

The reasons for our determination on Scottish and Southern Energy Power Distribution's 24 December 2013 application to charge an unregulated margin on certain contestable connections services

1 Summary

- 1.1 This document contains the reasons for the determination made by the Gas and Electricity Markets Authority¹ on 23 April 2014, under Part E of CRC 12², on whether Scottish and Southern Energy Power Distribution (SSEPD), a Distribution Network Operator³ (DNO), should be allowed to earn an unregulated margin on certain connections work.
- 1.2 On 24 December 2013 SSEPD submitted Competition Notices in respect of its two licensed distribution service areas (DSAs) -
- Scottish Hydro Electric Power Distribution (SHEPD), and
 - Southern Electric Power Distribution (SEPD).
- 1.3 The Notices relate to the following Relevant Market Segments (RMSs) -
- Metered Demand – HV work RMS in both DSAs
 - Metered Demand – HV and EHV work RMS in both DSAs
 - Metered Demand – EHV and above work RMS in both DSAs
 - Distributed Generation – HV and EHV work RMS in both DSAs
 - Unmetered – Local Authority work RMS in the SEPD DSA only
 - Unmetered – Other work RMS in the SEPD DSA only, and
 - Unmetered – Private finance initiative (PFI) work RMS in the SEPD DSA only.
- 1.4 We issued a consultation on SSEPD's Competition Notices on 11 February 2014.⁴ Having considered the Competition Notices and the responses to our consultation, we have allowed an unregulated margin in the following RMSs -
- Distributed Generation – HV and EHV work RMS in the SEPD DSA only
 - Unmetered – Private finance initiative (PFI) work RMS in the SEPD DSA only
- 1.5 We have not allowed an unregulated margin in the other RMSs because we have not seen sufficient evidence at this stage that customers' interests would be protected if we removed price regulation.
- 1.6 Our determination can be found on our website.⁵ This document provides reasons for our determination. Appendix 1 of this document summarises the responses received to our consultation.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets.

² CRC 12 Licensee's Connection Activities: Margins and the development of competition

³ As defined in condition 1 of Standard conditions of the Electricity Distribution Licence

⁴ Available from

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=453&refer=NETWORKS/CONNECTNS/COMPINCONN>

2 Background

- 2.1 We have been working to facilitate competition in electricity connections since 2000. New entrants can compete with DNOs to give customers a choice over their connections provider and an opportunity to shop around to get good service and value for money. We consider that competition can deliver customer benefits that are difficult to achieve through regulation, such as innovation in the type of services on offer and a focus from providers on meeting customer needs.
- 2.2 In 2009-10 we explained that we had been disappointed with the pace at which competition had developed in the electricity connections market. This was against a backdrop of 87 per cent of metered electricity connections (across Great Britain) being completed by the incumbent DNO, compared to 41 per cent in the gas connections market.⁶
- 2.3 To encourage further competition to develop, we introduced an incentive on DNOs to do all that is within their control to facilitate competition in connection services.⁷ For the purpose of this incentive we defined nine RMSs in which we considered competition to be viable.⁸ DNOs are able to apply to have price regulation lifted in an RMS where they can demonstrate that competition is effective. We have made it clear to DNOs that where effective competition has not developed by 31 December 2013, we will review the market and consider taking action, including making a referral to the Competition and Markets Authority, formerly the Competition Commission.⁹
- 2.4 This is SSEPD's second application. We have already issued our determinations on ten applications made by DNOs - Electricity North West Limited (on 21 November 2011, 10 May 2013 and 23 August 2013), Northern Powergrid (on 26 October 2012 and 17 April 2014), UK Power Networks (on 29 October 2012 and 15 August 2013), Western Power Distribution (on 25 February 2013, and 25 February 2014), Scottish and Southern Energy Power Distribution (on 29 April 2013) and Scottish Power Energy Networks (on 13 December 2013). These can be found on our website. We are currently considering two other applications submitted in December 2013. Decisions on those application have been made in parallel to this one.

3 Our assessment

- 3.1 Our determinations on whether to lift price regulation are based on a consideration of our statutory duties and our view on whether SSEPD has met two tests: a Legal Requirements Test and a Competition Test.
- 3.2 Our assessment of the Competition Test is a regulatory decision. It does not amount to or imply any particular view as to the application or interpretation of the Competition Act 1998, and/or Articles 101 and 102 of the Treaty on the Functioning

⁵ <https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/competition-connections>

⁶ See "Gas and Electricity Connections Industry Review, 2009-10", available from

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=55&refer=Networks/Connectns/ConnIndRev>

⁷ Introduced at Distribution Price Control Review 5 (DPCR5) - further information can be found in our document DPCR5 Final Proposals Incentives and Obligations (REF: 145/09) which is available on the Ofgem website at:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=348&refer=NETWORKS/ELECDIST/PRICECNTRLS/DPCR5>

⁸ A policy decision was made at DPCR5 to establish the RMSs after consideration was given to the different types of connection (ie by size, type and customer base) for the purposes of this test. While we consider that they are relevant in that context, any definition of the "relevant market" for the purposes of competition law would not necessarily segment the market in the same way.

⁹ On 1 April 2014, the new Competition and Markets Authority brought together Competition Commission with certain consumer functions of the Office of Fair Trading.

of the European Union, or any other law, either prior to this regulatory decision or once this regulatory decision is in place.

- 3.3 We are required to make separate determinations in each of SSEPD's two licensed distribution service areas (DSAs).

Legal Requirements Test

- 3.4 SSEPD has satisfied the Legal Requirements Test in all four DSAs as it currently has no enforced breaches of the Competition Act 1998 or of the relevant connections related licence conditions in the 2013-2014 regulatory year.

Competition Test

- 3.5 We have assessed whether the Competition Test is met after considering a number of factors, including -

- actual and potential levels of competition
- procedures and processes in place to facilitate competition
- barriers to competition
- customer awareness of competition, and
- SSEPD's efforts to open up non-contestable activities to competition.

- 3.6 In making our assessment we considered the nature of the RMSs, the analysis provided by SSEPD on the current level of competitive activity in each of its RMSs and DSAs, as well as information about the processes it has in place to support competition. We also considered responses to our consultation, which provided us with further insight into the competitive environment in SSEPD's DSAs.¹⁰

- 3.7 Our assessment is based on all of the factors listed above. The actual level of competition in the RMSs is discussed under the heading 'existing competitive activity'. Customer awareness of competition is discussed under the heading 'customer awareness of and ability to choose competitive alternatives'. Potential levels of competition, procedures and processes in place to facilitate competition, barriers to competition and efforts to open up non-contestable activities to competition are discussed under the heading 'the potential for further competition'.

Existing competitive activity

- 3.8 SSEPD has presented the following information on competitive activity within each RMS and DSA -

- The number of different types of quotes issued and accepted.
- The estimated value of contestable work associated with different types of quotations.

- 3.9 In relation to the data on quotations issued, SSEPD has defined the following categories -

- SEPD or SHEPD quotations. These are quotations where SSEPD would carry out both contestable and non-contestable works.

¹⁰ A summary of consultation responses can be found at Appendix 1 and the responses are available on our website.

- SEPD or SHEPD (with choice) quotations. These are dual quotations that are capable of being accepted either on an “all works” (contestable and non-contestable) basis, or on a non-contestable works only basis.
- Independent Connection Provider (ICP)/Independent Distributor Network Operator (IDNO) quotations. These are point of connection (POC) quotations for non-contestable works only.

