. These larger projects will often result in multiple applications from competitors as clients look for the best offer available in the market place.

Currently there are 26 competitors who have made point of connection applications in this segment in the past three years of which seven have also expressed an interest in self-connect opportunities at HV. This would allow a competitor to give a more complete service to its client, minimising the reliance on UK Power Networks to undertake the associated operational works.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share. However during 2013 we have seen a renaissance in ICP activity, with the volume of ICP work in the 12 months to October 2013 (measured by electrical load) increasing more than threefold while IDNO activity increased by only 80 per cent. Overall for the HV segment, IDNOs represent 57 per cent of the work won by competitors for the 12 months to October 2013, compared to 71 per cent in the previous 12 months.

Feedback

The CiC team actively engage with the larger competitors and have regular meetings to develop the working relationship between competitors' and UK Power Networks' staff, review how we are progressing their projects, discuss any difficulties that they may be encountering interfacing with UK Power Networks in the design or delivery functions and consider any opportunities for making improvements. These meetings are usually quarterly and are in addition to the wider competition stakeholder workshops.

In response to a survey in February 2013, 89 per cent of competitors active in the metered RMS agreed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas.

At our May 2013 competitor workshop 85 per cent of those attending, including four representatives of competitors operating in the HV markets, agreed that UK Power Networks should pass the Competition Test.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) our own stakeholder engagement workshops
ii) Ofgem and the ECSG
iii) the Competitive Networks Association
iv) other sources which include consultants and responses to other competition consultations

These are dealt with in the main body of the Notice (see Section 2) but most of them are applicable to this segment.

Extension of contestability

We support the principles of extending contestability wherever it is safe and practicable to do so. HV final connection concerns the jointing of new high voltage cables to the existing UKPN high voltage network. There is a requirement for suitable arrangements to be put in place in order for a section of network to be temporarily isolated and released to the ICP to facilitate access for the jointing work to be completed. We provide ICPs with a choice of alternative options for the procedures and associated interfaces with UK Power Networks in the end-to-end HV connection process,

- Pilots involving limited 'operational activity' by the ICP in addition to the 'connection activity' have been available to ICPs since September 2012. Six joints have been completed within these arrangements one ICP in EPN and six more have expressed interest in HV final connections

- Jointing to existing DNO HV mains whereby UK Power Networks provide all of the associated operational activity was formally transferred to contestable status on 31 July 2013. Two joints have been completed with one ICP in LPN while two more are currently seeking NERS accreditation and expecting to commence in early 2014.

Further details are provided in Section 7.3 of this Notice.

Splitting the HV RMS into two Alternative Relevant Market Segments

Competitor market share in the HV RMS, ranging from 43 per cent to 47 per cent over the three networks for the 12 months to October 2013, points to a healthy competitive market. However this masks a significant variance between the size of scheme typically won by competitors and those carried out by UK Power Networks. Ofgem's rationale for its decision not to remove regulated margin for the HV RMS following UK Power Networks' 2013 Competition Test submission highlighted a need to continue to provide regulatory protection for those smaller customers with less effective access to competition. Analysis of the HV RMS has indicated that the two regulatory categories as defined in para 7.9 of Ofgem's Cost and Revenue Reporting RIGs Ref 66c/10 (26 May 2010)accurately reflect the two classes of work:

- Low voltage connections involving high voltage work (“LVHV”),and
- High voltage connections involving only high voltage work (“HVHV”).

UK Power Networks therefore requests that Ofgem accept the definition of the two parts of the HV RMS as Alternative Relevant Market Segments. The rationale for this approach is set out in Section 9.2.2. of this Notice which forms part of the formal Notice . Section 9.2.3 sets out the characteristics of the remaining “LVHV” part of the HV RMS in the form of a Market Report.

9.2.1.2 HV: Information specific to EPN

Dimensions

Figure 29 provides a summary of the range and typical nature of projects in this segment.

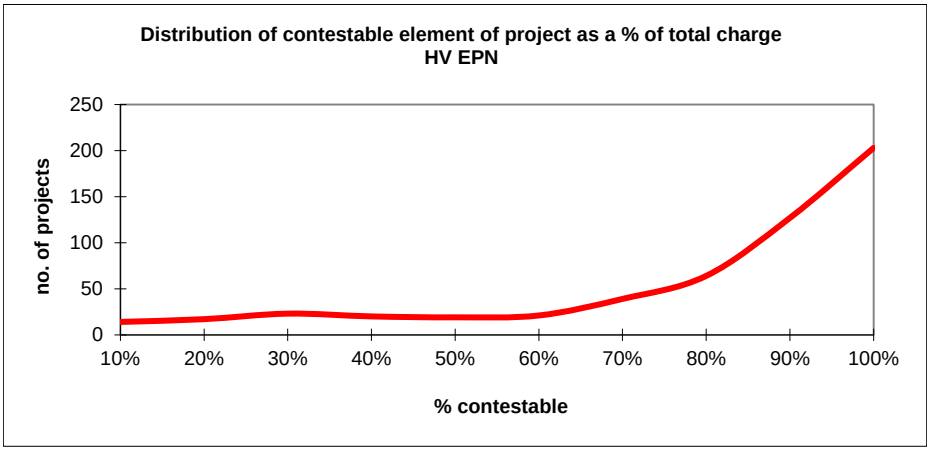
Figure 29: Project dimensions: HV EPN

Scope	LV with associated HV ("LVHV")	HV only ("HVHV")
Number of connections – Domestic - Commercial	1–100, typically 1 1–15, typically 1	1–250 1-30, typically 1
Load	1 kVA–2 MVA Typical 200 kVA	80 kVA–20 MVA Typical 500 kVA
Value	£10k–£600k Typical £50k	£2k–£1m Typical £100k

Split of contestable/non-contestable

Based on quotes accepted in the 12 months to October 2013, on average (mean), 85 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 30 indicates, the most common (mode) outcome is over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 30: Contestable element as a percentage of total charge: HV EPN



Market dimensions

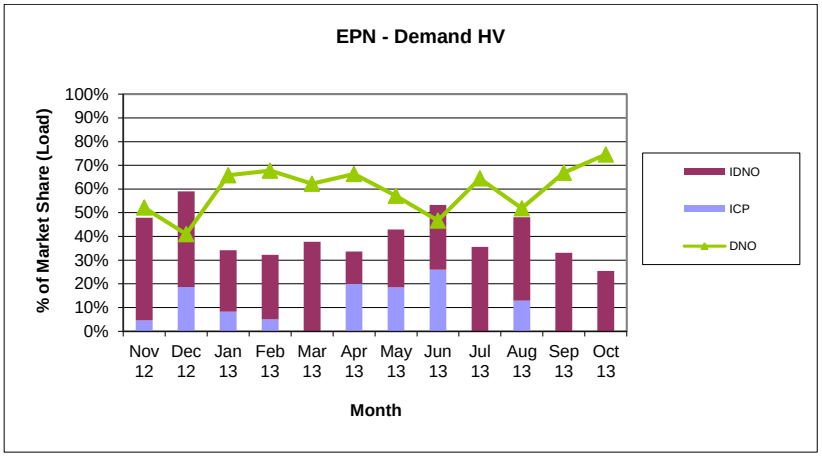
Estimated annual market and market share

Currently the overall size of the market equates to approximately £43m per annum in EPN, covering circa 592 projects, of which 18 per cent are wholly high voltage. The proportion of the market that was provided by competitors in the 12 months to October 2013 was 42 per cent. This represents a further improvement compared to the period covered by our previous submission when the equivalent share for the 12 months to March 2013 was 63 per cent.

Recent trends

During the past 12 months the market share retained by UK Power Networks has varied between 41 per cent and 74 per cent based on connected load.

Figure 31: Market share HV EPN



Competitor analysis

Competitor numbers

There are 23 competitors that have actively participated (enquiries) in this market segment in EPN in the last three years (from November 2010). Of those, 22 were active (enquiries) in the last 12 months and 19 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9,** see also Figure 32 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

Figure 32: Competitor analysis: HV EPN

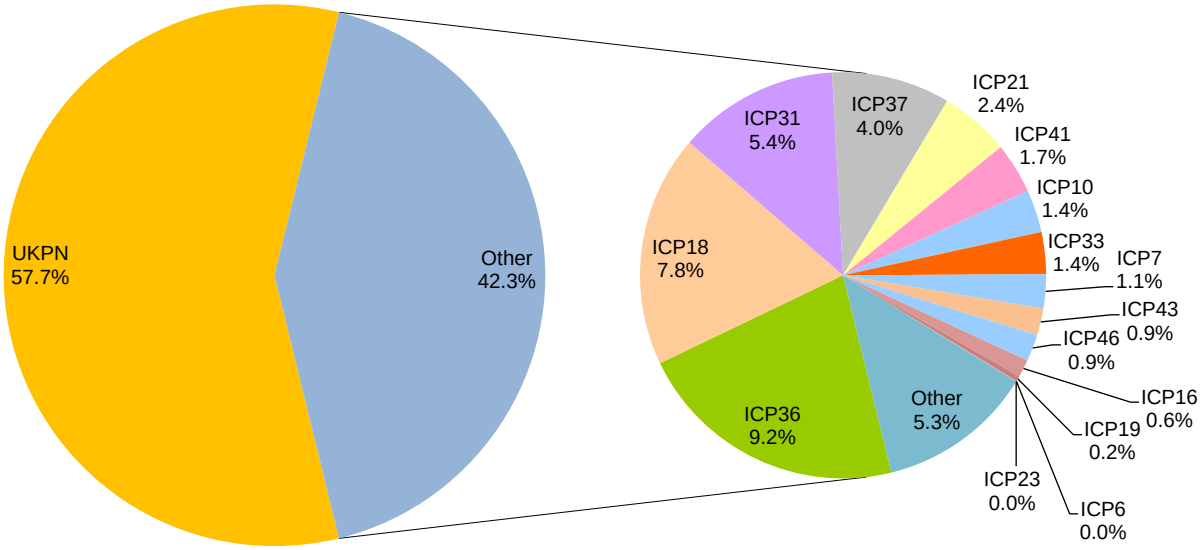
Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	132,598	501		265
ICP36	20,318	16	2012	
ICP18	18,467	18	2006	
ICP37	14,471	20	2009	
ICP31	11,403	12	2006	
ICP7	4,313	7	2007	
ICP41	4,000	1	2008	
ICP10	3,333	3	2003	
ICP33	3,315	6	2004	
ICP39	3,100	1	2004	
ICP21	2,585	3	2009	
ICP43	2,116	1	2009	
ICP46	2,100	1	2010	
ICP28	1,647	1	2010	
ICP16	1,385	1	2012	
ICP30	700	1	2008	
ICP32	428	1	2009	
ICP19	236	1	2009	
ICP6	93	2	2010	
ICP23	14	1	2010	
Other	13,733	10		1,007
	240,354	**608**		395

Percentage and value of market share
Figure 33 shows the competitor intensity in the EPN HV market based on work won in the last 12 months, based on electrical load.

Recent trends, developments
In the EPN area there are two dominant players that form part of a single corporate entity, however one new entrants which became active in 2012 is also in the leading group.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share. In EPN the trend has stabilised during 2013, with 74 per cent of competitor work won by IDNOs in the 12 months to October 2013 compared to 79 per cent in the previous 12 months.

Figure 33: Market share by participant: HV EPN



Extension of contestability
Currently there is one competitor carrying out HV jointing (ICP31), with six joints completed in EPN, and discussions are also being held with six further interested competitors.

Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- UK Power Networks' market share for the last 12 months was 58% and has fallen in some months to 41%
- On average, contestable work accounts for approximately 85% of the total costs, giving competitors potential to earn sizeable margins
- HV final connections activity was transferred to contestable status in July 2013
- Competitors' progressive take-up of HV Mains final connection work will lead to further erosion of market share
- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers; their purchasing power and capabilities will be strong
- 85 per cent of competitors attending a workshop in May 2013, including four operating in the HV markets, agreed that UK Power Networks should pass the Competition Test.
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work

The factors described above have created the conditions for a competitive marketplace to operate, However many customers continue to make an informed choice to come to UK Power Networks. Others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is borne out by the fact that schemes won by competitors are on average over three times larger in terms of electrical load than those retained by UK Power Networks.

We have therefore proposed to split the HV RMS into two: a new “LVHV” Alternative Relevant Market Segment and a new “HVHV” ARMS to include the work and customer base as set out in Section 9.2.2.

9.2.1.3 HV: Information specific to LPN

Dimensions

Figure 34 provides a summary of the range and typical nature of projects in this segment.

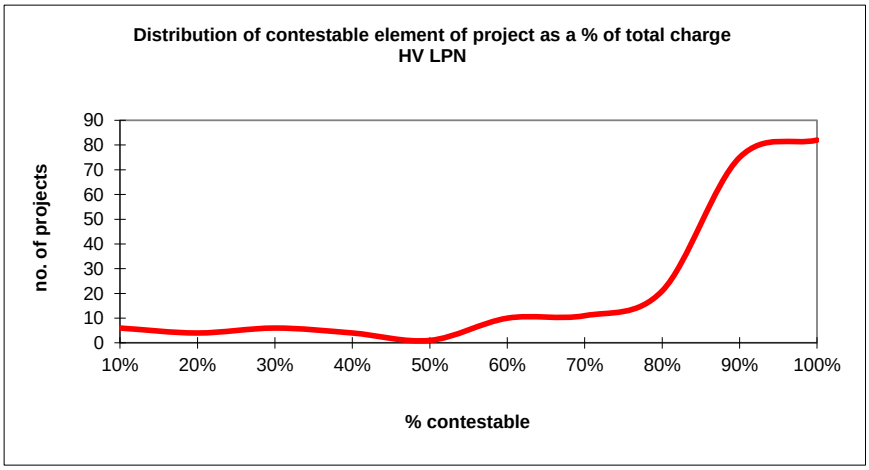
Figure 34: Project dimensions: HV LPN

Scope	LV with associated HV ("LVHV")	HV only ("HVHV")
Number of connections – Domestic - Commercial	1–400 1-35, typically 1	1–250 1-20, typically 1
Load	50 kVA–4 MVA Typical 500 kVA	200 kVA–35 MVA Typical 900 kVA
Value	£4k–£2.5m Typical £100k	£10k–£2m Typical £8k

Split of contestable/non-contestable

Based on quotes accepted in the 12 months to October 2013, on average (mean), 86 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 35 indicates, the most common (mode) outcome is now over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 35: Contestable element as a percentage of total charge: HV LPN



Market dimensions

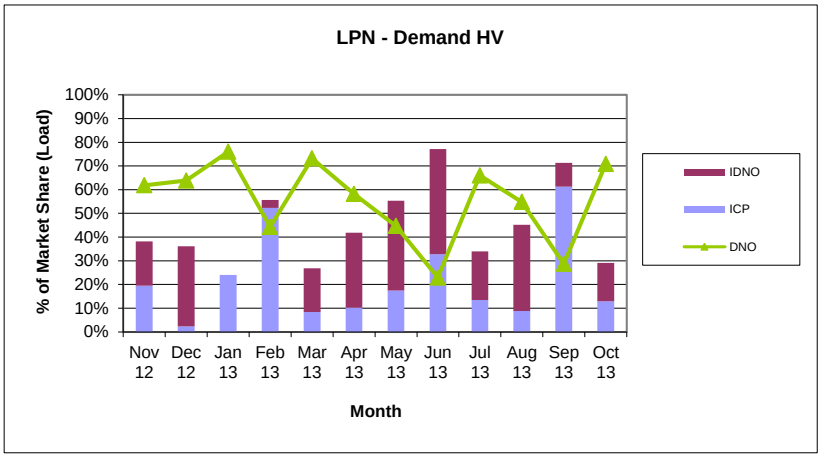
Estimated annual market and market share

Currently the overall size of the market equates to approximately £73m per annum in LPN, covering circa 330 projects, of which some 33 per cent are wholly high voltage. The proportion of the market which is provided by competitors is approximately 46 per cent. This represents a significant improvement over the period covered by our previous submission when the equivalent share for the 12 months to March 2013 was 32 per cent.

Recent trends

During the 12 months to October 2013, the market share retained has varied between 23 per cent and 76 per cent based on connected load.

Figure 36: Market share HV LPN



Competitor analysis

Competitor numbers

There are 23 competitors that have actively participated (enquiries) in this market segment in LPN in the last three years (from November 2010). Of those, 21 were active (enquiries) in the last 12 months and 12 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9**, see also Figure 37 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

Figure 37: Competitor analysis: HV LPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	181,760	202		900
ICP31	35,547	35	2006	
ICP37	24,294	23	2009	
ICP7	16,272	9	2007	
ICP33	14,007	7	2004	
ICP4	12,055	14	2011	
ICP43	2,875	2	2009	
ICP42	2,000	1	2010	
ICP16	1,626	2	2012	
ICP36	1,202	3	2012	
ICP18	872	4	2006	
ICP6	868	1	2010	
ICP28	250	1	2010	
Other	7,477	6		1,105
Total	**301,105**	**310**		971

Percentage and value of market share

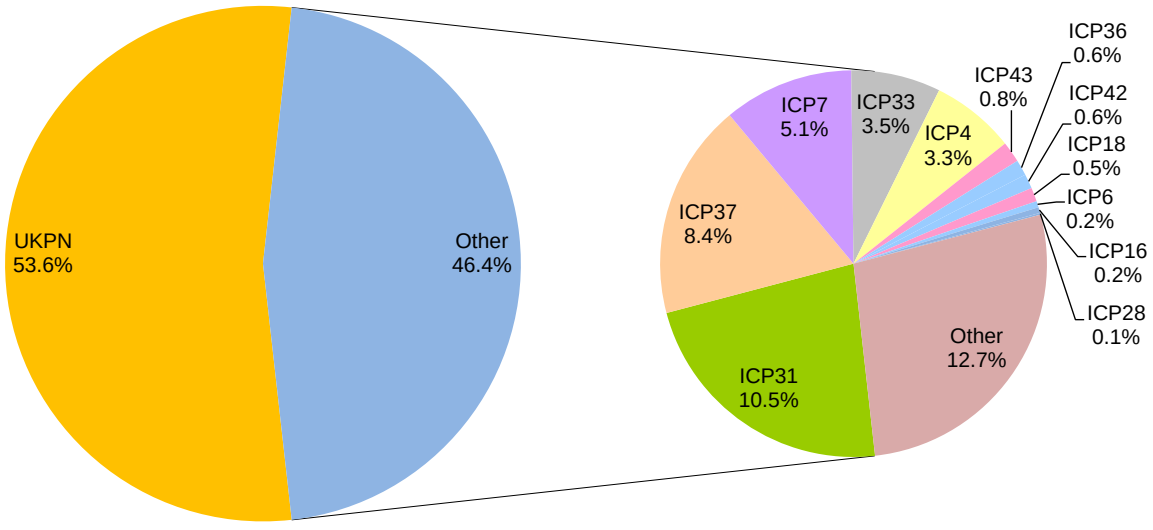
Figure 38 shows the competitor intensity in the LPN HV market based on work won in the last 12 months, based on electrical load.

Recent trends, developments

The LPN area has seen a number of new entrants to this RMS in LPN which has contributed to the reduction in retained market share. There have been two new entrants that have become active and won work in this segment in LPN since the beginning of 2012.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share. In LPN the trend has reversed during 2013, with the volume of ICP work (measured by electrical load) increasing more than threefold while IDNO work increased by only 12 per cent. In all 46 per cent of competitor work was won by IDNOs in the 12 months to October 2013 compared to 61 per cent in the previous 12 months.

Figure 38: Market share by participant: HV LPN



Extension of contestability
Jointing to existing DNO HV mains whereby UK Power Networks provide all of the associated operational activity was formally transferred to contestable status on 31 July 2013. Two joints have been completed with one ICP in LPN while two more are currently seeking NERS accreditation and expecting to commence in early 2014.

Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- UK Power Networks' market share for the last 12 months was 54% and has fallen in some months to 23%
- On average, contestable work accounts for approximately 86% of the total costs, giving competitors potential to earn sizeable margins
- HV final connections activity was transferred to contestable status in July 2013
- Competitors' progressive take-up of HV Mains final connection work will lead to further erosion of market share
- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers; their purchasing power and capabilities will be strong
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work

The factors described above have created the conditions for a competitive marketplace to operate, However many customers continue to make an informed choice to come to UK Power Networks. Others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is borne out by the fact that schemes won by competitors are on average over three times larger in terms of electrical load than those retained by UK Power Networks.

We have therefore proposed to split the HV RMS into two: a new "LVHV" Alternative Relevant Market Segment and a new "HVHV" ARMS to include the work and customer base as set out in Section 9.2.2.

9.2.1.4 HV information specific to SPN

Dimensions

Figure 39 provides a summary of the range and typical nature of projects in this segment.

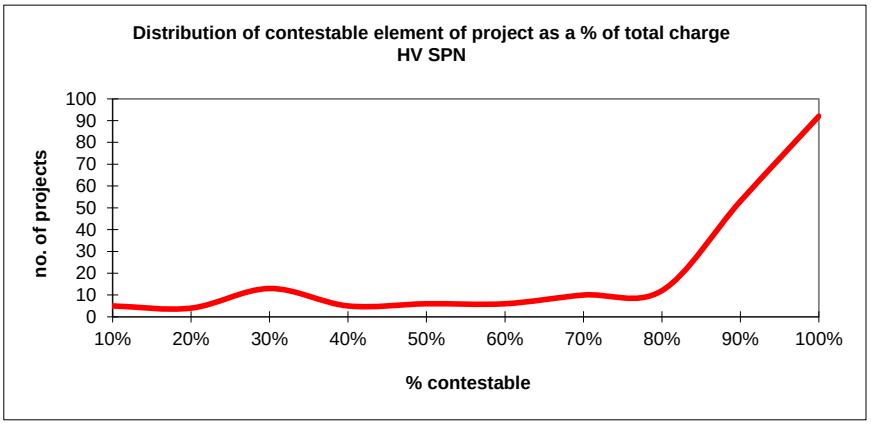
Figure 39: Project dimensions: HV SPN

Scope	LV with associated HV ("LVHV")	HV only ("HVHV)
Number of connections – Domestic - Commercial	1–200 1-25, typically 1	1–250 1-30, typically 1
Load	1 kVA–3 MVA Typical 200 kVA	80 kVA–20 MVA Typical 500 kVA
Value	£2k–£1.5m Typical £20k	£2k–£1m Typical £100k

Split of contestable/non-contestable

Based on quotes accepted in the 12 months to October 2013, on average (mean), 90 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 40 below indicates the most common (mode) outcome is now over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will be associated non-contestable charges e.g. for audit and inspection).

Figure 40: Contestable element as a percentage of total charge: HV SPN



Market dimensions

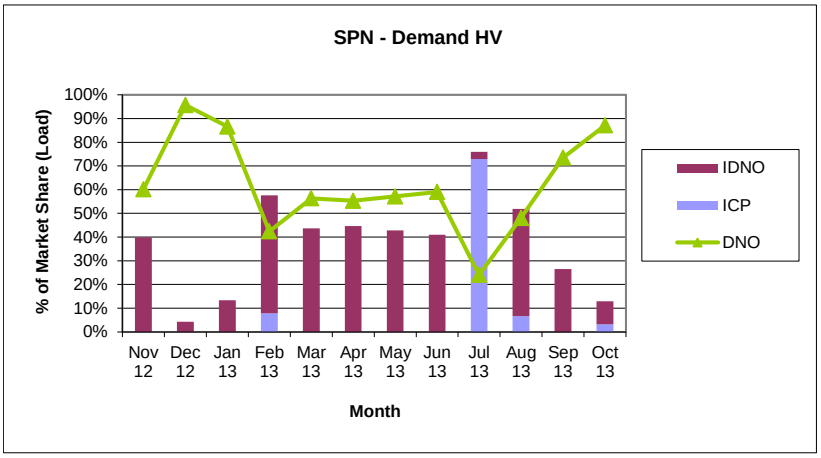
Estimated annual market and market share

Currently the overall size of the market equates to approximately £16m per annum in SPN, covering 235 projects, of which some 25 per cent are wholly high voltage. The proportion of the market provided by competitors is approximately 46 per cent. This represents a significant improvement over the period covered by our previous submission when the equivalent share for the 12 months to March 2013 was 35 per cent.

Recent growth trends

Over the 12 months to October 2013 the market share retained has varied between 24 per cent and 96 per cent per cent based on connected load.

Figure 41: Market share: HV SPN



Competitor analysis

Competitor numbers

There are 23 competitors that have actively participated (enquiries) in this market segment in SPN in the last three years (from November 2010). Of those, 19 were active (enquiries) in the last 12 months and 10 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9**, see also Figure 42 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

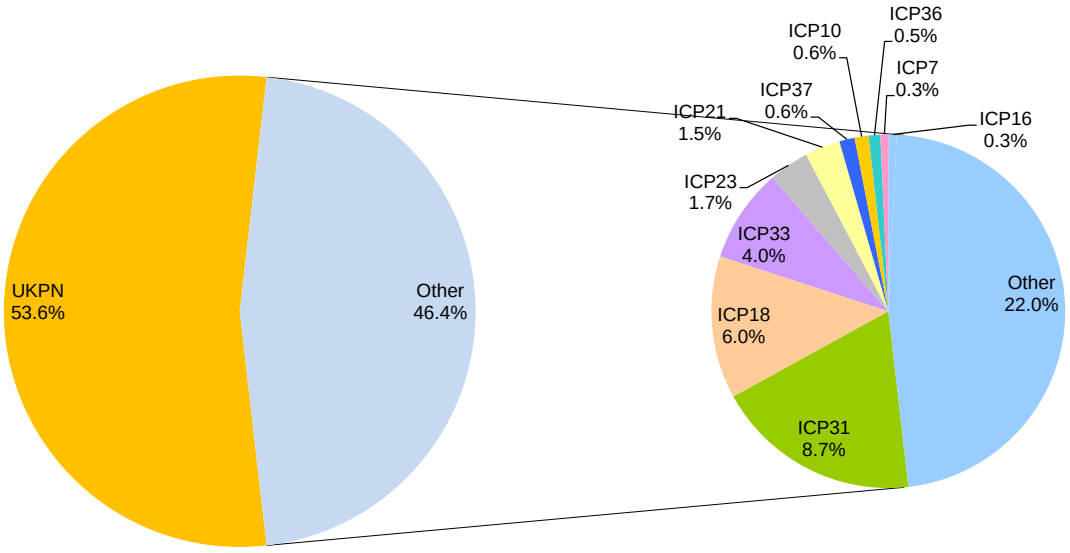
Figure 42: Competitor analysis: HV SPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	57,052	173		330
ICP31	10,744	14	2006	
ICP18	6,028	12	2006	
ICP33	5,395	8	2004	
ICP23	2,000	1	2010	
ICP7	1,210	2	2007	
ICP21	1,000	1	2009	
ICP36	825	3	2012	
ICP37	763	4	2009	
ICP10	700	1	2003	
ICP43	500	1	2009	
Other	25,845	6		1,135
Total	**112,062**	**226**		496

Percentage and value of market share

Figure 43 shows the competitor intensity in the SPN HV market based on work won in the last 12 months, based on electrical load.

Figure 43: Market share by participant: HV SPN



Recent trends, developments
In the SPN area there is no emerging dominant player, however there have been three new entrants that have become active and won work in this segment since the beginning of 2012, winning 12.7 per cent of the market during that period.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share. In SPN the trend has reversed during 2013, with the volume of ICP work (measured by electrical load) increasing more than fourfold while IDNO work increased by only a third. In all 56 per cent of competitor work was won by IDNOs in the 12 months to October 2013 compared to 80 per cent in the previous 12 months.

Extension of contestability
There is currently one pilot for HV final connections that extends to the SPN area and six other ICPs have been involved in discussions regarding possible pilots once they have suitable work in this area.

Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- UK Power Networks' market share for the last 12 months was 54% and has fallen in some months to 24%
- On average, contestable work accounts for approximately 90% of the total costs, giving competitors potential to earn sizeable margins
- HV final connections activity was transferred to contestable status in July 2013
- Competitors' progressive take-up of HV Mains final connection work will lead to further erosion of market share
- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers; their purchasing power and capabilities will be strong
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work

The factors described above have created the conditions for a competitive marketplace to operate, However many customers continue to make an informed choice to come to UK Power Networks. Others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is borne out by the fact that schemes won by competitors are on average over three times larger in terms of electrical load than those retained by UK Power Networks.

We have therefore proposed to split the HV RMS into two: a new "LVHV" Alternative Relevant Market Segment and a new "HVHV" ARMS to include the work and customer base as set out in Section 9.2.2.

9.2.2 HVHV

This section provides a definition and analysis of an HVHV Alternative Relevant Market Segment and forms part of the formal Competition Notice

9.2.2.1 HVHV: Information common to all three DNO areas

Description of products and services
This segment covers the provision of all high voltage connections that have no element of associated extra high voltage work. The dimensions of schemes vary between network areas and are detailed in sections 9.2.2.2 to 9.2.2.4. Schemes range from single commercial/industrial and IDNO connections to data centres and may also include mixed commercial/domestic buildings.

The entry point for this category is above 1000v and the largest voltage connection is 11kV. There are products offered by the DNO, by competitors, by consultants and by bundled services providers. Typically, HVHV customers tend to own their own downstream installation or network, providing their own cabling and transformers up to a circuit breaker or HV ring main unit which UK Power Networks will provide together with metering as applicable. For example, where the application is for an IDNO connection and we are providing the point of connection at HV, and the network boundary between our network and the IDNO network is also at HV then, provided there is no EHV work required, the scheme will treated as HVHV regardless of whether the IDNO has LV assets/customers or not.

Critical success factors and relative market attractiveness
In general, this segment is characterised by relatively low volumes and a relatively high electrical load per connection. It is less likely to be feasible to make a connection to passing HV mains, resulting in long cable lengths, such as to lay a new feeder from a primary substation. The installation of privately owned transformers and LV cabling is work available for competitors to undertake, representing a package of work that would be cost effective and therefore attractive to a competitor and their customer. With a higher value per project than low voltage connections involving high voltage work and a lower level of complexity relative to EHV work, this segment is potentially the most attractive to competitors. To be successful in this segment requires access to sufficient volumes of work to adequately absorb any fixed costs and effectively manage unit costs, and/or access to local sub-contractors. Skills required will include cable laying as well as substation fitting and commissioning expertise.

Customer profile

Relationship/one-off transactional
Within this segment the end customers will generally be relationship-type major industrial/commercial customers for a wide range of developments. However our direct customer is often a consultant providing bundled services for such an end customer. Recent customers have ranged from large retail chains, banking, hospitals and universities to industrial plants and utility developments such as a water treatment works,

Customer needs/buying criteria – price, service, certainty etc.
For customers in this segment service is the primary driver, both in terms of certainty of delivery and quality of service, as the electricity connection cost tends to be a relatively low proportion of the overall cost of a development but is likely to act as a critical enabler to the overall success of that development. Customers in this segment are likely to have considerably greater purchasing power than in the LV and LVHV segments.
Customer surveys – views of choice, competition etc.
As a result of customer feedback we have invited competitors to be represented in a list that we publish on our website, which provides web links to competitor sites to enable customers to more easily locate and contact an alternative connection provider.

Competitor analysis

Recent trends, developments
Typically active competitors in this market segment are technically proficient and look for opportunities to undertake complex HV substation installations which may also require significant quantities of cable laying. Single points of supply to large commercial clients are favoured. These larger projects will often result in multiple applications from competitors as clients look for the best offer available in the market place.

Currently there are 23 competitors who have made point of connection applications in this segment of which seven have also expressed an interest in self-connect opportunities at HV. This would allow a competitor to give a more complete service to its client, minimising the reliance on UK Power Networks to undertake the associated operational works. Appendix 6 shows that numbers of HVHV enquiries are the most significant factor in the overall growth in SLC15 enquiries.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share across the HV market and this was particularly the case for HVHV work, where IDNOs represented 72 per cent of the work (measured by electrical load) won by competitors in the 12 months to October 2012. However during 2013 we have seen a swing back towards ICP activity, with the volume of ICP work in the 12 months to October 2013 increasing more than threefold while the IDNO share of work won by competitors fell to 56 per cent.

Feedback
The CiC team actively engage with the larger competitors and have regular meetings to develop the working relationship between competitors' and UK Power Networks' staff, review how we are progressing their projects, discuss any difficulties that they may be encountering interfacing with UK Power Networks in the design or delivery functions and consider any opportunities for making improvements. These meetings are usually quarterly and are in addition to the wider competition stakeholder workshops.

In response to a survey in February 2013, 89 per cent of competitors active in the metered RMS agreed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas.

At our May 2013 competitor workshop 85 per cent of those attending, including representatives of competitors operating in all three HVHV markets, agreed that UK Power Networks should pass the Competition Test.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) our own stakeholder engagement workshops
ii) Ofgem and the ECSG
iii) the Competitive Networks Association
iv) other sources which include consultants and responses to other competition consultations

These are dealt with in the main body of the Notice (see Section 2) but most of them are applicable to this segment.

Extension of contestability

We support the principles of extending contestability wherever it is safe and practicable to do so. HV final connection concerns the jointing of new high voltage cables to the existing UKPN high voltage network. There is a requirement for suitable arrangements to be put in place in order for a section of network to be temporarily isolated and released to the ICP to facilitate access for the jointing work to be completed. We provide ICPs with a choice of alternative options for the procedures and associated interfaces with UK Power Networks in the end-to-end HV connection process,

- Pilots involving limited 'operational activity' by the ICP in addition to the 'connection activity' have been available to ICPs since September 2012. Six joints have been completed within these arrangements by one ICP in EPN and six more have expressed interest in HV final connections.

- Jointing to existing DNO HV mains whereby UK Power Networks provide all of the associated operational activity was formally transferred to contestable status on 31 July 2013. Two joints have been completed with one ICP in LPN while two more are currently seeking NERS accreditation and expecting to commence in early 2014.

Further details are provided in Section 7.3 of this Notice.

9.2.2.2 HVHV: Information specific to EPN

Dimensions

Figure 44 provides a summary of the range and typical nature of projects in this segment.

