

The reasons for our determination on UK Power Networks' 23 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 UK Power Networks (UKPN), a Distribution Network Operator³ (DNO), should be allowed to earn an unregulated margin on certain connections work.
- 1.2 On 23 December 2013 UKPN submitted Competition Notices in respect of its licensed distribution networks -
 - Eastern Power Networks plc (EPN)
 - London Power Networks plc (LPN), and
 - South Eastern Power Networks plc (SPN).
- 1.3 The Notices relate to two Relevant Market Segments (RMSs) and one alternative market segment.
 - Unmetered Other work in its three Distribution Service Areas (DSAs)
 - Unmetered Local Authority work in the LPN DSA only, and
 - Metered Demand HVHV work (alternative market segment) in all three DSAs.
- 1.4 The Metered Demand HVHV work alternative market segment is a subset of the Metered Demand HV RMS.
- 1.5 We issued a consultation on the UKPN Competition Notices on 4 February 2014.⁴ Having considered the Competition Notices and the responses to our consultation, we have –
 - not accepted the alternative market segment proposed by UKPN. We have therefore not made determinations on whether UKPN has passed the Competition Test in relation to the alternative segment.
 - not allowed an unregulated margin in any of the RMSs because we have not seen sufficient evidence 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 and 2010 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. If a DNO does not consider that it can provide evidence of effective competition in the whole of a RMS it can propose an alternative market segment.
- 2.4 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
- 2.5 This is UKPN's third 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 UKPN has met two tests: a Legal Requirements Test and a Competition Test.

⁵ <http://www.ofgem.gov.uk/Networks/Connectns/CompinConn/Pages/CompinCnnctns.aspx>

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/PRICECTRLS/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 the competition and certain consumer functions of the Office of Fair Trading (OFT).

- 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 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 for each market segment in each of UKPN's licensed distribution service areas (DSAs).

Legal Requirements Test

- 3.4 UKPN has satisfied the Legal Requirements Test in both 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.

Alternative market segments

- 3.5 CRC 12 allows DNOs to propose alternative market segments to those defined in the licence at CRC12 A1.2 to A1.4. UKPN has proposed two alternative market segments. Its Competition Notices are for price regulation to be lifted in one of these alternative segments, and in two RMSs as defined in CRC 12.
- 3.6 We are required to decide whether to accept or reject the alternative market segments proposed, before considering UKPN's application to have price regulation lifted. This section sets out the reason for our decisions on these alternative market segments.
- 3.7 UKPN's application proposes to create two alternative market segments that are subsets of the Metered Demand HV RMS as defined in CRC 12. CRC 12 defines the Metered Demand HV RMS as follows:

Metered Demand HV: In respect of Metered premises owned or occupied by Demand Customers, 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).

- 3.8 UKPN's application splits the Metered Demand HV RMS into two alternative markets segments:

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

Metered Demand HVHV: In respect of Metered premises owned or occupied by Demand Customers, 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).

- 3.9 UKPN's Competition Notices covers the Metered Demand HVHV segment only, and not the Metered Demand LVHV segment.
- 3.10 UKPN's application also states that "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's network is also at HV then, provided there is

no EHV work required, the scheme will be treated as HVHV regardless of whether the IDNO has LV assets/customers or not”.

3.11 UKPN subsequently informed us that where the application is for an ICP connection that involves LV and HV work, and the point of connection to the existing UKPN network is at LV or HV, this would be placed within the Demand LVHV alternative market segment.

3.12 Using a few examples of connections projects, the following table sets out our understanding of UKPN’s proposed market segmentation. The table draws on information provided to us by UKPN after the submission of its Competition Notices.

Table 1: Categorisation of example connection projects

Example connection projects	Categorisation under the CRC 12 RMS definition	Categorisation under UKPN’s alternative segmentation
Housing development involving LV and HV work to connect to the UKPN HV network. UKPN carries out all the work. The point of connection to the existing UKPN network is at LV or HV (typically HV).	Metered Demand HV RMS	Metered Demand LVHV market segment Not applied for
Housing development involving LV and HV work to connect to the UKPN network. All LV and some or all of the HV work is carried out by an ICP. The point of connection to the existing UKPN network is at LV or HV (typically HV).	Metered Demand HV RMS	Metered Demand LVHV market segment Not applied for
Housing development involving LV and HV work to connect to the UKPN HV network. All LV and some or all of the HV work is carried out by an IDNO. The point of connection and boundary with the UKPN network is at HV.	Metered Demand HV RMS	Metered Demand HVHV market segment Applied for
Commercial HV Demand end user involving only HV work to connect to the UKPN HV network. UKPN carries out all the work. The point of connection to the existing UKPN network is at HV.	Metered Demand HV RMS	Metered Demand HVHV market segment Applied for
Commercial HV Demand end user involving only HV work to connect to the UKPN HV network. ICP carries out some HV work. The point of connection with the existing UKPN network is at HV.	Metered Demand HV RMS	Metered Demand HVHV market segment Applied for
Commercial HV Demand end user involving only HV work to connect to the UKPN HV network. IDNO carries out some HV work. The point of connection and boundary with the UKPN network is at HV.	Metered Demand HV RMS	Metered Demand HVHV market segment Applied for