3.10 In relation to the data on quotations accepted, SSEPD has used the following categories -

- SEPD or SHEPD (all works) quotations. These are accepted quotations where SSEPD would carry out both contestable and non-contestable works.
- SEPD or SHEPD (non-contestable only) quotations. These are dual quotations that have been accepted on a non-contestable works only basis. That is, SSEPD would carry out the non-contestable works only.
- ICP/IDNO quotations. These are accepted POC quotations for non-contestable works only.

3.11 In response to a clarification question, SSEPD explained the method used to estimate the value of contestable work associated with each type of quotation -

- In the case of an accepted SEPD or SHEPD (non-contestable only) quotation, the actual value of the contestable element within that quotation was used.
- In the case of accepted ICP/IDNO quotes, SSEPD applied a segment-specific estimated average value for the contestable works. In the DG HV EHV RMS, different values were assumed for HV generation and EHV generation projects as “HV generation and EHV generation projects had significantly different average values.” In the Demand HV/EHV RMS, instead of estimated costs, actual values based on details of projects where SSEPD carried out all the works were used.

3.12 The tables below present the data for each DSA. These tables are based on data in the SSEPD Competition Notices and subsequent clarifications received from SSEPD. The data presented in SSEPD’s Competition Notices relates to the period from April 2012 to September 2013, broken down into three six-month periods.

3.13 We have calculated SSEPD’s share of contestable work based on the data provided. In doing so, we have assumed that an ICP or IDNO would always carry out the contestable work associated with accepted SEPD or SHEPD (non-contestable only) quotations.

Table 1: Metered Demand HV RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	809	918	1,107
Number of ICP/IDNO quotations issued	212	289	283
Number and contestable value of quotations accepted			
Total number of quotations accepted	193	248	344
Estimated total contestable value of accepted quotations	£11.5m	£7.4m	£13.5m
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	90%	93%	89%
SSEPD share of contestable work by contestable value	90%	93%	87%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 2: Metered Demand HV RMS - SHEPD

SHEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	639	532	639
Number of ICP/IDNO quotations issued	19	31	30
Number and contestable value of quotations accepted			
Total number of quotations accepted	327	265	285
Estimated total contestable value of accepted quotations	£3.7m	£2.5m	£4.0m
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	99%	99%	99%
SSEPD share of contestable work by contestable value	99%	99%	99%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 3: Metered Demand HV and EHV RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	9	6	11
Number of quotations issued to ICP/IDNOs	2	1	4
Number and contestable value of quotations accepted			
Total number of quotations accepted	1	1	3
Estimated total contestable value of accepted quotations	£3.2m	£0.3m	£0.04m
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	100%	100%	100%
SSEPD share of contestable work by contestable value	100%	100%	100%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 4: Metered Demand HV and EHV RMS - SHEPD

SHEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	22	28	34
Number of quotations issued to ICP/IDNOs	12	12	8
Number and contestable value of quotations accepted			
Total number of quotations accepted	7	3	16
Estimated total contestable value of accepted quotations	£2.9m	£0.02m	£3.3m
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	57%	100%	88%
SSEPD share of contestable work by contestable value	4%	100%	50%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 5: Metered Demand EHV and above RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	4	1	4
Number of ICP/IDNO quotations issued	3	1	4
Number and contestable value of quotations accepted			
Total number of quotations accepted	0	0	0
Estimated total contestable value of accepted quotations	0	0	0
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	-	-	-
SSEPD share of contestable work by contestable value	-	-	-

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 6: Metered Demand EHV and above RMS - SHEPD

SHEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	0	1	2
Number of ICP/IDNO quotations issued	0	1	2
Number and contestable value of quotations accepted			
Total number of quotations accepted	0	0	0
Estimated total contestable value of accepted quotations	0	0	0
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	-	-	-
SSEPD share of contestable work by contestable value	-	-	-

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 7: Distributed Generation HV and EHV RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	97	193	371
Number of quotations issued to ICP/IDNOs	46	115	196
Number and contestable value of quotations accepted			
Total number of quotations accepted	38	58	85
Estimated total contestable value of accepted quotations	£2.2m	£18.1m	£21.4m
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	55%	26%	25%
SSEPD share of contestable work by contestable value	12%	19%	2%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 8: Distributed Generation HV and EHV RMS - SHEPD

SHEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of quotations issued			
Total number of quotations issued	448	390	479
Number of quotations issued to ICP/IDNOs	19	24	28
Number and contestable value of quotations accepted			
Total number of quotations accepted	206	169	200
Estimated total contestable value of accepted quotations	£22.4m	£17.6m	£22.9m
SSEPD's share of contestable work			
SSEPD share of contestable work by number of accepted quotes	81%	86%	84%
SSEPD share of contestable work by contestable value	79%	91%	75%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 9: Unmetered Local Authority RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of connections completed			
Connections completed by SSEPD	2,611	1,601	2,434
Connections where SSEPD provided "Rent a jointer" service to an ICP	0	0	0
Connections completed by an ICP	0	0	44
Contestable value of connections completed			
Total contestable value of connections completed	£0.52m	£0.51m	£0.51m
SSEPD's share of work			
SSEPD share by number of completed connections	100%	100%	98%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 10: Unmetered PFI RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of connections completed			
Connections completed by SSEPD	1,533	1,601	1,967
Connections where SSEPD provided "Rent a jointer" services to an ICP	12,660	12,663	14,299
Connections completed by an ICP	1,400	1,403	2,924
Contestable value of connections completed			
Total contestable value of connections completed	£3.1m	£2.9m	£3.2m
SSEPD's share of work			
SEPD's share of completed connections	10%	10%	10%
Percentage of completed connections where SEPD provided "Rent a jointer" services to an ICP	81%	81%	75%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

Table 11: Unmetered Other RMS - SEPD

SEPD	April to Sep 2012	Oct 2012 to March 2013	April to Sep 2013
Number of connections completed			
Connections completed by SSEPD	1,426	1,800	1,525
Connections where SSEPD provided "Rent a jointer" service to an ICP	0	0	0
Connections completed by an ICP	0	0	0
Contestable value of connections completed			
Total contestable value of connections completed	£0.51m	£0.57m	£0.43m
SSEPD's share of work			
SSEPD share by number of completed connections	100%	100%	100%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

- 3.14 We make the following observations on the levels of competitive activity in each of the relevant RMSs based on the data in the tables above.
- 3.15 In the Metered Demand HV RMS, SSEPD retains a high share of the market both in terms of value and number of accepted quotations in both DSAs. In the SEPD area, SSEPD's share is 87 per cent or higher in each of the three six-month periods, even though around a fifth of all quotations issued by SSEPD were ICP/IDNO quotations. In the SHEPD area, SSEPD has retained 99 per cent of the RMS over the same period, and only a small number of quotations (less than 1 per cent of all quotations) were ICP/IDNO quotations.
- 3.16 In the Metered Demand HV and EHV RMS, there is a mixed picture.
- Out of a total of 26 quotations issued by SSEPD in the SEPD, 7 were ICP/IDNO quotations. Only 5 new connections quotations were accepted across the three six-month periods covered by the data, and SSEPD won all of them.
 - In the SHEPD area, independent providers have enjoyed some success. SSEPD's share of the RMS by number of accepted quotations was 57 per cent, 100 per cent and 88 per cent in the three periods. Expressed in terms of the share of contestable value, SSEPD's share was 4 per cent, 100 per cent and 50 per cent. A sizeable proportion of all quotes issued – 32 out of 84 – were ICP/IDNO quotations.
- 3.17 In the Metered Demand EHV and above RMS, no quotations were accepted in either DSA in the period covered by the Notices. A small number of quotations were issued – most of them were ICP/IDNO quotations.
- 3.18 In the DG HV and EHV RMS, there is again a mixed picture.
- In the SEPD area, independent providers have been successful in winning work. SSEPD's share of the RMS by number of accepted quotations was 55 per cent, 26 per cent and 25 per cent in the three six-month periods spanned by the data. Expressed in terms of the share of contestable value, SSEPD's share across the

three six-month periods was 12 per cent, 19 per cent and 2 per cent. Just over half of the 661 quotations issued by SSEPD were ICP/IDNO quotations.