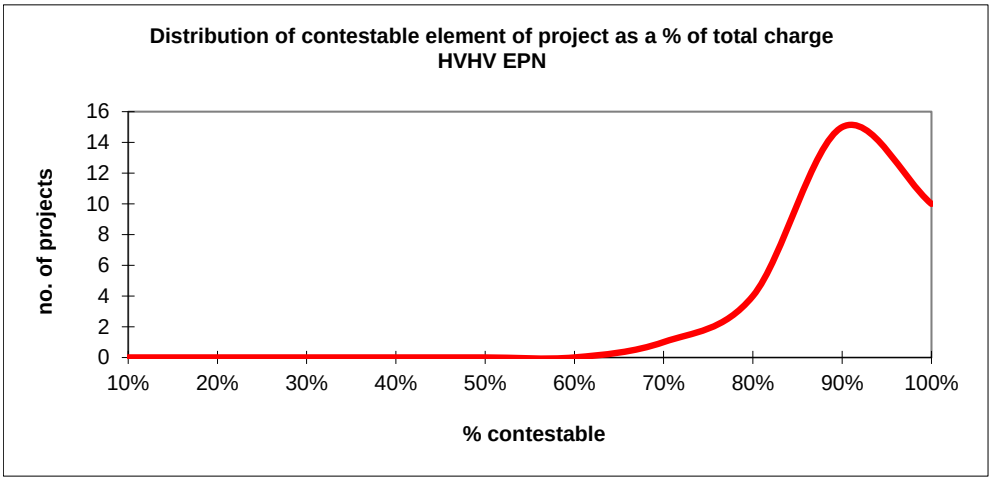
Figure 44: Project dimensions: HVHV EPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 – 250 1-30, typically 1
Load	80 kVA – 20 MVA Typical 500 kVA
Value	£2k – £1m Typical £100k

Split of contestable/non-contestable

Based on UK Power Networks quotes accepted in the 12 months to October 2013, on average (mean), 86 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 45 indicates, the most common (mode) outcome is around 90 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 45: Contestable element as a percentage of total charge: HVHV EPN



9.2.2.2 HVHV: Information specific to EPN

Dimensions

Figure 44 provides a summary of the range and typical nature of projects in this segment.

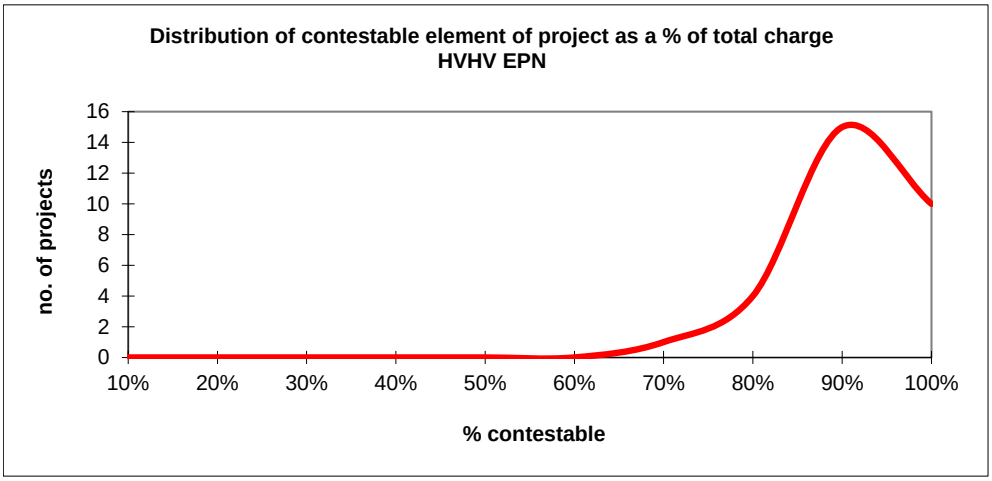
Figure 44: Project dimensions: HVHV EPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 – 250 1-30, typically 1
Load	80 kVA – 20 MVA Typical 500 kVA
Value	£2k – £1m Typical £100k

Split of contestable/non-contestable

Based on UK Power Networks quotes accepted in the 12 months to October 2013, on average (mean), 86 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 45 indicates, the most common (mode) outcome is around 90 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 45: Contestable element as a percentage of total charge: HVHV EPN



Market dimensions

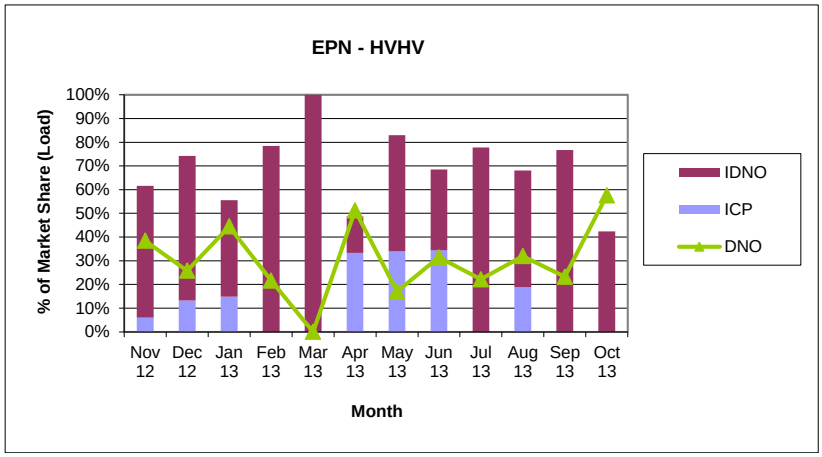
Estimated annual market and market share

Currently the overall size of the market equates to approximately £6m per annum in EPN, covering circa 107 projects. The proportion of the market that was provided by UK Power Networks in the 12 months to October 2013 was 35 per cent.

Recent trends

During the past 12 months the market share retained by UK Power Networks has varied between 0 per cent and 58 per cent based on connected load.

Figure 46: Market share HVHV EPN



Competitor analysis

Competitor numbers

There are 23 competitors that have actively participated (enquiries) in this market segment in EPN in the last three years (from November 2010). Of those, 22 were active (enquiries) in the last 12 months and 11 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9,** see also Figure 47 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

Figure 47: Competitor analysis: HVHV EPN

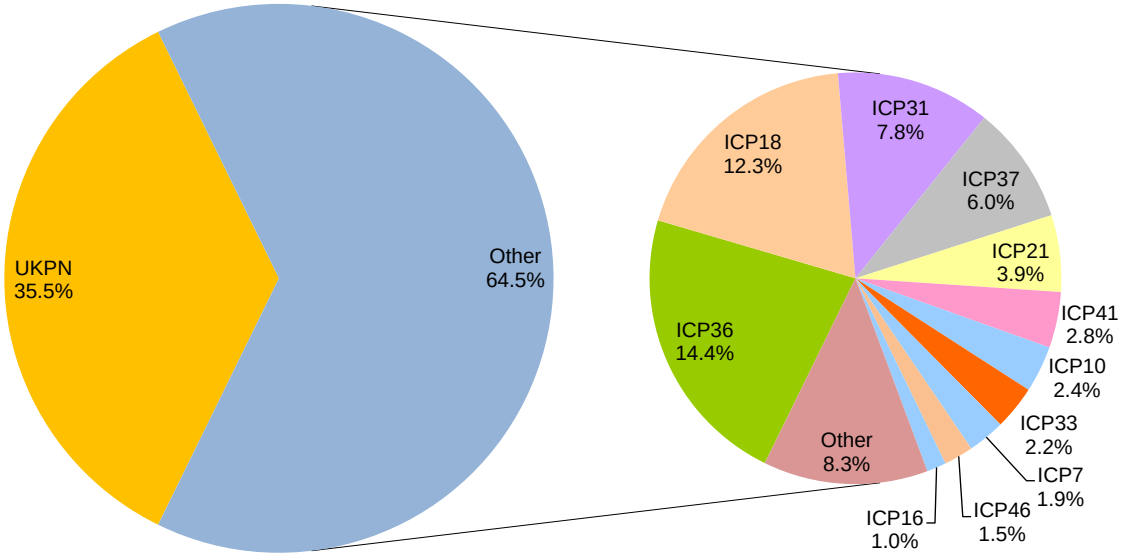
Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	50,120	30		1,671
ICP36	20,307	12	2012	
ICP18	17,390	17	2006	
ICP31	11,040	9	2006	
ICP37	8,459	13	2009	
ICP21	5,485	3	2009	
ICP41	4,000	1	2008	
ICP10	3,333	3	2003	
ICP33	3,150	5	2004	
ICP7	2,663	5	2007	
ICP46	2,100	1	2010	
ICP16	1,385	1	2012	
Other	11,780	7		1,183
Total	**141,212**	107		1,320

Percentage and value of market share
Figure 48 shows the competitor intensity in the EPN HVHV market based on work won in the last 12 months, based on electrical load.

Recent trends, developments
In the EPN area there are two dominant players that form part of a single corporate entity. however one of the two new entrants which became active in 2012 is also in the leading group.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share across the HV RMS and this was particularly the case for HVHV work. where IDNOs represented 77 per cent of the work (measured by electrical load) won by competitors in the 12 months to October 2012. In EPN the trend has stabilised during 2013, with 75 per cent of competitor work won by IDNOs in the 12 months to October 2013.

Figure 48: Market share by participant: HVHV EPN



Extension of contestability

Currently there is one competitor carrying out HV jointing (ICP31), with six joints completed in EPN, and discussions are also being held with six further interested competitors.

Conclusion

The analysis above and elsewhere in this document confirms that there is "effective competition" in this Alternative RMS because:

- UK Power Networks' market share for the last 12 months was 35% and has fallen in some months to 0%
- Customers are typically major commercial companies with a high awareness of competitive alternatives whose purchasing power and capabilities will be strong
- There are numerous and increasing numbers of active competitors in this segment that could be selected by customers to undertake their contestable work
- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- On average, contestable work accounts for approximately 86% of the total costs, giving competitors potential to earn sizeable margins
- HV final connections activity was transferred to contestable status in July 2013
- Competitors' progressive take-up of HV Mains final connection work will lead to further erosion of market share
- 85 per cent of competitors attending a workshop in May 2013, including three representatives of competitors operating at HVHV in EPN, agreed that UK Power Networks should pass the Competition Test.

9.2.2.3 HVHV: Information specific to LPN

Dimensions

Figure 49 provides a summary of the range and typical nature of projects in this segment.

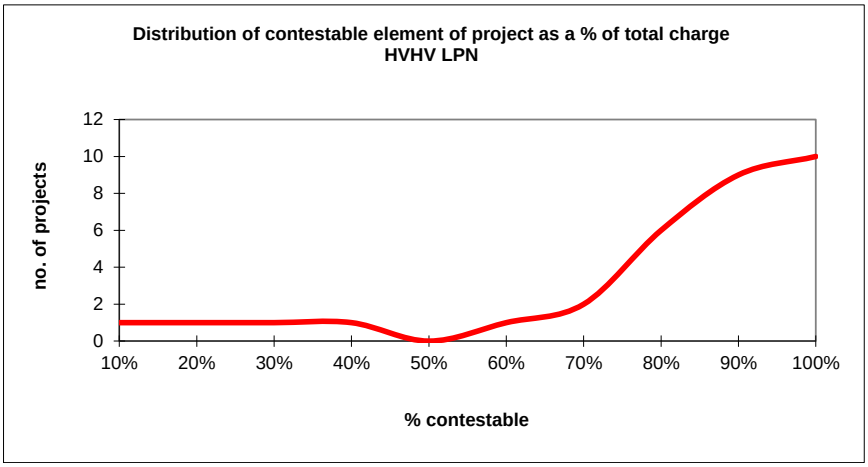
Figure 49: Project dimensions: HVHV LPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 - 250 1 – 30, typically 1
Load	200 kVA – 35 MVA Typical 900 kVA
Value	£10k – £2m Typical £80k

Split of contestable/non-contestable

Based on UK Power Networks quotes accepted in the 12 months to October 2013, on average (mean), 76 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 50 indicates, the most common (mode) outcome is now over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 50: Contestable element as a percentage of total charge: HVHV LPN



Market dimensions

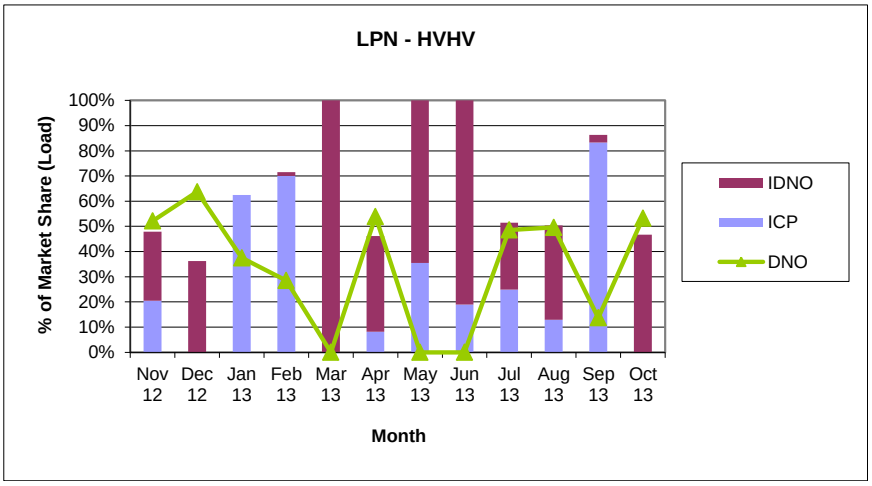
Estimated annual market and market share

Currently the overall size of the market equates to approximately £20m per annum in LPN, covering circa 109 projects. The proportion of the market which is provided by competitors is approximately 62 per cent.

Recent trends

During the 12 months to October 2013, the market share retained has varied between 0 per cent and 64 per cent based on connected load.

Figure 51: Market share HVHV LPN



Competitor analysis

Competitor numbers

There are 19 competitors that have actively participated (enquiries) in this market segment in LPN in the last three years (from November 2010). Of those, 18 were active (enquiries) in the last 12 months and 11 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9**, see also Figure 52 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

Figure 52: Competitor analysis: HVHV LPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	80,228	30		2,674
ICP31	27,885	29	2006	
ICP37	21,663	18	2009	
ICP7	13,980	8	2007	
ICP33	10,097	4	2004	
ICP4	5,630	5	2011	
ICP43	2,600	1	2009	
ICP42	2,000	1	2010	
ICP36	1,656	3	2012	
ICP18	1,184	2	2006	
ICP6	868	1	2010	
ICP16	790	1	2012	
Other	42,105	6		1,651
Total	**210,686**	**109**		1,933

Percentage and value of market share

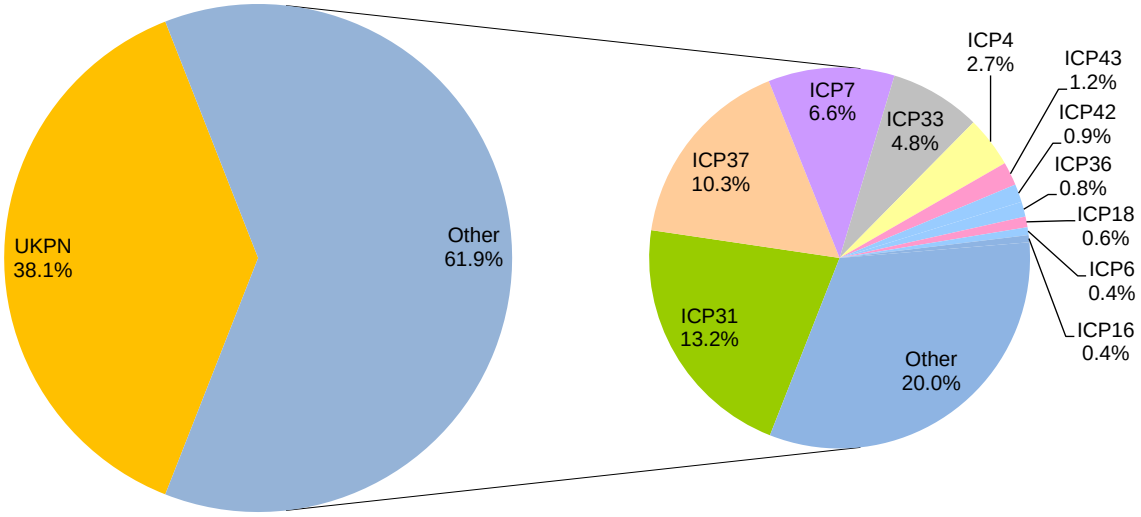
Figure 53 shows the competitor intensity in the LPN HVHV market based on work won in the last 12 months, based on electrical load.

Recent trends, developments

The LPN area has seen a number of new entrants to this RMS in LPN which has contributed to the reduction in retained market share. There have been two new entrants that have become active and won work in this segment in LPN since the beginning of 2012.

During 2012 we noted that IDNO connected load formed an increasing proportion of competitor market share. In LPN the trend has reversed during 2013, with the volume of ICP work (measured by electrical load) increasing more than threefold while IDNO work increased by only 12 per cent. In all 42 per cent of competitor work was won by IDNOs in the 12 months to October 2013 compared to 61 per cent in the previous 12 months.

Figure 53: Market share by participant: HVHV LPN



Extension of contestability

Currently there is one competitor carrying out HV jointing (ICP31), with two joints completed in LPN, and discussions are also being held with six further interested competitors.

Conclusion

The analysis above and elsewhere in this document confirms that there is "effective competition" in this Alternative RMS because:

- UK Power Networks' market share for the last 12 months was 38% and has fallen in some months to 0%
- Customers are typically major commercial companies with a high awareness of competitive alternatives whose purchasing power and capabilities will be strong
- There are numerous and increasing numbers of active competitors in this segment that could be selected by customers to undertake their contestable work
- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- On average, contestable work accounts for approximately 76% of the total costs, giving competitors potential to earn sizeable margins
- HV final connections activity was transferred to contestable status in July 2013
- Competitors' progressive take-up of HV Mains final connection work will lead to further erosion of market share
- 85 per cent of competitors attending a workshop in May 2013, including three representatives of competitors operating at HVHV in LPN, agreed that UK Power Networks should pass the Competition Test.

9.2.2.4 HVHV information specific to SPN

Dimensions

Figure 54 provides a summary of the range and typical nature of projects in this segment.

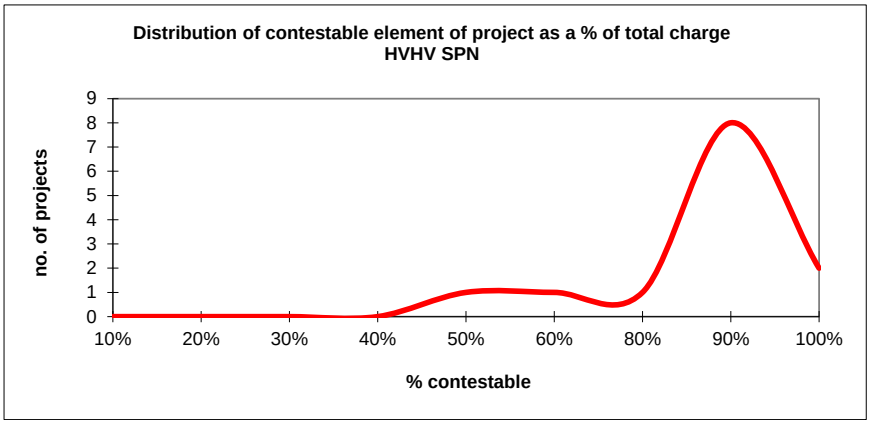
Figure 54: Project dimensions: HVHV SPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 - 250 1 – 30, typically 1
Load	80 kVA – 20 MVA Typical 500 kVA
Value	£2k – £1m Typical £100k

Split of contestable/non-contestable

Based on UK Power Networks quotes accepted in the 12 months to October 2013, on average (mean), 83 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 55 below indicates the most common (mode) outcome is now around 90 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will be associated non-contestable charges e.g. for audit and inspection).

Figure 55: Contestable element as a percentage of total charge: HVHV SPN

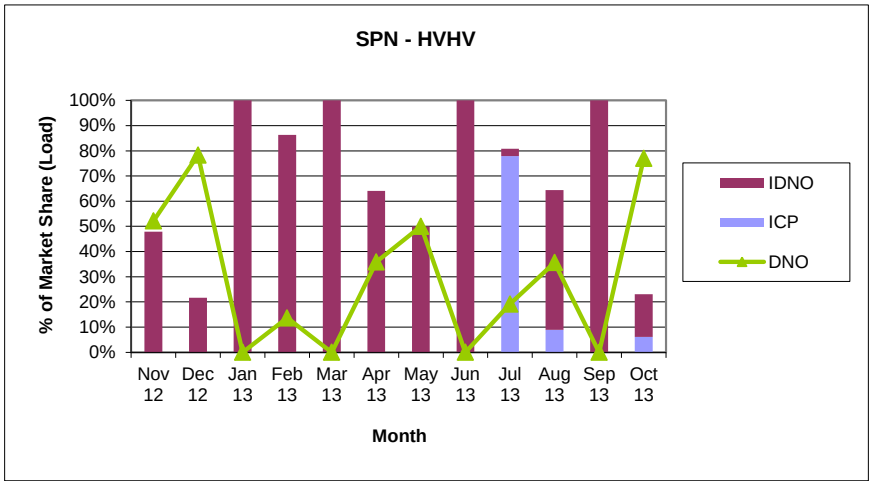


Market dimensions

Estimated annual market and market share
Currently the overall size of the market equates to approximately £7m per annum in SPN, covering 58 projects. The proportion of the market provided by competitors is approximately 67 per cent.

Recent growth trends
Over the past 12 months, the market share retained has varied between 0 per cent and 78 per cent per cent based on connected load.

Figure 56: Market share: HVHV SPN



Competitor analysis

Competitor numbers
There are 19 competitors that have actively participated (enquiries) in this market segment in SPN in the last three years (from April 2010). Of those, 17 were active (enquiries) in the last 12 months and 10 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9**, see also Figure 57 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

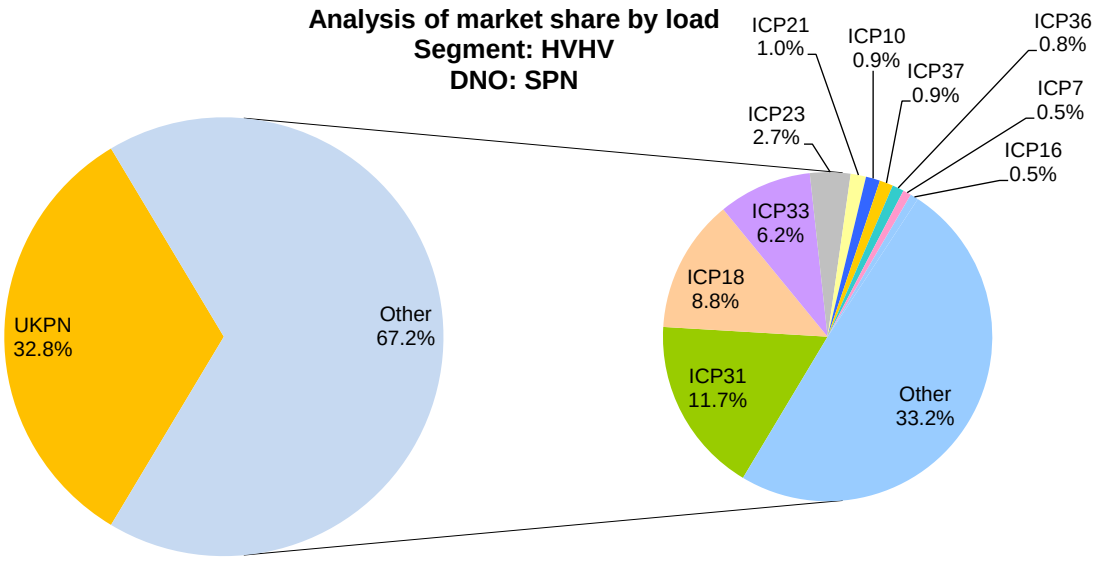
Figure 57: Competitor analysis: HVHV SPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	24,590	12		2,049
ICP31	8,736	11	2006	
ICP18	6,610	13	2006	
ICP33	4,625	6	2004	
ICP23	2,000	1	2010	
ICP21	760	2	2009	
ICP10	700	1	2003	
ICP37	671	3	2009	
ICP36	575	2	2012	
ICP7	410	1	2007	
ICP16	400	1	2012	
Other	**24,845**	**5**		1,188
Total	**74,922**	**58**		1,292

Percentage and value of market share

Figure 58 shows the competitor intensity in the SPN HVHV market based on work won in the last 12 months, based on electrical load.

Figure 58: Market share by participant: HVHV SPN



Recent trends, developments
In the SPN area there is no emerging dominant player, however there have been two new entrants that have become active and won work in this segment since the beginning of 2012.

IDNO connected load forms an increasing proportion of competitor market share. Overall for the HVHV segment in SPN, 18 per cent of market share has been lost to competitors in the 12 months to March 2013. Within that overall figure however, IDNO connected load increased by 23 percentage points and ICP load fell by five percentage points.

Extension of contestability
There have been no HV final connections in the SPN area to date although six ICPs have been involved in discussions regarding possible pilots once they have suitable work in this area.

Conclusion
The analysis above and elsewhere in this document confirms that there is "effective competition" in this Alternative RMS because:

- UK Power Networks' market share for the last 12 months was 33% and has fallen in some months to 0%
- Customers are typically major commercial companies with a high awareness of competitive alternatives whose purchasing power and capabilities will be strong
- There are numerous and increasing numbers of active competitors in this segment that could be selected by customers to undertake their contestable work
- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- On average, contestable work accounts for approximately 83% of the total costs, giving competitors potential to earn sizeable margins
- HV final connections activity was transferred to contestable status in July 2013
- Competitors' progressive take-up of HV Mains final connection work will lead to further erosion of market share
- 85 per cent of competitors attending a workshop in May 2013, including three representatives of competitors operating at HVHV in SPN, agreed that UK Power Networks should pass the Competition Test.

9.2.3 LVHV

This section provides a definition and analysis of an **LVHV** market segment created by splitting out the **HVHV** Alternative Relevant Market Segment from the **HV** RMS as defined in Appendix 1 of CRC12.

This section does **not** form part of the formal Competition Notice.

9.2.3.1 LVHV: Information common to all three DNO areas

Description of products and services
This segment covers the provision of all low voltage connections that involve some high voltage work.

The types of work included in this market segment range from single rural domestic connections to farms, schools, industrial, commercial and infrastructure schemes and larger domestic developments. Schemes of up to 1000v that would otherwise be classed as LV become LVHV if, for example, the total capacity required exceeds our available capacity and new substation is required.

The largest voltage connection in this category is 11kV. There are products offered by the DNO, by competitors, by consultants and by bundled services providers.

Critical success factors and relative market attractiveness
In general, this segment is characterised by mid-range volumes and a wide variability in value per connection. Although generally of a higher value per project than low voltage work and a lower level of complexity relative to EHV work, this segment is relatively less attractive to competitors than the 'HVHV' Alternative Relevant Market Segment. To be successful in this segment requires access to sufficient volumes of work to adequately absorb any fixed costs and effectively manage unit costs, and/or access to local sub-contractors. The larger the number of connections and load the greater the attractiveness to competitors.

Customer profile

Relationship/one-off transactional
Within this segment customers will generally be one-off developers or private individuals, small developers, small commercial building operators and some larger national developers and commercial concerns. There is a growing number of companies that provide M&E consultancy and bundled utility connections services for a wide range of developments. Recent typical schemes have included farms, other rural establishments such as golf courses, country clubs and caravan/camping sites, schools, housing developments and small commercial developments.

Customer needs/buying criteria – price, service, certainty etc.
For customers in this segment service is the primary driver, both in terms of certainty of delivery and quality of service, however price will also be an important consideration as the electricity connection cost tends to be a higher proportion of the overall cost of a development than for the HVHV segment,

There have been some examples where a developer has chosen to pay a higher price than that quoted by a competitor because they had greater faith in UK Power Networks' ability to deliver on schedule.

Customer surveys – views of choice, competition etc.

As a result of customer feedback we have invited competitors to be represented in a list that we publish on our website, which provides web links to competitor sites to enable customers to more easily locate and contact an alternative connection provider.

Competitor analysis

Recent trends, developments

Typically active competitors in this market segment are technically proficient and look for opportunities to undertake HV/LV substation installations which may also require significant quantities of cable laying. Large domestic housing estates requiring a substation(s) and associated low voltage distribution mains and services are favoured as are single points of supply to large commercial clients. These larger projects will often result in multiple applications from competitors as clients look for the best offer available in the market place.

Currently there are 26 competitors who have made point of connection applications in this segment of which seven have also expressed an interest in self-connect opportunities at HV. This would allow a competitor to give a more complete service to its client, minimising the reliance on UK Power Networks to undertake the associated operational works. Appendix 6 shows that, within an overall significant and continued growth in numbers of SLC15 enquiries, the volume of LVHV enquiries has tended to fall year on year while HVHV volumes have increased significantly.

We noted during 2012 that IDNO connected load formed an increasing proportion of competitor market share for the HV RMS as a whole. However this mainly reflected the activity in the HVHV market; for LVHV work, the mix has remained broadly consistent over the past two years, with IDNO representing around 60 per cent of all the work (in terms of electrical load) won by competitors.

Feedback

The CiC team actively engage with the larger competitors and have regular meetings to develop the working relationship between competitors' and UK Power Networks' staff, review how we are progressing their projects, discuss any difficulties that they may be encountering interfacing with UK Power Networks in the design or delivery functions and consider any opportunities for making improvements. These meetings are usually quarterly and are in addition to the wider competition stakeholder workshops.

In response to a survey in February 2013, 89 per cent of competitors active in the metered RMS agreed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) our own stakeholder engagement workshops

ii) Ofgem and the ECSG

iii) the Competitive Networks Association
iv) other sources which include consultants and responses to other competition consultations

These are dealt with in the main body of the Notice (see Section 2) but most of them are applicable to this segment.

Extension of contestability

We support the 'in principle' decision made in Ofgem's letter dated 8 May 2012. UK Power Networks declared live jointing to low voltage underground radial mains as a contestable activity with effect from 26 October 2012. Ofgem will be aware that UK Power Networks did not initially include its LPN normally interconnected networks within this extension of contestability. This concerns the relatively small proportion of the LPN network in central London where additional 'operational activity' is required prior to any live jointing taking place. However, we recognise that ICPs wish to compete in this area and so we are now pleased to report that all necessary arrangements are in place for us to provide a Linking and Fusing (i.e. 'operational activity') service that will allow live jointing in this area. We have already submitted a revised Connection Charging Methodology document to this effect and subject to Ofgem approval live LV jointing will become contestable in this area by 27 December 2013.

9.2.3.2 LVHV: Information specific to EPN

Dimensions

Figure 59 provides a summary of the range and typical nature of projects in this segment.

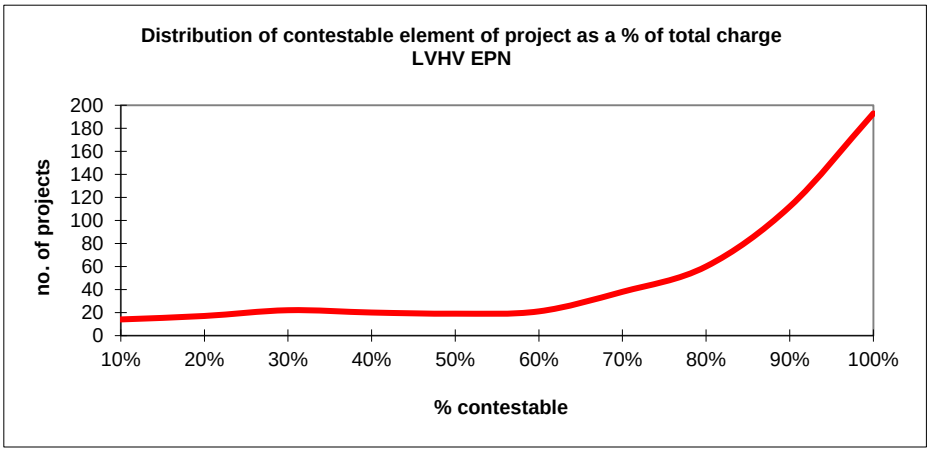
Figure 59: Project dimensions: LVHV EPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 – 100, typically 1 1 – 15, typically 1
Load	1 kVA – 2 MVA Typical 200 kVA
Value	£10k – £600k Typical £50k

Split of contestable/non-contestable

Based on UK Power Networks quotes accepted in the 12 months to October 2013, on average (mean), 85 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 60 indicates, the most common (mode) outcome is over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 60: Contestable element as a percentage of total charge: LVHV EPN



Market dimensions

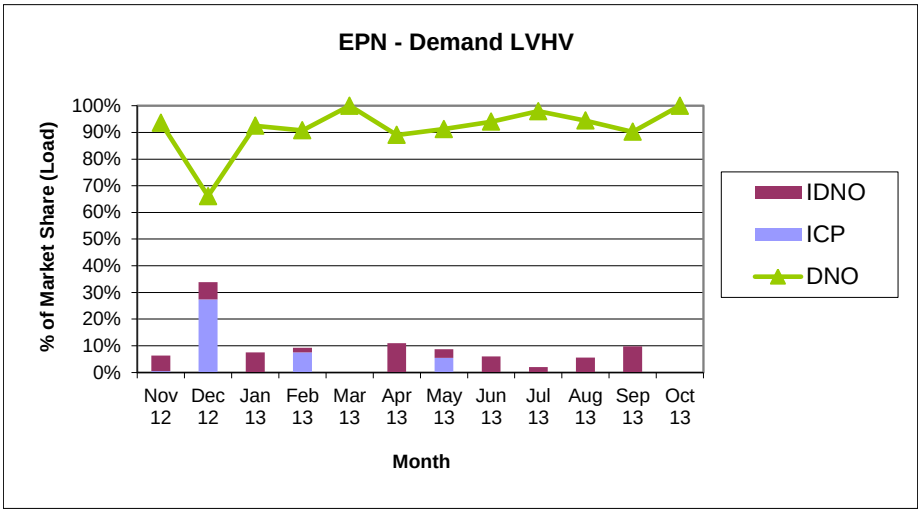
Estimated annual market and market share

Currently the overall size of the market equates to approximately £24m per annum in EPN, covering circa 485 projects. The proportion of the market that was provided by UK Power Networks in the 12 months to October 2013 was 92 per cent.

Recent trends

During the past 12 months the market share retained by UK Power Networks has varied between 66 per cent and 100 per cent based on connected load.