- 3.13 We set out in our consultation document that CRC12 requires a Competition Notice submitted with proposed alternative market segments to —
- define the alternative segments to which the Notice relates
 - set out the licensee’s reasons for specifying those alternative segments, and
 - be accompanied by such evidence as, in the opinion of the licensee, is sufficient to substantiate its reasons for specifying those alternative segments
- 3.14 We also set out in our consultation that, in assessing alternative market segments, we would consider the extent to which the applicant DNO had fulfilled these requirements. We explained that this included —
- Whether the DNO had clearly defined the alternative market segments. In examining this issue, we have assessed whether there is any ambiguity in the type of connection work which might be categorised under the proposed alternative market segments.
 - Whether the DNO had provided clear evidence to substantiate its reasons for proposing the alternative segments. In considering this question, we have looked for evidence that the alternative market segments have distinctive features that make the nature of competition different in those segments. This might have included evidence on whether the alternative segments has distinct customer characteristics and/or type of work and/or ability/willingness of competitors to bid for work.
 - Whether customers or competitors recognised the proposed alternatives as distinct portions of the connections market and considered them to be an appropriate way of segmenting the market for the assessment of effective competition.
- 3.15 Our assessment draws on the evidence provided by the DNO and on the responses to the consultation.
- 3.16 UKPN’s application sets out its reasons for dividing the Demand HV RMS into two alternative market segments.
- 3.17 According to UKPN, there is a “significant variance between the size of scheme typically won by competitors and those carried out by UK Power Networks” within the Metered Demand HV RMS. We note that, based on the data relating to the Metered Demand HV RMS provided in the Competition Notices, the average size of projects, in terms of load, completed by UKPN is much smaller than the average size of projects completed by ICPs or IDNOs, particularly in the EPN and SPN areas.
- 3.18 According to UKPN, there are important differences between the type of work covered by the two alternative market segments.
- The Demand HVHV 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”.

- The Demand LVHV 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”.

Our conclusions on the proposed alternative market segments

- 3.19 We make the following observations on the alternative market segments proposed by UKPN.
- 3.20 We required the alternative market segments to be clear and unambiguous. This means that we should be satisfied that the allocation of every project within the original RMS to one or the other new alternative segment is straightforward and unambiguous to all stakeholders. The proposed definitions for alternative segments must not leave room for doubt about the treatment of any project.
- 3.21 We are not convinced that the definitions originally proposed by UKPN in its Competition Notices were clear and unambiguous. When these definitions are viewed in conjunction with the subsequent clarifications provided to us by UKPN, it is possible to categorise each project in the original RMS into one or the other alternative market segments. However, notwithstanding these clarifications, we believe that the proposed split is not clear or easy to understand from the point of view of the customer seeking a connection.
- 3.22 There are some situations where the margin applied by UKPN for contestable works could be unregulated if an IDNO is involved in the project, regulated otherwise. This is relevant where UKPN carries out some, but not all the contestable works associated with a project. For example, a new connection for a housing development might involve new LV work, a new HV/LV transformation substation and some new HV work. The point of connection with the UKPN network is at HV. In this case, the work to construct the new LV assets, the new HV/LV transformation assets and some HV assets would be contestable. The customer could ask UKPN for a quote for all uncontestable work and the contestable HV work required to extend UKPN’s existing HV network to a new HV/LV substation. The UKPN quote for the contestable work would fall in the Metered Demand LVHV segment if all the LV work is done by an ICP or by UKPN (see first two rows of Table 1 above), and in the Metered Demand HVHV segment if all the LV work is done by an IDNO (see third row of Table 1 above). If we had accepted UKPN’s proposed Demand HVHV alternative segment and lifted price regulation on contestable work in this segment, any contestable HV work that is carried out by UKPN could be -
- subject to an unregulated margin if the end connection is completed by an IDNO and therefore within the Metered Demand HVHV segment, and
 - subject to a regulated margin if the end connection is completed by an ICP and the assets adopted by UKPN and therefore within the Metered Demand LVHV segment.
- 3.23 One respondent to our consultation expressed similar concerns about UKPN’s proposed alternative market segments, saying that “we are not convinced that this will be clear for customers as they may not understand the difference between an HV connection and an IDNO HV connection where LV customers are being supplied by the IDNO”. It adds that it is concerned about “the issue around the same customer seeing a project being within this segment or outside, depending on whom the ultimate owner of the LV connections will be. This does seem to be an arbitrary split

and difficult to understand in terms of the customer". Other respondents did not express a view on this issue.