- In the SHEPD area, SSEPD has retained a higher share of the RMS. SSEPD's share is 81 per cent or higher in terms of the number of accepted quotations, and 75 per cent or higher in terms of contestable value, in each of the three periods. Only a small proportion (around 5 per cent) of the 1,317 quotations issued by SSEPD were ICP/IDNO quotations.
- 3.19 The data for the Unmetered Local Authority RMS, which relates just to SEPD only, show that SSEPD enjoys a high share of the RMS. SSEPD completed all the connections carried out between April 2012 and March 2013, and in the six-month period between April 2013 and September 2013, SSEPD completed 98 per cent of the 2,478 connections that were carried out.
- 3.20 In the Unmetered PFI RMS for the SEPD area, the data show the work being split three ways. The overwhelming majority of connections were completed by PFI contractor(s) using SSEPD's "rent a jointer" service. Out of a total of 50,450 new connections completed between April 2012 and September 2013, 39,622 connections were completed by a third-party (or by more than one) that used SSEPD's "rent a jointer" service. Of the remaining connections, SSEPD completed 5,101 and ICPs completed 5,727. One respondent to our consultation (UCCG) said that "we do not consider that 'Rent a Jointer' should be considered as evidence of competitive activity since the jointer is being supplied by SSEPD".
- 3.21 In the Unmetered Other RMS for the SEPD area, the data show no competitive activity. SSEPD completed all the connections carried out in the 18-month period covered by its Notices.

Customer awareness of and ability to choose competitive alternatives

- 3.22 We consider that customers being aware of their choice between competing providers and being able to make informed decisions on which provider to use, are important factors for effective competition.

Promoting awareness of competitive alternatives

- 3.23 SSEPD outlines, in its Competition Notices, steps it has taken to make potential customers aware that alternative providers may carry out the contestable elements of a project. These include -
- An area on its website includes a page dedicated to providing information on competition in connections. A link to this page is prominently provided on the "Connections" section of the website. The website alerts potential connectees that some of the work associated with the new connection can be carried out by ICPs. Links to the list of ICPs maintained by Lloyd's Register and a list of IDNO names on the Ofgem website are also provided.
 - Every customer that applies for a connection is sent a factsheet that explains that customers may choose to use an alternative provider to carry out the non-contestable works.
 - All quotations show contestable and non-contestable portions of the work separately.
 - Regular workshops and one-to-one meetings with customers where SSEPD explains the option of choosing an alternative provider to carry out non-contestable works.

- 3.24 To demonstrate the level of awareness of competition amongst its customers, SSEPD reports in its Competition Notices the results of a customer survey conducted over a six-week period in August and September 2013. As part of this survey, every customer that received a quotation from SSEPD was contacted.
- 3.25 Table 12 summarises the results of the customer survey as reported by SSEPD. The results in this table relate specifically to the Demand HV and the DG HV and EHV RMSs.

Table 12: Awareness of competition – Results from a customer survey (Aug/Sep 2013)

Relevant Market Segment	Percentage of respondents scoring SSEPD 7/10 or above on “keeping them aware of competition”		Percentage of respondents who had considered or sought alternative offers	
	SEPD	SHEPD	SEPD	SHEPD
Demand HV	63%	55%	26%	32%
Distributed Generation HV and EHV	78%	88%	33%	38%

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

- 3.26 Appendix G of SSEPD’s Competition Notices reports the results from an independent qualitative survey of customers in the unmetered RMSs. Nine customers in the SEPD DSA and six customers in the SHEPD DSA were covered by the survey. Statements made by respondents include -
- “they do quite a good job at our twice a year meeting. I am completely aware I have a choice.”
 - “As a choice is it really worth [...] getting involved with other providers, it’s not really. Through their communication they’ve made it clear that we can but up north everyone’s made the decision not to go there.”
- 3.27 Respondents to our consultation generally agreed with SSEPD’s view that customers are aware of competition. Many respondents said that SSEPD’s efforts have been instrumental in raising awareness amongst customers. One respondent operating in the metered demand RMSs in both DSAs, however, said that “we do not think that all customers are aware of competition and more work is required in this area”.

Transparency of pricing and giving customers the ability to choose

- 3.28 To be able to make an effective choice, we consider that customers should be able to compare the prices that will be charged by the incumbent DNO with those that may be charged by an alternative provider.
- 3.29 SSEPD states that every quotation issued in the metered RMSs “automatically includes a choice”. Customers that receive this quote may ask SSEPD to carry out all the works or it may ask SSEPD to carry out the non-contestable works only. In response to a clarification question, SSEPD told us that if a customer accepts the non-contestable part of the quotation, they can appoint an ICP/IDNO to carry out the contestable works without re-applying to SSEPD. SSEPD added that “the ICP or IDNO would then approach SEPD/SHEPD on the customer's behalf to arrange for a design approval/inspection in association with their contestable works and their final connection.”

- 3.30 According to SSEPD, its quotations include a “comprehensive breakdown of costs”, and that its pricing is “transparent and clearly competitive compared to [other DNOs].”
- 3.31 Appendix C of SSEPD’s Notices includes examples of quotations, showing the breakdown between contestable and non-contestable works. The sample quotes provided also show, separately, the price that connectees would pay if they were to ask SSEPD to carry out all works, and the price that they would pay if they were to ask SSEPD to carry out non-contestable works only.
- 3.32 All SSEPD quotations include the connection designer’s name and contact details, allowing the recipient to “speak to the person who planned their connection”.
- 3.33 SSEPD’s survey of ICPs and IDNOs identified the 30-day validity period of its quotations as the top barrier to competition in the SSEPD areas. According to SSEPD, it has reviewed the validity period of their quotations, and “going forward our standard validity period would be 90 days”. In response to a clarification question, SSEPD told us that it had extended the standard quotation validity period to 90 days for all new connections quotations issued after 1 December 2013 in the RMSs covered by its application
- 3.34 Most respondents to our consultation felt that SSEPD’s quotations are clear and transparent. A small number of respondents, however, expressed concerns about the transparency of SSEPD’s quotations -
- One respondent said that “costs are not sufficiently broken down to show sizes of transformers and cables etc. and the costs are not attributed at component level”.
 - Another response says that SSEPD’s quotations are “anything but transparent”, and that “comparisons between similar connections with apparently similar scope of works can be significantly different”.
- 3.35 On the issue of SSEPD’s “convertible quotation”, one IDNO respondent said that “SSEPD have put a lot of work into the convertible quotation which is a useful tool for competitors to use and explain to customers that they can convert to them”

The potential for further competition

- 3.36 In this section we consider the potential for further competition to develop, the procedures and processes in place to facilitate competition, whether there are barriers to competition and SSEPD’s efforts to open up non-contestable activities to competition.
- 3.37 In the discussion below we refer at times to potential barriers to competition — generic to GB electricity distribution networks and not specific to SSEPD — that have previously been identified by the Electricity Connections Steering Group (ECSG) and by the Competitive Networks Association (CNA).