Figure 61: Market share LVHV EPN



Competitor analysis

Competitor numbers

There are 20 competitors that have actively participated (enquiries) in this market segment in EPN in the last three years (from November 2010). Of those, 15 were active (enquiries) in the last 12 months and 9 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9,** see also Figure 62 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

Figure 62: Competitor analysis: LVHV EPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	84,146	455		185
ICP43	2,116	1	2009	
ICP31	1,572	5	2006	
ICP36	1,097	6	2012	
ICP37	848	5	2009	
ICP18	828	6	2006	
ICP19	414	2	2009	
ICP33	150	1	2004	
ICP6	39	1	2010	
ICP23	14	1	2010	
Other	453	2		251
Total	**91,676**	**485**		189

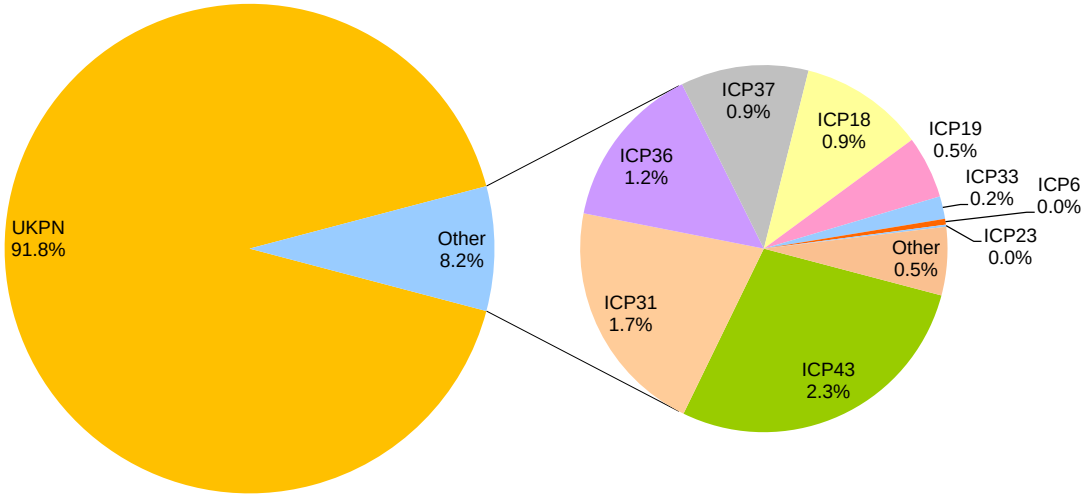
Percentage and value of market share
Figure 63 shows the competitor intensity in the EPN LVHV market based on work won in the last 12 months, based on electrical load.

Recent trends, developments
In the EPN area there are no particularly dominant players and there has been one new entrant which has become active and won work in this segment since the beginning of 2012.

IDNO connected load forms around 62 per cent of competitor market share for the LVHV segment in EPN over the 12 months to October 2013, compared to 94 per cent for the previous 12 months.

Figure 63: Market share by participant: LVHV EPN

Extension of contestability
LV live jointing to radial underground mains became a contestable activity on 26 October 2012.



Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers
- UK Power Networks' market share has fallen in some months to 66%
- On average, contestable work accounts for approximately 85% of the total costs, giving competitors potential to earn sizeable margins
- LV live jointing to radial underground mains became a contestable activity on 26 October 2012.
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work
- 85 per cent of competitors attending a workshop in May 2013, including two representatives of competitors operating at LVHV in EPN, agreed that UK Power Networks should pass the Competition Test.

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is supported by the fact that UK Power Networks' market share for the last 12 months remains dominant at 92%.

We have therefore proposed a new "HVHV" Alternative Market Segment to exclude this work and customer base from the HV RMS as set out in Section 9.2.2

9.2.3.3 LVHV: Information specific to LPN

Dimensions

Figure 64 provides a summary of the range and typical nature of projects in this segment.

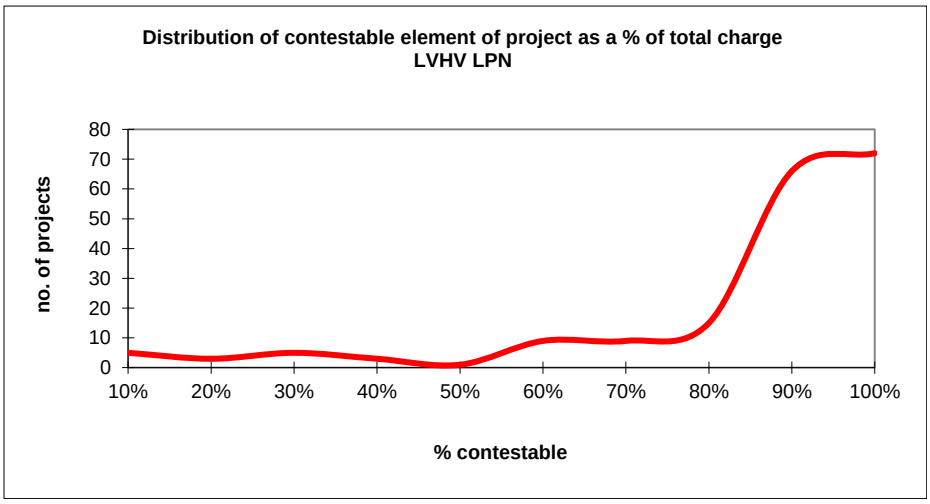
Figure 64: Project dimensions: LVHV LPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 – 400 1 – 35, typically 1
Load	50 kVA – 4 MVA Typical 500 kVA
Value	£4k–£2.6m Typical £100k

Split of contestable/non-contestable

Based on quotes accepted in the 12 months to October 2013, on average (mean), 88 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 65 indicates, the most common (mode) outcome is now over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will continue to be associated non-contestable charges e.g. for audit and inspection).

Figure 65: Contestable element as a percentage of total charge: LVHV LPN



Market dimensions

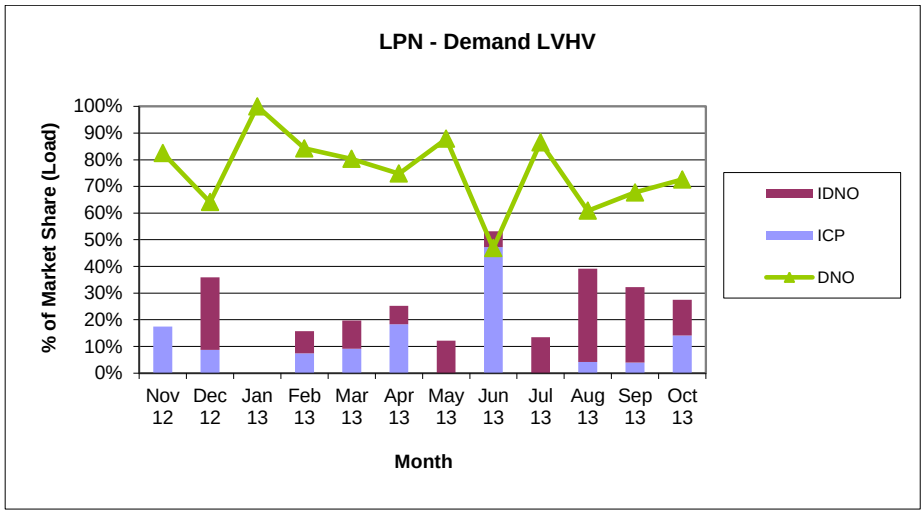
Estimated annual market and market share

Currently the overall size of the market equates to approximately £41m per annum in LPN, covering circa 222 projects. The proportion of the market which is provided by competitors is approximately 24 per cent.

Recent trends

During the 12 months to October 2013, the market share retained has varied between 47 per cent and 100 per cent based on connected load.

Figure 66: Market share LVHV LPN



Competitor analysis

Competitor numbers

There are 20 competitors that have actively participated (enquiries) in this market segment in LPN in the last three years (from November 2010). Of those, 16 were active (enquiries) in the last 12 months and 9 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9**, see also Figure 67 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

Figure 67: Competitor analysis: LVHV LPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	109,645	175		627
ICP31	9,444	10	2006	
ICP37	8,051	9	2009	
ICP4	5,952	8	2011	
ICP7	3,928	4	2007	
ICP33	2,225	4	2004	
ICP18	720	4	2006	
ICP36	510	3	2012	
ICP43	275	1	2009	
ICP28	250	1	2010	
Other	2,847	3		728
Total	**143,847**	**222**		648

Percentage and value of market share

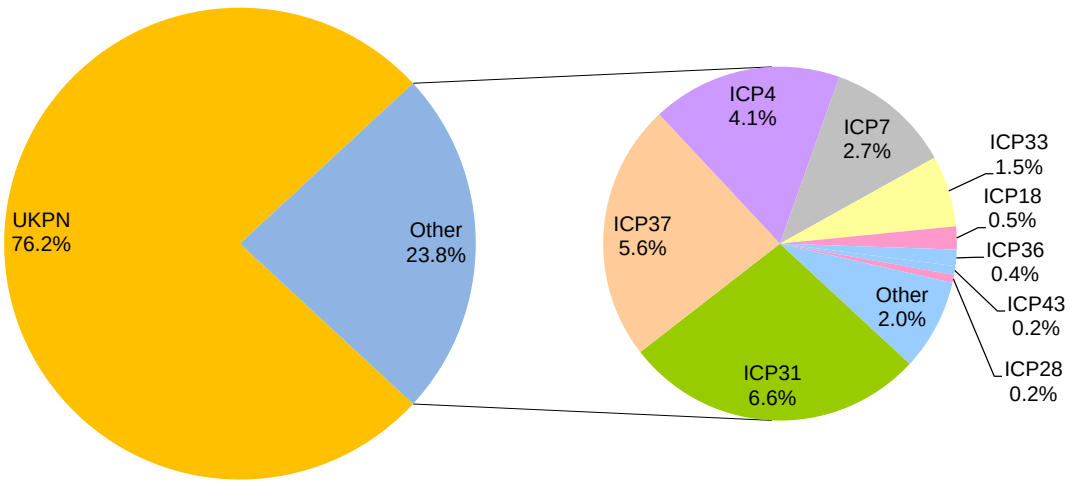
Figure 68 shows the competitor intensity in the LPN LVHV market based on work won in the last 12 months, based on electrical load.

Recent trends, developments

.Competitor activity is primarily led by established competitors.

IDNO connected load forms around 60 per cent of competitor market share for the LVHV segment in LPN over the 12 months to October 2013, compared to 57 per cent for the previous 12 months.

Figure 68: Market share by participant: LVHV LPN



Extension of contestability

LV live jointing to radial underground mains became a contestable activity on 26 October 2012.

Conclusion

The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers
- UK Power Networks' market share has fallen in some months to 47%
- On average, contestable work accounts for approximately 88% of the total costs, giving competitors potential to earn sizeable margins
- LV live jointing to radial underground mains became a contestable activity on 26 October 2012.
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work
- 85 per cent of competitors attending a workshop in May 2013, including three representatives of competitors operating at LVHV in LPN, agreed that UK Power Networks should pass the Competition Test.

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is supported by the fact that UK Power Networks' market share for the last 12 months remains relatively high at 76%

We have therefore proposed a new "HVHV" Alternative Market Segment to exclude this work and customer base from the HV RMS as set out in Section 9.2.2

9.2.3.4 LVHV information specific to SPN

Dimensions

Figure 69 provides a summary of the range and typical nature of projects in this segment.

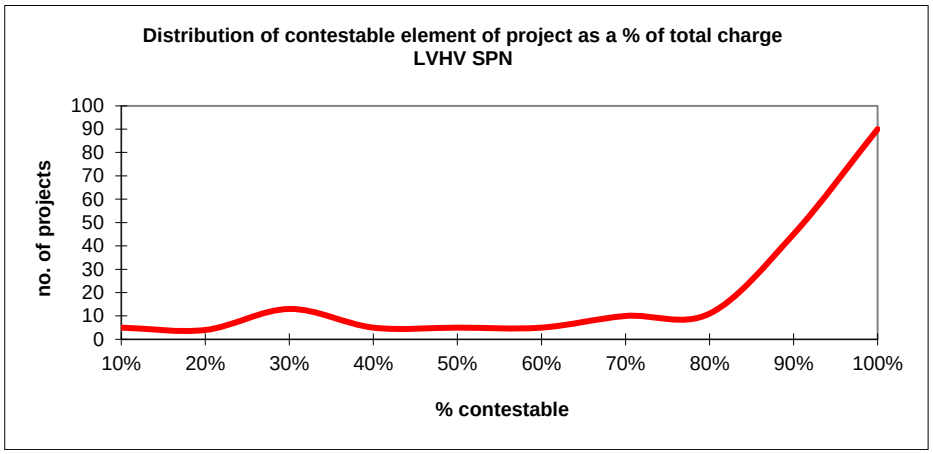
Figure 69: Project dimensions: LVHV SPN

Scope	Dimensions
Number of connections – Domestic - Commercial	1 - 200 1 – 25, typically 1
Load	1 kVA – 3 MVA Typical 200 kVA
Value	£2k – £1.5m Typical £20k

Split of contestable/non-contestable

Based on UK Power Networks quotes accepted in the 12 months to October 2013, on average (mean), 91 per cent of the charge relates to the contestable element of work which is subject to competition. However as Figure 70 below indicates the most common (mode) outcome is now over 95 per cent contestable in terms of direct costs (but note that where a competitor delivers the project there will be associated non-contestable charges e.g. for audit and inspection).

Figure 70: Contestable element as a percentage of total charge: LVHV SPN



Market dimensions

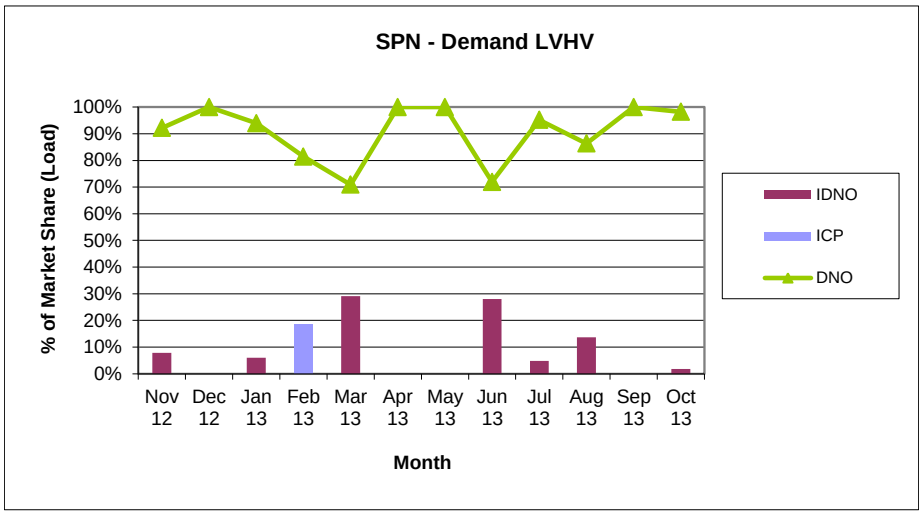
Estimated annual market and market share

Currently the overall size of the market equates to approximately £14m per annum in SPN, covering 177 projects. The proportion of the market provided by competitors is approximately 10 per cent.

Recent growth trends

Over the past 12 months, the market share retained has varied between 71 per cent and 100 per cent per cent based on connected load.

Figure 71: Market share: LVHV SPN



Competitor analysis

Competitor numbers

There are 17 competitors that have actively participated (enquiries) in this market segment in SPN in the last three years (from November 2010). Of those, 11 were active (enquiries) in the last 12 months and 10 were successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9**, see also Figure 72 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

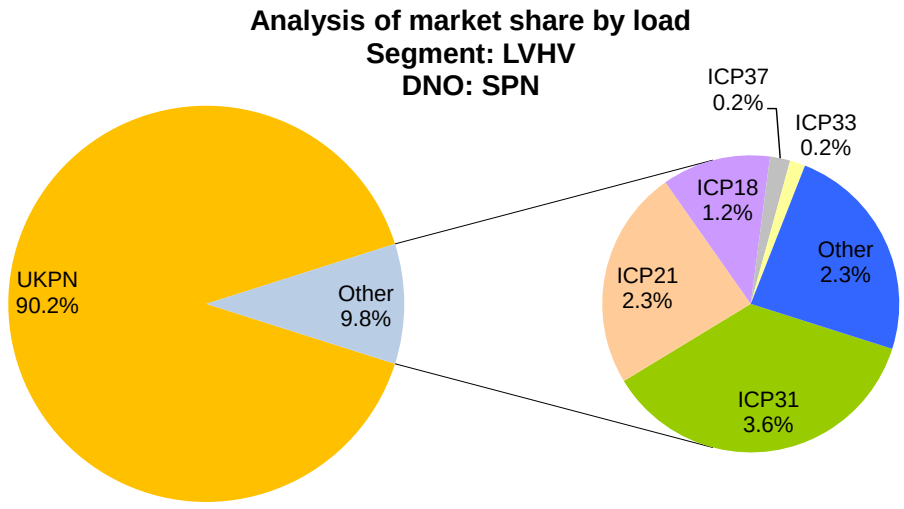
Figure 72: Competitor analysis: LVHV SPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry	Average kVA per project
UKPN	24,590	12		2,049
ICP31	8,736	11	2006	
ICP18	6,610	13	2006	
ICP33	4,625	6	2004	
ICP23	2,000	1	2010	
ICP21	760	2	2009	
ICP10	700	1	2003	
ICP37	671	3	2009	
ICP36	575	2	2012	
ICP7	410	1	2007	
ICP16	400	1	2012	
Other	**24,845**	**5**		1,188
Total	**74,922**	**58**		1,292

Percentage and value of market share

Figure 73 shows the competitor intensity in the SPN LVHV market based on work won in the last 12 months, based on electrical load.

Figure 73: Market share by participant: LVHV SPN



Recent trends, developments
In the SPN area there is no emerging dominant player, however there have been two new entrants that have become active and won work in this segment since the beginning of 2012.

IDNO connected load has risen to 76 per cent of competitor market share for the LVHV segment in LPN over the 12 months to October 2013, compared to 52 per cent for the previous 12 months. This reflects a fall-off in ICP activity during this period.

Extension of contestability
There is currently one pilot for HV final connections that extends to the SPN area and six other ICPs have been involved in discussions regarding possible pilots once they have suitable work in this area.

Conclusion
The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past three years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is satisfactory for one-off customers and high for repeat customers
- UK Power Networks' market share has fallen in some months to 71%
- On average, contestable work accounts for approximately 91% of the total costs, giving competitors potential to earn sizeable margins
- LV live jointing to radial underground mains became a contestable activity on 26 October 2012.
- There are numerous active competitors in this segment that could be selected by customers to undertake their contestable work
- 85 per cent of competitors attending a workshop in May 2013, including two representatives of competitors operating at LVHV in SPN, agreed that UK Power Networks should pass the Competition Test.

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is supported by the fact that UK Power Networks' market share for the last 12 months remains high at 90%.

We have therefore proposed a new "HVHV" Alternative Market Segment to exclude this work and customer base from the HV RMS as set out in Section 9.2.2

9.3 DGLV

This analysis of the LV RMS is provided as an updated Market Report and does not form part of the formal Competition Notice.

9.3.1 DGLV: Information common to all three DNO areas

The scope of this RMS is as defined in Appendix 1 of CRC12 and set out in Section 1.1 of this document.

Description of products and services

This segment covers projects for the connection of distributed generation (DG) to the DNO network that are typically below 300kW. All other distributed generation projects fall into the DGHV market segment. The scope of generation covers any form of renewable energy, such as waste to energy, wind farms, combined heat and power (CHP), photovoltaic (solar) panels (PV), with customers who wish to demonstrate sustainability in their supplies while taking advantage of Government incentives for renewables (Renewable Obligation Certificates). For the DGLV segment, the majority of projects involve PV, wind turbines and occasionally diesel generators.

There are relatively low volumes of LV generation, with a small number of multiple commercial developments, and a greater number of small domestic installations. The market is dominated by developments re: Feed-in Tariffs. Only 10 to 15 per cent of connections are quoted as requiring any physical work on the network, and where this is the case, the customer often chooses not to proceed

The treatment of a project as demand or generation is governed by the Guaranteed Standards of Performance (GSoP). Under GSoP categorisation, where a demand connection also has distributed generation then:

- if it is a single DG of up to 16amps per phase (i.e. G83/1 stage 1) it is a demand connection, and
- if it is either multiple DG of less than 16amps per phase or if it is DG over 16amps per phase then it is a DG connection.

In this LV generation market, the enquiry generally comes from the installer, not the end customer. This may also be the case where a competitor is involved. Some competitors are joining forces with generation equipment installers to provide a bundled service.

Split of contestable/non-contestable

Of those projects won in the 12 months to October 2013 that involved contestable work, on average (mean) 74 per cent of the charge relates to the contestable element of work which is subject to competition. However this percentage can vary significantly between individual schemes.

Critical Success Factors and relative market attractiveness

Projects in this segment are generally more complex and require more skills than the equivalent demand project.

To be successful in this segment requires access to a range of specialist technical skills e.g. design, fault level studies.

Customer profile

Relationship/one-off transactional

Some generation schemes are commercial operations, intended primarily to generate income: these will tend to be wind generation or PV. Conversely waste-to-energy is generally a secondary outcome. Projects will always involve a consultant to help prepare the design e.g. fault level studies.

Customer needs/buying criteria – price, service, certainty etc.

All generation is driven by cost but there are also time-drivers to benefit from prevailing Government funding opportunities.

Market dimensions

Recent growth trends

DG is our fastest-growing market but is closely dependent on Government policy and technology costs.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) our own stakeholder engagement workshops
ii) Ofgem and the ECSG
iii) the Competitive Networks Association
iv) other sources which include consultants and responses to other competition consultations

These are dealt with in the main body of the Notice but key features relevant to this segment are:

a. Projects tend to be geographically dispersed; and
b. Low volumes of projects which have low average value

We have engaged extensively with the DG community in the past year and have put in place dedicated resources to identify and address issues in order to improve the service we provide to this customer group and enable our competitors to do likewise.

Extension of contestability

a. We support the principles of extending contestability wherever it is safe and practicable to do so. For this particular segment we have applied Ofgem's decision in terms of making live jointing to LV underground radial mains a permanent feature of contestable work.
b. This work is now a business-as-usual activity, subject to each competitor demonstrating all the appropriate capabilities beforehand. Business as usual activity includes the appropriate levels of audit and inspection,
   The measures taken to extend the scope of contestability should help to make this market segment more attractive to competitors

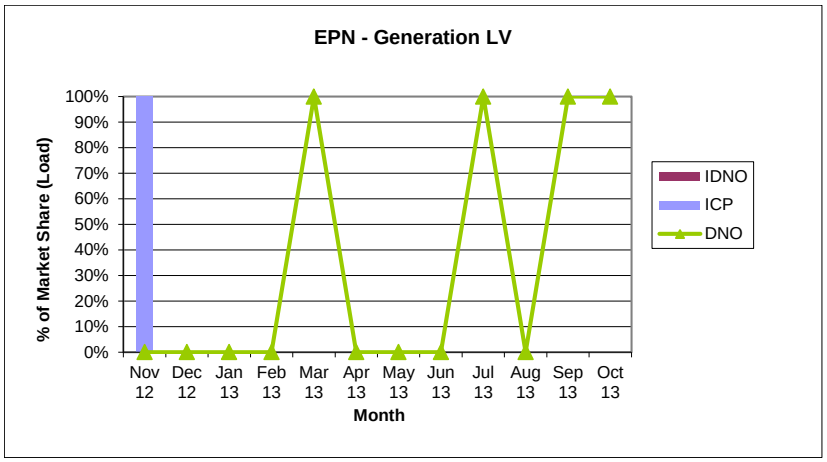
9.3.2 DGLV: Information specific to EPN

Market dimensions

Estimated annual market and our market share

Currently the overall size of the market equates to approximately £50k per annum in EPN, covering 7 projects in the last 12 months, of which 1 was won by a competitor. The proportion of the market that was provided by UK Power Networks in the 12 months to October 2013 was 56 per cent.

Figure 74: Market share DGLV EPN



Competitor analysis

There are 9 competitors that have actively participated (enquiries) in this market segment in EPN in the last three years (from November 2010). Of those, 8 were active (enquiries) in the last 12 months and at least one was successful in winning work (quote accepted). A detailed analysis of competitors is provided in **Appendix 9** and summarised in Figure 75 below. Please note that 'Other' refers to those cases where the non-contestable quote has been accepted but the identity of the competitor is still to be confirmed by the customer.

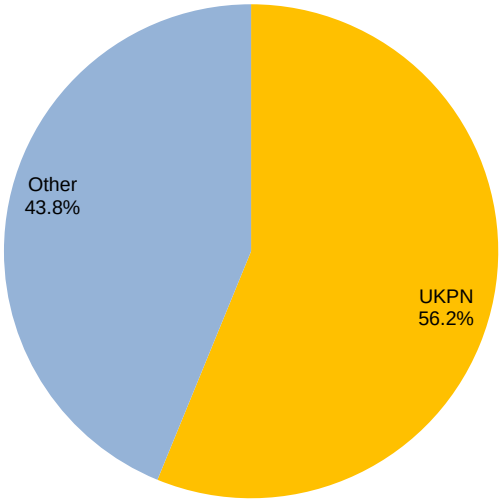
Figure 75: Competitor analysis: DGLV EPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry
UKPN	218	6	
Other	170	1	0
Total	**388**	**7**	

Percentage and value of market share

Figure 76 shows the competitor intensity in the EPN DGLV market based on work won in the last 12 months, based on electrical load.

Figure 76: Market share by participant: DGLV EPN



Conclusion

The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past 3 years (see sections 2-8 above)
- We have made live jointing to LV underground radial mains a contestable activity
- There are 9 active competitors in this segment that could be selected by customers to undertake their contestable work
- Competitors' progressive take-up of LV mains final connections will further improve the competitiveness within this segment.
- Our programme of improvements to our processes for distributed generation is beginning to deliver benefits to competitors for this work
- UK Power Networks' share of this market in the past 12 months has been only 56%

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections.

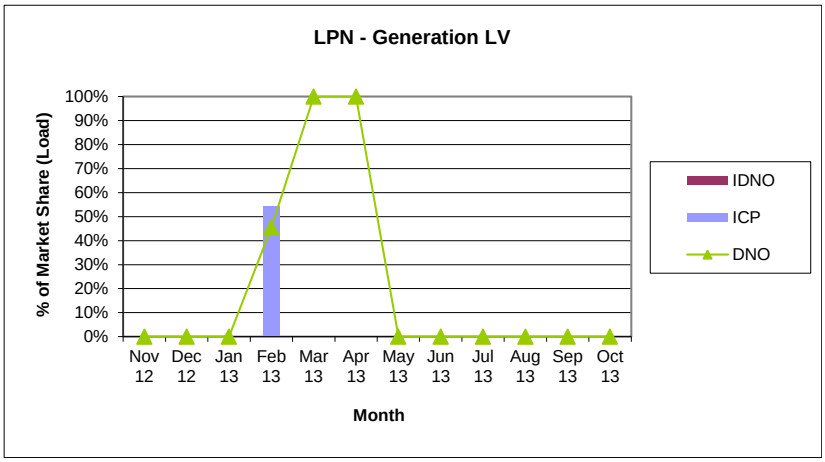
- UK Power have won 6 of the 7 projects available in the last 12 months
- Relatively few enquiries result in accepted quotes
- Most LV DG schemes do not involve contestable work

9.3.3 DGLV: Information specific to LPN

Dimensions

Currently the overall size of the market equates to approximately £3k per annum in LPN, covering four projects over 12 months to October 2013, of which three were won by UK Power Networks and one by a competitor. The proportion of the market, measured by capacity, that was provided by UK Power Networks in the 12 months to October 2013 was 80 per cent.

Figure 77: Market share: DGLV LPN



Competitor analysis

There are 9 competitors that have actively participated (enquiries) in this market segment in LPN in the last three years (from November 2010). Of those, 8 were active (enquiries) in the last 12 months and one was successful in winning work (quote accepted). A detailed analysis of those competitors is provided in **Appendix 9** and summarised in Figure 78 below.

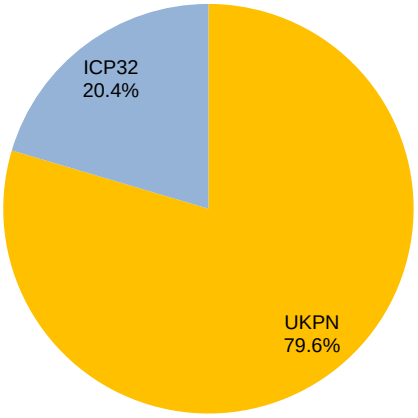
Figure 78: Competitor analysis: DGLV LPN

Key Metrics (*12m to Oct13)	Load (kVA) *	No. of jobs won*	Date of first enquiry
UKPN	117	3	
ICP32	30	1	2009
Total	**147**	**4**	

Percentage and value of market share

Figure 79 shows the competitor intensity in the LPN DGLV market based on work won in the last 12 months, based on electrical load.

Figure 79: Market share by participant: DGLV LPN



Conclusion

The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past 3 years (see sections 2-8 above)
- We have made live jointing to LV underground radial mains a contestable activity
- There are 9 active competitors in this segment that could be selected by customers to undertake their contestable work
- Competitors' progressive take-up of LV mains final connections will further improve the competitiveness within this segment.
- Our programme of improvements to our processes for distributed generation is beginning to deliver benefits to competitors for this work

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. UK Power Networks' share of this market in the past 12 months has been 80%

- UK Power have won 3 of the 4 projects available in the last 12 months
- Relatively few enquiries result in accepted quotes
- Most LV DG schemes do not involve contestable work.

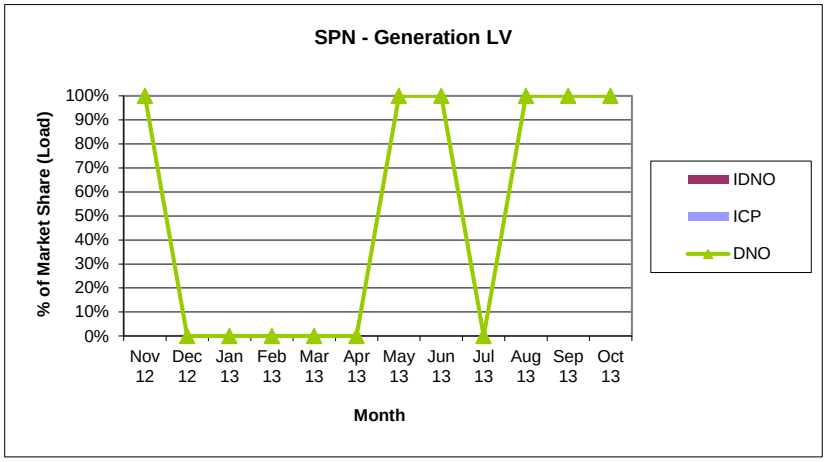
9.3.4 DGLV Information specific to SPN

Market dimensions

Estimated annual market and market share

Currently the overall size of the market equates to approximately £35k per annum in SPN, covering 8 projects in the last 12 months, of which all were won by UK Power Networks, representing 100 per cent of the total market.

Figure 80: Market share DGLV SPN



Competitor analysis

Numbers and names

There are 6 competitors that have actively participated (enquiries) in this market segment in SPN in the last three years (from November 2010). Of those, 3 were active (enquiries) in the last 12 months but none were successful in winning work (quote accepted).

Conclusion

The analysis above and elsewhere in this document confirms that there has been significant progress towards enabling "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past 3 years (see sections 2-8 above)
- We have made live jointing to LV underground radial mains a contestable activity
- There are 6 active competitors in this segment that could be selected by customers to undertake their contestable work
- Competitors' progressive take-up of LV mains final connections will further improve the competitiveness within this segment.

- Our programme of improvements to our processes for distributed generation is beginning to deliver benefits to competitors for this work

The factors described above have created the conditions for a competitive marketplace to operate, However some customers continue to make an informed choice to come to UK Power Networks and many others find that competitors consider some work within this segment relatively less attractive in terms of overall profitability of such connections. This is supported by the fact that UK Power Networks' share of this market in the past 12 months has been 100%

- UK Power have won all of the 8 projects available in the last 12 months
- Relatively few enquiries result in accepted quotes
- Most LV DG schemes do not involve contestable work.

9.4 UMC LA

This section forms part of the formal Competition Notice

9.4.1 UMC LA: Information common to all three DNO areas

The scope of this RMS is as defined in Appendix 1 of CRC12 and set out in Section 1.1 of this document.

Description of products and services

Unmetered services in the highway comprises the provision of new services, service transfers, service extensions and service disconnections, primarily in relation to street lighting and other street furniture. The nature of the work is the same for all three unmetered market segments, the distinction is in the type of customer and/or the volume, mix and timing of the work. For this segment, clients are Highway Authorities, including TfL, local authorities (LA's), parish councils, district councils, unitary authorities and term maintenance contractors working on behalf of any of the above, or their appointed agents. This may include ad-hoc work for LA's where the ICP is unable or unwilling to carry out that element of work.

Work is delivered via a range of products:

- a long-established turnkey arrangement which has electrical and civils activity delivered on a schedule of rates;
- Jointer Only is where electrical activity only is delivered on a schedule of rates and programmed into our normal schedule of works; and
- Rent a Jointer involves electrical activity only, charged at a rate per team per day for a minimum 5 days, where the customer schedules the work and UK Power Networks has no obligation as to productivity.

Both the Jointer Only and Rent a Jointer products create competition, as all non-electrical work is provided by parties other than the DNO

Split of contestable/non-contestable

All electrical UMC work is now contestable since UK Power Networks obtained formal approval to modify its Company Specific Connection Charging Methodology to make live jointing to LV underground radial mains contestable from 26 October 2012. In addition, all ground works associated with the work are contestable. Customers also use the Rent a Jointer service for live jointing to both services and LV mains.

Critical Success Factors and relative market attractiveness

Historically this segment has generally been less attractive to established competitors than PFI work, where an ICP could drive economies of scale through high volumes in a concentrated area. But with the lack of new PFI opportunities this is becoming the most attractive aspect of the LA market. In particular new, incoming ICPs may find it easier to enter via the LA market as there is a lower initial

outlay and therefore a more manageable risk. The ease of establishing competitive arrangements in the unmetered markets has become considerably greater since UK Power Networks introduced its Asset Owner and Contractor agreements early in 2012, facilitating direct interaction between customers and competitors with minimal DNO involvement.

Customer profile

Relationship/one-off transactional

Whereas a PFI is typically a strongly driven commercial arrangement with milestone targets being paramount, there tends to be a long-term, established relationship with a non-PFI LA, with a reliance on Guaranteed Standards of Performance not only to maintain minimum service levels but as a basis for improving overall customer service.

Customer needs/buying criteria – price, service, certainty etc.

A combination of cost and quality of service.