- 3.24 We examined the reasons set out by UKPN for proposing the alternative market segment, along with the evidence to substantiate these reasons. Where an existing RMS is split into two alternative market segments, we looked for evidence that the proposed alternative segments exhibit features that sets them apart from each other, in a way that competition would work differently in the two sub-segments. The distinguishing features could relate to differences between the proposed segments with respect to the competencies and skills required to operate (eg different accreditation); differences in the processes involved; differences in barriers to entry or to expansion; differences in the nature of customers served (eg are customers more engaged?, do they have more power to negotiate?); differences in the commercial characteristics of the work (eg the frequency of projects and their typical value).
- 3.25 UKPN's Competition Notices provide the following evidence to support its proposed alternative market segment. The evidence is summarised below:
- UKPN points that there is a "significant variance between the size of scheme typically won by competitors and those carried out by UK Power Networks" within the Metered Demand HV RMS. This is supported by the data provided by UKPN in its application.
 - UKPN points out that there are differences in the volume of work required between the two alternative segments that make the proposed Demand HVHV alternative market segment more attractive to alternative providers.
 - UKPN states that the proposed Demand HVHV alternative segment is characterised by high values and low volumes, and that the proposed Demand LVHV segment is characterised by "mid-range volumes and a wide variability in value per connection".
- 3.26 The evidence provided by UKPN suggest that competitors are, on average, more successful in projects with a higher connection capacity. However, the segmentation proposed by UKPN does not necessarily mean that projects with a higher connection capacity would be allocated to the Demand HVHV segment rather than the Demand LVHV segment. As we noted earlier, the distinction between the proposed alternative segments could rest on who adopts the newly built assets, and not on connection capacity.
- 3.27 UKPN suggests that projects involving an HV Point of Connection may be more attractive to ICPs and IDNOs because of the volume of work involved. However, we go back to UKPN's proposed criteria for splitting the original RMS and find that the distinction between the two segments could rest on who adopts the newly built assets, and not on the value or volume of contestable work required. Two projects that supply an LV development with identical amounts of contestable works could be placed in different alternative segments depending on whether UKPN (or an ICP) or an IDNO carries out the LV work.
- 3.28 We have not seen evidence that there are differences between the proposed alternative segments in terms of barriers to entry or to expansion, or that there are differences in the characteristics of customers and their procurement behaviour.
- 3.29 We are therefore not convinced that the evidence provided by UKPN is sufficient to show that competition works differently in each of the two proposed alternative market segments. For the reasons set out above, we have decided not to accept the alternative market segments proposed by UKPN.

Competition Test

- 3.30 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
 - UKPN's efforts to open up non-contestable activities to competition.
- 3.31 Our assessment covers the following 2 RMSs only -
- Unmetered Other work in all three DSAs, and
 - Unmetered Local Authority work in the LPN DSA only
- 3.32 We have not included UKPN's proposed alternative market segment in our assessment.
- 3.33 In making our assessment we considered the nature of the market segment, the analysis provided by UKPN on the current level of competitive activity in each of its 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 UKPN's DSAs.¹⁰
- 3.34 Our assessment is based on all of the factors listed above. The actual level of competition in the market segment 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

- 3.35 We provide below a summary of the information given by UKPN in its Competition Notices.
- 3.36 The data presented in UKPN's Competition Notices relates to the calendar years 2011, 2012 and 2013. The data for the full calendar year 2013 are forecasts based on actual data from January 2013 to September 2013.
- 3.37 UKPN has presented the following information on competitive activity within each RMS -
- An estimate of the value of projects won by competitors. This is done by valuing work carried out by competitors at the price that UKPN would charge. UKPN has also provided information on the number of customers that signed "Asset Owner Agreements" with UKPN which enables them to use any UKPN approved ICP to carry out unmetered connections activities, and the number of ICPs appointed by those customers.

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

- UKPN also provides data on the number of customers that have used their “Rent a jointer” and “Jointer only” services.¹¹

3.38 The tables below present the data for each market segment.

Table 2: Existing competitive activity – UMC LA RMS (LPN only), as of December 2013

Unmetered LA RMS	LPN
Number of ICPs serving customers	5
Number of customers that have appointed ICPs	13
Number of customers that have used UKPN’s Rent a jointer service	6
Number of customers that have used UKPN’s Jointer only service	5

Table 3: UMC LA RMS (LPN only): value and split of work (2011–2013)

Unmetered Local Authority RMS in LPN	2011	2012	2013*
Total size of RMS by value	£5.5 million	£6.1 million	£5.1 million
UKPN share of the RMS by value	89%	81%	84%

*Full year forecast based on an extrapolation of data to September 2013

Table 4: Existing competitive activity – UMC Other RMS, as of December 2013

Unmetered Other RMS	EPN	LPN	SPN
Number of ICPs serving customers	4	4	4
Number of customers that appointed ICPs	5	3	5
Number of customers that have used UKPN’s Rent a Jointer service	-	1	-
Number of customers that have used UKPN’s Jointer only service	9	4	15

¹¹ Both the “Rent a jointer” and “Jointer only” services allow the customer to engage a competitor to carry out all contestable works except the final jointing to the UKPN network. Under the Rent a jointer arrangement, the customer would secure the exclusive services of a UKPN jointing team to work under its schedule for an agreed period of time. Under the “jointer only” service, UKPN would carry out final jointing works to its schedule.