Availability of guidance and information for ICPs/IDNOs

- 3.38 As identified by the CNA, an alternative provider may be impeded from competing with a DNO if the DNO makes it difficult for the provider to access information that it requires to develop and deliver its own offer. This information can refer for example to the DNO’s design policy documents, to its codes of practices, method statements or to material specifications. SSEPD’s own survey of ICPs and IDNOs identified the lack of such information as one of the top barriers to competition in the SSEPD areas.

- 3.39 SSEPD describes in its Competition Notices the actions it has taken to address this potential concern.
- 3.40 SSEPD's website provides a range of information for customers and potential competitors. These include a "comprehensive suite of process, design and technical specification documents". Information on the website is reviewed every three months and documents updated as necessary. SSEPD offers a start-up meeting to all new alternative providers who wish to enter the market in either area.
- 3.41 SSEPD also provides on request "code of practice documentation" relating to connections and also offers guidance to help customers and alternative providers interpret these documents. These include "process maps, namely the connection call off process, design approval process, point of connection process and project release process".
- 3.42 SSEPD offers alternative providers access to its mains records through its Geographical Information System (GIS). It also provides network load and feeder load analysis for "all voltage levels except 11 kV and LV systems" through its long term development statements (LTDS).
- 3.43 One respondent said that SSEPD should provide ICPs access to "all of the required SSE assets records, circuit capacity headroom's and committed load". According to the response, this would enable ICPs to identify points of connection and "associated reinforcement (if required) to the existing SSE distribution networks."
- 3.44 Another response states that SSEPD "do not make it easy for competitors to compete, technical information is generally vague and detail on interfaces" is "poor". The response also says that SSEPD "certainly do not assist" new entrants.

Service and response times

- 3.45 Both the ECSG and the CNA have identified the time taken by DNOs in general as a potential barrier to competition. More specifically, they raised the concern that DNOs may not take the same level of care in dealing with activities that lie outside the scope of their licence obligations on guaranteed service standards (SLC15). SSEPD's own survey of ICPs and IDNOs identified this issue as one of the top barriers to competition in the SSEPD areas.
- 3.46 We recognise that unduly long timeframes to handle requests by alternative providers might hamper their ability to compete with SSEPD and uncertainty about possible delays to these timeframes might increase the risk — in the eyes of the final customer — of using an alternative provider.
- 3.47 In view of this concern, SSEPD has set out a number of measures that it has implemented in order to improve the level of customer service it provides to all customers.
- Improvements to its management structure, including the appointment of a new dedicated Head of Customer Service, new connections and enquiry team managers to improve front-line call centre services, doubling the number of "call takers" responding to new connections enquiries, and a new connections manager in each DSA who is responsible for all new connections quotations.
 - A new complaints handling team has been set up with three managers and nine other staff to "actively engage with customers to resolve complaints at source".
- 3.48 SSEPD reports the results of a customer satisfaction survey carried out as part of the Broad Measure of Customer Service incentive arrangements for DNOs. Table 13

summarises the results of the customer survey reported by SSEPD for the 17-month period from 1 April 2012 to 31 August 2013. Customer scores for two activities are presented — one for “new connections quotations” and the other for “the physical new connection”.

Table 13: Customer service survey results (1 April 2012 to 31 August 2013)

Relevant Market Segment	Average score out of 10 for quotations (number of respondents in brackets)		Average score out of 10 for connections (number of respondents in brackets)	
	SEPD	SHEPD	SEPD	SHEPD
Demand HV	7.66 (61)	8.26 (69)	8.00 (10)	8.81 (26)
Demand HV and EHV	8.00 (1)	-	-	8.00 (1)
Demand EHV and above	-	-	-	-
Distributed Generation HV and EHV	-	8.86 (14)	-	-
Unmetered Local Authority	-		-	
Unmetered PFI	-		-	
Unmetered Other	8.92 (13)		-	

Source: SSEPD Competition Notices December 2013 and subsequent clarifications received from SSEPD

- 3.49 Respondents to our consultation were positive about the customer service provided by SSEPD. One respondent said that “I have seen willingness and enthusiasm within SSEPD staff to offer a good service to connections customers, although there are a few isolated small numbers of staff with old attitudes”. Another respondent said “SSEPD are good to work with and much of what they offer (eg price, expertise and application process) could be considered as best practice”.

Contractual arrangements for the adoption of assets built by ICPs

- 3.50 The ECSG has identified that the arrangements put in place by DNOs in relation to the adoption of assets built by ICPs is a potential barrier to competition. In particular, the ECSG raised the issue of security arrangements (bonds) to protect the DNO against any liability in case there is a fault in the adopted network. This is not specific to SSEPD.
- 3.51 SSEPD states that it has “rewritten [its] Adoption Agreement to be bilateral in nature (simply between the alternative provider and ourselves) rather than tripartite (to include the developer).”
- 3.52 SSEPD also states that it has revised its requirement for additional security “should a company be of high financial risk”. SSEPD will now only ask for additional security “where we also have experience of the specific party concerned defaulting on an agreement. Even when requested, this security need only simply be a parent company guarantee”.

- 3.53 SSEPD has reduced the “defect correction period for assets adopted from alternative providers from three to two years”. This is in line with the obligations that SSEPD applies to contractors working on behalf of itself.
- 3.54 Respondents to our consultation did not express a view on this issue.

Inspection and monitoring of assets built by ICPs

- 3.55 The ECSG has raised the issue of inspection and monitoring of assets built by ICPs as a potential barrier to competition. In particular, it questioned the proportionality of the cost and time taken by DNOs to inspect these assets. This is not specific to SSEPD.
- 3.56 SSEPD states that it does not carry out any “more stringent inspections or monitoring activities than has been suggested by Ofgem”. SSEPD provides details of steps it has taken to “positively reduce the level of inspection and monitoring of alternative providers activity”.
- 3.57 SSEPD intends to start trialling a new “iAudit” system, whereby some audit tasks can be carried out remotely by SSEPD inspectors based on photographs taken on site using a mobile application. In response to a clarification question, SSEPD told us that it intends to “commence the trial in April 2014. It will initially be applied to Demand HV sites in both SHEPD and SEPD with the intention to roll out it to all RMSs by September 2014.”
- 3.58 One respondent to our consultation said that SSEPD’s “auditing regime has significantly changed over the years and is now one of the best performers. However we question the need for detailed auditing where work is undertaken by a suitably accredited agents acting as ICPs.”
- 3.59 SSEPD also states that it recognises the National Electricity Registration Scheme (NERS) accreditation and does not carry out additional “trade tests” to verify the skills of alternative providers, with the exception of providers that work live on existing SSEPD assets or make final HV connections to the SSEPD network.
- 3.60 On the issue of “trade tests” for ICP staff carrying out LV live jointing, the response from the Unmetered Connections Customer Group (UCCG) said that “SSE should be working with ICPs to ensure that ICPs staffs can be assessed by SSE as being competent to carry our Connection and Operational Activities on the SSE distribution systems”, and that this would “avoid multiple trade testing and assessments as many contractors operate across another of network operators”.

Arrangements for obtaining land rights

- 3.61 The CNA has identified the process of obtaining land rights when an ICP or IDNO carries out the contestable work as a potential barrier to competition. According to the CNA, DNOs can be slow to initiate the process for securing leases and easements etc, slow in progressing them once begun and the DNOs require all the legal agreements to be in place before they will energise the new connection.
- 3.62 SSEPD states that it has “fully adopted the streamlined independent network operators Incorporated Legal Process”. This process allows an IDNO to “incorporate” SSEPD’s rights within a standardised legal agreement with land owners, removing the need for SSEPD involvement in the process.