Customer satisfaction – trends

In an online survey of Highway Services customers carried out in February 2013, 94 per cent of respondents were completely, to a moderate or great extent confident that, if Ofgem were to give UK Power Networks approval to set prices as if we were in a freely competitive market, they could seek alternative competitive offerings from other providers.

Customer engagement

We engage regularly with this customer group though both DNO-specific and company-wide customer forums, where we update LA customers on process improvements and industry news. We have used these forums as a means to introduce and reinforce the concept of competition and we believe this is a factor in the high level of engagement demonstrated by this customer group. At a recent forum for LA customers held in November 2013 there was significant interest in the Competition Test and the benefits of competition for LAs. We have also recently been invited by a group representing lighting authorities to collaborate with them on a web-based video explaining the steps involved in engaging an ICP under our Asset Owner arrangements.

Customer surveys – views of choice, competition etc.

In an online survey of Highway Services customers carried out in February 2013, 94 per cent of respondents were at least moderately confident that, if Ofgem were to give UK Power Networks approval to set prices as if we were in a freely competitive market, they could seek alternative competitive offerings from other providers. 73 per cent responded in a positive or neutral manner when asked whether UK Power Networks has enabled Independent Connection Providers to operate on an equal footing

Competitor analysis

Recent trends, developments

The introduction of Asset Owner agreements has opened up the market, with 24 LA customers having Agreements in place that enable them to engage any of the eleven ICPs currently holding Contractor agreements, with three more competitors in the process of taking up Contractor Agreements.

Feedback

In an online survey carried out in February 2013, *all* ICP respondents that operate in the unmetered markets confirmed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas.

At our May 2013 competitor workshop 85 per cent of those attending, including five representatives of competitors operating in the UMC LA market in LPN, agreed that UK Power Networks should pass the Competition Test.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) Our own stakeholder engagement workshops
ii) Ofgem and the ECSG
iii) Competitive Networks Association
iv) Other including consultants and responses to other competition consultations

These are dealt with in the main body of the Notice but key features relevant to this segment are:

- Live jointing to mains has become “business as usual”
- Cable Identification procedures – introduction of a new procedure
- Linking and Fusing service to enable working on the interconnected network in central London
- Structure of commercial agreements – changes have been implemented for new separate Highway Services Asset Owner and Contractor Agreements which have removed the need for tripartite agreements. Feedback from two successive surveys of competitors working in this market segment indicated the positive impact of this change (**Appendix 16**)

Extension of contestability

We support the principles of extending contestability wherever it is safe and practicable to do so. ‘Live jointing to LV underground radial mains’ was formally transferred to contestable status on 26 October 2012. Unmetered live jointing to services has been running as business as usual for some time. In addition we are currently working with ICP9 and ICP33 to explore the feasibility of treating jointing to overhead mains as a contestable activity and have asked Lloyds Register to set up a work scope to enable this to proceed.

9.4.2 UMC LA: Information specific to LPN

Dimensions
Figure 81 shows the extent of competitive activity in this DNO segment.

Figure 81: Competitor activity UMC LA LPN

LA	ICP	ICP appointed	DNO involvement	DNO commenced
* indicates customer has signed Asset Owner Agreement ** indicates Asset Owner Agreement in process				
LA4**		None to date	Rent a Jointer	May 12; Mar 13
LA7*	ICP9, ICP22, ICP33	Jan-13	Jointer only	Nov 12
LA10*	ICP22	Jul-12		
LA11**	ICP22, ICP9	Jan-12, Feb-12		
LA15*	ICP22	Nov-12		
LA16*	ICP9, ICP48	Jun-13, Sep-13	Jointer Only	May 12
LA18	ICP8, ICP22	Jul-10, Jan-12		
LA19*	ICP9	Jul-13		
LA20	ICP22	Sep-11		
LA23*	ICP9, ICP48	Nov-13		
LA32*	ICP9	Jun-12		
LA33*	ICP22	Oct-12		
LA37*	ICP8	Jul-12		
LA38**		None to date		
LA41**		None to date	Jointer Only	Feb 13
LA42*		None to date	Jointer Only	May 13
LA43*	ICP33, ICP8	Nov-11, Apr-13		
LA8			Rent a Jointer	Feb 11
LA12			Rent a Jointer	Jul 11; Apr13
LA14			Rent a Jointer	Feb 12
LA17			Rent a Jointer	Feb-Mar 12; Oct 12
LA21			Rent a Jointer	Apr-May12,Feb-Mar13
LA48			Jointer Only	Jun 11
ICP3			Jointer only	Mar 13
ICP22			Jointer only	Jun 13

Market dimensions

Estimated annual market and our market share

Currently the overall size of the market equates to approximately £5m (12 months to September 2013). The proportion of the market provided by the DNO (LPN) over that period is approximately 81 per cent.
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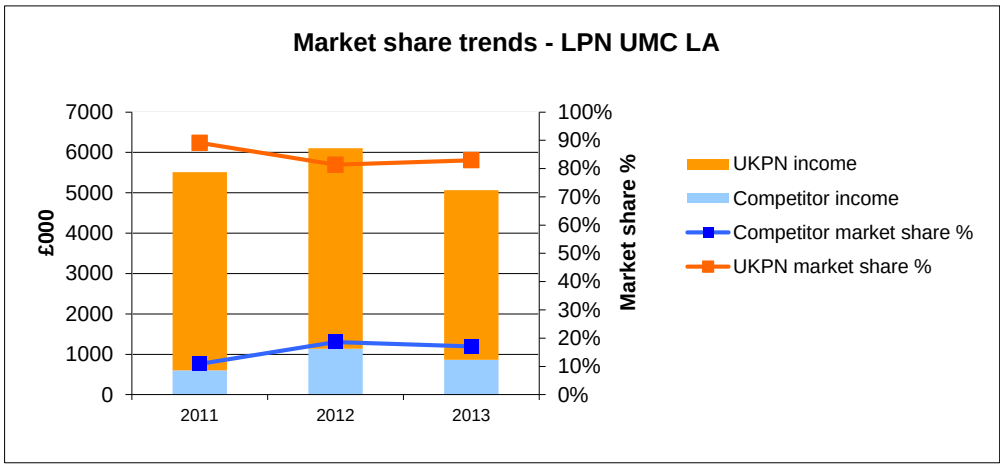
Recent growth trends

Overall market size is relatively stable however competitors have achieved growth in absolute terms. Rent a Jointer remains popular

Figure 82: Market share UMC LA LPN



Competitor analysis

Competitor numbers

In all, 23 customers have exercised competitive choice in this RMS in LPN.

- 13 customers have Asset Owner agreements, serviced by 5 different ICPs
- 4 customers with agreements in place or under way but no ICP yet appointed;
- 6 authorities have benefitted from the flexibility provided by our Rent a Jointer arrangements
- 5 authorities have benefitted from a Jointer Only scheme
- 2 competitors have also taken advantage of our Jointer Only arrangements

Figure 81 shows details of all the above arrangements.

As at December 2013 eleven competitors in the LPN area have agreements in place with UK Power Networks to carry out live jointing to services and eight of those competitors also have agreements for live jointing to LV underground mains.

Percentage and value of market share
The proportion of the market provided by ICPs over the past 12 months is approximately 21 per cent in LPN, an increase from 9 per cent in the year to April 2012. The level of market share experienced in SPN indicates that further gains are achievable also in LPN.

Testimonials and compliments
At our May 2013 competitor workshop 85 per cent of those attending, including five representatives of competitors operating in the UMC LA market in LPN, agreed that UK Power Networks should pass the Competition Test.

For two compliments received from a competitor see Appendix 13/8: Compliments re: support provided to new ICP.

Extension of contestability
We support the 'in principle' decision made in Ofgem's letter dated 8 May 2012. UK Power Networks declared live jointing to low voltage underground radial mains as a contestable activity with effect from 26 October 2012. Initially UK Power Networks did not include its LPN normally interconnected networks within this extension of contestability. However, we recognise that ICPs wish to compete in this area and so we are now pleased to report that all necessary arrangements are in place for us to provide a Linking and Fusing (i.e. 'operational activity') service that will allow live jointing in this area, which represents some 7 per cent of the LPN geographical area. We have already submitted a revised Connection Charging Methodology document to this effect and subject to Ofgem approval live LV jointing will become contestable in this area by 27 December 2013. ICP8, ICP9, ICP22 and ICP34 have all shown strong interest in the new Linking and Fusing Service and we are expecting the initial requests to be made in the very near future.

Conclusion
The analysis above and elsewhere in this document confirms that there is "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- Customers' awareness of competitive alternatives is high and their buyer power and procurement skills will be high
- In general, customers have expressed high levels of satisfaction and have a broad range of products offerings from which to select.
- The new contractual framework provides a much simpler mechanism for local authorities to appoint and switch service providers as they require as evidenced by the recent growth in customer and competitor activity
- There are many active competitors in this segment that have agreements in place to enable them to be selected by customers to undertake their contestable work
- UK Power Networks' market share has fallen from 89 per cent to 83 per cent over the past 2 years
- Live Jointing to LV underground radial mains has now become a contestable activity
- We have developed a Linking and Fusing service to enable competitors to operate within the interconnected part of our central London network.

9.5 UMC Other

This section forms part of the formal Competition Notice

9.5.1 UMC Other: Information common to all three DNO areas

The scope of this RMS is as defined in Appendix 1 of CRC12 and set out in Section 1.1 of this document

Description of products and services

Unmetered services in the highway comprises the provision of new services, service transfers, service extensions and service disconnections, primarily in relation to street lighting and other street furniture. The nature of the work is the same for all three unmetered market segments, the distinction is in the type of customer and/or the volume, mix and timing of the work. The UMC Other market segment includes all such work carried out for customers that are not Highway or Local Authorities or their PFI contractors, (with the exception of street lighting carried out as part of a wider development, which will be bundled into the same market segment as the main development).

A wide range of services falls within this segment. Some work is similar to that for Local Authorities in that it features an extensive programme of broadly homogenous work for a single client over an extended contractual period, but without the geographical constraint. Examples of this type of work include street furniture (e.g. bus shelters, electronic bus-stop signs and advertising hoardings). At the other extreme there are many small and/or one-off customers requiring unmetered services for single items of equipment such as CCTV cameras, speed cameras or disconnection of BT kiosks. This segment also includes non-LA owners of highway lighting assets such as new developers or housing associations.

Work is delivered via a range of products:

- a long-established turnkey arrangement which has electrical and civils activity delivered on a schedule of rates;
- Jointer Only is where electrical activity only is delivered on a schedule of rates and programmed into our normal schedule of works; and
- Rent a Jointer involves electrical activity only, charged at a rate per team per day for a minimum 5 days, where the customer schedules the work and UK Power Networks has no obligation as to productivity.

Both the Jointer Only and Rent a Jointer products create competition, as all non-electrical work is provided by parties other than the DNO

Split of contestable/non-contestable

All electrical UMC work is now contestable since UK Power Networks obtained formal approval to modify its Company Specific Connection Charging Methodology to make live jointing to LV underground radial mains contestable from 26 October 2012. In addition, all ground works associated with the work are contestable. Customers also use the Rent a Jointer service for live jointing to both services and LV mains.

Critical Success Factors and relative market attractiveness

The ad-hoc nature of some of the work in this segment has tended to make it less attractive to ICPs than PFI or LA work. However, incoming ICPs may find it easier to enter via the Other market as there is a lower initial outlay and therefore a more manageable risk. The ease of establishing competitive arrangements in the unmetered markets has become considerably greater since UK Power Networks introduced its Asset Owner and Contractor agreements early in 2012, facilitating direct interaction between customers and competitors with minimal DNO involvement. To date, eight Asset Owners have agreements in place and have appointed four of the eleven competitors who have Contractor Agreements in place to enable them to carry out this work.

Customer profile

Relationship/one-off transactional

Within this segment customers will either be relationship type customers such as installers of street furniture and developers, or one-off, transactional customers for ad-hoc work. The mix of customer type and the percentage their work represents of the total market across all three DNO areas is as follows:

- Housing developer 38%
- Infrastructure (road, rail) 35%
- Telecoms 8%
- Street furniture 7%
- Engineering & Construction 6%
- Advertising 5%
- Other 1%

There is strong evidence that most customers within this RMS are fully aware of competition; for example, as at November 2013 10 housing developers have either signed an Asset Owner agreement with UK Power Networks or are in the process of obtaining one. Similarly the largest telecommunications customer of the nine operating in our areas has signed an agreement.

The nature of this market is such that competitors tend to approach the customer via their business development teams; many of the Asset Owner Agreements we have in place were initiated by competitors. However our staff also advise customers about their competitive options and direct them to the information on our website.

Customer needs/buying criteria – price, service, certainty etc.

A combination of cost and quality of service. Customers knowledge of the market and competitive

alternatives will vary according to whether the customers fall within the transactional or relationship category.

Competitor analysis

Recent trends, developments

The introduction of Asset Owner agreements has opened up the market, with six customers in this market segment having Agreements in place that enable them to engage any of the ten ICPs currently holding Contractor agreements. A further four customers have agreements that are being finalised as at April 2013.

Feedback and complaints

In an online survey carried out in February 2013, all ICP respondents that operate in the unmetered markets confirmed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas.

At our May 2013 competitor workshop 85 per cent of those attending, including one competitor operating in the UMC Other market in all three network areas, agreed that UK Power Networks should pass the Competition Test.

Assessment of barriers to entry/effective competition

Views on potential barriers to entry or effective competition have come from a number of different sources

i) Our own stakeholder engagement workshops
ii) Ofgem and the ECSG
iii) Competitive Networks Association
iv) Other including consultants, responses to other competition consultations

These are dealt with in the main body of the Notice but key features relevant to this segment are:

- Live jointing to mains has become “business as usual”
- Cable Identification procedures – introduction of a new procedure
- Linking and Fusing service to enabling working on the interconnected network in central London
- Structure of commercial agreements – changes have been implemented for new separate Highway Services Asset Owner and Contractor Agreements which have removed the need for tripartite agreements.

Extension of contestability

We support the principles of extending contestability wherever it is safe and practicable to do so. ‘Live jointing to LV underground radial mains’ was formally transferred to contestable status on 26 October 2012. Unmetered live jointing to services has been running as business as usual for some time. In addition we are currently working with ICP9 and ICP33 to explore the feasibility of treating jointing to overhead mains as a contestable activity.

9.5.2 UMC Other: Information specific to EPN

Figure 83 shows the extent of competitive activity in this DNO segment.

Figure 83: Competitor activity UMC Other EPN

Customer	ICP	ICP appointed	DNO involvement	DNO commenced
* indicates customer has signed Asset Owner Agreement ** indicates Asset Owner Agreement in process				
Other1*	ICP8	Apr 12	Jointer only	Mar 13
Other2*	ICP27	TBC		
Other3*		None to date		
Other4**		None to date		
Other5**	ICP19	Dec 12		
Other6**		None to date		
Other7*	ICP22	Jan 13		
Other8**		None to date		
Other9**		None to date		
Other10*	ICP22	Jun 12		
Other11			Jointer only	Jul 12
Other12			Jointer only	Mar 13
Other14			Jointer only	Apr 13
Other15			Jointer only	Apr 13
Other16			Jointer only	Jul 13
Other17			Jointer only	Aug 13
ICP2			Jointer only	Jun 12
ICP9			Jointer only	Apr 13

Market dimensions

Estimated annual market and our market share

Currently the overall size of the market equates to approximately £1m per annum in EPN. The proportion of the market provided by the DNO (EPN) for the 12 months to September 2013 was 69 per cent.

Recent growth trends

Having risen in 2012 the overall market size has declined slightly in 2013. Over that period competitor market share has risen from 100 per cent to 46 per cent in 2012, falling to 28 per cent in the first nine months of 2013.

Competitor analysis

Competitor numbers

In all, 16 customers have exercised competitive choice in this RMS in EPN.

- 5 customers have Asset Owner agreements, serviced by 4 different ICPs
- 5 customers have agreements in place or under way but no ICP yet appointed;
- 9 customers have benefitted from a Jointer Only scheme.
- 2 competitors have also taken advantage of our Jointer Only arrangements

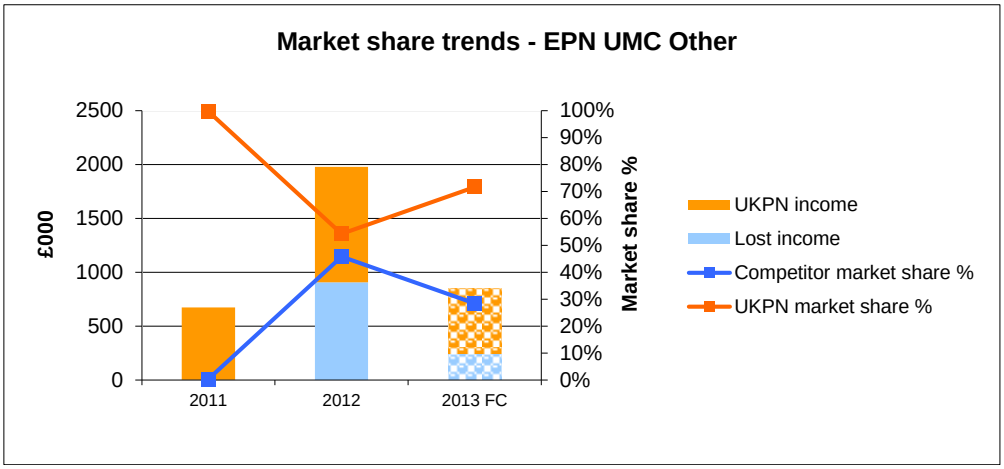
Figure 83 shows details of all the above arrangements.

As at December 2013 eleven competitors in the EPN area have agreements in place with UK Power Networks to carry out live jointing to services and nine of those competitors also have agreements for live jointing to LV underground radial mains.

Percentage and value of market share

The proportion of the market provided by ICPs was 31 per cent during the 12 months to September 2013 and 28 per cent in in the first 9 months of 2013 (extrapolated to a full year in Figure 84 below). Although this has fallen from 46 per cent in 2012, with ten Asset Owner agreements in place to date we can expect to see this generate still further market share improvements.

Figure 84: Market share UMC Other EPN



Conclusion

The analysis above and elsewhere in this document confirms that there is "effective competition" in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- UK Power Networks' market share has fallen at times to below 55%
- There are many active competitors in this segment that have agreements in place to enable them to be selected by customers to undertake their contestable work
- The new contractual framework offers a much simpler mechanism for local authorities to appoint and switch service providers as they require as evidenced by the recent growth in competitor activity
- Many EPN customers are choosing to exercise their competitive choice via our Jointer Only scheme, enabling them to source the groundworks associated with the connection activity.
- Live Jointing to LV underground radial mains has been transferred to a contestable activity
- We are working with a group of competitors to explore the feasibility of LV jointing to overhead mains
- Competitors' progressive take-up of these activities will further improve competitiveness within this segment

9.5.3 UMC Other: Information specific to LPN

Dimensions
The following table shows the extent of competitive activity in this DNO segment.

Figure 85: Competitor activity UMC Other LPN

Customer	ICP	ICP appointed	DNO involvement	DNO commenced
* indicates customer has signed Asset Owner Agreement ** indicates Asset Owner Agreement in process				
Other1*	ICP8	Apr 12	Jointer only	Oct 12 – Mar 13
Other2*	ICP27	Apr 13		
Other3*	ICP22, ICP13	Apr 13, Sep 13		
Other4**		None to date		
Other6**		None to date		
Other8**		None to date		
Other9**		None to date		
Other13			Rent a jointer	May – Jun 12
Other18			Jointer only	Jan 13
Other19			Jointer only	Mar 13
Other20			Jointer only	Aug 13

Market dimensions

Estimated annual market and our market share

Currently the overall size of the market equates to approximately £0.5m and the market share for the 12 months to September 2013 was 83 per cent for LPN.

Recent growth trends

This market experienced some growth during 2012, with a commensurate increase in competitor market share, however there has been a decline in the overall market during 2013.

Competitor analysis

Competitor numbers

In all, 11 customers have exercised competitive choice in this RMS in LPN.

- 3 customers have Asset Owner agreements, serviced by 4 different ICPs
- 4 customers have agreements in place or under way but no ICP yet appointed
- 1 customer has benefitted from our Rent a Jointer arrangements
- 4 customers have benefitted from a Jointer Only scheme.

Figure 85 shows details of all the above arrangements.

As at December 2013 eleven competitors in the LPN area have agreements in place with UK Power Networks to carry out live jointing to services and eight of those competitors also have agreements for live jointing to LV underground radial mains.

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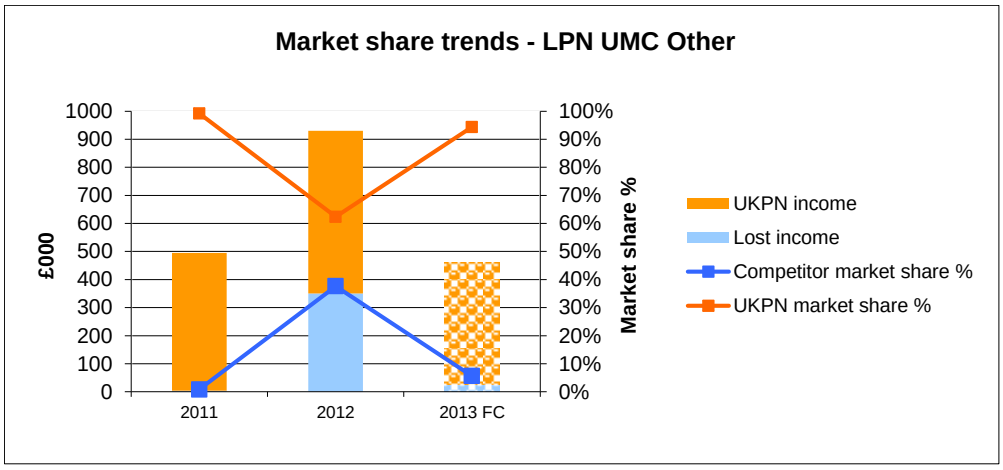
Percentage and value of market share

The proportion of the market provided by ICPs was 17 per cent during the 12 months to September 2013 and 6 per cent in in the first 9 months of 2013 (extrapolated to a full year in Figure 86 below). Although this has fallen from 38 per cent in 2012, with ten Asset Owner agreements in place to date we can expect to see this generate further market share improvements

Figure 86: Market share UMC Other LPN



Conclusion

The analysis above and elsewhere in this document confirms that there is “effective competition” in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- UK Power Networks’ market share has at times fallen to 68%
- There are many active competitors in this segment that have agreements in place to enable them to be selected by customers to undertake their contestable work
- The new contractual framework offers a much simpler mechanism for local authorities to appoint and switch service providers as they require as evidenced by the recent growth in competitor activity
- Live Jointing to LV underground radial mains has been transferred to a contestable activity
- Some customers are choosing to exercise their competitive choice via our Jointer Only scheme, enabling them to source the groundworks associated with the connection activity.
- We are working with a group of competitors to explore the feasibility of treating LV jointing to overhead mains as a contestable activity
- Competitors’ progressive take-up of these activities will further improve competitiveness within this segment
- We have developed a Linking and Fusing service to enable competitors to operate within the interconnected part of our central London network

9.5.4 UMC Other: Information specific to SPN

Dimensions

The following table shows the extent of competitive activity in this DNO segment.

Figure 87: Competitor activity UMC Other SPN

Customer	ICP	ICP appointed	DNO involvement	DNO commenced
	* indicates customer has signed Asset Owner Agreement ** indicates Asset Owner Agreement in process			
Other1*	ICP8	Apr 12		
Other2*	ICP27	Apr 13		
Other3*	ICP22, ICP13	Apr 13, Sep 13		
Other4**		None to date		
Other6**		None to date		
Other7*	ICP22	Jan 13		
Other8**		None to date		
Other9**		None to date		
Other10*	ICP22	Jun 12		
Other14			Jointer only	May 13
Other16			Jointer only	May 13
Other21			Jointer only	Jun 13
Other22			Jointer only	May 13
Other23			Jointer only	Aug 13
Other24			Jointer only	Jun 13
Other25			Jointer only	Sep 12
Other26			Jointer only	Jun 13
Other27			Jointer only	Jun 13
Other28			Jointer only	May 13
Other29			Jointer only	May 13
Other30			Jointer only	May 13
Other31			Jointer only	Jan 13
Other32			Jointer only	Mar 13
Other33			Jointer only	Jul 13
ICP8			Jointer only	May 13

Market dimensions

Estimated annual market and our market share

Currently the overall size of the market equates to approximately £0.5m and the market share in the 12 months to September 2013 was 87 per cent for SPN.

Recent growth trends

SPN has experienced a growth in market size during 2012 but this has fallen back during 2013.

Competitor analysis

Competitor numbers

In all, 24 customers have exercised competitive choice in this RMS in SPN.

- 3 customers have Asset Owner agreements, serviced by 4 different ICPs
- 4 customers have agreements in place or under way but no ICP yet appointed
- 15 customers have benefitted from a Jointer Only scheme
- One competitor has also taken advantage of our Jointer Only arrangements

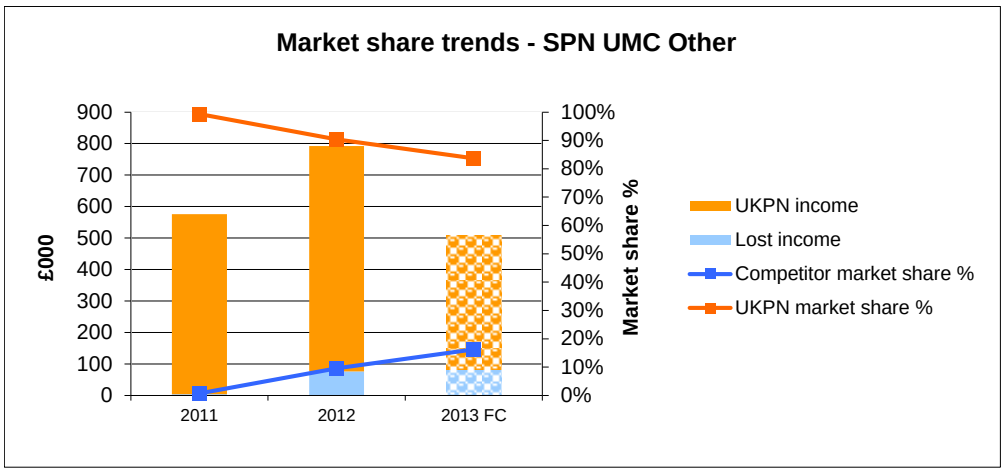
Figure 87 shows details of all the above arrangements.

As at December 2013 eleven competitors in the SPN area have agreements in place with UK Power Networks to carry out live jointing to services and nine of those competitors also have agreements for live jointing to LV underground radial mains.

Percentage and value of market share

The proportion of the market provided by ICPs was 13 per cent during the 12 months to September 2013 and 16 per cent in in the first 9 months of 2013 (extrapolated to a full year in Figure 88 below). This represents an increase from 10 per cent in 2012 and with ten Asset Owner agreements in place to date we can expect to see this generate still further market share improvements

Figure 88: Market share UMC Other SPN



Conclusion

The analysis above and elsewhere in this document confirms that there is “effective competition” in this market segment because:

- This segment has benefitted from the broad programme of competition improvements which have been implemented over the past two years (see sections 2-8 above)
- UK Power Networks’ market share has fallen to 84% during 2013
- There are many active competitors in this segment that have agreements in place to enable them to be selected by customers to undertake their contestable work
- The new contractual framework offers a much simpler mechanism for local authorities to appoint and switch service providers as they require as evidenced by the recent growth in competitor activity
- Many SPN customers are choosing to exercise their competitive choice via our Jointer Only scheme, enabling them to source the groundworks associated with the connection activity.
- Live Jointing to LV underground radial mains has now been transferred to a contestable activity
- We are working with a group of competitors to explore the feasibility of LV jointing to overhead mains
- Competitors’ progressive take-up of these activities will further improve competitiveness within this segment

10. Glossary of Terms

RMS Segments:

Term	Meaning
DGLV	In respect of Metered premises in which Distributed Generation is situated: The RMS comprising low voltage Connection Activities involving only low voltage work as defined in CRC12
DGHV	In respect of Metered premises in which Distributed Generation is situated: The RMS comprising any Connection Activities involving work at high voltage or above as defined in CRC12
EHV & above	The RMS comprising extra high voltage and 132kV Connection Activities as defined in CRC12
HV	The RMS comprising low voltage or high voltage Connection Activities involving high voltage work (including where that work is required in respect of Connection Activities within an Excluded Market Segment) as defined in CRC12
HVEHV	The RMS comprising low voltage or high voltage Connection Activities involving extra high voltage work as defined in CRC12
HVHV	The part of the HV RMS comprising high voltage Connection Activities involving only high voltage work as defined in the Cost and Revenue Reporting RIGs Ref 66c/10
LV	The RMS comprising low voltage Connection Activities involving only low voltage work, other than in respect of Excluded Market Segments as defined in CRC12
LVHV	The part of the HV RMS comprising low voltage Connection Activities involving some high voltage work as defined in the Cost and Revenue Reporting RIGs Ref 66c/10
UMC LA	In respect of unmetered premises: the RMS comprising New Connection Activities in respect of local authority premises as defined in CRC12.
UMC Other	In respect of unmetered premises: the RMS comprising all other non-local authority and non-PFI unmetered connections work as defined in CRC12.
UMC PFI	In respect of unmetered premises: the RMS comprising New Connection Activities under private finance initiatives as defined in CRC12

Other Terms:

Term	Meaning
ARMS	Alternative Relevant Market Segment as defined in Charge Restriction Code 12
Asset Owner	In relation to unmetered agreements: an authority (or in some cases a PFI) entering into an agreement with an ICP for the provision of highway services connections
CI	Continuous Improvement – ongoing following step-change plan phases 1 and 2
CiC	Competition in Connections
CCCMS	Common Connection Charging Methodology Statement
CNA	The Competitive Networks Association, a group which represents some IDNO companies

Term	Meaning
Competitor	An ICP or an IDNO accredited to operate in the UK Power Networks area
CQS	Connections Quotation System: an IT application which is used to generate connection offer quotations
CRC12	Charge Restriction Code 12
DG	Distributed Generation
DNO	Distribution Network Operator
ECSG	Electricity Connections Steering Group
ENW	Electricity North West
EPN	Eastern Power Networks
G81	Engineering recommendations for electrical installations maintained by the Energy Networks Association (ENA)
GSoP	Guaranteed Standards of Performance
ICP	An Independent Connections Provider. An ICP is entitled, through being accredited under the Lloyds Register National Electricity Registration System, to build electricity networks to the specification and quality required for them to be owned by a DNO company
IDNO	An Independent Distribution Network Operator. An IDNO has a wider scope than an ICP in that, after building the local network, it will continue to own it and provide maintenance and 24-hour fault repairs.
ICP nn	A specific ICP or IDNO anonymised for the purposes of this Notice
KVA	KiloVolt Ampere
LA	Local Authority
LA nn	A specific LA anonymised for purposes of this Notice
LPN	London Power Networks
SLC15 [service]	A non-contestable-only quote, design acceptance and delivery service
MVA	MegaVolt Amperes
NERS	The National Electricity Registration Scheme operated by Lloyds Register EMEA
Other nn	A specific Other UMC customer anonymised for the purposes of this Notice
OS	Ordnance Survey
PFI	Private Finance Initiative
RIGs	Regulatory Instructions and Guidance
RMS	Relevant Market Segment as defined in Charge Restriction Code 12
Section 16 [service etc.]	A full (contestable and non-contestable) design, quote and construction service
SME	Small and Medium size Enterprises
SPN	South Eastern Power Networks
UKPN	UK Power Networks

Appendix 1: Competition Improvement Plan – Phase 1

Theme	Improvement Action	Status
Agreements	Develop proposals for approach to framework agreements	Complete
Breakdown of non-contestable charges	Initial improvement achievable without system change	Complete
	Provide enhanced description of reinforcement works	Complete
	Explore options for more detailed / repeatable solution	Complete
Non-contestable activities	Review processes to identify any inefficiencies	Complete
Offer pack	Review content and layout of offer pack	Complete
Policy	Initial review of G81 material published online	Complete
	Wider policy review and web update	Complete
	Review approach to splitting contestable works	Complete
	Review legal issues and processes	Complete
Design approval process	Consider concept of generic designs	Complete
	Consider major/minor revisions process	Complete
	Consider unmetered connection design approval in 5 days	Complete
	Consider design changes identified during construction	Complete
	Implement visible workflow tracking	Complete
Process review	Identify areas of overlap between ICPs and UKPN	Complete
	Complete process review	Complete
	Develop electronic workpacks	Complete
People / Organisation	Develop education and awareness programme	Complete
	Review organisation of CIC activity	Complete
Communications	Revise and re-issue 'Competition Flyer'	Complete
Internet	Implement first stage website improvement	Complete
	Create step-by-step guide to CIC based on current processes	Complete
	G81: Provide listings of all relevant documents	Complete
	G81: Provide all relevant documentation online	Complete
Availability of Records	Analyse issues and options associated with extending access to network records	Complete
	Implement solution	Complete
	Propose solution to provision of diagrams for live jointing to mains	Complete

Appendix 2: Competition Improvement Plan – Phase 2

Phase 1 Action	Phase 2 Action	Status
Develop proposals for approach to framework agreements	Implement Standard Terms and Conditions - Construction and Adoption - Metered Connection	Complete
	Develop and implement new approach for Construction and Adoption - Unmetered Connection	Complete
Breakdown of non-contestable charge in quote - Explore options for repeatable solution	Review proposals for further breakdown of non-contestable charges with ICPs and IDNOs	Complete
	Establish feasibility of IT solution	Complete
G81 - Wider policy review	G81 policy review complete and all relevant documentation online	Complete
Splitting contestable works	Start non-standard substation design trial	Complete
	Develop proposals for subsequent phases	Complete
Land rights - review legal issues and processes	Create new ICP consents process	Complete
	Implement new ICP consents process	Complete
	Implement process to enable ICPs to access existing easements	Complete
	Confirm feasibility of enabling access to DMH Stallard (EPN and SPN) web portal	Complete
Consider generic designs	Start pilot of generic designs process	Complete
Consider design changes identified during construction	Implement variations process	Complete
Consider concept of conditional approval	Implement revised design acceptance process	Complete
Identify areas of overlap between ICP and UKPN	Review audit and inspection regime	Complete
Communications	Establish competition Q&A service	Complete
	Improve Highway Services web pages	Complete
Analyse issues and options re: extending access to network records	Implement new Emaps service online	Complete