Table 5: Unmetered Other RMS: value and split of work, 2011 – 2013*

	Value of all work in segment	UKPN's share of work (by value)
EPN		
2011	£0.67 million	100%
2012	£1.98 million	54%
2013	£0.84 million	72%
LPN		
2011	£0.50 million	99%
2012	£0.93 million	62%
2013	£0.46 million	94%
SPN		
2011	£0.58 million	99%
2012	£0.79 million	90%
2013	£0.51 million	84%

Source: Additional data provided by UKPN in response to a clarification question

*Full year forecast based on an extrapolation of data to September 2013

3.39 We make the following observations on the levels of competitive activity based on the data in the tables above -

- In the Unmetered Local Authority RMS in the LPN area, the data show that as of December 2013, 13 Local Authorities had "asset ownership agreements" in place with UKPN and they were serviced by 5 ICPs. A further 6 Local Authorities used the UKPN "Rent a Jointer" facility and 5 Local Authorities used the "Jointer only" facility. Despite this, UKPN has retained a relatively high share of the RMS by value in each of the three years for which data are provided (89 per cent in 2011, 81 per cent in 2012 and 84 per cent in 2013)
- In the Unmetered Other RMS, the data show that as of December 2013, 4 customers had "asset ownership agreements" in place with UKPN in each of the three DSAs, and they were serviced by 5 ICPs in EPN, 3 ICPs in LPN and 5 ICPs in the SPN area. UKPN's "Jointer only" facility is popular with customers in all three areas. Again, UKPN has retained a relatively high share of the RMS by value in 2013 in each of the three areas (72 per cent in EPN, 94 per cent in LPN and 84 per cent in SPN).

Customer awareness of and ability to choose competitive alternatives

3.40 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

- 3.41 UKPN outlines a number of actions it has taken to make potential customers aware that alternative providers may carry out the contestable elements of a project. These include -
- UKPN's website includes an area dedicated to providing information on competition in connections. The website contains information and guidance for customers on the type of work which may be contestable, and an overview of the process if they were to choose an alternative provider. It also provides a list of ICPs operating in the UKPN area.
 - UKPN has produced a factsheet entitled "Did you know you have a choice?" which explains to customers that they can seek quotes for the contestable elements of work from alternative providers. This factsheet is available from UKPN's website and is automatically sent to those customers that request a connections application form from UKPN. The factsheet is also enclosed with every "all works" quotes that UKPN sends out.
 - UKPN has carried out staff awareness programmes on the nature of competition in connections and on the behaviour required of them.
- 3.42 UKPN reports the results of several surveys it has carried out with customers since 2011. Of the findings from these surveys that are reported in the Competition Notice, some relate directly to the degree to which customers are aware of competitive alternatives.
- 3.43 In a February 2013 survey of local authorities, 83 per cent (out of 17 respondents) agreed "to a great extent or completely" that competitive alternatives are available to them when appointing a connection provider. Half had signed an "Asset Owner Agreement", which enables them to use any UKPN approved ICP to carry out unmetered connections activities. Of those who had signed the agreement, 78 per cent had appointed an ICP.
- 3.44 In the Competition Notice UKPN reports the results of surveys with one-off customers and with repeat customers that were carried out in March 2012 and November 2011, respectively. These surveys report that 6 out of the 7 one-off customers who responded, and 8 out of the 10 repeat customers who responded, were aware that competitive alternatives to UKPN were available.
- 3.45 Respondents to our consultation made the following points.
- One respondent said that "over the last two years UKPN have spent a significant amount of time and effort informing customers that competition exists and how they can contact alternative providers".
 - Another respondent said that some customers are aware of competition, but that "most" customers who consider using alternative providers "suspect that there is significant risk cost wise, delivery times and in terms of the effect on future co-operation" if they were to use them. The response adds that UKPN has taken steps to promote awareness of competition, and that awareness "has improved enormously over the past 3 years".

Transparency of pricing and giving customers the ability to choose

- 3.46 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.

- 3.47 Since June 2012, all UKPN quotes have included a breakdown of non-contestable charges. UKPN states that this level of detail has led to “significantly improved customer understanding of what work had been included in the Connection Offer”. Since June 2013, a similar breakdown is also provided for “Contestable and Dual Funded elements of all Connection Offers in addition to the non-contestable works”. UKPN states that the detailed contestable cost information enables its customers to make better informed decisions, and helps competitors offer quotations on a like-for-like basis.
- 3.48 UKPN states that it is consistent in its pricing, not applying any difference between the pricing of elements of work for an all-works quotes and the pricing for a Point of Connection (POC) quote.
- 3.49 According to UKPN’s connection charging methodology statement, the “validity period of a Connection Offer [an all works offer] or POC Offer is normally 90 calendar days unless after the issue of the Connection Offer or POC Offer the validity period is subsequently reduced as a result of the application becoming interactive”.¹² The validity period of an outstanding quotation may be shorter if a new quote subsequently issued by UKPN interacts with the outstanding quotation. Where such interactivity is identified, UKPN will notify the parties with relevant outstanding quotes. The validity period of outstanding quotes will be reduced to 30 days from the date of UKPN’s notification, where more than 30 days is still outstanding.
- 3.50 UKPN states that in October 2012 it developed “convertible quotes”, whereby the customer is able either to accept only the non-contestable elements of an all works quote or facilitates the transfer of that element for acceptance by an alternative provider. UKPN started a pilot for convertible quotes for Demand HV in the SPN area in November 2012 and extended this to “specific geographic locations within [the] LPN and EPN areas”. The Notices state that feedback from users of these quotes was not positive and that UKPN has delayed the wider introduction of convertible quotes until the “second half of 2014 and to incorporate the further development of this into our Business Transformation Programme”.
- 3.51 Respondents to our consultation made the following points.
- One said that UKPN has “significant[ly] improved” its quotations and that they provide “reasonably clear information” to customers. However, this response notes UKPN’s “over-use of the term “miscellaneous” to describe charging elements”.
 - Another respondent said that the transparency of UKPN’s quotations has “improved greatly but we have still been seeing items of tens of thousands of pounds categorised as ‘other’”.