- 3.63 One IDNO respondent to our consultation said that “The legal process [...] has significantly improved the customer service [the IDNO] can offer by allowing us to be in control of the timescale”.

Consistency of charges

- 3.64 A potential barrier to competition will arise if there are differences between POC quotes and full works quotes in the charges set by the DNO for the same non-contestable work. This may place an alternative provider at an undue disadvantage when competing with the DNO for work.
- 3.65 Appendix C of SSEPD’s Notices includes sample quotations that separately show the price that connectees would pay if they were to ask SSEPD to carry out all works, and the price that they would pay if they were to ask SSEPD to carry out non-contestable works only. This allows customers to compare the non-contestable works charges under either scenario.
- 3.66 Two respondents said that SSEPD’s charges for non-contestable works are consistent across all works and Point of Connection quotations.

Scope of contestable work

- 3.67 Connections works are split between works that are contestable (competitive) and those that are non-contestable (can only be completed by the DNO).
- 3.68 In our December 2011 consultation on expanding the scope of contestable activities we stated our belief that opening up non-contestable activities to competitors may provide further opportunities and incentives for competition to develop in the connections market. This is because it reduces competitors’ reliance on DNOs to provide essential services and it increases the scope of works for which competitors can compete.
- 3.69 We consider that DNOs should engage with the industry to consider where it is possible to extend contestability.
- 3.70 SSEPD’s Competition Notices sets out a number of ways in which it has extended contestability in both SEPD and SHEPD areas -
- Live LV jointing is now a contestable activity.
 - Alternative providers in the unmetered RMSs are able to identify their own point of connection.
 - Alternative providers in the unmetered RMSs are able to approve their own designs for the point of connection, provided they use SSEPD standard designs.
 - SSEPD allows alternative providers to operate under their own Distribution Safety Rules, “with no need to be authorised under [SSEPD’s rules]”.
 - Stand alone metered and unmetered disconnection services are now contestable.
 - HV jointing is now a contestable activity, but so far no alternative provider has expressed an interest in undertaking this activity.
 - The provision of SSEPD “rent a jointer” services for ICPs that require it.
- 3.71 SSEPD is also carrying out a number of trials with the aim of making certain non-contestable activities contestable in the future:

- Allowing providers in the metered RMSs to identify their own point of connection.
 - Allowing alternative providers to compete for “part funded” work.
 - Sharing of the final “point of isolation” on “common IDNO/DNO equipment (eg LV cabinet)”.
- 3.72 Two respondents to our consultation said that LV live jointing is not contestable in SSEPD’s areas. Both respondents relate to the unmetered RMS.
- The response from the Unmetered Connections Customer Group said that “SSEPD were unable to facilitate competition in respect of jointing to the main as they did not appear to have any processes or procedures to cover this work and these activities”.
 - An ICP said that SSEPD is not willing “to extend the scope of our ICP service to include unmetered connections to existing LV mains”. However, the response adds that SSEPD has “made a commitment to work with us over the next few months to prepare for and commence the first trial”.
- 3.73 We asked SSEPD for clarification on the issue of LV live jointing. SSEPD told us that a process for LV live jointing had been in place at the time of submission of its Notices, but that no ICP had undertaken live jointing by then. Subsequently, and following discussions with two ICPs, amendments were made to the process. The new process for LV live jointing is now in place, and ready for use.

Our conclusions

- 3.74 In making our determinations we have taken account of the evidence provided by SSEPD and the views expressed in responses to our consultation.
- 3.75 We note the steps taken by SSEPD to promote competition and remove barriers to competition in its areas, and the views of respondents on these steps -
- Respondents to our consultation were broadly of the view that customers are aware of competition and competitive alternatives to SSEPD. They were appreciative of the efforts put in by SSEPD to promote this awareness.
 - Many respondents believe that SSEPD’s quotations are clear and transparent and allow customers to choose the best option for them. One respondent appreciated SSEPD’s new “convertible quotation”. Respondents also believed that SSEPD’s non-contestable charges were consistent across all types of quotations.
 - Several respondents to our consultation said that SSEPD’s customer service was good.
 - The improvements to SSEPD’s system for inspection and audit were appreciated by respondents. One respondent said that SSEPD’s “auditing regime has significantly changed over the years and is now one of the best performers.
 - The introduction of the new “Incorporated” process for land rights was appreciated by one IDNO respondent.
 - SSEPD has expanded the list of activities that are contestable and therefore available for ICPs and IDNOs to undertake.
- 3.76 Some respondents expressed concerns about aspects of SSEPD’s systems and processes that act as a hindrance to competition:
- One respondent said that the level of detail provided in SSEPD’s quotations is insufficient.

- One respondent was critical about the quality of technical information provided by SSEPD to ICPs, and said that the information “is generally vague and detail on interfaces in poor”.
 - Two respondents, both operating in the unmetered segments suggested that LV live jointing is not yet a contestable activity in the SSEPD areas. This contradicts statements made by SSEPD in its Competition Notices and in subsequent clarifications that LV live jointing has been made a contestable activity in SEPD and SHEPD areas.
- 3.77 We acknowledge the steps taken by SSEPD to address previously identified barriers to competition. We note that the majority of connections customers who responded to our consultation were appreciative of the service provided by SSEPD. However, we note that responses to our consultation from competitors identified a small number of concerns that remain.
- 3.78 In relation to the metered demand RMSs, we draw the following conclusions on competitive activity.
- In the Metered Demand HV RMS, we note that SSEPD retains a high share of the market in both SEPD (87 per cent) and SHEPD (99 per cent) DSAs. Although SSEPD has issued a number of POC quotes, particularly in the SEPD area, we have not seen enough evidence to suggest that alternative providers are able to successfully win work in this RMS.
 - The Metered Demand HV and EHV RMS is characterised by a relatively small number of projects: 5 in SEPD and 26 in SHEPD. In the 18 months to September 2013, SSEPD won every project in the SEPD area. In the SHEPD area, alternative providers were more successful, although not consistently over the entire period.
 - In the Metered Demand EHV and above RMS, no quotations were accepted in either DSA in the period covered by data reported in SSEPD’s Competition Notices.
- 3.79 We do not think the evidence provided by SSEPD demonstrates that effective competition has developed in any of the metered demand RMSs in either DSA to an extent that would constrain SSEPD’s prices in the absence of price regulation
- 3.80 In the DG HV and EHV RMS, there is strong evidence of competitive activity in the SEPD area. SSEPD’s share of the market by number of accepted quotations was 55 per cent, 26 per cent and 25 per cent in the three six-month periods between April 2012 and September 2013, respectively. Just over half of the 661 quotations issued by SSEPD across the whole 18-month period were ICP/IDNO quotations. In the SHEPD area, SSEPD has retained a higher share of the market (at least 81 per cent of projects), and there is limited activity by alternative providers in terms of seeking POC quotations. One respondent said that certain parts of the SHEPD Distribution Service Area are less attractive to alternative providers, limiting the scope for competition in these areas.
- 3.81 Taking account of the evidence on competitive activity and the steps taken by SSEPD to remove barriers to competition, we are satisfied that SSEPD’s prices in the DG HV and EHV RMS in the SEPD DSA would be effectively constrained by competition and customers would be protected by competition in the absence of price regulation. We have not seen evidence that effective competition has developed in the DG HV and EHV RMS in the SHEPD DSA.