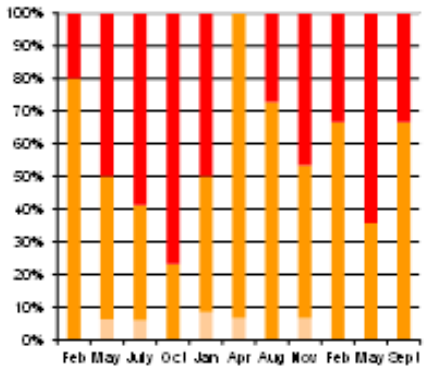
Appendix 3: Stakeholder engagement log

Recorded engagement activity with competitors and customers

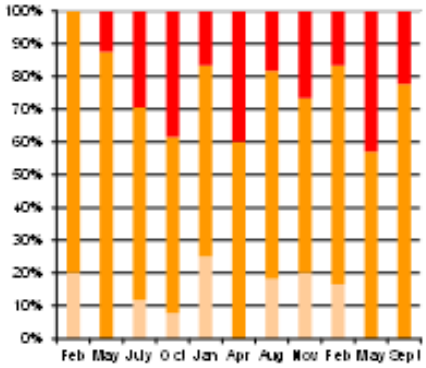
Date	Stakeholder(s)	Detail	Briefer(s)	Message
03/01/2012	ICPs & IDNOs - inactive	ICP1	SJ	Triggered by survey - coming to 17 Jan w
05/01/2012	Major Customer		SJ	Triggered by survey - awareness chat
17/01/2012	ICPs & IDNOs		SJ, NM, SW	Review CIP/EoC progress. Consents;
08/02/2012	ICPs & IDNOs	ICP27	NM, SR, HG	Live jointing pilot review
01/03/2012	LLoyds Register		NM, NZ, BDA	NERS
12/03/2012	ICPs & IDNOs	ICP3	SJ, NM, NZ	Asset Owner agreements (UMC)
20/03/2012	ICPs & IDNOs	ICP31	NM, SR, MS, PD	HV final connections pilot
03/04/2012	ICPs & IDNOs		SJ, NM, SW	Review CIP/EoC progress. Gauge
03/04/2012	ICPs & IDNOs	ICP37	SW, SB, SW	Issues re consents etc
23/04/2012	UCCG	ICP3, ICP13, ICP22, ICP26	SJ,KN	General briefing and new UMC agreements
23/04/2012	ICPs & IDNOs	ICP33	NM	Live jointing pilot discussion
30/04/2012	ICPs & IDNOs	ICP24	SJ	Overview of CIC approach
14/08/2012	ICPs & IDNOs		SJ, NM, SW	B Hatton shared G81 update and I&M
22/08/2012	ICPs & IDNOs	ICP3	SJ, SW	Feedback
15/11/2012	ICPs & IDNOs		SJ, NM, SW	Comp. Notice feedback and new
13/12/2012	ICPs & IDNOs	ICP31	SJ, SR	Conditions precedent
17/12/2012	I&M Working Group	ICP7, ICP13, ICP18, ICP31	SW	Inspection and Monitoring improvements
12/02/2013	ICPs & IDNOs		SJ, NM, SW	LV PoC Self-ID and EoC progress
12/02/2013	Major Utilities Customer		SJ, RP	ICP processes
01/03/2013	I&M Working Group	ICP7, ICP8, ICP13, ICP18, ICP31	NM	Inspection and Monitoring improvements
06/03/2013	Major Utilities Customer		SJ, RP	ICP processes
10/05/2013	ICPs & IDNOs		SJ, NM, SW	Delivery of Improvements
25/06/2013	MCCG	Customer representatives	SJ, NM	Competiton in Connections
12/08/2013	I&M Working Group	ICP7, ICP8, ICP13, ICP18, ICP31	SW, CJ	Inspection and Monitoring improvements
27/08/2013	I&M Working Group	ICP7, ICP8, ICP13, ICP18, ICP31	NM, SW	Inspection and Monitoring improvements
10/09/2013	ICPs & IDNOs		SJ, NM, SW	LV PoC Self ID and Linking and Fusing,
19/11/2013	UMC customers		SJ, RP	Asset Owner agreements, linking and fusing

Appendix 4: Feedback from stakeholder workshops 2011- 2013

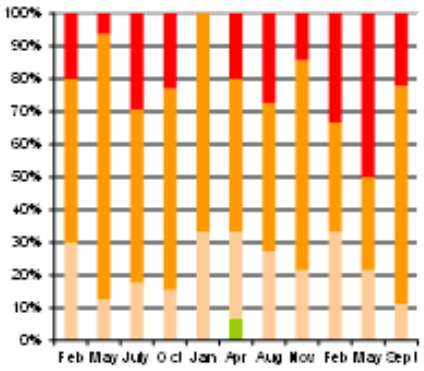
I was clear about the purpose of the session



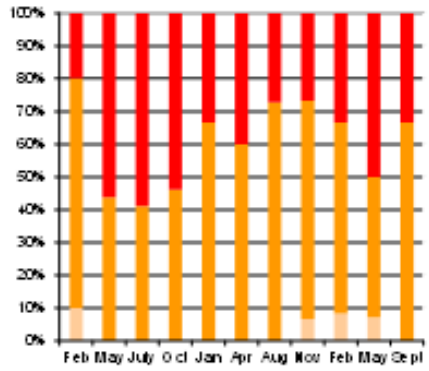
The session met my objectives



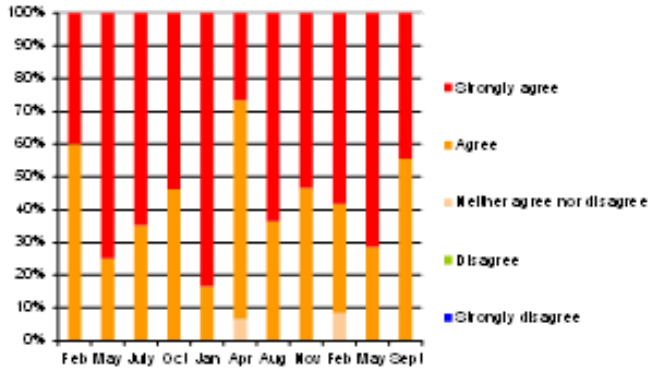
I believe UK Power Networks really listened to my opinion, will take account of what I said



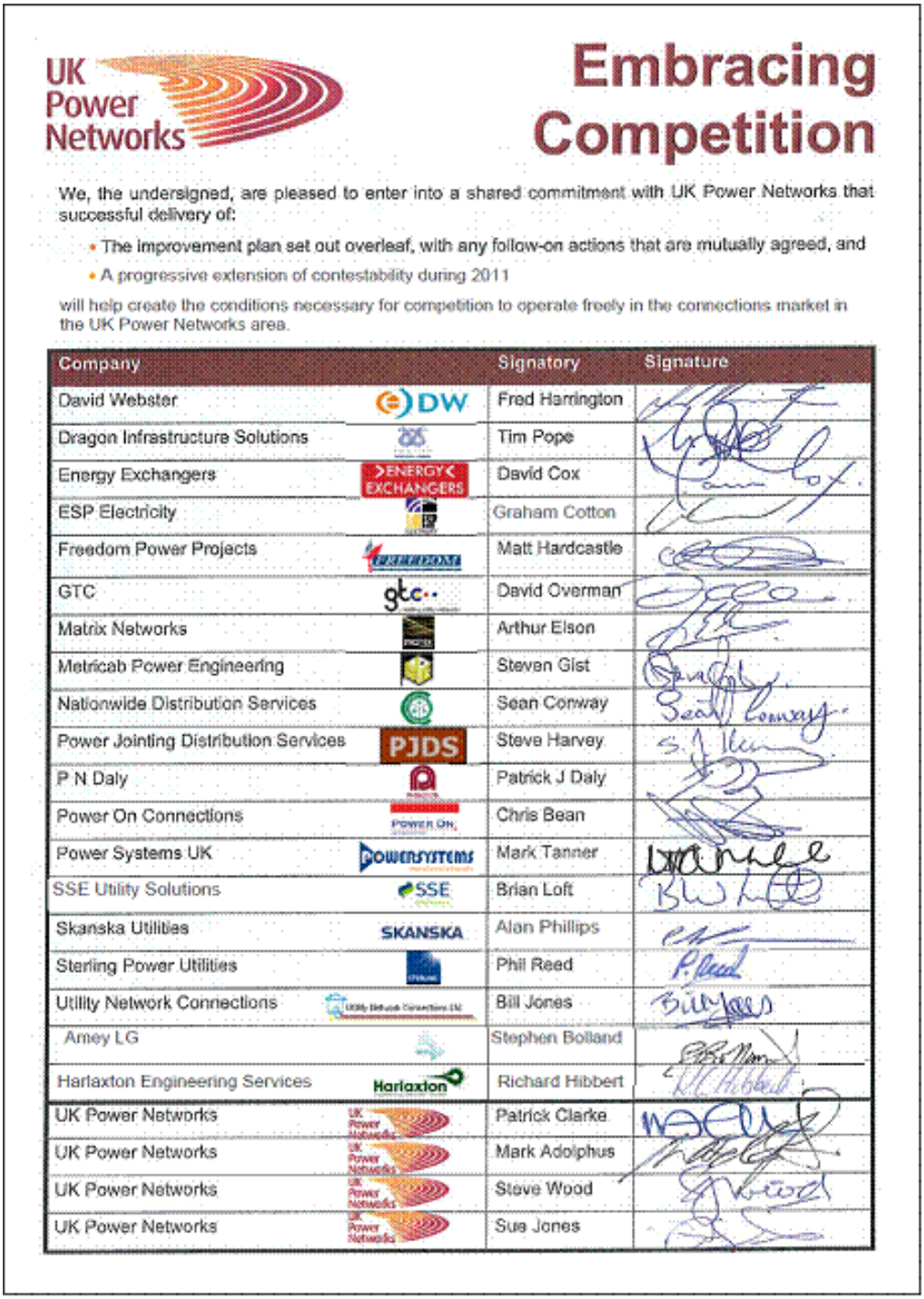
As a result of the session, I understand more about what UK Power Networks is doing to facilitate competition



I am looking forward to participating in future sessions



Appendix 5: Commitment Charter



UK Power Networks

Embracing Competition

We, the undersigned, are pleased to enter into a shared commitment with UK Power Networks that successful delivery of:

- The improvement plan set out overleaf, with any follow-on actions that are mutually agreed, and
- A progressive extension of contestability during 2011

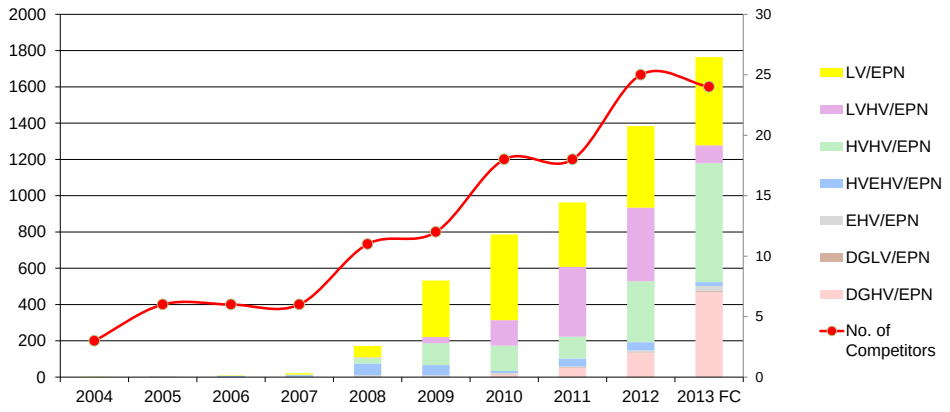
will help create the conditions necessary for competition to operate freely in the connections market in the UK Power Networks area.

Company	Signatory	Signature
David Webster	Fred Harrington	
Dragon Infrastructure Solutions	Tim Pope	
Energy Exchangers	David Cox	
ESP Electricity	Graham Cotton	
Freedom Power Projects	Matt Hardcastle	
GTC	David Overman	
Matrix Networks	Arthur Elson	
Metricab Power Engineering	Steven Gist	
Nationwide Distribution Services	Sean Conway	
Power Jointing Distribution Services	Steve Harvey	
P N Daly	Patrick J Daly	
Power On Connections	Chris Bean	
Power Systems UK	Mark Tanner	
SSE Utility Solutions	Brian Loft	
Skanska Utilities	Alan Phillips	
Sterling Power Utilities	Phil Reed	
Utility Network Connections	Bill Jones	
Amey LG	Stephen Bolland	
Harlaxton Engineering Services	Richard Hibbert	
UK Power Networks	Patrick Clarke	
UK Power Networks	Mark Adolphus	
UK Power Networks	Steve Wood	
UK Power Networks	Sue Jones	

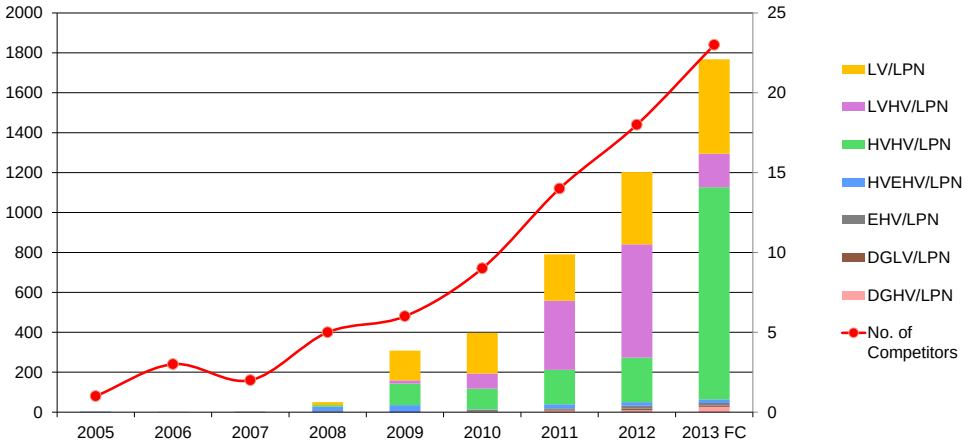
Appendix 6: Number of SLC15 enquiries by metered RMS and competitor trends

The graphs on this page show numbers of enquiries (left axis) and numbers of competitors (right axis).

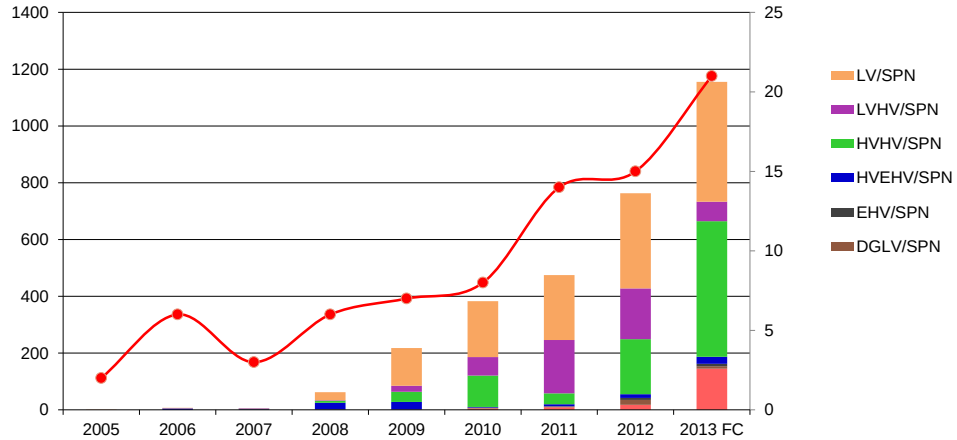
All ICPs and IDNOs - EPN



All ICPs and IDNOs - LPN



All ICPs and IDNOs - SPN



Appendix 7: Analysis of SLC15 quotes issued and new entrants

This table shows the numbers of quotes issued to each ICP over time. Those highlighted in blue were new entrants to the UK Power Networks markets during 2012.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (10m)
ICP4									11	51
ICP6									71	84
ICP7					23	109	162	226	359	445
ICP10		1	3	1	1	4	10	10	14	34
ICP14		3			1				1	
ICP16									50	56
ICP18				2	59	248	371	456	440	480
ICP19							16	27	25	25
ICP21							46	49	45	84
ICP23							3	2	4	10
ICP27							3	9	9	8
ICP28							3	8	30	48
ICP30					1	1	8	7	12	18
ICP31			1	2	36	304	408	616	970	1072
ICP32						2	64	37	14	6
ICP33		3	1	5	17	28	70	98	70	93
ICP34									3	
ICP35							1	22	15	20
ICP36									90	210
ICP37						2	97	273	463	572
ICP38	1		2	2	1	5	4	1		
ICP39			10	15	120	207	86	105	113	10
ICP40					1	6	4			
ICP41					3	12	2	1	6	1
ICP42							4	5	3	2
ICP43							14	12	21	12
ICP46							10	14	13	9

Quotes issued to new entrants (since 2012)	225	401
Total quotes (excluding those where the ICP is not yet identified)	2852	3350
Percentage of total quotes issued to new entrants	8%	12%
Percentage of ICPs active in 2012 that were new entrants	20%	

Appendix 8: Competition Newsletter

Issue 22: August 2013

UK Power Networks
Delivering your energy

Competition Newsletter

ISSUE 22

August 2013

EMBRACING COMPETITION

News headlines

PLEASE NOTE:

Change of email address

From 1 October 2013 all applications for Competition in Connections, Projects and Major Connections should be be emailed to **Connections.gateway @ukpowernetworks.co.uk**

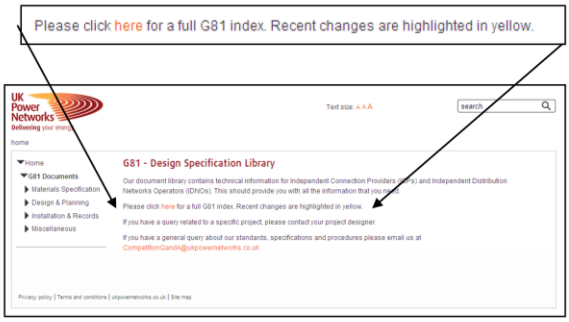
From that date please discard any previous e-mail addresses for UKPN Gateway applications.

Competition workshop

The location for our next competition workshop, on Tuesday 10 September, is now confirmed as Prospero House in London. You should have received an email invitation - please book early to be sure of a place.

G81 update

In response to a customer request we have developed an index of all the documents and drawings in our online G81 library, which we hope you will find helpful. The index includes details of version history and shows the date the current version was published online. Recent updates are highlighted in yellow with deletions struck through. The index is held on the G81 front page:



Please see overleaf for full details of all updates since June, which include our **LV, 11kV and 33kV jointing manuals** and **Distribution Safety Rules**.

Ofgem announces Competition Test outcome

- This month Ofgem published the outcome of our recent Competition Test submission
- They judged UK Power Networks to have successfully passed in three market segments:
  - LV and HV demand involving EHV work
  - EHV and above demand
  - Unmetered Local Authority (except in LPN)
- In all we have now passed in five segments, with that one exception
- We are reviewing the reasons Ofgem gave for their decision and will Include this on the agenda for our next workshop in September (see panel above)

Competition Q&A

Remember that our Competition Q&A service is available to respond to questions and suggestions about our standards, specifications and processes. If you have a question for our competition team, please email: competitionQandA@ukpowernetworks.co.uk

For further information please contact Sue Jones, Competition Development Manager
Telephone: 01293 577226 / 07875 111861 Email: sue.jones@ukpowernetworks.co.uk

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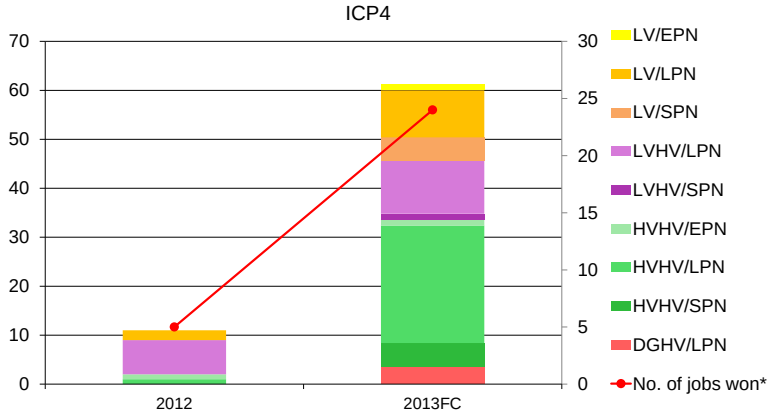
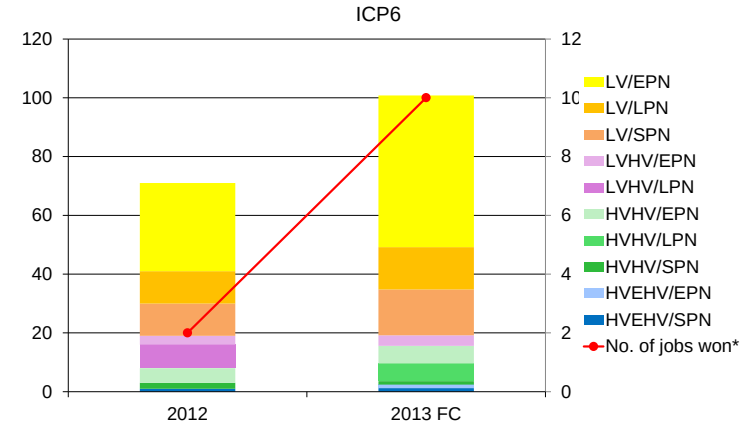
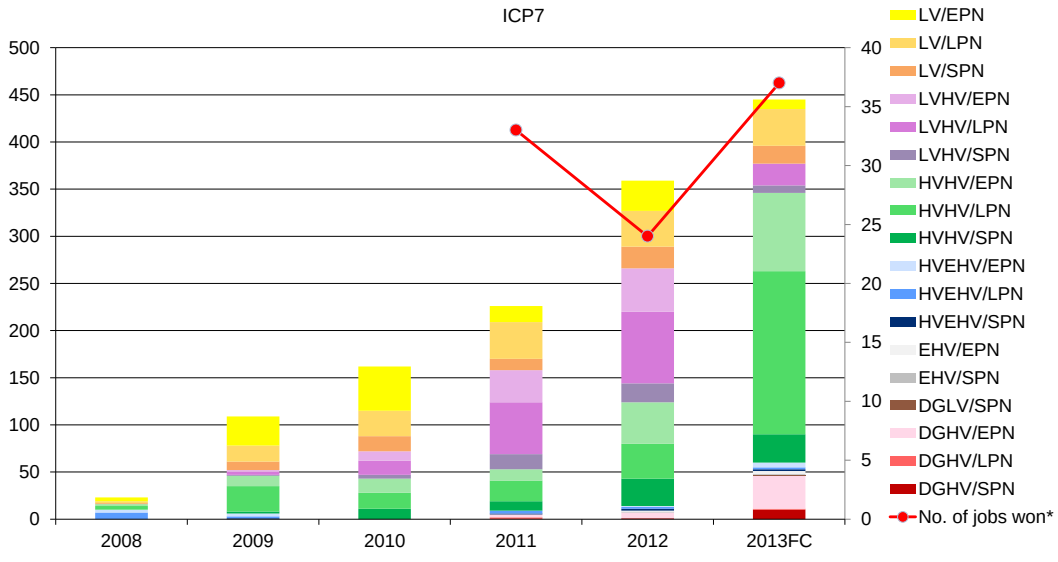
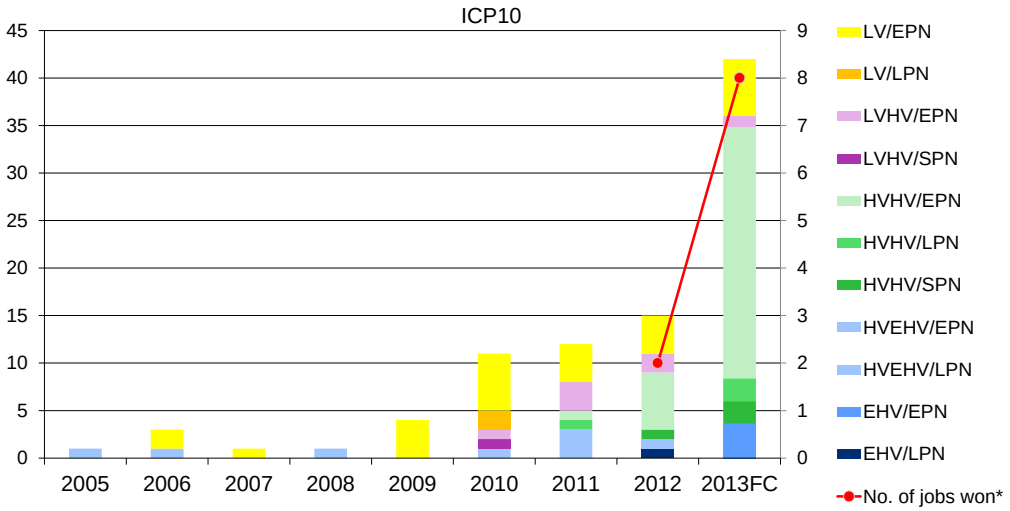
Appendix 9: Competitor Analysis (metered RMS)

The following graphs show the volume of enquiry activity (left axis) and number of quotes accepted (right axis) for each ICP and IDNO that has been active in one or more metered market segment in the UK Power Networks area at any time since 2004, analysed by market segment and by DNO area.