The potential for further competition

- 3.52 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 UKPN’s efforts to open up non-contestable activities to competition.
- 3.53 In the discussion below we refer at times to potential barriers to competition — generic to GB electricity distribution networks and not specific to UKPN — that have

¹² UK Power Networks, “Statement Of Methodology And Charges for Connection to the electricity distribution systems of Eastern Power Networks Plc, London Power Networks Plc & South Eastern Power Networks Plc” (January 2014).

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

- 3.54 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.
- 3.55 UKPN describes in its Competition Notices the actions it has taken to address this potential concern.
- 3.56 UKPN has held a series of workshops for ICPs and IDNOs, 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".
- 3.57 UKPN states that, following its negotiations with Ordnance Survey, competitors now have online access to UKPN's plans and diagrams for the purpose of identifying points of connection to UKPN's network. UKPN states that competitors using this service had access to network record plans from January 2012; and that low voltage operational diagrams, showing the operational configuration of UKPN's low voltage network, were available from November 2012 for EPN and SPN and from February 2013 for LPN.
- 3.58 UKPN has created a new online G81 library containing useful documents for competitors, including design standards, specifications and drawings. This library is accessible from the competition in connections section of the UKPN website. An online index was added to the library in August 2013, showing version numbers and the date of last revision for each document published in the library.
- 3.59 Respondents to our consultation made the following points.
- One said that UKPN's "regular ICP workshops and newsletters are probably best in class amongst all of the DNOs".
 - Another respondent said that "UKPN's IT systems are not good enough to allow us to undertake proper assessment of points of connection and complete all of the design work required to compete against their own Section 16 business. This is a concern across all DNOs and is one of the last major hurdles that must be addressed to allow competition to flourish in the same way as the gas industry".
 - A respondent said that "we look forward to seeing information technology developments within UKPN that will ensure that its competition in connections competitors will have the same access to technical planning and records data that its own connections business enjoys", adding that providing this access would lead to a "far better outcome for all customers".
- 3.60 In response, UKPN told us that "As stated in section 2.4.8 of our Notice, we have progressively opened up access for ICPs to network record plans and LV diagrams since January 2012, completing roll-out at all levels and to all three DNO areas in January 2013. We do not accept that further development would obviate the need to re-introduce upfront Assessment and Design fees as it will always be the nature of a competitive market to have multiple competing applications for attractive schemes".

Service and response times

- 3.61 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).
- 3.62 We recognise that unduly long timeframes to handle requests by alternative providers might hamper the ability of alternative providers to compete with a DNO. Uncertainty about these timeframes might also increase the risk — in the eyes of the final customer — of using an alternative provider.
- 3.63 UKPN states that it “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”. It does this by offering voluntary “penalty payments to SLC 15 customers” for any breaches in compliance with SLC 15 standards, and by the “development and operation of common, consistent policies, processes and pricing models wherever practicable”.
- 3.64 UKPN monitors the level of activity within its competition in connections team “on a regular basis”, and in 2012 it “invested in eight additional resources (a 38 per cent increase) to address increasing workloads and to improve service levels”. In June 2013, the team was increased by a “further nine resources”.
- 3.65 UKPN’s design acceptance process “allows for acceptance to be granted subject to the correction of minor errors or omissions, minimising delay to the customer”. UKPN has been working with an IDNO to agree a “generic IDNO substation design arrangement” that can be used in a “range of network connection situations”.
- 3.66 UKPN implemented a new process in December 2011 for ICPs to obtain consents and easements. According to UKPN, this places “more autonomy with the ICP” and simplifies the end-to-end process of obtaining land rights. A new approach to IDNO consents to improve the process of obtaining the necessary land rights is in development. The new approach was piloted with one IDNO in 2011 and UKPN states it is waiting for sign-off from IDNOs before full implementation. UKPN subsequently informed us that the new process was implemented in full with two IDNOs, and partially with another, from 1 September 2013. UKPN also added that one IDNO chose to remain with the existing process.
- 3.67 One respondent to our consultation said that UKPN’s systems and processes have improved in recent years, although they “certainly do not reflect best practice”.

Contractual arrangements for the adoption of assets built by ICPs

- 3.68 The ECSG 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 raise 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 UKPN.
- 3.69 In relation to metered work, UKPN states that it has reduced the amount of paperwork associated with construction and adoption agreements by using “standardised terms and conditions that are in line with its Section 16 agreements”.
- 3.70 One respondent, in relation to the unmetered segments, complained about “UKPN insisting on tri-partite agreements between the developer and the proposed ICP which effectively acts as a barrier to competition”.

- 3.71 In response, UKPN told us that "As indicated in Section 2.4.1 of our Competition Notice, since April 2012 all new unmetered work falls within our Asset Owner arrangements whereby the customer need contract with us once only to establish an Asset Owner agreement, and thereafter they may engage any ICP that has a Contractor Agreement with us, simply by providing us with a letter of appointment".