- 3.82 In relation to the unmetered RMSs, we draw the following conclusions on competitive activity.
- In the Unmetered Local Authority RMS, we have seen very little evidence of activity by alternative providers in the SEPD area. SSEPD completed all the connections carried out between April 2012 and March 2013, and 2,434 out of the 2,478 connections carried out between April 2013 and September 2013.
 - In the Unmetered PFI RMS — also relevant just for the SEPD area — we note that the overwhelming majority of connections completed by PFI contractors between April 2012 and September 2013 were undertaken using SSEPD’s “rent a joiner” service – 39,622 out of 50,450 new connections completed. One respondent to our consultation said that connections completed using SSEPD’s “rent a joiner” service should not be seen as evidence of competitive activity. We consider that the fact that PFI contractors have opted to use SSEPD’s “rent a joiner” service does not mean that they might not compete with SSEPD and other potential contractors for other contestable work associated with those connections. Consequently, we have considered this evidence in our assessment of competitive activity.
 - In the Unmetered Other RMS in the SEPD area, SSEPD completed all the connections carried out in the 18-month period covered by its Notices.
- 3.83 Taking account of the evidence on competitive activity and the steps taken by SSEPD to remove barriers to competition, we are satisfied that SSEPD’s prices in the Unmetered PFI RMS in the SEPD DSA would be effectively constrained by competition and customers would be protected by competition in the absence of price regulation. We have not seen evidence that effective competition has developed in the other unmetered RMSs in the SEPD DSA.

4 Next steps

Where the Competition Test has been satisfied

- 4.1 From the date of our determination 23 April 2014, we will no longer regulate the prices SSEPD may charge in respect of any contestable connection services (fully funded by the customer)¹¹ in the following RMSs -
- Distributed Generation – HV and EHV work RMS in the SEPD DSA, and
 - Unmetered – Private finance initiative (PFI) work RMS in the SEPD DSA only.
- 4.2 In respect of these RMSs, SSEPD will submit to us annually a report explaining any changes that have occurred in the RMS since the date of the determination.
- 4.3 We reiterate that, as part of our ongoing work, we have a general duty to keep the electricity market under review and we will take seriously any breach of competition law and/or licence obligations.

¹¹ Under the DNO’s connection charging methodologies, connections work that is defined as ‘reinforcement’ or is over and above the minimum scheme may be part funded by the customer and the company.

Where the Competition Test has not been satisfied

- 4.4 We will continue to regulate the price SSEPD charges in respect of all of the connections services it provides in these RMSs. In respect of contestable connections services (fully funded by the customer), this means that SSEPD may continue to charge the regulated margin (fixed at four per cent) allowed by Charge Restriction Condition (CRC) 12.

Appendix 1 – Responses to our consultation on SSEPD’s 24 December 2013 Competition Notices

- 1.1 On 11 February 2014 we issued a consultation seeking views from interested parties on SSEPD’s Competition Notices. We received 17 responses. Our consultation and the responses we received have been published on our website.
- 1.2 We received responses from -
- Bloor Homes
 - British Solar Renewables
 - Farm Power Apollo / Hydro Limited
 - Glen Hydro Development Limited
 - Green Highland Renewables
 - Green Power Ventures
 - GTC
 - Linbrooke Services
 - Locogen Limited
 - Metered Connections Customers Group (MCCG)
 - Power On Connections
 - PowerCon (UK) Limited
 - SAC Consulting
 - TUSC
 - Unmetered Connections Customers Group (UCCG)
 - Utility Partnership Limited
 - Wessex Water
- 1.3 In reaching our decision, we considered all of the stakeholder responses and we have set out our views in the main body of this document. This appendix is our summary of the main issues raised by stakeholders. We consider each stakeholder’s response in turn.

Bloor Homes

- 1.4 Bloor Homes is a residential property developer operating in England and Wales. The response relates to the Metered Demand HV and the Unmetered Other RMSs in the SEPD area only.
- 1.5 The response made the following points -

- The respondent is aware of competitive alternatives to SSEPD, and they “regularly obtain quotations from alternative companies”.
- The respondent believes that, in most cases, “SSE quotes are very clear”. The only exceptions are when quotations include diversions/alterations, when they are “sometimes not as easy to understand what is contestable.”
- The respondent believes that they have benefitted from competition “from a commercial point of view”, but the “acquisition process” is “more complicated”.
- The respondent has confidence that SSEPD would operate appropriately in the event that price regulation is lifted.

British Solar Renewables

1.6 The respondent is a developer of renewable power plants. The response relates to the Distributed Generation HV and EHV work in the SEPD DSA.

1.7 The response makes the following points -

- Customers are aware of competition. The respondent believes that SSEPD do take steps to make customers aware of competition.
- SSEPD’s quotations are clear and transparent.
- The respondent is very appreciative of SSEPD’s service and business processes. The response says “SSEPD have provided us with an exceptional service”.
- SSEPD’s non-contestable charges are consistent across both types of quotations (POC and all works).

1.8 The respondent believes that Ofgem can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted.

Farm Power Apollo / Hydro Limited

1.9 The respondent is a developer of photovoltaic (solar) and small hydro power plants. The response relates to the Metered Demand EHV and above work, DG HV and EHV work and Unmetered Other work RMSs.

1.10 The response makes the following points -

- The respondent is aware of competition in “almost all work undertaken by SSE (and others) as our DNO”. The respondent adds that SSEPD have “repeatedly point it out. It is also referenced on SSE’s material very prominently”.
- The respondent has sought quotations from alternative providers and has “even selected such alternatives”.
- The respondent believes that SSEPD’s quotations are clear and transparent. Charges for non-contestable works are consistent across all works and Point of Connection quotations.

1.11 The respondent believes that Ofgem can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted.

Glen Hydro Development

1.12 The respondent is a developer of distributed hydro power plants and a consultant. The response relates to the Distributed Generation HV and EHV work in the SHEPD DSA.

1.13 The response makes the following points -

- Customers are aware of competition for contestable works. The response adds that SSEPD do take steps to make customers aware of competition.
- The respondent has, so far, not sought quotations from alternative providers. The reason stated is that "most of our connections to date have been small (<500kW). For these connections it is difficult and expensive to find alternative quotes. The paperwork and legals cost as much as the work".
- The respondent does not believe that price regulation should be lifted for "smaller connections", and that these types of connections should be "protected". For "larger connections", the respondent believes that Ofgem can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted.

Green Highland Renewables

1.14 The respondent is a developer of distributed hydro power plants. The response relates to the Distributed Generation HV and EHV work in the SHEPD DSA.

1.15 The response makes the following points -

- Customers are aware of competition and competitive alternatives in the RMS. However, the requirement for ICPs to be registered with NERS has limited the number of providers. Also, "in most cases the cost saving is not considered significant enough due to the extra effort required to manage the interface between the two parties".
- The respondent adds that "SHEPD does inform that contractors can undertake the Contestable works, but do not appear to make the process easy".
- The respondent is critical of SSEPD's quotations. In particular, the response says that SSEPD's quotations are "anything but transparent", and that "comparisons between similar connections with apparently similar scope of works can be significantly different".
- The respondent does not believe that competition has benefitted customers in terms of being able to get connected in a timely and cost-effective manner. In particular, the response says that "even if we use NERS contractors to undertake the Contestable sections of the works we still feel the SHEPD are under resourced to deliver the renewable connections program which currently exists". The response adds that "the process is kept deliberately opaque so SHEPD can always blame others for delays in connections".
- On the issue of technical information and guidance for ICPs, the response states that SSEPD "do not make it easy for competitors to compete, technical information is generally vague and detail on interfaces in poor". The response also says that SSEPD "certainly do not assist" new entrants.