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2006
2007
2008
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2010
2011
2012
2013FC
LV/EPN
LV/LPN
LVHV/EPN
LVHV/SPN
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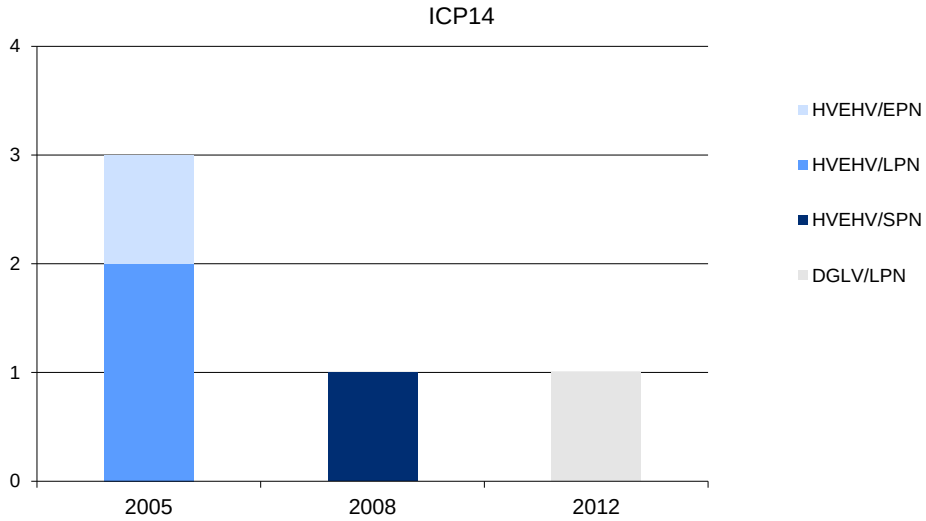
No. of jobs won*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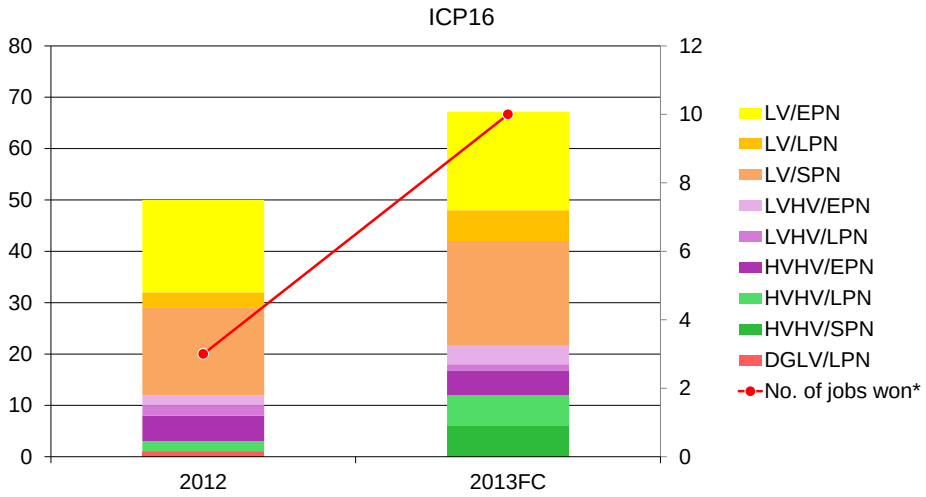
HVEHV/LPN
HVEHV/SPN
DGLV/LPN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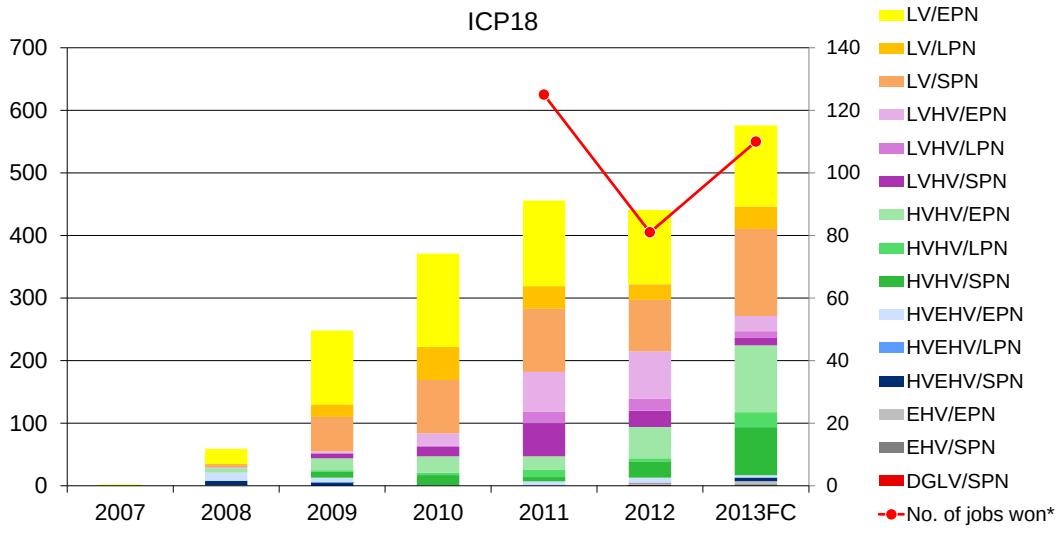
HVHV/LPN
HVHV/SPN
DGLV/LPN
No. of jobs won*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2011
2012
2013FC
LV/EPN
LV/LPN
LV/SPN
LVHV/EPN
LVHV/LPN
LVHV/SPN
HVHV/EPN
HVHV/LPN
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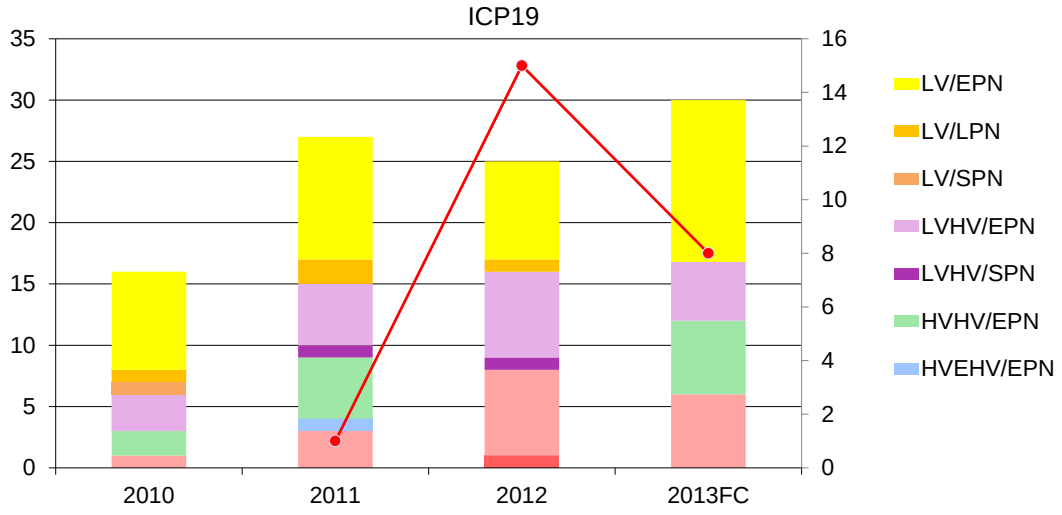
DGLV/SPN
No. of jobs won*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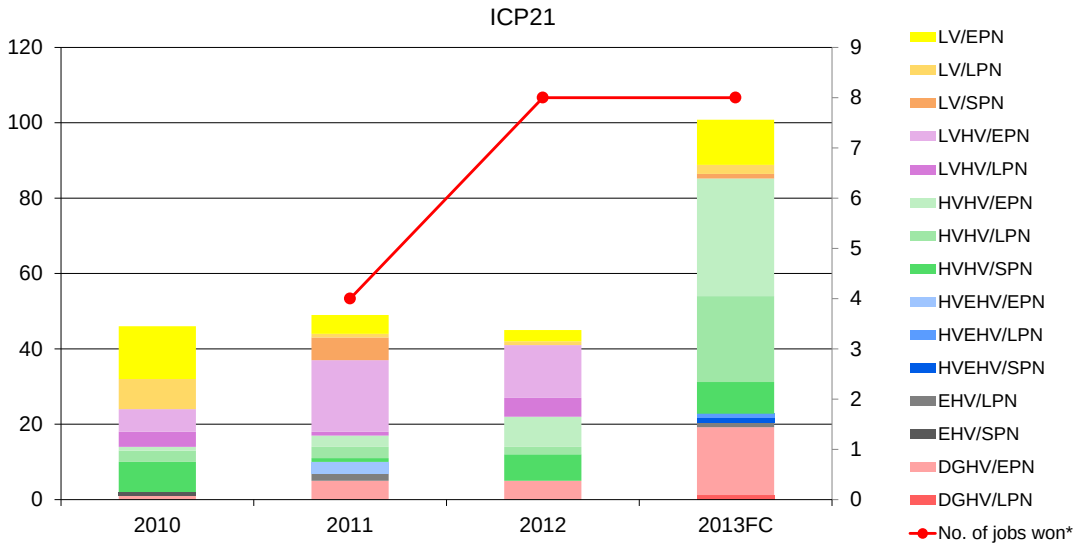
HVEHV/EPN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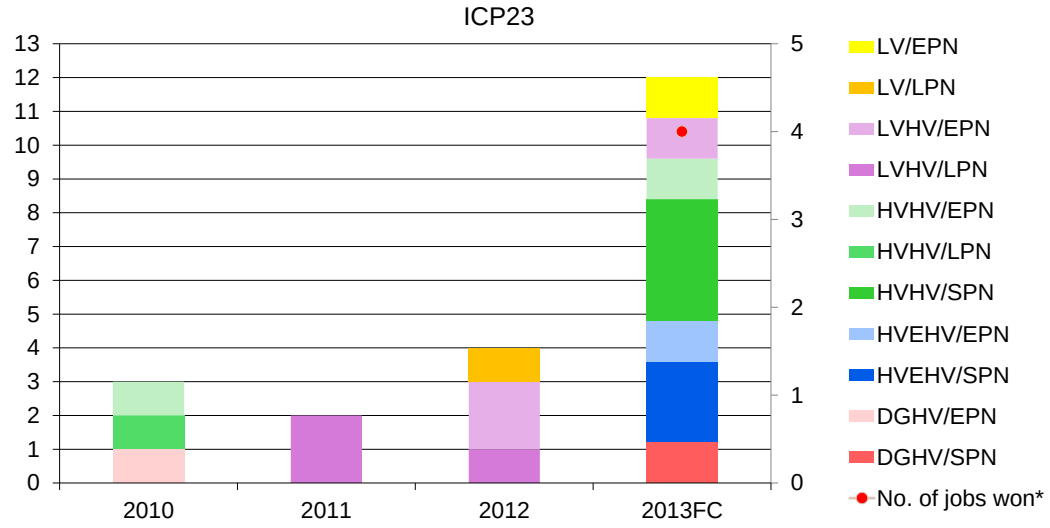
DGHV/LPN
No. of jobs won*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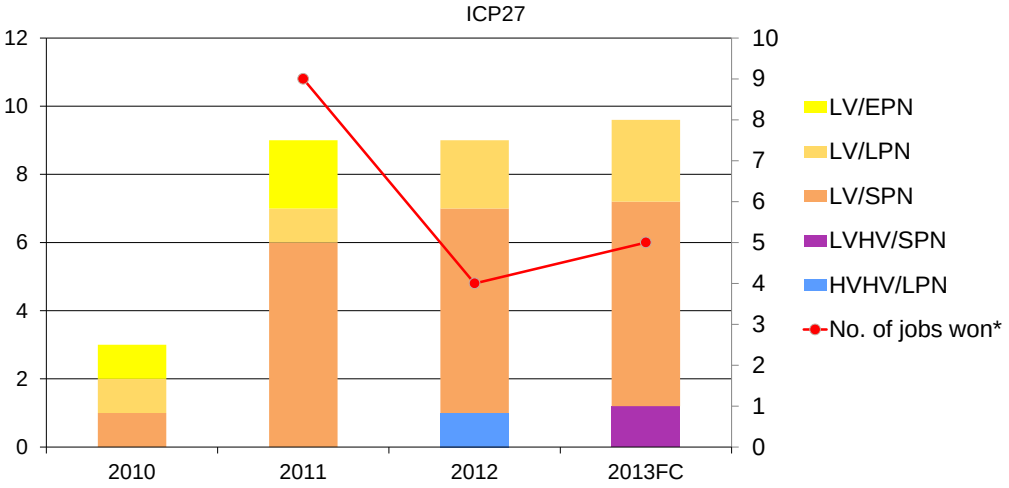
DGHV/SPN
No. of jobs won*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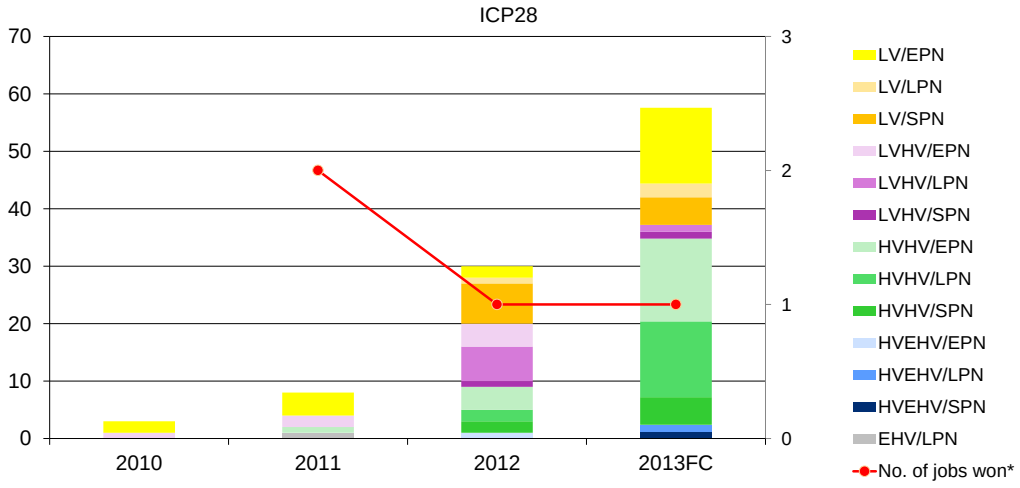
LV/EPN
LV/LPN
LV/SPN
LVHV/SPN
HVHV/LPN
No. of jobs won*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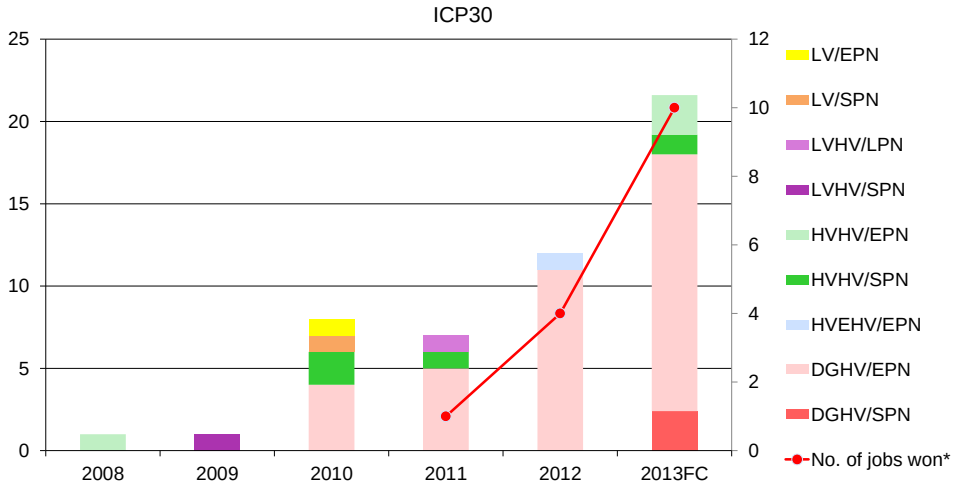
LVHV/EPN
LVHV/LPN
LVHV/SPN
HVHV/EPN
HVHV/LPN
HVHV/SPN
HVEHV/EPN
HVEHV/LPN
HVEHV/SPN
EHV/LPN
No. of jobs won*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5
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8
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2008
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2013FC
LV/EPN
LV/SPN
LVHV/LPN
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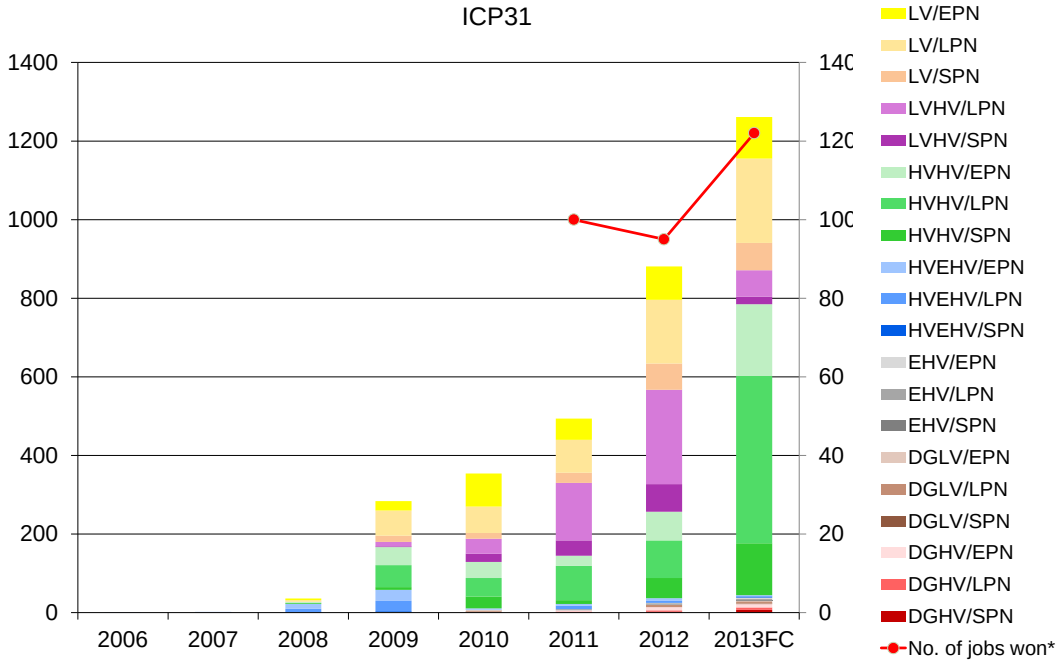
HVHV/EPN
HVHV/SPN
HVEHV/EPN
DGHV/EPN
DGHV/SPN
No. of jobs won*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LVHV/LPN
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HVHV/EPN
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HVHV/SPN
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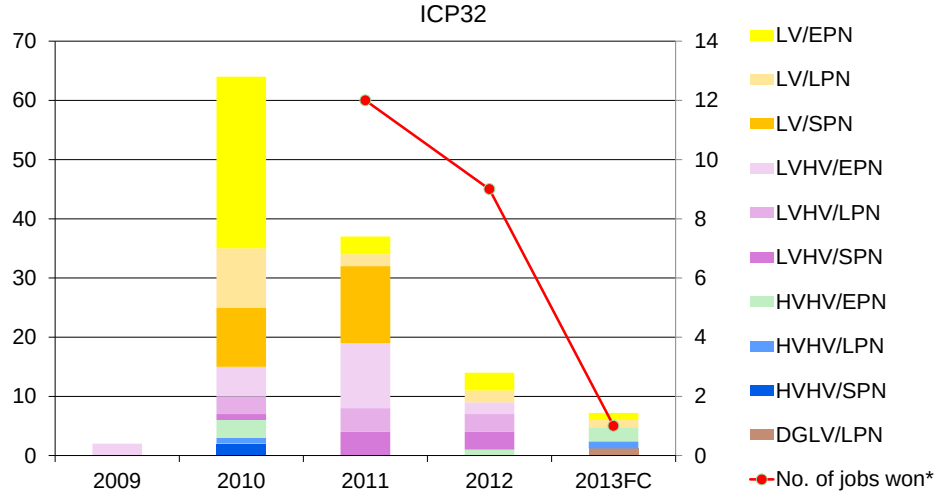
EHV/EPN
EHV/LPN
EHV/SPN
DGLV/EPN
DGLV/LPN
DGLV/SPN
DGHV/EPN
DGHV/LPN
DGHV/SPN
No. of jobs won*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2013FC
LV/EPN
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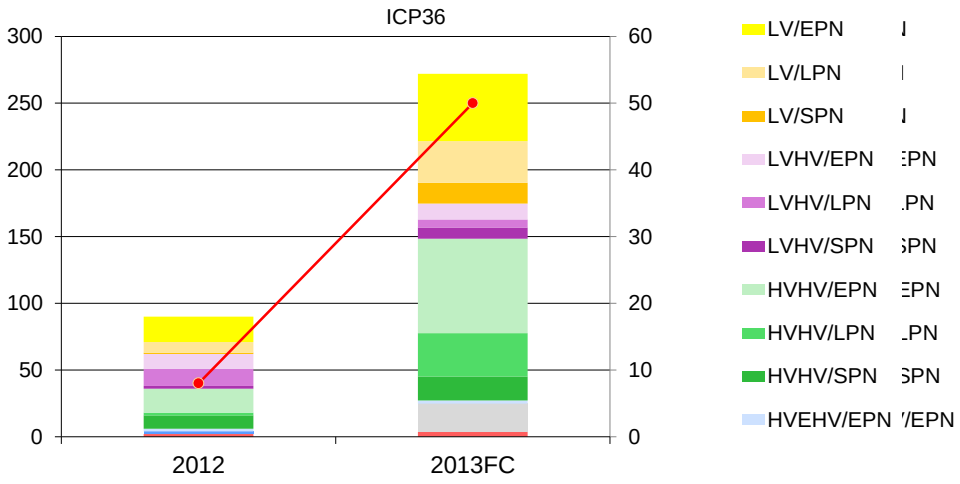
LVHV/SPN
HVHV/EPN
HVHV/LPN
HVHV/SPN
DGLV/LPN
No. of jobs won*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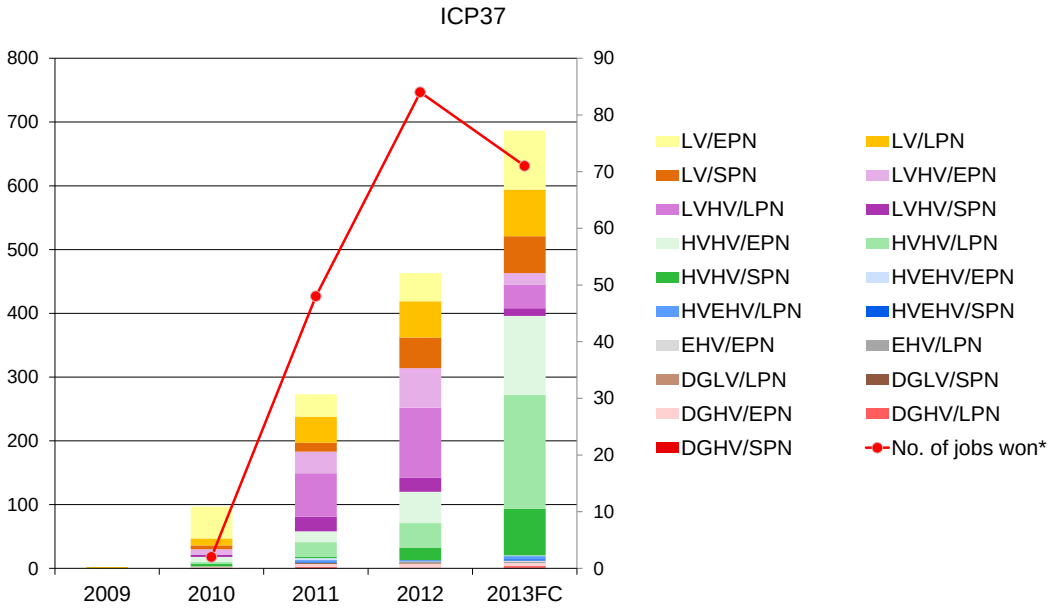
HVEHV/EPN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LVHV/EPN
LVHV/LPN
LVHV/SPN
HVHV/EPN
HVHV/LPN
HVHV/SPN
HVEHV/EPN
HVEHV/LPN
HVEHV/SPN
EHV/EPN
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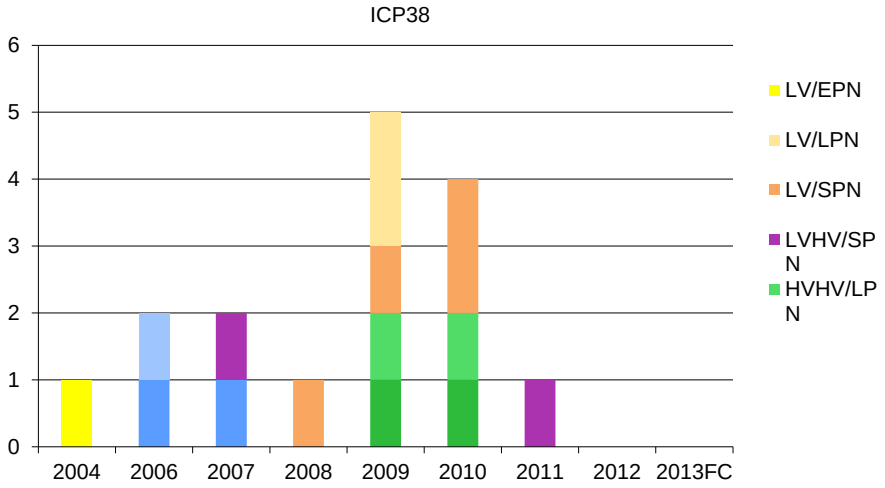
DGHV/EPN
DGHV/LPN
DGHV/SPN
No. of jobs won*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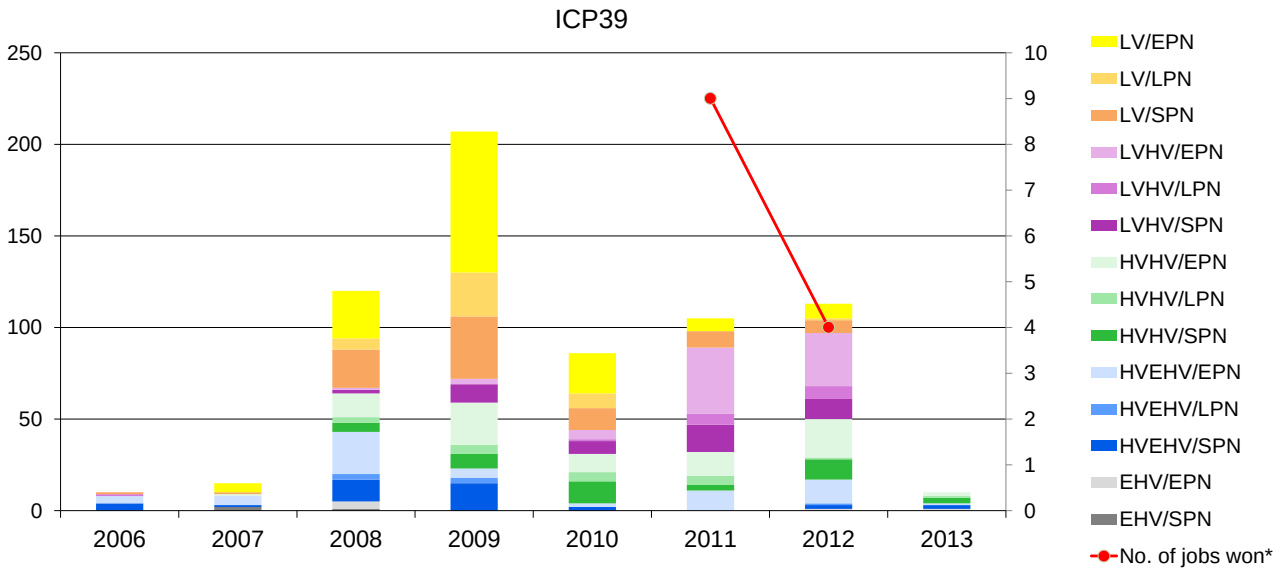
LV/EPN
LV/LPN
LV/SPN
LVHV/SPN
HVHV/LPN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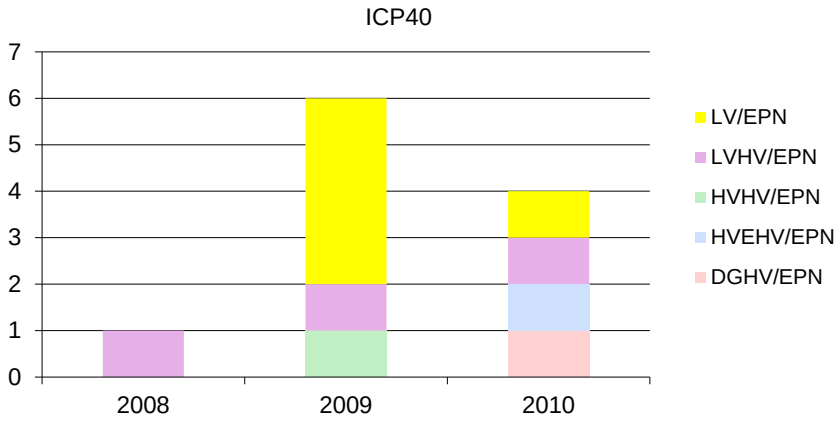
EHV/EPN
EHV/SPN
No. of jobs won*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LVHV/EPN
HVHV/EPN
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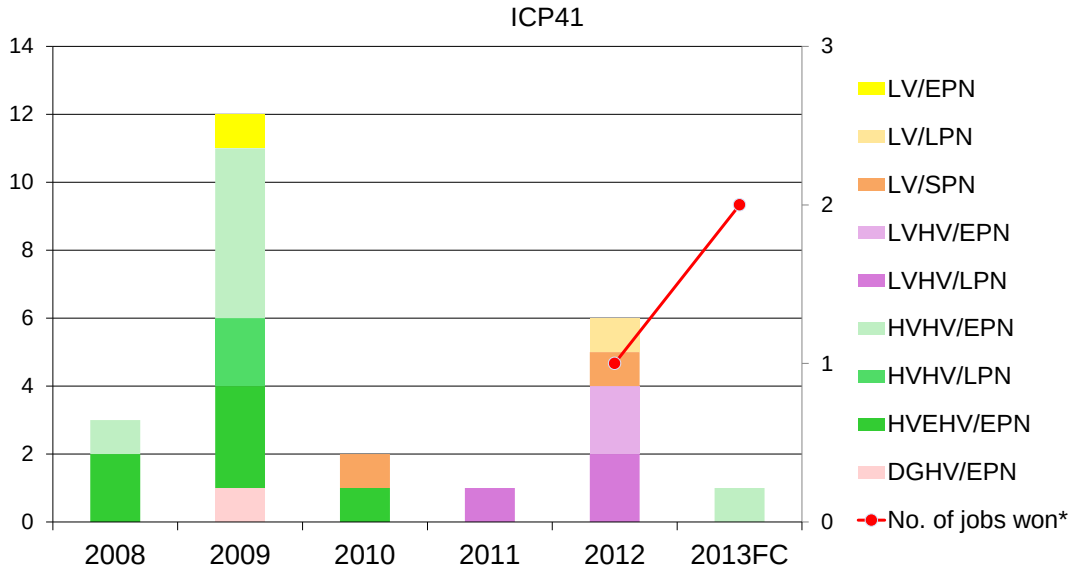
DGHV/EPN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LV/EPN
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LVHV/EPN
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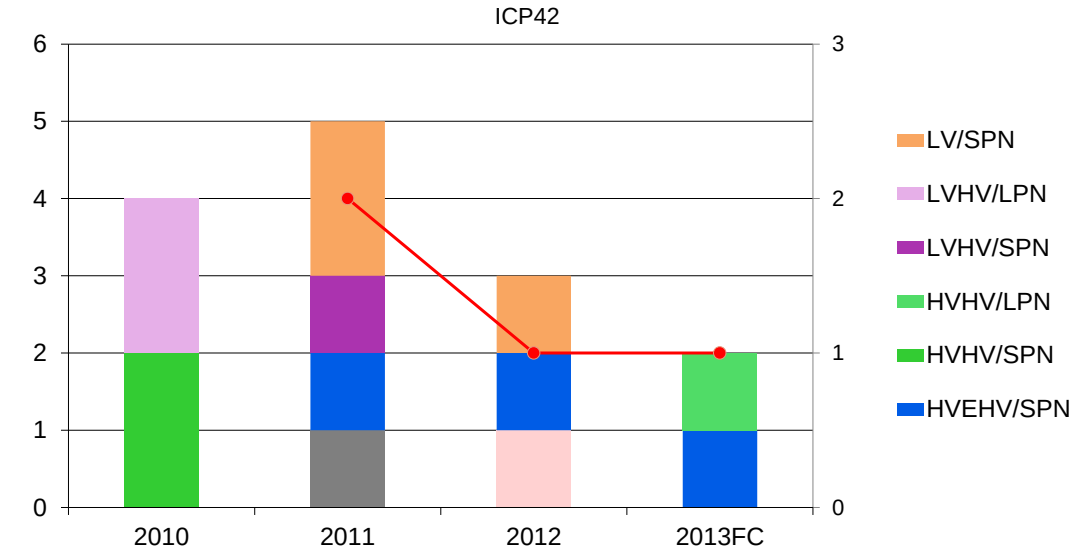
HVHV/LPN
HVEHV/EPN
DGHV/EPN
No. of jobs won*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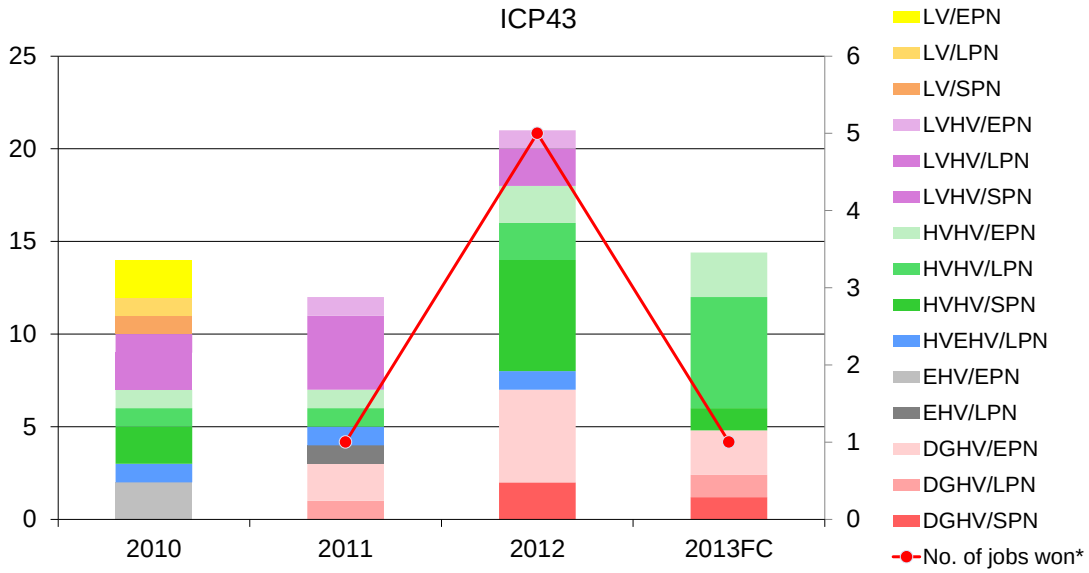
HVEHV/SPN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HVHV/LPN
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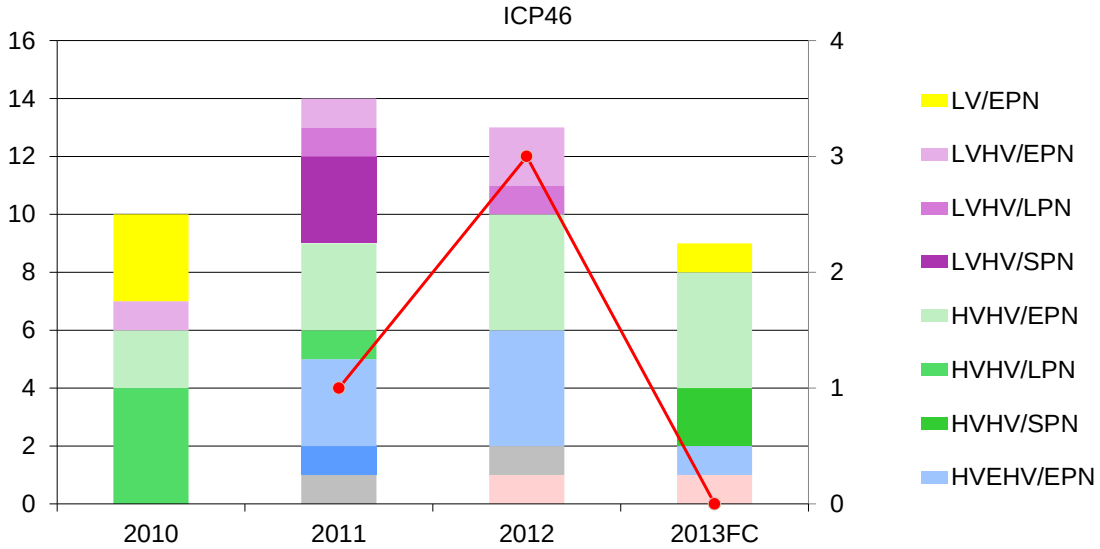
EHV/LPN
DGHV/EPN
DGHV/LPN
DGHV/SPN
No. of jobs won*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LVHV/LPN
LVHV/SPN
HVHV/EPN
HVHV/LPN
HVHV/SPN
HVEHV/EPN

Appendix 10: Competition Improvement actions arising from stakeholder workshops

ICP/IDNO Workshop – Monday 22nd November 2010
Key Customer Feedback Messages mapped to actions implemented

Main theme	Sub-theme	Action from workshop	How the action was addressed	Plan Phase	Complete
Processes	Charges	Project closure auditability of non-contestable charges (most important)	Complete process review; Breakdown of non-contestable charge in quote	1 & 2	Yes
Processes	Charges	Non-Contestable Charges	Breakdown of non-contestable charge in quote - Explore options for repeatable solution	2	Yes
Processes	Charges	50% increase in requote?	Consider major/minor revisions process	1 & 2	Yes
Processes	Charges	Breakdown in charges	Breakdown of non-contestable charge in quote - Explore options for repeatable solution	1 & 2	Yes
Processes	Agreements	Consistency - Availability of Agreements	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Needs 'Portable' agreements	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Need framework agreements	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Use latest agreement version	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Restrictive Clauses	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Agreement Validity Periods – Build Timescales	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Reducing Paperwork	Develop electronic workpack	1	Yes
Processes	Agreements	Consistent Legal Requirements	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	Legal and Procurement Standard framework contracts established for IDNOs and ICPs	Develop proposals for approach to framework agreements	2	Yes
Processes	Agreements	ENA application form too (DG) detailed up front. Other DNO's easier processes.	This is an industry standard application form. Process included in wider process review.	1	Yes
Processes	Policy /procedure	Continuity – double standards (most important)	Review audit and inspection regime; new legals processes	2	Yes

Main theme	Sub-theme	Action from workshop	How the action was addressed	Plan Phase	Complete
Processes	Agreements	Legal and Procurement Standard framework contracts established for IDNOs and ICPs	Develop proposals for approach to framework agreements	2	Yes
Processes	Policy /procedure	Timescales	Implement revised design acceptance process	2	Yes
Processes	Policy /procedure	Consistent Test Processes	Attendees at 17Feb11 workshop were unable to clarify and agreed should be disregarded	N/A	N/A
Processes	Policy /procedure	Distributed Generation much simpler with an IDNO	Attendees at 17Feb11 workshop were unable to clarify and agreed should be disregarded	N/A	N/A
Processes	Policy - treatment of ICPs	Quality System required with workable processes	Complete process review	1	Yes
Processes	Policy - treatment of ICPs	Consistent Feedback / Approvals	Implement revised design acceptance process	2	Yes
Processes	Policy - treatment of ICPs	DNO Employing ICP in some cases	Trade testing' requirements modified to accommodate this.	N/A	N/A
Processes	Policy - treatment of ICPs	Consistency in recognition of NERS Scopes	We have worked with Lloyds Register to streamline NERS scopes.	N/A	N/A
Processes	Policy – equipment /design	Export metering at IDNO/DNO Boundary - is it needed or not?	Confirmed not required.	N/A	N/A
Processes	Policy – equipment /design	Continuity of design (earthing)	Attendees at 17Feb11 workshop accepted this is a complex topic and agreed should be disregarded	N/A	N/A
Processes	Policy – equipment /design	Development of a procedure for the introduction of new kit/assets on the network	G81 policy review complete and all relevant documentation online	2	Yes

Note: N/A denotes Not applicable

Main theme	Sub-theme	Action from workshop	How the action was addressed	Plan Phase	Complete
People	Behaviour	Culture – can do, will help, not looking for problems (Major Works Team very helpful)	Review organisation of CIC activity	1	Yes
People	Behaviour	Product innovation needs help/co-operation	G81 policy review complete and all relevant documentation online	2	Yes
People	Behaviour	New Products – Why Not, Not Why?	G81 policy review complete and all relevant documentation online	2	Yes
People	Behaviour	Get UKPN Jointers out of process	Unmetered and Metered Live Jointing to Mains pilot trials	Ongoing	N/A
People	Awareness	General awareness of competition of connections obligations and strategy within the business	Develop education and awareness programme (delivery ongoing)	1	Yes
People	Awareness	Customer ownership defined and understood	Develop education and awareness programme (delivery ongoing)	1	Yes
Organisation	UKPN org structure	Our Organisation	Review organisation of CIC activity	1	Yes
Organisation	UKPN org structure	One Team for POC's	Review organisation of CIC activity – Prelims	1	Yes
Organisation	UKPN org structure	UMC Structure – is it impartial?	Review organisation of CIC activity	1	Yes
Organisation	UKPN org structure	Review of Designer function – why are designers split between competition and section 16 works?	Review organisation of CIC activity	1	Yes
Organisation	UKPN org structure	Delivery (most important)	Additional resources to CIC delivery team,	1	Yes
Organisation	UKPN org structure	Change way of working (most important)	A general point covered by many improvement actions	2	Yes
Organisation	UKPN org structure	Can UKPN have resource available to support CiC? (most important)	8 additional resource added to CIC team.	1	Yes
Organisation	UKPN org structure	Another DNO operating GSOP Processes to SLC15 Services	We operate to these standards on a voluntary basis	N/A	N/A
Organisation	Effectiveness	Staff Communication	Develop education and awareness programme (delivery ongoing)	1	Yes