Inspection and monitoring of assets built by ICPs

- 3.72 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 area of concern is not specific to UKPN.
- 3.73 UKPN states that it has tried to learn from DNOs' best practice by participating in the inspection and monitoring sub-group of the ECSG. As with previous UKPN Competition Notices, UKPN states that it has reviewed its audit and inspection regime but gives no details of that review and what changes, if any, were made to the audit and inspection regime following the review.
- 3.74 Respondents to our consultation made the following points.
- One respondent, in relation to the metered demand segment, expressed concerns about the "consistency of approach taken by UKPN [to inspections] recently and have called for a detailed guidance to be issued for ICPs to ensure that they know what to expect when the UKPN auditor turns up on site".
 - Another respondent, again in relation to the metered demand segment, said that "detailed auditing" is required when an ICP undertakes work, but "no auditing or checks are required or undertaken when the same agent acts as a subcontractor to the DNO". The respondent believes that this "appears to be unduly discriminatory and as consequence distort competition".
- 3.75 In response, UKPN told us that "where a company is sub-contracted to us, we are putting them to work and have greater control over the work being carried out. An ICP works independently of us and we must therefore audit to ensure their constructed asset is fit for us to adopt, reflecting the fact that we then take responsibility for the asset, and it is in the customers' interest that the asset is built to the required standard".

Arrangements for obtaining land rights

- 3.76 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.
- 3.77 Earlier in this section, we gave examples of actions that UKPN has taken to improve processes for land rights, including the new approach it has implemented for ICPs to obtain consents and easements and the new approach it proposes to implement for IDNO consents. UKPN reports that the latter of these approaches was presented by a representative of the CNA as "an example of best practice". Both of these new approaches apply to all metered demand and generation RMSs in all three DSAs.
- 3.78 Three respondents to our consultation, in relation to the metered demand segment, made the following points.

- Two respondents said that UKPN's "insistence that an ICP must approach land owners to seek a Construction License to take advantage of a cable easement that UKPN already holds" is causing concern, and that other DNOs assist "the ICP to work under the DNO's easement".
- Another respondent said that UKPN's "requirement to obtain a construction licence from a landowner where we need to lay a cable to provide a connection" [...] "slows the project down and has made some customers question why they would come to a competitor as we do not have the same rights of access as UKPN". The response also points out that "other DNOs undertake the negotiation or let us do this work under the standard adoption agreement".

3.79 In response, UKPN told us that it developed the construction licence arrangement "in 2011 at the request of an ICP and with their extensive involvement, to address situations where they have difficulty in obtaining easements and wish to take advantage of those UKPN already has in place. The licence is a simple form to be signed by the landowner that entitles the ICP to enter and work on their land and provides indemnity to the landowner for any damage the ICP may cause. ICPs have welcomed this approach and it has been operating successfully for more than two years. We do not believe [the respondents'] comments to be in any way representative of competitor opinion, given that, of the 75 representatives from 35 companies that have attended our eight competition workshops since the Construction Licence was introduced in December 2011, no issue has ever been raised concerning this, nor has it arisen in previous competition notice consultations".

Consistency of charges

- 3.80 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.
- 3.81 UKPN states that all "source price units are identical for all non-contestable and contestable work" regardless of whether the quote is for a POC or for an all works project. UKPN explains that both types of quotes are created from the same source of cost components.

Scope of contestable work

- 3.82 Connections works are split between works that are contestable (competitive) and those that are non-contestable (can only be completed by the DNO).
- 3.83 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.
- 3.84 We consider that DNOs should engage with the industry to consider where it is possible to further extend contestability.
- 3.85 UKPN reports on its efforts to expand the scope of contestable work.
- 3.86 Live jointing to LV underground radial mains was formally transferred to becoming a contestable activity on 26 October 2012. This applies to metered and unmetered

connections in all three DSAs, with the exception of a small area within the LPN network in central London where additional operational work is required prior to carrying out any live jointing. UKPN's Notices states that LV live jointing has "facilitated significant volumes of live jointing work to now be completed by ICPs particularly in respect of Highway Services connections".