- 1.16 The respondent does not believe that Ofgem can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted. The respondent does not have confidence in SSEPD's "current pricing structure so less regulation will further reduce confidence".

Green Power Ventures

- 1.17 Green Power Ventures is a consultancy specialising in renewable electricity generation projects. Its response relates to the Metered Demand HV and DG HV and EHV RMSs in the SEPD area.
- 1.18 The response made the following points -
- The respondent is aware of competition, and that the availability of competitive alternatives was "explained to [the respondent] very clearly on a number of occasions", and that "some alternative companies were suggested".
 - On the transparency of SSEPD's quotations and pricing, the respondent notes that SSEPD's performance is "very impressive". The respondent says that "the quotations and letters accompanying them are clear, concise and does not use jargon." The respondent adds "if you need an explanation of a point the SSE team are more than willing to have a conversation on the phone with the customer or in more difficult circumstances a meeting as well".
 - On the issue of SSEPD's business processes, the respondent notes that SSEPD should "meet the needs of customers in a more timely manner and be able to get quotes out more quickly. A ninety day turn around for a quotation is too long", and that "an initial study conducted [...] within 15 days this would be a great help to all parties and give a clear go no go to them".

GTC

- 1.19 GTC operates the two licensed independent distribution networks of Electricity Network Company Limited (ENC) and the Independent Power Networks Limited (IPNL). GTC's response relates to the metered demand RMSs in both DSAs.
- 1.20 GTC says that SSEPD has made significant progress "in the last two years" in addressing barriers to competition in their areas.
- 1.21 The response makes the following specific points -
- On the issue of customer awareness, GTC says that "we do not think that all customers are aware of competition and more work is required in this area". However, the response acknowledges that "SSEPD are working very hard to ensure that customers are aware of competition".
 - GTC believes that SSEPD's quotations are clear, but "not as transparent as the leading DNOs". On the issue of SSEPD's "convertible quotation", GTC says that "SSEPD have put a lot of work into the convertible quotation which is a useful tool for competitors to use and explain to customers that they can convert to them". GTC notes, however that, by the time the customer has received the convertible quote, "the customer will have already made their decision so it may be too late in the process for the customer to change".
 - On the issue of SSEPD's business processes the response notes that "it is still not possible to compete to the same timescale as SSEPD. [...] it is far better for the ICP/IDNO to be in full control of the process. The legal process works like this

now and has significantly improved the customer service GTC can offer by allowing us to be in control of the timescale.

- On the issue of auditing, the response notes that "SSEPD's auditing regime has significantly changed over the years and is now one of the best performers. However we question the need for detailed auditing where work is undertaken by a suitably accredited agents acting as ICPs".

1.22 GTC does not believe that price regulation should be lifted, and that "we believe that more competition needs to exist before any restriction on margin can be afforded to SSEPD".

Linbrooke Services Limited

1.23 Linbrooke Services Limited (Linbrooke) is an ICP operating across the UK. The response from Linbrooke relates to the three unmetered RMSs in the SEPD area only.

1.24 Linbrooke is a recent entrant to the unmetered RMSs in the SEPD area, and it reports that "overall our experience of their ICP process, agreements and arrangements has been very good and we believe their ICP process which in practice does not require design approval or payment upfront, is one of the easiest of all DNO's we have worked with".

1.25 The response, however, raises the following concerns about SSEPD's processes -

- SSEPD requires "our jointers to undergo an SSEPD trade test and safety rules assessment even though they are not authorising our jointers themselves", and that each DNO having their own tests introduces "delays and additional costs".
- SSEPD is not ready to extend the scope of our ICP service to include unmetered connections to existing LV mains". However, the response adds that SSEPD has "made a commitment to work with us over the next few months to prepare for and commence the first trial".

1.26 In relation to the data provided by SSEPD in its Competition Notices, the respondent says that "We are not surprised by the dominant level of SSEPD Rent-A-Jointer activity in the PFI RMS. Comparatively cheap Rent-A-Jointer services may be used by some DNO's as a mechanism to retain market share by avoiding passing on regulated margin and those non-contestable costs which an ICP is made to bear, for the same work. SSEPD's Rent A Jointer service has also had the advantage of offering clients unmetered connections to LV main for some time."

1.27 In conclusion, the response says that Linbrooke would be willing to support the removal of price regulation in the unmetered segments once "unmetered connections to LV mains is an established and accessible ICP arrangement".

Locogen Limited

1.28 Locogen is a renewable generation developer and consultant, and its response relates to the DG HV and EHV RMS in both DSAs.

1.29 The response makes the following points -

- Customers are aware of competition and that this is "made clear through documentation and discussions with SSEPD staff".

- Customers are able to easily seek alternative quotations, and are “easily able to accept grid connection offers on full works or non-contestable only basis”.
- SSEPD “offers are clear and easy to understand”.
- ON SSEPD’s business processes, the response says that “SSEPD are good to work with and much of what they offer (e.g. price, expertise and application process) could be considered as best practice”. However, the respondent adds that “timescales for connection are one of the few areas where ICPs have a potential advantage over SSEPD”.
- The response states that charges for non-contestable works in a Point of Connection quote are identical to those in an all works quote.

1.30 Overall, the respondent believes that Ofgem can have confidence in SSEPD to behave appropriately in the event that price regulation is lifted.

Metered Connections Customers Group (MCCG)

- 1.31 The response is submitted on behalf of the MCCG, which represents customers and ICPs, and presents a “collective view” of its members. The response relates to the metered demand, and distributed generation market segments in both DSAs.
- 1.32 The response states that the MCCG “is unwilling to support SSE’s submission in any of the demand and generation market segments at this time”.
- 1.33 The response points out that SSEPD has taken steps to promote competition in its DSAs. In particular, the response says that its members report a “significant improvement in SSE’s approach to competition”, and “we have more positive reports back from our members’ recent experiences operating in the SSE distribution service areas”. However, the response also notes that SSEPD has “a way to go before they catch up on the best performing DNOs in this area”, and that “most of the problems now encountered are down to a lack of available SSE resources or a lack of appreciation by SSE staff of the requirements for competition in connections scheme”.
- 1.34 The response goes on to make the following points.
- The response points out that rather than introducing “assessment and design” fees to cover the cost to the DNO of providing connections quotations, the DNOs should provide ICPs access to “all of the required SSE assets records, circuit capacity headroom’s and committed load”. According to the response, this would enable ICPs to identify points of connection and “associated reinforcement (if required) to the existing SSE distribution networks”.
 - The response suggests that “SSE should be working with ICPs to ensure that ICPs staffs can be assessed by SSE as being competent to carry our Connection and Operational Activities on the SSE distribution systems”, and that this would “avoid multiple trade testing and assessments as many contractors operate across another of network operators”.

Power On Connections

1.35 Power On Connections (POC) is an ICP, and its response relates to the alternative metered demand HVHV RMS in all three DSAs. The response relates to the metered demand, and distributed generation market segments in both DSAs

- 1.36 The response from Power On says that it “fully supports the content of the MCCG response”.
- 1.37 The response goes on to say that “on of our major project construction engineer was able to provide very positive feedback on his experience with SSE project managers that assisted Power on in the delivery of a number of DG connections late last year”
- 1.38 The response concludes that “we believe there is a lot more for SSE to do to enable competition to develop in SSE's DSAs. Furthermore, SSE's current market share on its own is an indication that it is too early to lift price regulation in our view.”