Main theme	Sub-theme	Action from workshop	How the action was addressed	Plan Phase	Complete
Organisation	Effectiveness	Trade Test Delays	Attendees at 17Feb11 workshop confirmed this was not an issue and agreed should be disregarded	N/A	N/A
Organisation	Effectiveness	Reputation Damaged	A general point covered by many improvement actions	2	Yes
Organisation	Effectiveness	Benchmarking against other utilities	Benchmarking and G81	2	Yes
Organisation	Effectiveness	Difficult to enter the market	Barriers to entry – Review layout of offer pack Unmetered and Metered Live Jointing to Mains pilot trials	1 Ongoing	Yes N/A
Organisation	Effectiveness	Resolving 'Trials'	Unmetered and Metered Live Jointing to Mains pilot trials	Ongoing	N/A
Organisation	Effectiveness	Confidence of delivery	A general point covered by many improvement actions	2	Yes
Comms	Enduring	Improvements required for ICP Info on Website	Implement first stage website improvement	1	Yes
Comms	Enduring	Website – do the max – not the min	Implement first stage website improvement	1	Yes
Comms	Enduring	ENW has a log in secure section of Website	UKPN website is open to all. (secure login for access to plans)	1	Yes
Comms	Enduring	Publish how ICP/IDNO interface is managed	Review organisation of CIC activity	1	Yes
Comms	Enduring	Publish Structure/People	To be published online when new website goes live July 12	2	Yes
Comms	Enduring	Publish Statements of Support for CiC	Customer commitment charter – signed by UKPN and 19 competitor directors/ senior mgt	N/A	N/A
Comms	Enduring	Provide procedures (most important)	Review and re-issue Competition flyer and CiC Step by Step	1	Yes
Comms	Enduring	Readily available and easily accessible policies, processes, procedures, pricing and statement of intent online	Implement first stage website improvement; G81 policy review complete and all relevant documentation online	2	Yes
Comms	Enduring	Service levels and contact details available online in an accessible, easy-to-read format	Implement first stage website improvement	1	Yes

Main theme	Sub-theme	Action from workshop	How the action was addressed	Plan Phase	Complete
Comms	Ad-hoc	You do not communicate to PFI Holders and ICP's	Stakeholder engagement approach to competition development	1	Yes
Comms	Ad-hoc	Publish on Website	Implement first stage website improvement	1	Yes
Comms	Ad-hoc	Safety Bulletins	Implement first stage website improvement	1	Yes
Comms	Availability of Records	Availability of Network Records online	Implement new Emaps service online	2	Yes
Contestable / non-contestable rules	Clarification	Clarification of existing areas.	Splitting contestable works	2	Yes
Contestable / non-contestable rules	Inconsistency /application	Apportionment = Non Contest (but not in another DNO)	Breakdown of non-contestable charge in quote - Explore options for repeatable solution	2	Yes
Contestable / non-contestable rules	Inconsistency /application	Confidence in application of contestable/non-contestable	Breakdown of non-contestable charge in quote - Explore options for repeatable solution	2	Yes
Contestable / non-contestable rules	Inconsistency /application	New installed cables built by ICP available to UMS ICP.	Metered/unmetered live jointing to UKPN LV mains pilots	Ongoing	N/A
Contestable / non-contestable rules	Inconsistency /application	Funded apportionment	This is now the subject of an ECSG sub-group	N/A	N/A
Contestable / non-contestable rules	Inconsistency/ application	Splitting n/c & contestable (33kV cable – primary transformer)	Splitting contestable works	2	Yes

Actions arising from Competition Workshop 17 February 2011
Demonstrates how feedback from workshop plan review was factored into final version of plans

Who	Meeting Action	How the action was addressed	Plan phase	Complete
UKPN	Share proposals before implementation.	Final version of plan (Phase 1) published in Issue 1 of Competition newsletter March 2011	1	Yes
ICP18	Want to work in same timescales as DNO. His timescale is DNO T/S + his own T/S	Action added to Phase 1 plan: Identify areas of overlap between ICPs and UK Power Networks	1	Yes
ICP31	No way that UKPN complies with its own standards. No auditing process.	Action added to Phase 2 plan: Review audit and inspection regime	2	Yes
ICP31	Legals. We change clauses but difficult process for ICPs. Bureaucratic process.	Action added to Phase 1 plan: Review Legals issues and processes	1	Yes
ICP31	Complex s/s arrangements – no ability to discuss possibilities with customers	Action added to Phase 2 plan: Start non-standard substation design trial	2	Yes
ICP3	Wants UMC Design Approval in 5 days	Action added to Phase 1 plan: Consider unmetered connection design approval in five days	1	Yes
ICP26	Wants emails to advise progress	Monthly email updates provided to all ICPs	N/A	Yes
UKPN	Proposed concept of Charter – would ICPs sign on to it?	Charter presented for signing at May 2011 workshop	N/A	Yes
All ICPs	Yes	Charter signed by UKPN and 19 ICPs	N/A	Yes
ICP3	Website needs to be carefully arranged so that customers accessing UMC don't miss CIC info .	Action in Phase 2 plan: Improve Highway Services web pages	2	Yes
ICP3	Need to make sure that docs on the website that have references to other docs or drawings, those other docs & drawings are available.	Action in Phase 1 plan: Initial review of G81 material published online	1	Yes
ICP31	Other DNOs have structured access to data/docs – headings & content	Action in Phase 1 plan: Initial review of G81 material published online	1	Yes
UKPN	Monthly newsletter	Competition newsletters issued monthly to all active ICPs and published online from March 2011	N/A	Ongoing
ICP3	Proposes meeting with a few ICPs to firm up process for ULJ2M & C2C/Metered – mid-March	Meeting took place 18 March 2011 with ICP3, ICP18 and ICP19.	N/A	Yes

Continuous Improvement Plan discussed at Competition Workshop 11 November 2012. The basis of a plan based on points raised in Ofgem's decision on our Competition Notice submission were discussed and ICPs were asked to contribute anything else they believed should be addressed

Theme	Action	Complete
Items shown in red were added by competitors at November 2012 workshop		
Extension of contestability pilots	Identify what prevents ICPs from wishing to undertake a pilot	Yes
	Identify what we need to change to make pilots more attractive	Ongoing
	Resolve working in interconnected network in LPN	Yes
	Extend HV self-connect to LPN	Ongoing
Point of Connection Self-ID	Progress pilots with identified ICPs	Yes
	Secure further pilot participants	Ongoing
	Continue to engage in Ofgem consultation process	Yes
Extension of contestability - other	Understand how operational activity is handled in other DNOs	Ongoing
	Agree SLA criteria for delivery	Ongoing
NERS	Consider alternatives to supplement NERS – e.g. publish lists of locally-active ICPs. Canvass ICPs' views	Yes
	Promote discussion as to how to make NERS more user-friendly for customers	Yes
Benchmarking	Collate examples to understand what other DNOs do differently/better	Yes
Customer feedback	Invest more time in engaging directly with our customers	Ongoing
Stakeholder engagement	Meet with ICPs 1-2-1 to identify competitor-specific issues, preferences and priorities	Yes
Provision of information	G81 - Develop and publish further new content (EHV, DG)	Yes
Provision of information	Network Records - Finalise development work and release LV diagrams for LPN	Yes
Convertible Quote	Carry out pilot for HV work in Sussex area	Yes
Acceptance procedures	Conclude review processes and communicate. To include service level standards	Yes
IDNO legals process	Finalise drafting based on principles agreed with IDNOs.	Yes
Process improvements	Simplify processes and remove unnecessary steps/bureaucracy (M & UMC)	Yes
	Improve visibility of delivery schedules	Ongoing
	Consistency of approach between different UKPN areas/designers	Yes
	Online documents e.g. SORN, legal docs to simplify /shorten timescales	Yes
Process improvements	Carry out a review of non-contestable charges	Yes

Appendix 11: Competitive Networks Association: 12 tests for competition

	CNA test for competition	Improvement Plan Action	Plan phase	Complete
1	Connections quotation process that promotes choice to customers: Separate identification of non-contestable and contestable elements of work. Customer (ICP/IDNO) ability to accept both elements of quotation or to accept the non-contestable element only (with the ICP/IDNO carrying out contestable works.	Breakdown of non-contestable charge in quote - Explore options for repeatable solution Convertible quote - feasibility study	1 & 2 Continuous Improvement	Yes Ongoing
2	Accredited ICPs/IDNOs to have sufficient information to be able to identify their own points of connections on the DNO system (if they choose to do so).	POC self-ID pilot with ICP18	N/A	Yes
3	ICPs and IDNOs to be able to contest the design and construction of DNO network reinforcement work.	ECSG working group Industry pilot with ICP31	N/A	Complete (Ofgem to progress)
4	Accredited ICPs and IDNOs able to self-certify/ validate designs for contestable work.	Generic designs pilot with ICP18	2	Ongoing
5	DNOs make available design policy documents, codes of practice, method statements and material specifications to accredited IDNOs/ICPs • To enable the right design first time • To facilitate compliance with standards and COPs • To create transparency and remove ambiguity.	G81 policy review complete and all relevant documentation online	1 & 2	Yes
6	Simple, transparent, documented land rights processes that are followed by their staff and ensure that progress of Competition in Connections is not unduly delayed.	Implement new ICP consents process	2	Yes
7	Arrangements that enable accredited ICPs/ IDNOs to undertake LV and HV jointing on contestable works. To include: • a regime that also allows ICPs/IDNOs to operate on DNO networks and/or, • an arrangement where DNOs could offer ICPs/IDNOs contract SAP services to enable ICPs complete HV closing joints.	Metered and unmetered live jointing to mains pilots and HV final connection pilot	N/A	Yes
8	Clearly defined process and timeline for delivery of methodology that facilitates accredited ICPs/IDNOs to carry out switching on DNO networks and issue safety	HV jointing pilot with ICP31 [and others]	N/A	Yes

	documentation.			
9	Linked to 8 above. Evidence of work with other Licensees and the ENA to develop a national suite of operational documents identifying DNO specific requirements: To enable Competent Persons to operate across different Distribution Service areas without the requirement for a new Authorisation for each DSA.	Metered and unmetered live jointing to mains pilots HV jointing pilot with ICP31 [and others]	N/A	Ongoing
10	Fair and Equitable Adoption Agreements that share liabilities between ICPs or IDNOs and the DNO.	Implement Standard Terms and Conditions - Construction and Adoption - Metered Connection	2	Yes
11	DNOs must demonstrate non-contestable charges are transparent and cost-reflective.	Breakdown of non-contestable charge in quote - Explore options for repeatable solution	2	Yes
12	Simplified payment methods including the use of electronic correspondence throughout the connection and adoption process.	End2End customer service improvement programme should result in better electronic options	N/A	Ongoing

Appendix 12: Barriers identified via Ofgem survey February 2011

Source: DNO behaviour				
Potential barrier	**Comments**	**Improvement Plan Action**	**Plan Phase**	**Complete**
Availability of information	Ease of access, speed of access, ensuring information is up to date (current).	G81 policy review complete and all relevant documentation online	2	Yes
	• Correct contact/process to follow to discuss a new job / submit a new application • Substation general arrangement drawings • Code of practice relating to substation design up to 33kV • Cable installation practice up to 33kV • Code of practice relating to HV network protection (up to 33kV) • Code of practice re: LV network protection • Design policy for HV networks up to 33kV • Current network load information/feeder load analysis • Design policy for industrial supplies • Other information that it may be considered best practice to provide to ICPs	Implement first stage website improvement G81 policy review complete and all relevant documentation online	1 2	Yes Yes
Adoption agreement security arrangements	Sometimes viewed as overly onerous.	Implement Standard Ts & Cs - Construction and Adoption - Metered Connection / Unmetered Connection	2	Yes
	Do numbers of faults in adopted assets necessitate the level of bond DNOs require?			
DNO inspection and monitoring practices	Sometimes perceived as overly onerous. Is best practice set out in Ofgem's February 2005 ' Competition in Connections to electricity distribution systems - decision document part B' being followed?	Review audit and inspection regime	2	Yes
Terms in connection agreements / types of connection agreements available	DNOs sometimes viewed as being inflexible in their terms.	Implement Standard Terms and Conditions - Construction and Adoption - Metered Connection / Unmetered Connection	2	Yes
	DNOs insisting on a particular type of connection agreement e.g. Bi-partite/Tri-partite can be viewed by ICPs as a barrier to competition.		2	Yes

Potential barrier	Comments	Improvement Plan Action	Plan Phase	Complete
Service timeframes (SLC 15)	Complaints are still received about services that are not delivered within the timeframes set out in SLC 15.	Consider concept of conditional approval	2	Yes
	Do DNOs track performance by customer to ensure that some ICP customers i.e. particular ICPs do not consistently receive a worse quality of service than others.	Implement visible workflow tracking	1	Yes
	Concerns that DNOs require different levels of minimum information before an application is deemed complete. Further concerns that where an application is not complete ICPs are not made aware of this fact within 5 working days (SLC 15.5). Clear guidelines on what can be considered a complete application allow ICPs to submit complete applications first time avoiding delays to them receiving their non-contestable offer. Delays in informing ICPs that their applications are not complete will have an impact on their timelines for providing their customer with an offer. Are associated works (e.g. reinforcement) and final works completed on different timescales or all within the timescales for final works?	Consider concept of conditional approval	2	Yes
Service timeframes (other)	Where non-contestable services are excluded from SLC 15 (where ICPs have asked for the DNO to complete one or more contestable service) are SLC 15 timeframes applied?	N/A		Yes
	DNOs are sometimes viewed as not providing services that fall outside of SLC 15 in reasonable timeframes. E.g. reinforcement works.	Consider concept of conditional approval	2	Yes
Developing ongoing relationships	DNOs are often seen to be poor at 'soft skills'. E.g. communication, cooperativeness, relationships with ICPs etc.	- Stakeholder engagement - Develop education and awareness programme	1	Yes
	How do DNOs ensure that they avoid issues resolved in one job repeating in the next?	Customer feedback & liaison	N/A	Yes
	ICP relationship managers – providing not just a point of contact but a contact that is aware of all of the stages of the project and that can manage the project to proactively avoid issues arising.	Review organisation of CIC activity / End 2 End Project	N/A	Ongoing
	Communication with ICPs to fully understand why the ICP is requesting the services they are rather than second guessing the reasons behind requesting a particular design/POC. Dialogue with ICPs so that they have more visibility and understanding of alternative options and DNOs reasons for rejecting ICP suggestions. Dialogue so that ICPs can fully understand what the limitations of a particular POC might be.	Establish competition Q&A service / Implement revised design acceptance process	2	Yes
Letters of authority	Inconsistency in what DNOs require from ICPs to show they are acting on behalf of a customer.	Metered and unmetered live jointing to mains pilots	N/A	Ongoing

External barriers				
Potential barrier	**Comments**	**Competition Improvement Plan Action**	**Plan Phase**	**Complete?**
Road-opening fees	Difference in levels of road-opening fees charged by Local Authorities to ICPs/DNOs.	N/A	N/A	N/A
	Are DNOs considering solutions?	N/A	N/A	N/A
Local Authorities unwillingness to engage with IDNOs (street lighting).	Are DNOs working with IDNOs to consider solutions?	N/A	N/A	N/A
Connection Charging Regulations	ICP customers are not benefiting from the second comer rule.	ECSG action	N/A	Ongoing
	Are there solutions to this problem that do not involve a change in legislation?		N/A	Ongoing
Transparency of business arrangements	ICPs often perceive DNOs as favouring their affiliates/own business. They also hold concerns that DNOs cross subsidise.	- Competition Stakeholder Workshop - Stakeholder communication	N/A	Ongoing
	How can DNOs ensure that their ring fencing and anti-discrimination policies are communicated to, trusted and understood by ICPs?	Competition Stakeholder Workshop	N/A	Ongoing

Note: N/A denotes Not applicable

Appendix 13: Testimonials from customers and competitors

This appendix contains testimonials received from the following customer and competitor companies:

Appendix 13/1: BT Openreach

Appendix 13/2: Modus Utilities
Appendix 13/3: Power Jointing & Distribution Services
Appendix 13/4: Triconnex
Appendix 13/5 Electrical Testing
Appendix 13/6 Freedom

Appendices 13/7 to 13/8 provide examples of accolades received from a number of competitors.
Appendix 13/9 contains an extract from an article published in 2012 in a trade journal.
Appendix 13/10 contains an accolade from a major highway authority customer with strategic assets in all three of UK Power Networks' Distribution Network areas

Openreach Testimonial for UK Power Networks Competition Case Submission to Ofgem

Openreach and UKPN started discussions in relation to ICP (Independent Connections Provider) connections for live working trials in mid-2012. Through an existing supplier (M J Quinn), Openreach looked to introduce alternative methods of achieving power connections to assist with the accelerated rollout of fibre broadband streetside cabinets. Up to this point, Openreach (and their principal contractors) had used a combination of approaches for their live jointing, including "rent-a-jointer", "full DNO" and "jointer only".

The UKPN live jointing trial commenced in October 2012. At its core was the principle of "competition in connections", supported by a proactive and constructive approach which enabled all parties to participate with aligned objectives.

Throughout the life-cycle of the project, UKPN have evolved their procedures (without compromising health and safety) to reflect partners' concerns and deliver continuous improvement. For example, Openreach's requests for MPAN's to be released at an early stage to allow the metering process to commence were agreed, the ICP process has been streamlined by UKPN reducing administration process and UKPN continue to explore methods of delivering enhanced processes and alignment.

In March 2013, Openreach asked for increased numbers of power connections to deliver additional volumes of fibre cabinets. A request made to UKPN for partial dispensation on the administration function and for additional inputs to allow additional work to proceed in readiness for year-end reporting was agreed. UKPN maintained the same collaborative approach that they displayed throughout the project and were willing to accommodate us with all requests.

In summary, Openreach have not encountered any instances of barriers being raised to prevent competition in connections with over 150 ICP connections being completed to date. UKPN have been very supportive throughout the trial and have been proactive in implementing ICP power connections with Openreach.

MODUS
skills | support | delivery

UK Power Networks
Newington House,
237 Southwark Bridge Road,
London
SE1 6NP

FAO: Sue Jones Competition Development Manager
18th April 2013

Dear Sue,

RE: UKPN Support in Developing Competition

It is now three years since our company Modus Utilities Ltd entered the CiC market and first got involved with the UKPN CiC workshops. Therefore, we would like to take this opportunity to provide some feedback on our experience to date.
During this period, we are delighted to say that the support we have received from UKPN in supporting competition has been excellent. This support has been provided in two areas.

Firstly, by taking the time to host and organise the workshops, UKPN have provided a direct route for us to engage with the senior management team of UKPN including Mark Adolphus, who not only listened to our feedback but have actually carried through with the agreed actions and continue to do so. This interaction with your senior management team is extremely important and appreciated as it demonstrates UKPN's clear strategy and commitment to support the CiC market in the licensed UKPN distribution areas. Also, we totally appreciate the investment that this strategy and commitment has cost UKPN e.g. ease of access to G81 documents.

Secondly, as well as the commitment from the senior management team as outlined above, we have experienced 100% support and commitment from the front line Connections Team. On the four (4) CiC projects that we have been involved with in the EPN Area, it is worth specifically mentioning the assistance and support provided by Jim Vasey and Richard Austen. Both Jim and Richard understand the pressures in connecting PV Farms due to changing ROC payments and their support and advice has been invaluable to us and a clear demonstration of the commitment from the top being driven down to the front line.

In addition to the above, UKPN have continued to provide opportunities to take part in trials to increase the scope of the non-contestable works. This is extremely important and welcomed by us as an ICP, as it

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Unit 5.2.2 The Leathermarket
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Fax: 0203 070 0138
www.modusutilities.co.uk
Registered in England No 4444970

provides our Clients with greater certainly and tighter single point control. We are looking forward to actively engaging in UKPN trials to advance the role of the ICP Contractor.

In summary, we have seen that UKPN are totally committed to supporting the CiC market by both their strategy and actions to date. We look forward to working closely with UKPN in delivering their CiC strategy for the future.

Yours Sincerely,

John Cahill
Managing Director

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Power Jointing & Distribution Services

Steve Wood,
Head of Commercial Services,
UK Power Networks

15th April 2013

Dear Steve

Feedback on UK Power Networks

Since our entry as an ICP into the contestable connections market within the UK Power Networks area some five years ago, we have seen considerable improvement and opening up of contestability.

In particular, UK Power Networks have held workshops where barriers to competition have been discussed, documented and remedies have been determined by listening to their stakeholders and have produced a list of actions and improvements together with proposed timescales of implementation. Stakeholders have been kept informed throughout this process both within the workshops and through the "embracing competition" newsletter enabling progress to be tracked.

In particular, the clarity of the breakdown of charges for contestable and non-contestable work has improved dramatically, and the overall clarity of documentation has improved. Access to more technical documentation, especially e-maps, has been most welcome.

We have found the personnel within the C-i-C department and, more recently, the metered highways services department to be both friendly and approachable and eager to help sort out any problems we have encountered. They have offered a useful degree of flexibility to help accommodate the particular problems encountered with programming this higher-volume work.

As the first ICP to undertake live metered network connection trials within UK Power Networks, we have worked alongside them, both at UK Power Networks and at our offices, to help fine-tune the processes and procedures necessary for the introduction of this new scope. We found them to be receptive to our concerns and now, following a successful trial period, this scope has been rolled out as business-as-usual.

This scope has been very useful to us commercially as it also incorporates live on-site jointing to enable us to offer our clients both timely initial connections and also phased installations, which we were unable to do prior to the trials.

We are currently working on the live metered highway services connections trial for UK Power Networks and this is proceeding well.

UK Power Networks are soon to begin trialling point-of-connection self-determination for low load levels. We look forward to taking part in this new trial as it will enable us to offer much better completion times and competitive costs to our smaller clients building infill developments or requiring temporary builders supplies.

We feel that UK Power Networks have now substantively completed the list of actions and improvements they originally committed to. At the same time, UK Power Networks continue to open up contestability even further through consultation with their stakeholders, suggesting further areas which are currently non-contestable which may be considered in the near future.

Whilst there is always room for improvement in some areas, we believe that UK Power Networks have made significant progress in opening up contestability and look likely to continue to do so into the future.

Yours Sincerely

S. Harvey

Steve Harvey
Contestable Connections Manager

UVDB Verify
empowered by Achilles

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Tel: (01926) 332200 • Fax: (01926) 426731 • Email: pjds@powerjointing.co.uk • Website: www.pjds.info
Registered Office: Highdown House, 11 Highdown Road, Sydenham, Leamington Spa CV31 1XT. Registered No: 3911898.

TRICONNEX

To whom it may concern Jun 2012

Re UKPN - Competition

TriConnex are a newly formed UIP operating in the new build connections market throughout the southeast with the vast majority of work secured to date within the UKPN EPN and LPN area.

During the business planning stage we spoke to many stakeholders within the new connections sector and received numerous warnings about our plans to set up business within the three UKPN regions. It was strongly suggested that we consider a more northerly region to improve our chances of successfully launching the business.

Once we received our Lloyds accreditation we commenced tendering and quickly started submitting numerous POC applications into UKPN. The initial reaction from the allocated engineers was guarded as we were an unknown within the sector.

Very quickly we got into a rhythm, correcting some of our naive processes following some feedback from the competitions in connection (CiC) team. After two to three months we requested a meeting with the CiC team so that we could introduce ourselves to the team that we would undoubtedly be working closely with.

The team were available and open to meet and we explained that UKPN were critical to us being able to deliver our promised service. During the meeting the senior members of the CiC team were open and engaging, tolerant of our lack of experience and spend a few hours of their valuable time answering naïve questions and providing us with valuable insights into how we can make our interactions as efficient as possible. Since the meeting the team have continued to be accessible, and we make regular calls to get advice on the more challenging projects and they are more than happy to offer guidance.

During the meeting the CiC team agreed to some specific actions all of which were delivered in good time. One action was to arrange an invite for TriConnex to the regular Competition Forums which we attended with interest.

During the competition forums we had access to some of the most senior staff within UKPN that spoke with a single voice regarding their commitment to encouraging competition ad were pragmatic enough to exhibit areas where they felt they could do better. I believe TriConnex benefited from what must have been months of hard work on the part of both side delivering real tangibles such as access to on line mapping, improved legal processes and an array of pilot schemes.

Our first contract was a constructing a replacement UKPN substation to allow the removal of an existing one. This gave us access to the operational part of the team for the first time and after some false starts on both sides successfully concluded the project. Quickly after this project the team within CiC approached us with a clearly defined process with key milestones to prevent the same delays from happening again.

This openness allows us to express an opinion when we do not feel that the service we receive is appropriate or at a level that allows us to operate unconstrained. We also feel comfortable

asking for further improvements on the recent developments e.g. less limits on our use of the on line mapping.

As we have now submitted in the region of 150 POC applications our relationships with the CiC engineers have developed and we now regularly correspond with them during the period the POC offer is being developed to ensure that we get the right technical solution first time which makes their time more efficient and allows us to respond to our clients in a timely manner.

We have been comfortable inviting CiC engineers to our client meetings to discuss and agree a joint approach to meeting our project objectives.

We have challenged the POC's from time to time where our clients have received more favourable offers and we have received positive responses in each instance.

As new entrants to the industry and region we have presented some very innovative commercial and technical suggestions to UKPN which have all been carefully considered and in the most part been acceptable.

Our increasing presence in the region and willingness to engage with the CiC team has also meant that we continue to meet staff within the wider team adding contacts to our list that are available to support us.

We are buoyed by the potential developments that are on the horizon and look forward to benefiting from the planned extension of contestability and improvements in transparency around cost allowances currently being considered.

End.

Electrical Testing

UKPN Testimonial: 15th June 2012

Competition in Connections has been on the agenda of many street lighting discussions and possible future strategies for many years now without any significant manifestation of a clear process, until now.

Southwark Council's Senior Lighting Engineer, Daniel Robinson has worked with us, Electrical Testing and UKPN to implement London's first street lighting renewal programme using this new delivery concept.

There was no question of 'going it alone'; From July 2011 we met regularly with the UKPN Engineers, their ICP Team and with Daniel Robinson; our target being to start on-site late 2011.

Come November 2011 all parties were on site, and joined by Lloyds' representatives, but actual work was halted even before it started, due to problems of communication within UKPN.

UKPN reacted really well and were extremely helpful and cooperative in eventually resolving the problem and producing a completely new policy and procedure to allow ICPs to work on the London Network.

Both myself and Daniel have praised the pivotal role of the UKPN ICP Team and in particular Kevin Newnham, PFI ICP Operations Manager for UKPN, who helped steer the project through its steep learning curve. It was accomplished in a spirit of cooperation rather than adversity, which had sometimes clouded similar initiatives.

For the contestable works that we carry out within the UKPN footprint there is now a feeling of 'business as usual' and this is only possible due to the continued support of UKPN and the ICP Team.

Simon Hobbs
Managing Director

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Directors: Eur Ing Alan Hobbs DipTech CEng MIEE MILE
Simon Hobbs BSc CEng MIEE MILE - Elizabeth Hobbs

Freedom Group
Unit 7 Blocks 2 & 3
Vestry Industrial Estate
Vestry Road
Sevenoaks
Kent
TN14 5E

Steve Wood
Head of Commercial Services
UK Power Networks
Newington House
237 Southwark Bridge Rd
London
SE1 6NP

Date 11/6/12

Dear Steve

I write to commend the help and flexibility that UKPN have provided to Freedom Group in our capacity as an Independent Connections Provider. As the market place has matured and developed, which has presented situations where there are no clear guidelines, UKPN have shown, maturity, flexibility, not to mention help, to Freedom and embraced the spirit of competition.

Freedom Group has been engaged with UK Power Networks since the inception of their Competition Improvement programme and are a signatory to their Commitment Charter. We believe that they have delivered the actions to which they committed and that they genuinely embrace a future approach of continuous improvement.

We have noticed significant improvements over the past year in the following areas.

The G81 information on the website continues to improve with regards to 11kV and LV equipment specification and we appreciate your commitment to make the same improvements regarding the EHV information. We tend to find this sort of information much more accessible and easy to find when compared with other DNO's.

The competition workshops have been pleasantly received and allow not just Freedom but all ICP's to air their concerns which on the whole are listened to and actioned by UKPN, in my opinion. Whilst UKPN are not alone in running these workshops, not all DNO's offer the same and not all DNO's invite Freedom as a matter of course.

The biggest area of improvement we have experienced is the helpfulness of the staff and the clear communication that has been driven top down that ICP's are not the enemy and should be helped wherever possible with genuine issues which cannot be resolved without direct contact and interaction. The Major Connections generation team are a prime example of this behaviour and I would like you to pass on my genuine thanks for their help during the first half of this year. Other DNO's appear to be obstructive with matters of this nature which requires time wasting escalation of the issues which in my mind is anti-competitive in itself.

Lastly I would like to commend the speed of response to our requests which have always met LC15 conditions and in many cases surpassed this standard.

I look forward to a continued professional working relationship whereby UKPN strive even further to facilitate the ever growing competitive environment in which we find ourselves.

Yours Sincerely

David Rough MSc | Connections Director | Freedom Group
T 07733 313832 | E: david.rough@freedom-group.co.uk | w:http://www.freedom-group.co.uk

Appendix 13/7: Compliments from a leading ICP in the unmetered markets

i) Re: new form of Highway Services agreements

Thank you for your email regarding the agreements. I can confirm that [we] would like to enter into the agreements for all three areas of UKPN (EPN,SPN,LPN).

This is a huge step forward for [us] . Having one agreement for all three networks and having to sign once will save us a lot of time and give our clients the re-assurance that contracts can start on time and take away the worry of delays on getting a new agreements for each contract.

I would like to take this opportunity to thank everyone within UKPN for all the hard work over the past 2 years working behind the scene to actually make this competition test (LV) a success and I know on a personal level how hard you are all working. We are involved with another 4 DNOs in their competition test in the UK and can assure you that UKPN are one of the leading DNOs and others should take heed.

I would be very grateful if you could pass this message on to all your team.

Regards.

Director
ICP26.

ii) Extract from an email received in February 2013:

UKPN have been a credit to deal with and other DNOs should take heed to the way everyone at UKPN have dealt with competition over the past 2 years.

Regards.

Director
ICP26

Appendix 13/8: Compliments re: support provided to new ICP

Sent: 26 October 2011

We first met Kevin Newnham and Jason Webb on the 21st July to discuss the process and procedures that we would need to follow to carry out a trial unmetered Street Lighting service transfer in the LPN area.

Kevin and Jason were very clear and concise in their explanation of what we would be required from us and the information that we would be presented with. The timescales of the process were discussed and any potential 'problem' areas were highlighted so that we could ensure they had our full attention, such as confirming the tri-partite agreement.

We met again with Kevin's team (Steve and Mel) on the 28th September to discuss the detail of the works and the paperwork that would need to be completed and authorisations that would be required from UKPN before we could commence. Steve and Mel were very helpful and again very clear with what we have to do to carry out the works.

We commence the trial on-site on the 14th November and are awaiting from Steve Rodgers two outstanding items; the final tri-partite agreement and authorisation of our proposed jointers and written confirmation from Kevin's team that our programme of works is acceptable, however with our experience so far I would expect these to be confirmed and completed this week.

Kind Regards
ICP9

Sent: 28 February 2012

Following on from our conversation last week I am writing to express our thanks for the help that Paul Southby has offered us during the startup of our ICP activities.

We recognise that being an 'auditor' can sometimes be a challenge but Paul has been helpful and constructive with all his interactions and is a credit to your organisation.

Whilst writing I must also thank Steve and Mel for their help and understanding with our programming whilst we are finding our feet.

I hope to see you again soon.

Kind Regards
ICP9

Appendix 13/9: Extract from article published in Housebuilder journal May 2012:

Unlike Ofwat, Ofgem has a publicised, measurable and fast approaching deadline to achieve competition in the electricity sector, and businesses on the whole are responding. UK Power Networks, one of the large electrical distributors, has a growing Competition in Connections team which works solely with independents and has been listening to what we want through regular communication.

The speed at which the team is delivering change is growing month on month and includes an increase in work considered as contestable, simpler legal documents, online access to plans and access to a focused team of staff dedicated to providing a project by project delivery service.

Chris Dore
Director of Triconnex

==========

Appendix 13/10: Accolade from a major highway authority customer re: new agreements

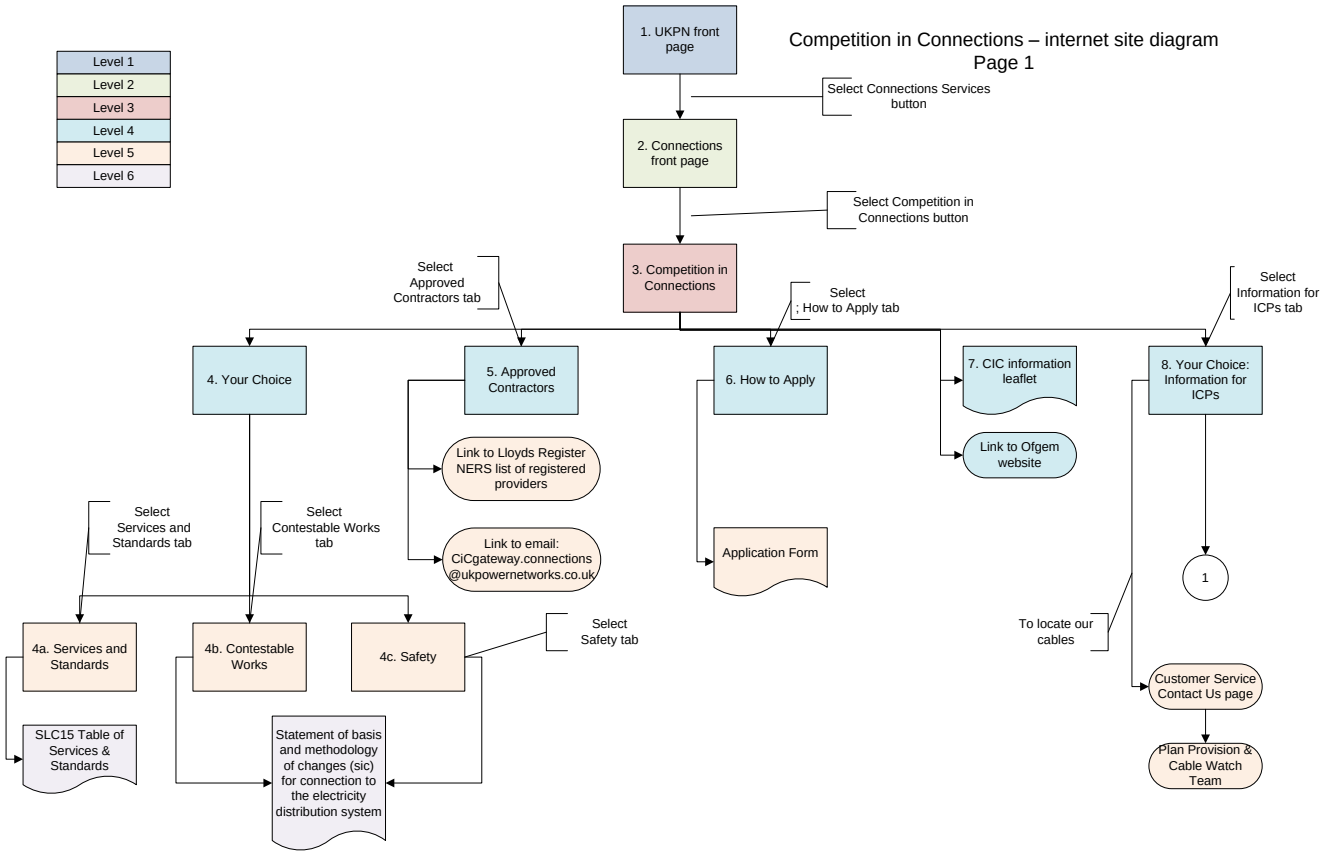
A senior Manager from a London Highway Authority with strategic assets in all three of UK Power Networks' Distribution Network areas has commented on the process and their future expectations.