- 3.87 UKPN's Notices state that it recognises that ICPs wish to compete in the LPN area and states that it is ready to provide a "fusing and linking (ie 'operational activities')" service that would allow LV live jointing to become contestable in this area". In response to a clarification question, UKPN told us that the "fusing and linking" service to allow LV live jointing in the LPN normally interconnected network area has been made available to ICPs from 6 January 2014.
- 3.88 Since 31 July 2013, jointing of new HV cables to existing UKPN HV network has become a contestable activity. Under this arrangement, UKPN will provide "all of the associated operational activity", and the ICP would carry out the "connection activity". According to the notice, six HV joints have been completed by an ICP in the EPN area and two in the LPN area. Under these arrangements, the UKPN "Senior Authorised Person" would issue a "permit to work" to the ICP cable jointer, who will then make the cable joints. All other operational work, including removal and testing of earthing equipment and cables would be carried out by the UKPN.
- 3.89 UKPN reports on various pilot projects to extend contestability to other areas. These include pilot projects on -
- Split contestability. UKPN is willing to offer "elements of contestable works that the competitor does not wish to provide". In response to feedback from competitors, UKPN has started with "non-standard substation civils design", which is the "top priority" for competitors, particularly in the LPN area.
 - Part funded reinforcement. UKPN has agreed with an ICP to carry out a pilot to include part funded reinforcement work to UKPN's network. The pilot involved installing 2.5 km of 11 kV underground cable.
 - LV point of connection design. This has been set up with a specific ICP and others have been invited to take part. Under the pilot, competitors will propose the point of connection and the design of the extension asset.
 - Generic designs. A pilot with a specific ICP whereby if the ICP submits a generic design for approval, the approval process will be "simplified as a significant part of the design will have previously been approved".
- 3.90 UKPN states it has received interest from some competitors in making new connections to LV overground mains contestable, and that it will consider whether, in principle, it is appropriate to organise a pilot covering this activity.
- 3.91 One respondent to our consultation said that, in relation to Unmetered Local Authority work in the LPN DSA "there is no evidence that appropriate protocols have been put in place to ensure that ICP activity in this area is "business as usual".
- 3.92 In response, UKPN told us that, in the LPN DSA, live jointing to LV services has been contestable "since 2010, with 327 joints completed in 2011 and nearly 1500 in 2012", and that "live jointing to radial underground mains has been a contestable activity since October 2012 which means it has been available since that time in all but the <10 per cent of the LPN area that is interconnected".

Other issues

- 3.93 Three respondents, all in relation to the metered demand segment, expressed concerns about UKPN's technical policies for assets built by ICPs. In particular:
- Two respondents said that UKPN's "recent decision to insist that ICPs adhere to a new, totally unworkable earthing policy" has led to "substantial incremental costs and delays". The response alleges that UKPN's approach to secondary substation earthing "does not make technical sense", and that "UKPN's own connections business has not been using this policy to date, because if they were, these fundamental flaws would have come to light sooner than now".
 - Another respondent said that "the implementation of UKPN's earthing policy is a cause for significant concern. We understand that all competitors see this as an undue new barrier that is not replicated anywhere else in the electricity market". The response adds that this policy is causing unnecessary delays to "nearly every HV/HV project" and "we understand that the policy is applied less stringently within UKPN business and so our timescale is not as good it should be".
- 3.94 In response, UKPN told us that its "design standards are applied consistently between our own designs and those carried out by our competitors. Last year we revised our policy in line with national and international standards and in consultation with an Energy Networks Association specialist. We issued a leaflet outlining the changes and setting a two-month transition period to allow ICPs time to adapt to the new standard. We believe our standard to be broadly in line with other DNOs except to the extent that our networks differ. It is fair to say there has been a learning curve for all concerned while bedding-in our revised policy, however we have held a number of meetings with competitors to assist in this process, most recently involving our Director of Asset Management"

Our conclusions

- 3.95 In making our determinations we have taken account of the evidence provided by UKPN and the views expressed in responses to our consultation.
- 3.96 We note the steps that UKPN has taken to address concerns about barriers to competition. In particular, we note the steps that UKPN has taken -
- To promote awareness of competition amongst prospective customers. Respondents to our consultation agreed that customer awareness has improved as a result.
 - To improve the transparency of its quotations by including a breakdown of non-contestable charges. Respondents to our consultation acknowledged this, but expressed a concern that large amounts are being categorised as "other" and "miscellaneous".
 - To provide technical information and guidance to alternative providers wishing to compete with UKPN. One respondent said that UKPN's ICP workshops and newsletters are "probably best in class amongst all of the DNOs".
 - to improve its processes to provide better service to alternative providers, including by introducing a new design acceptance process and a new process for securing land rights.
 - To expand the scope of activities that are contestable, and therefore provide more opportunities for alternative providers. This includes the introduction of a new "fusing and linking" service for unmetered connections in the LPN "normally interconnected network" area.

- 3.97 Respondents to our consultation raised a number of concerns about UKPN's systems and processes -
- In anticipation of the proposed introduction of assessment and design fees by all DNOs, ICP and IDNOs responding to our consultation have pointed out that UKPN's IT systems do not enable independent providers to carry out their own assessments, and that without such access, their ability to compete with UKPN would be adversely affected with the introduction of fees. UKPN subsequently told us that it had "progressively opened up access for ICPs to network record plans and LV diagrams" in all three DSAs by January 2013.
 - Two respondents raised the concern that UKPN's audit and inspection regime places alternative providers at a competitive disadvantage. UKPN refuted this suggestion, saying that it applied consistent standards across all connections work.
 - Two respondents said that UKPN's requirement that ICPs "obtain a construction licence from a landowner" is a barrier to competition, and that other DNOs' do not have this requirement.
 - Two respondents said that UKPN's new "earthing policy" is technically flawed and that it has created new barriers to competition and unnecessary delays to ICP projects.
- 3.98 In the Unmetered Local Authority RMS in the LPN area, UKPN has retained a relatively high share of the RMS by value in each of the three years for which data are provided (89 per cent in 2011, 81 per cent in 2012 and 84 per cent in 2013). We also note that as of December 2013, 13 Local Authorities had asset ownership agreements in place with UKPN and that they were serviced by five ICPs.
- 3.99 In the Unmetered Other RMS, UKPN has retained a relatively high share of the RMS by value in 2013 in each of the three areas (72 per cent in EPN, 94 per cent in LPN and 84 per cent in SPN). In the EPN and LPN areas, UKPN's share in 2013 is higher than it was in 2012.
- 3.100 Thus, in conclusion, while we acknowledge the steps taken by UKPN to address barriers to competition in its three DSAs, we do not consider that the evidence provided indicates the presence of active and effective competition in either RMS.