PowerCon (UK) Limited

- 1.39 PowerCon’s response relates to the Metered Demand HV, Metered Demand HV and EHV, and DG HV and EHV RMSs.
- 1.40 The response makes the following points -
- Customers are aware of competition and that “SSE have been very proactive in making customers aware of competitive connection alternative arrangements”. The response also notes that it is more difficult for competition to develop “in some areas and particularly when considering connection alternative arrangements whereby HV [overhead] connections are required”.
 - On the issue of transparency of quotations, the response says “we now have few problems with the quality and constancy of [SSEPD] quotations”, and that “we have not encountered any problems when we have subsequently reverted to SSE with requests for assistance or further information”.
 - The response notes that ICPs may be less interested in competing for work installing new overhead cables is a “major constituent”. It adds that “potentially cheaper [overhead] connections may, by necessity, require a more expensive [underground] connection if the work is to be undertaken / performed by an ICP”.
 - In relation to SSEPD’s business processes, the response notes that “SSE is no better or worse than any of the other DNO’s in managing the overall process”.
 - Although the respondent is concerned about the “non-contestable charges within the SSEPD area (in general)”, there isn’t “a discrepancy between competitive and statutory connections quotations such that this would be a barrier to competition”.
- 1.41 In conclusion, the response states that “In general we believe that SSE has made excellent improvements in their business strategy towards customer consultation/ customer’s requirements and competitive connections. However we still have reservations (as with all of the DNO’s) to situations whereby price regulation may be lifted but no competition exists or is likely to exist for the immediate future”.

SAC Consulting

- 1.42 SAC Consulting is a consultancy that advises clients who looking to install renewable generation in Scotland. The response from SAC relates to the Metered Demand EHV and above RMS and the Distributed Generation HV and EHV RMS, both in the SHEPD area only
- 1.43 The response made the following points -

- The respondent is aware of competitive alternatives to SSEPD. In particular, the response states that "SSE always make sure that they include a fact sheet with every quote issue that details the role of ICP and the options available to a customer. These options are also repeated when the commercial contracts manager discusses the quote with the client."
- The respondent believes that SSEPD quotations are clear and provide the necessary level of detail. The respondent adds that "the new 90 day acceptance allows customers ample time to seek a quote from an ICP for the contestable part of the works. However even before this came into force, SHEPD were always accommodating in terms of accepting the non contestable part only initially whilst seeking quotes elsewhere and then adding the contestable element at a later date without any impact on timelines."
- The respondent believes that certain parts of the SHEPD DSA are less attractive to alternative providers, limiting the scope for competition in these areas, saying "in the far north of Scotland it is unlikely that any ICP would even want to quote as their travel and mobilisation costs will exceed and quotes provided by SHEPD."

1.44 The respondent considers that we can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted.

TUSC

1.45 TUSC is a multi-utility consultancy firm that offers advice on new connections projects. TUSC's response relates to the Metered Demand HV, Metered Demand HV and EHV and DG HV and EHV RMSs in both DSAs.

1.46 The response makes the following specific points -

- Customers are aware of competition, they have effective choice and SSEPD takes steps to ensure that customers are aware of competitive alternatives.
- The quotations provided by SSEPD are clear and transparent.
- On the issue of SSEPD's business processes, the response says that "SSEPD compares favourably in terms of its organisational structure".
- The respondent believes that there is scope for competition to grow in all RMSs. In relation to the DG HV and EHV RMS, the respondent believes that "the present DG competitive connection market has been temporarily and artificially stimulated by the FIT deadlines for connection. To consider the result as proof that there is genuine CiC in the DG market we feel would be a mistake".

1.47 The respondent believes that Ofgem can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted. The response adds that "we have no doubt that a combination of the change in culture and the ability for customers to speak easily with the appropriate SSEPD personnel, added to their improved and improving processes and procedures provides such confidence".

Unmetered Connections Customers Group (UCCG)

1.48 The response is submitted on behalf of the UCCG, which represents customers and ICPs operating in the unmetered market segments. The response relates to all three unmetered RMSs in the SEPD area.

- 1.49 The response says that “we cannot support this Competition Notice (in respect of SEPD and the unmetered sector)”. The response adds that “there is no evidence of significant competitive activity (other than in the PFI sector) and we do not consider that ‘Rent a Jointer’ should be considered as evidence of competitive activity since the jointer is being supplied by SSEPD”.
- 1.50 According to the response, ICPs have said that there are “delays and difficulties in being able to work within the SSEPD area”, and adds that according to one ICP “SSEPD were unable to facilitate competition in respect of jointing to the main as they did not appear to have any processes or procedures to cover this work and these activities”.

Utility Partnership Limited

- 1.51 Utility Partnership Limited’s (UPL) response relates to the metered demand, and distributed generation market segments in both DSAs.
- 1.52 The response makes the following points -
- On the issue of customer awareness of competition, the response states that this “varies with different customer types but we believe in the main that there is more and more awareness of the competitive market”, and that “SSEPD does undertake measures to promote/advertise the availability of competition”.
 - On the issue of transparency of pricing and quotations, the response notes that SSEPD’s quotes are not “the easiest [...] to understand”, and that this comment applies to Point of Connection as well as all works quotations issued by SSEPD. The response also states that SSEPD has improved the level of breakdown provided in its quotations.
 - On the issue of SSEPD’s business processes, the response says that “we have not seen any real difference in how [SSEPD] interact with us whether we are dealing directly with [SSEPD] for a connection or using an ICP”.

Wessex Water

- 1.53 Wessex Water is a licensed regional water and sewerage services provider operating in the South West of England. The response from Wessex Water relates to two RMSs, the Metered Demand HV and Distributed Generation HV and EHV RMSs, in the SEPD area only.
- 1.54 The response made the following points -
- The respondent is aware of competitive alternatives to SSEPD for contestable works. The response names one such company that can provide “11kV metered demand side and export connections”. The response also points out that “[SSEPD] quotations state that there are alternative service providers”.
 - On the issue of transparency of SSEPD quotations, the respondent said “I think this is an area for potential improvement. Costs are not sufficiently broken down to show sizes of transformers and cables etc. and the costs are not attributed at component level.”
 - On SSEPD’s service, the respondent states that “I have seen willingness and enthusiasm within SSEPD staff to offer a good service to connections customers, although there are a few isolated small numbers of staff with old attitudes”.
 - The response said that SSEPD’s organisational structure is not as good as that of WPD. In particular, the respondent says WPD has “regional managers with a

very flat structure and locally empowered HV planning engineers who interface with customers and take total ownership of connections projects with the same planning engineers dealing with demand as well as DG connections and also finding POCs as well as the connections quotation”.

- The respondent also says that SSEPD and other DNOs’ practice of having DNO-specific approved lists of materials to be used by ICPs puts those ICPs who operate across different DNO areas at a disadvantage relative to DNOs. This issue is not specific to SSEPD.
- On the issue of land rights, the respondent states that “the host DNO has existing relationships with landowners which can provide a time advantage in obtaining wayleaves”.
- The response identifies two factors which could limit the growth of alternative providers. The first is the “risk of refusal to adopt [assets built by an ICP] by the host DNO”, and the other is the “added complexity of dealing with two parties over the contestable and non-contestable work”.

1.55 The respondent does not consider that we can have confidence in SSEPD to operate appropriately in the event that price regulation is lifted. The respondent goes on to say that “since personalities and management strategies and cultures can change, there should be a fast track and simple mechanism for major customers to complain to Ofgem or other regulatory body”.