"I have found the process of negotiating the agreement to be collaborative and open, engendering a feeling of genuine trust.

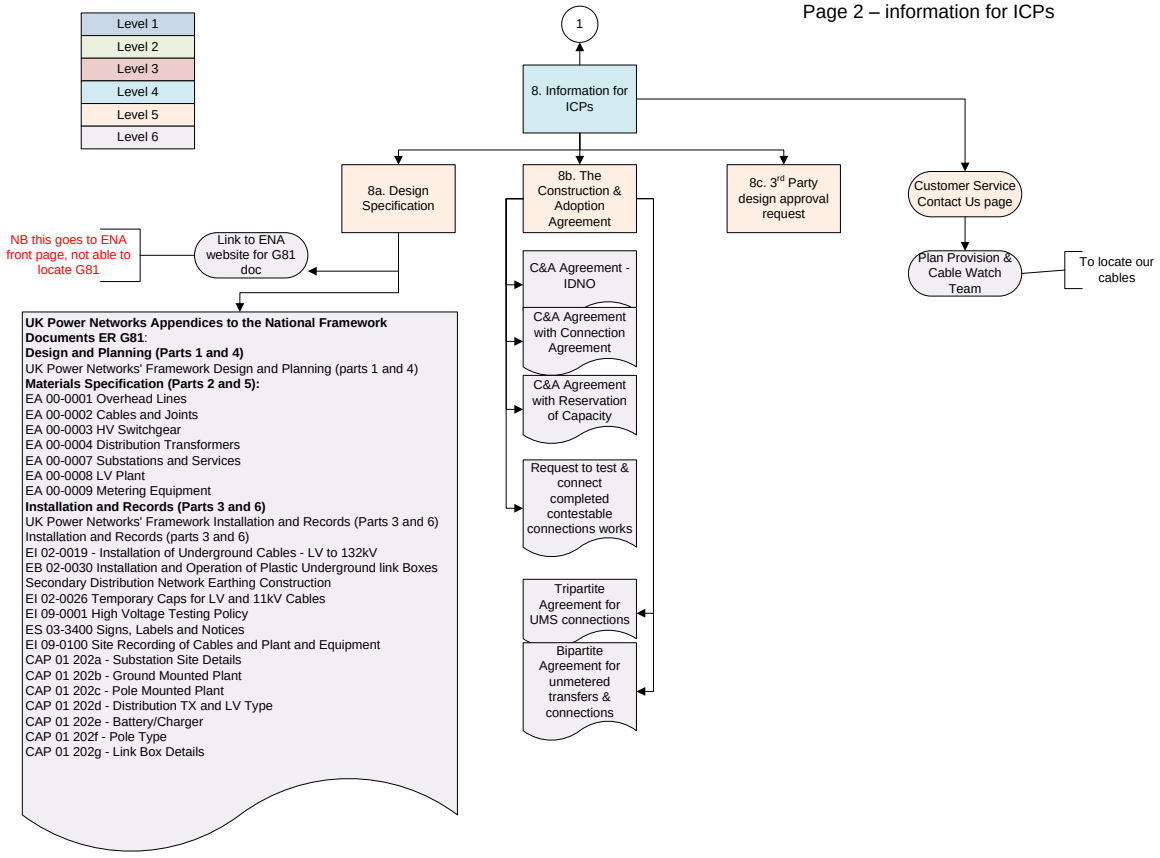
As for what I expect from the agreement, this is a significant step toward extended competition in the connections market, giving customers more choice and flexibility in the programming and delivery of works".

Appendix 14: UK Power Networks' website – before and after

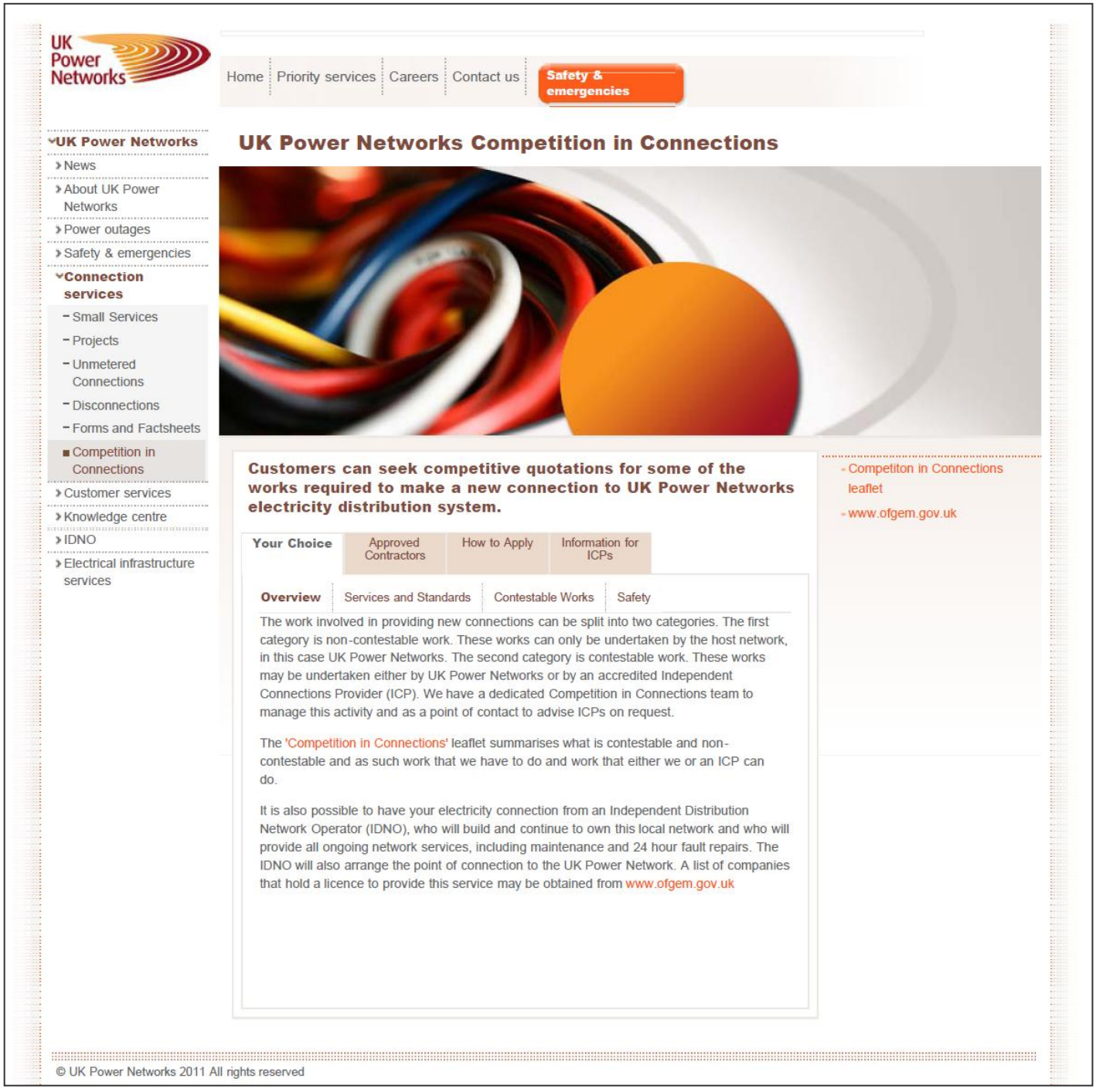
Layout prior to improvement action in early 2011 – complex navigation with six levels:



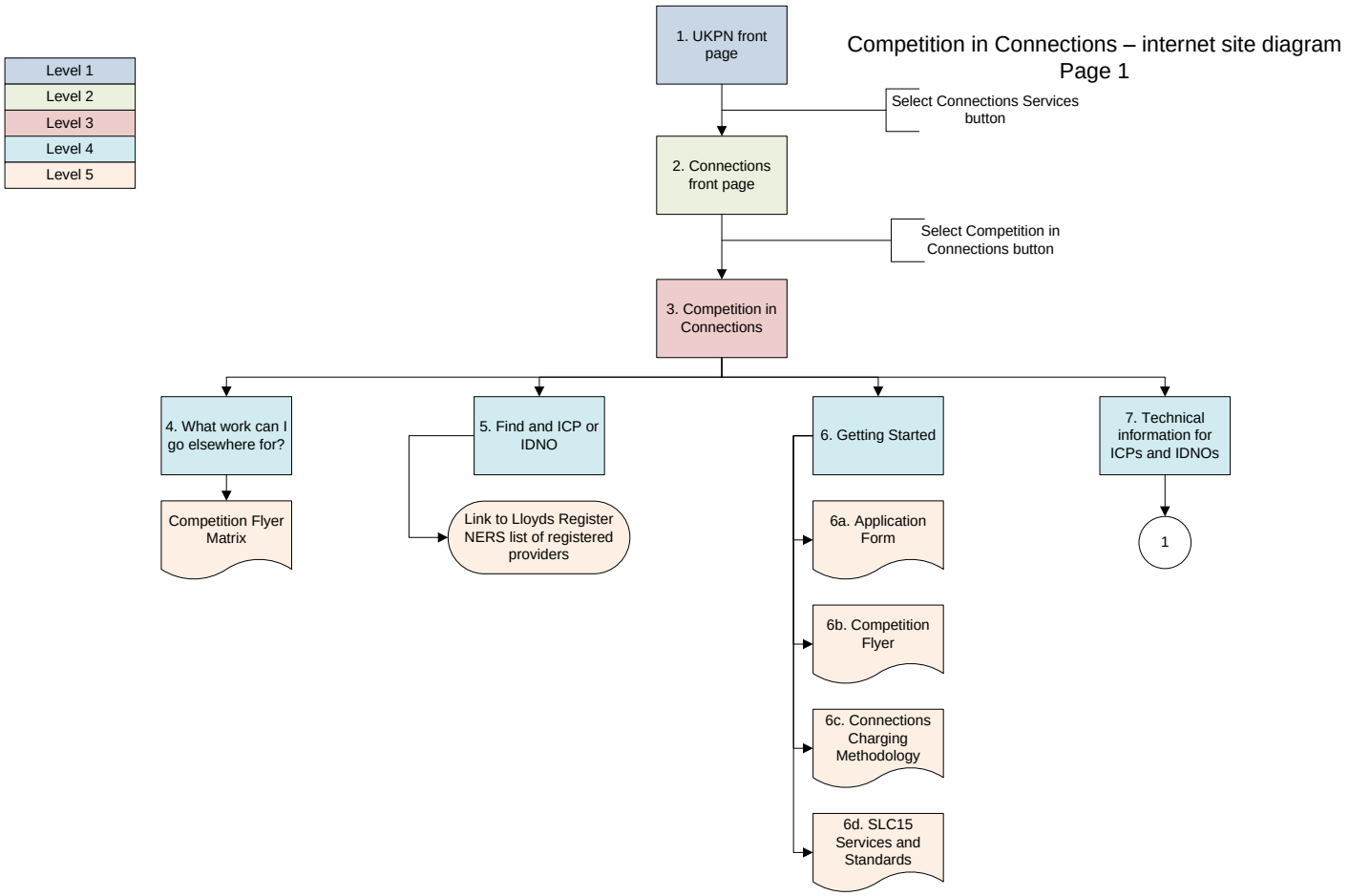
Competition in Connections – internet site diagram
Page 2 – information for ICPs



Competition in Connections web page before re-design - not intuitive, many levels to navigate

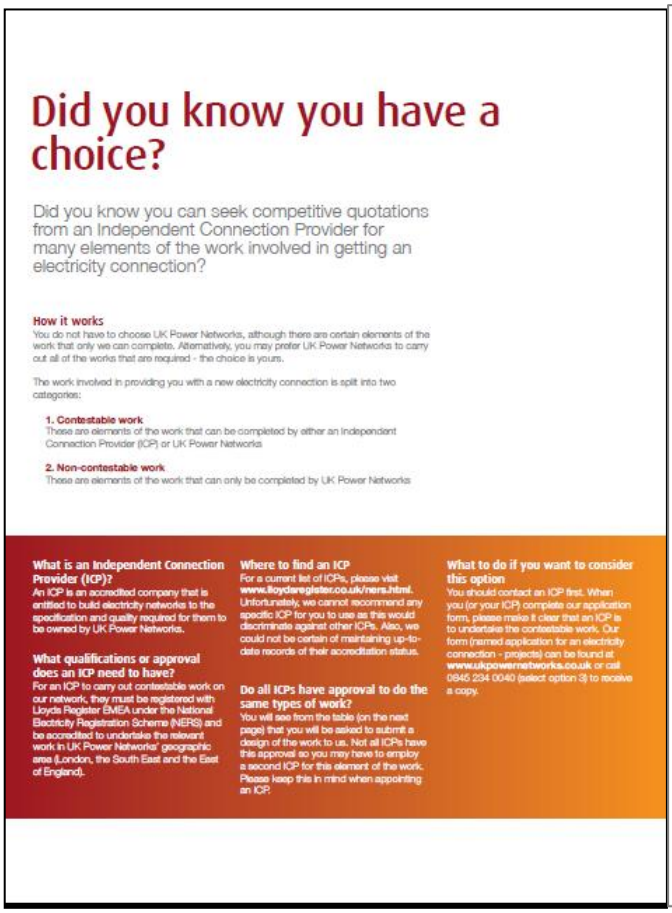


Website layout following re-design



Competition in Connections web page following re-design: more visual, easier to understand and to navigate

Appendix 15: Competition leaflet



Did you know you have a choice?

Did you know you can seek competitive quotations from an Independent Connection Provider for many elements of the work involved in getting an electricity connection?

How it works

You do not have to choose UK Power Networks, although there are certain elements of the work that only we can complete. Alternatively, you may prefer UK Power Networks to carry out all of the works that are required - the choice is yours.

The work involved in providing you with a new electricity connection is split into two categories:

1. **Contestable work**
These are elements of the work that can be completed by either an Independent Connection Provider (ICP) or UK Power Networks

2. **Non-contestable work**
These are elements of the work that can only be completed by UK Power Networks

What is an Independent Connection Provider (ICP)?
An ICP is an accredited company that is entitled to build electricity networks to the specification and quality required for them to be owned by UK Power Networks.

What qualifications or approval does an ICP need to have?
For an ICP to carry out contestable work on our network, they must be registered with Lloyds Register EMEA under the National Electricity Registration Scheme (NERS) and be accredited to undertake the relevant work in UK Power Networks' geographic area (London, the South East and the East of England).

Where to find an ICP
For a current list of ICPs, please visit **www.lloydsregister.co.uk/ners.html.** Unfortunately, we cannot recommend any specific ICP for you to use as this would discriminate against other ICPs. Also, we could not be certain of maintaining up-to-date records of their accreditation status.

Do all ICPs have approval to do the same types of work?
You will see from the table (on the next page) that you will be asked to submit a design of the work to us. Not all ICPs have this approval so you may have to employ a second ICP for this element of the work. Please keep this in mind when appointing an ICP.

What to do if you want to consider this option
You should contact an ICP first. When you (or your ICP) complete our application form, please make it clear that an ICP is to undertake the contestable work. Our form (named application for an electricity connection - projects) can be found at **www.ukpowernetworks.co.uk** or call 0845 234 0040 (select option 3) to receive a copy.

Who can do what?

	Independent Connections Provider (ICP)	UK Power Networks
The design of your connection including new network back to our existing network*	✓	✓
Digging and filling in of trenches on your property for the installation of electrical cables	✓	✓
Digging and filling in of trenches on the public highway for the installation of electrical cables	✓	✓
Installation and jointing of electrical cable and service lines	✓	✓
Construction of substations/transformer buildings (the physical building work is normally carried out by the customer)	✓	✓
Installation of electrical switches and transformers	✓	✓
Some diversionary work associated with existing cables on your land	✓	✓
Design of alterations to our existing network	X	✓
Live jointing of the new network onto our existing network	✓	✓

*Please note that all ICPs' designs must be approved by UK Power Networks, for which a Design Approval Charge is payable, prior to the commencement of any work on site.

To support the tasks shown here, UK Power Networks will:

- Assess how your electricity connection will affect our network.
- Decide the point of electricity connection to our network (known as a POC).
- Specify the materials to be used.
- Enter into legal agreements with third parties for the installation of electrical cables and overhead lines on their property.
- Approve any design work that has been carried out by an Independent Connections Provider.
- Inspect, monitor and test any work done by an independent Connections Provider.

What is an Independent Distribution Network Operators (IDNO)?
It is also possible to have your electricity connection from an IDNO. They will build and continue to own this local network and provide all ongoing network services, including maintenance and 24-hour fault repairs. The IDNO will also arrange the point of connection to our network. You can find a list of companies that hold a licence to provide this service from **www.ofgem.gov.uk**

Design Specification
To assist your approved ICP or IDNO in undertaking works, national documentation has been developed setting out common requirements for design and planning, material specification and installation and records. Each of these is supplemented with a UK Power Networks appendix that should be read in conjunction with the national framework documents. All of these documents can be found at **www.ukpowernetworks.co.uk**

UK Power Networks (Operations) Limited
Registered office: Newington House, 237 Southwark Bridge Road, London SE1 6NP
Registered number: 3870728 registered in England and Wales

UK Power Networks

Appendix 16: Customer and competitor surveys

Survey 1: ICPs and IDNOs involved in metered work in the UK Power Networks area
We have surveyed this competitor group in November 2011, May 2012 and February 2013.

Response rate

	ICP contacts surveyed	Responses received
November 2011	43	20
May 2012	56	14
February 2013	27	9

The response rate of 47 per cent to our first survey was an indicator of the early success of our stakeholder engagement strategy. Although response rates have since declined somewhat, at 33 per cent this still significantly exceeds the accepted benchmark of 15 per cent for online surveys.

Demographics (Feb 13):
- All except one of the respondents operate in all three of our DNO areas
- All except one of the respondents operate in three or more market segments

This clearly indicates the ease with which ICPs are able to migrate both geographically and between market segments.

Findings:
78 per cent of respondents find it easy to operate in the UK Power Networks areas to a moderate or great extent. This marks a considerable improvement from earlier surveys where responses ranged from 43 per cent to 56 per cent.
Other findings:
- All except one respondent felt the breakdown of non-contestable charges in our quotations was adequate
- 78 per cent agreed to a moderate or great extent that, where a customer decided to transfer to an ICP/IDNO, the process was straightforward
- 56 per cent of those who replied agreed to a moderate or great extent that UK Power Networks responds to questions quickly and fully. In the November 2011 survey 75 per cent had responded negatively to this question. This improvement indicates the benefit of our efforts to increase resources and enable ICPs to self-serve to a greater extent via our new G81 library.
- 89 per cent agreed to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas

Survey 2: ICPs involved in unmetered work in the UK Power Networks area

	ICP contacts surveyed	Responses received
November 2011	10	3
May 2012	16	6
February 2013	14	5

Response rate
36 per cent of the ICP companies that we invited to complete the survey in February 2013 responded, significantly exceeding the accepted benchmark of 15 per cent for online surveys.

Demographics:
- All respondents operate across all three of our DNO areas.
- All except one of the respondents operate in both LA and Other market segments

This clearly indicates the ease with which ICPs are able to migrate both geographically and between market segments.

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Findings:
The responses from this competitor group were extremely positive, with 100 per cent of respondents feeling to a moderate or great extent that UK Power Networks has enabled them to compete effectively in its areas
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- 100 per cent of respondents were satisfied to a moderate or great extent with the process to obtain Agreements from UK Power Networks (an improvement from 33 per cent a year ago)
- 100 per cent of respondents were satisfied to a moderate or great extent with our Site Specific Approval Process
- 100 per cent of respondents were satisfied to a moderate or great extent with the time that it takes for the UMC ICP team to respond
- 100 per cent of respondents were satisfied completely, to a moderate or great extent with the time that it takes for the UMC ICP team to respond
- 100 per cent of respondents were satisfied completely or to a great extent with the ease of our Adoptions process
- 75% of respondents find the Audit process helpful and informative to a moderate or great extent
    - UK Power Networks chairs an Inspection and Monitoring Sub-Group of the ECSG which has surveyed competitors and DNOs to explore opportunities to improve the effectiveness and value of inspection and monitoring for all parties

Survey 3: ICPs accredited to work in UK Power Networks' areas who have not done so

	ICP contacts surveyed	Responses received
December 2011	42	10

The survey was conducted in December 2011. Given the finite population and the nature of the survey we did not feel it appropriate or necessary to repeat this survey since that date.

Response rate
We sent the survey to all competitors listed on Lloyd's Register National Electricity Registration Scheme as accredited to operate in the UK Power Networks area. 10 of those 42 companies responded. This represents a response rate of 24 per cent which exceeds the accepted benchmark of 15 per cent for online surveys.

Demographics:
- Five had actively sought connections work in the UK Power Networks area
- Seven respondents had been accredited for two or more years, two for one to two years, and one or less than a year
- Four respondents operated in both metered and unmetered market segments

Findings:
- 56 per cent responded in a positive or neutral manner when asked how easy they found it to operate in the UK Power Networks area
- 77 per cent responded in a positive or neutral manner when asked how quickly and fully UK Power Networks responds to questions
- 77 per cent responded in a positive or neutral manner when asked how flexible UK Power Networks are to take personal circumstances into account when applying policies

Feedback indicated recognition of the efforts we have made to facilitate competition, but we acknowledged a clear message that we must continue to improve awareness and behaviours across the company. Many of the points raised have since been addressed by our programme of improvements (see Section 2). However, it is clear from the data contained in Appendix 7 that there have been a number of new market entrants in the past two years.

Survey 4:
Highway Services customers

	Customers surveyed	Responses received
November 2011	53	13
February 2013	53	17

Response rate
In our most recent survey 17 of the 53 local authorities that we invited to complete the survey responded. This represents a response rate of 32 per cent which significantly exceeds the accepted benchmark of 15 per cent for online surveys and compares with a 25 per cent response rate to the previous survey of this group.

Findings:

- 83 per cent to a great extent or completely the competitive alternatives that are available to them when appointing a connection provider
- 50 per cent had already signed an Asset Owner Agreement and of those, 78 per cent had appointed an ICP

- 73 per cent of those respondents who had appointed an Independent Connection Provider to carry out Highway Services activities felt UK Power Networks has enabled the Independent Connection Provider to operate on an equal footing
- 71 per cent of respondents rated UK Power Networks as Good or Very Good in terms of being easy to work with
- 71 per cent of respondents rated UK Power Networks as Good or Very Good in terms of our level of service
- 94 per cent of respondents would be completely, to a moderate or great extent confident that, if Ofgem were to give UK Power Networks approval to set prices as if we were in a freely competitive market, they could seek alternative competitive offerings from other providers

Survey 5: Repeat customers

	Customers surveyed	Responses received
November 2011	101	10
June 2012	100	5

The survey was conducted in November 2011 and repeated in June 2012. The target audience was customers who had undertaken at least ten projects within the last 12 months. The notes below primarily reflect the findings of the 2011 survey, with any material variations emerging from the 2012 survey referenced where appropriate.

Response rate
Ten of the 101 customers that we sampled for the survey in November 2011 responded. This response rate falls below the accepted benchmark of 15 per cent for online surveys. We are therefore cautious in drawing meaningful conclusions from these responses.

Findings:

- 80 per cent felt able to benefit from effective competition, with an average score of 3.9 out of 5.
- 70 per cent were aware of our leaflet entitled "Did you know you have a choice?"
- 80 per cent, when making their application, understood the competitive alternatives that were available to them
- 60 per cent felt the breakdown of non-contestable charges in our most recent quote was adequate

The conclusion we have drawn from these results is that our efforts to create awareness of competition within this informed class of customer have been broadly successful.

Survey 6: One-off customers

	Customers surveyed	Responses received
March 2012	100	7

A survey was conducted in March 2012 for a target audience of customers who had undertaken only one project within the last 12 months. As we did not have the contact information to reach a fully impartial sample online, we undertook a postal survey,

Response rate
Only seven of the 100 customers to whom we sent a survey responded.

Of the seven respondents:

- 4 were aware of our leaflet entitled "Did you know you have a choice?"
- All except one had some understanding of the competitive alternatives available to them

When asked : “Please tell us what you think about our efforts to help you understand CiC and what could we do better?”, the responses were generally encouraging. Comments included:

- To date the whole service offered by UKPN has been very good. Certainly one of the better DNOs to deal with
- A step in the right direction
- More information about competitive alternatives including a list of names

The request for ‘a list of names’ was one that cropped up fairly frequently. Although we provide the link to the NERS listing on our website, we found particularly with the smaller customer that they can have difficulty in locating a competitor willing to undertake a small project. As a result we invited competitors to be represented in a list that we publish on our website, which provides web links to competitor sites to enable customers to more easily locate and contact an alternative connection provider.

Given the disappointingly low response rate we are currently evaluating alternative options for gathering feedback from this target audience.

Appendix 17: Policy statement issued to UK Power Networks' contractors in February 2012

Dear Sir

UK Power Networks (UKPN) actively supports the development of effective Competition in Connections, and the benefits that such competition should bring to end customers, in terms of service improvement and/or lower prices.

For some time UKPN has been working closely with external stakeholders to understand what changes it can make to improve the effectiveness by which Competition in Connections can develop and operate freely in our markets. We have conducted seven stakeholder workshops since 2010 to obtain direct feedback from Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs) to identify a series of specific measures to assist with this objective, including the introduction and/or improvement of policies, processes, access to information, transparency of non-contestable charges and the extension of contestable connection activities. More recently those workshops have included some representatives of companies who are registered as ICPs/IDNOs to compete in UK Power Networks' footprint but which do not do so at present.
This therefore seems an appropriate time to stress UK Power Networks' policy with regards to any of our suppliers and contractors who have any desire or ambition to enter/trade in UK Power Networks' competitive connections market:

1. UK Power Networks welcomes and supports increased activity levels by its existing competitors and from new market entrants;
2. UKPN has no objections whatsoever to any our contractors and suppliers competing actively in UK Power Networks' connections markets;
3. Participation by UK Power Networks' contractors and suppliers in the connections market will **not** have any adverse consequences whatsoever in terms of those organisations' ability to compete for and win supply/service contracts with UKPN; and
4. Any contractor/supplier considering entry to the Connections market can obtain information and advice from our independent Competition in Connections unit, which is established solely to provide such support and to manage the delivery of all non-contestable services.
5. If a customer requests a contractor to provide both the contestable and non-contestable works for a single project and, this is supported by the existing contractual agreements, UKPN will always try to accommodate the customer's wishes.

Please note that;

- We provide regular staff briefings on Competition Law and will add a reminder of this policy in future briefings;
- If any of you would like to attend one of our future stakeholder workshops, please contact Sue Jones (Competition Development Manager) on 07875 111 861;
- Information regarding Competition in Connections in UK Power Networks' footprint can be found on our website at http://www.ukpowernetworks.co.uk/products-services/networks/connection-services/competition-in-connections.shtml

If you have any queries or require further information , please contact Sue Jones (as above) or Steve Wood (Head of Commercial Services) on 07875 113 888.

Kindly forward this note to the relevant members of your organisation.
Yours sincerely,
Nirmal Kotecha, Director of Capital Programme & Procurement

Appendix 18: Stakeholder Engagement case study

The following case study was included in UK Power Networks' submission for Ofgem's Electricity Stakeholder Engagement Incentive Scheme 2011/12 which was awarded second place among all UK DNO companies.

Engaging with our stakeholders: competition in connections

DPCR5: an opportunity

Ofgem's proposals following the last Distribution Price Control Review included a requirement for DNOs to demonstrate that the connections market in their area was fully open to competition. Each DNO was required to submit a competition notice by December 2013 demonstrating that, for each of nine relevant market segments for different classes of connection, all possible steps had been taken to ensure that connection customers were able to benefit from effective competition, enabling independent connection providers to compete effectively in each DNO area.

The competitive landscape

There are two alternatives to the DNO in the connections market. An independent connections provider (ICP) is entitled, through being accredited under the Lloyds Register National Electricity Registration System, to build electricity networks to the specification and quality required for them to be owned by a DNO. An independent distribution network operator (IDNO) has a wider scope in that, after building the local network, it will continue to own it and provide maintenance and 24-hour fault repairs. As these companies rely on UK Power Networks providing certain services, we recognise that they are our customers for the provision of those services.

Engaging our competitors

We believed the best way to understand competitors' needs was to ask them directly. In late 2010 we invited the competitor companies working in our area to a workshop entitled "Embracing Competition", where we asked them to identify barriers to competition and areas where we might extend the scope of work open to competition.

We used the information they provided as the basis for a competition development programme and created a competition development manager post to manage this process. The programme comprised two strands: a suite of improvements to our processes, agreements, communications and behaviours and a series of pilots enabling ICPs to carry out work not previously considered contestable, such as live jointing of the new connections they have constructed to the DNO low voltage mains network.

Commitment to action

Through a further collaborative workshop in February 2011, a prioritised 29-point action plan was agreed. At a third workshop in May 2011, representatives from 19 ICP and IDNO companies agreed to join our Director of Connections and his team in signing a commitment charter affirming that delivery of the agreed actions, together with any mutually-agreed, follow-on actions, would help create the conditions necessary for competition to flourish in the UK Power Networks area. Please see **figure 8.0** below.

Figure 8.0: commitment charter

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Delivering on our commitment

Having completed the initial 29-point action plan, we moved on to launch an 18-point Phase 2 plan to stakeholders in October 2011. With these two phases complete, we have now made the transition to a continuous improvement approach that will ensure we maintain our focus on competition going forward. In addition to these improvement actions and as a result of engaging with our stakeholders, we also embarked on a series of pilots to extend the scope of work open to competition.

Tangible improvements

A wide range of improvements has arisen directly from our engagement with ICPs and IDNOs. These include:

- simplifying and standardising the legal agreements we enter into with ICPs
- providing clearer information to help customers understand their competitive options
- providing a web portal with access to our networks plans
- increasing the quality and quantity of information available online to help ICPs design to our standards
- giving ICPs and IDNOs a better way to obtain legal land consents on our behalf
- providing greater transparency of our charges

Channels of engagement

Competition workshops are now established as regular events, with the seventh held in April 2012 and a commitment to provide these sessions on a permanent basis. In all, 49 different individuals have represented 29 ICP and IDNO companies at one or more of these events. While there has been positive feedback, we recognise that the process has not been without its challenges and that there is still work to be done. We will continue to work closely with our stakeholders in shaping our improvement plans and devising tangible actions. We have also worked with subsets of this group to develop specific improvement solutions, including a more efficient process for ICPs to secure land consents.

We also produce a monthly competition newsletter which is sent to all our ICP and IDNO contacts by email and published online – please see **figure 9.0**. This provides an action plan update and highlights specific improvements that are under way.

Customer awareness

While taking steps to improve the service we provide to competitor connection companies, we have also addressed the needs of the end connection customer. Our website now makes it easier for them to find out about the competitive alternatives available and how to pursue them. We also have an information leaflet called "Did you know you have a choice?" explaining the concepts and setting out which aspects of connections work are open to competition (see **figure 10.0**). This leaflet is available online and is sent out with application forms and quotations.

Further to these generic customer communications, we also seek to engage with customer groups in various ways. For example:

- the chairs of two customer groups recognised by Ofgem, the Metered Connections Customer Group and the Unmetered Connections Customer Group, are invited to all stakeholder workshops
- Highway Services customers (primarily local authorities) are briefed on competition in relation to unmetered connections (UMC) at our regular UMC forums
- we are planning an event for major customers and their intermediary agents, to raise awareness of changes in the competitive landscape and to gauge their views

Stakeholder surveys

In late 2011 we launched a series of online and postal feedback surveys, asking several different groups of customers and competitors targeted questions about their perceptions and experiences of the state of competition.

Customer feedback

The message from repeat customers was encouraging, with 86 per cent of those that responded claiming to understand the competitive alternatives available and 86 per cent feeling able to benefit from competition. In the highway services arena, 83 per cent of respondents who had used an ICP felt UK Power Networks had enabled the ICP to operate on an equal footing.

Feedback from one-off connections customers was varied. Although 86 per cent of respondents had some understanding of the competitive alternatives available to them, only 43 per cent felt it was clear how to opt for those alternatives. This feedback is being taken into account in shaping further improvements to our online guidance for customers.

Competitor feedback

ICPs and IDNOs have generally responded positively to the level of engagement inherent in our approach to competition development. Following a recent competition workshop, 100 per cent of respondents agreed that they were looking forward to participating in future sessions. Attendee comments included:

"Having worked with UKPN for the last six months I know how hard everyone has worked on this to make it happen."

"One of the leading DNOs in facilitating competition from being the worst performer two years ago."

However, the online survey findings indicate that, while our efforts are noted, there remain operational issues that can tend to affect an ICP's ability to compete. These are channelled back to the business to follow up.

We also surveyed those ICPs that are not currently active in the UK Power Networks area to understand whether there was anything we needed to do to facilitate their entry into the market. 56 per cent of respondents had previously made an application to UK Power Networks but of those, only 33 per cent were within the last two years. This has led us to explore opportunities to engage with this group to show what improvements we have made and thereby encourage them to re-enter the market. Subsequently, two such companies have recently contacted us to ask to attend our workshops.

Figure 9.0: sample competition newsletter

Figure 10.0: customer information sheet

Summing up:
a customer-centric approach

It was clear from the outset that collaboration with ICPs and DNOs would put us in the best position to succeed in our aim to create a level playing field for connections in the UK Power Networks area.

Our experience shows this to have very much been the case as we have now forged strong relationships with these companies. This bodes well for healthy and successful competition for the benefit not only of the various connection providers but, most importantly, also for the end customers that require new connections to the UK Power Networks electricity network. This was summed up by an unsolicited accolade from an ICP in a recent trade journal:

"UK Power Networks... has a growing competition in connections team which works solely with independents and has been listening to what we want through regular communication."