4 Next steps

- 4.1 We will continue to regulate the price UKPN charges in respect of all of the connections services it provides in the Unmetered Local Authority RMS in the LPN DSA and Unmetered Other RMS in all three DSAs. In respect of contestable connections services (fully funded by the customer), this means that UKPN 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 UKPN’s 23 December 2013 Competition Notices

- 4.2 On 4 February 2014 we issued a consultation seeking views from interested parties on UKPN’s Competition Notices. We received five responses. Our consultation and the responses we received have been published on our website.
- 4.3 We received responses from -
- Gas Transportation Company Limited (GTC)
 - Metered Connections Customer Group (MCCG)
 - Power On Connections
 - TUSC
 - Unmetered Connections Customer Group (UCCG).
- 4.4 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.

Gas Transportation Company (GTC)

- 4.5 GTC operates two licensed independent distribution networks on behalf of the Electricity Network Company Limited (ENC) and the Independent Power Networks Limited (IPNL). GTC’s response relates to the metered demand HVHV RMS in all three DSAs.
- 4.6 In relation to UKPN’s proposal to create the “Metered Demand HVHV work” alternative market segment, GTC says that “we are not convinced that this will be clear for customers as they may not understand the difference between an HV connection and an IDNO HV connection where LV customers are being supplied by the IDNO”.
- 4.7 The response points out that under UKPN’s proposed alternative segmentation, “if IDNO connections (with associated LV connections) are covered within the amended RMS then customers will receive a regulated quote if they ask the DNO to build out the LV connections but an ICP will receive an unregulated quote if they are to have the subsequent network adopted by an IDNO. This will cause confusion for customers and potentially for ICPs”. GTC then adds that its concern “is the issue around the same customer seeing a project being within this segment or outside, depending on whom the ultimate owner of the LV connections will be. This does seem to be an arbitrary split and difficult to understand in terms of the customer”.
- 4.8 GTC’s response also makes the following points -
- In relation to customer awareness, GTC said that “over the last two years UKPN have spent a significant amount of time and effort informing customers that competition exists and how they can contact alternative providers”. The response adds that “there are now significant numbers of competitors offering choice to customers in this RMS”.
 - In relation to the transparency of UKPN’s pricing and quotations, the response states that UKPN has “significant[ly] improved” its quotations and that they provide “reasonably clear information” to customers. However, the response notes UKPN’s “over-use of the term “miscellaneous” to describe charging elements”.

- The response states that “the implementation of UKPN’s earthing policy is a cause for significant concern. We understand that all competitors see this as an undue new barrier that is not replicated anywhere else in the electricity market”. The response adds that this policy is causing unnecessary delays to “nearly every HV/HV project” and “we understand that the policy is applied less stringently within UKPN business and so our timescale is not as good it should be”.
- The response also raised the issue of UKPN’s “requirement to obtain a construction licence from a landowner where we need to lay a cable to provide a connection”. According to GTC, this requirement “slows the project down and has made some customers question why they would come to a competitor as we do not have the same rights of access as UKPN”. GTC also points out that “other DNOs undertake the negotiation or let us do this work under the standard adoption agreement”.
- In relation to UKPN’s asset inspection and audit regime, the response states that “detailed auditing” is required when an ICP undertakes work, but “no auditing or checks are required or undertaken when the same agent acts as a subcontractor to the DNO”. GTC believes that this “appears to be unduly discriminatory and as consequence distort competition”.

4.9 GTC’s response adds that “UKPN’s IT systems are not good enough to allow us to undertake proper assessment of points of connection and complete all of the design work required to compete against their own Section 16 business. This is a concern across all DNOs and is one of the last major hurdles that must be addressed to allow competition to flourish in the same way as the gas industry”.

4.10 Overall, GTC believes that “UKPN have genuine intent to ensure that competition thrives and gets better over the coming years. Our concern would be that standards change and it makes it more difficult to keep up with the requirements of these changes. Providing that UKPN undertake proper consultations and ensure that the standards are properly thought through and appropriate then we will be happy to see price regulation lifted”.

Metered Connections Customer Group (MCCG)

4.11 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 all metered market segments in all three DSAs.

4.12 The MCCG is “unwilling to support the lifting of price regulation in the any of the UKPN distribution service areas for the alternative HV metered market segment proposed in the consultation”.

4.13 The response does not express a view on UKPN’s proposal to create the “Metered Demand HVHV work” alternative market segment.

4.14 The response states that “there are large areas within the UKPN distribution service areas where our opportunity to compete with UKPN has significantly improved in the past year or so”. It notes that UKPN’s “regular ICP workshops and newsletters are probably best in class amongst all of the DNOs”, and that there has been “substantial improvement in the breakdown of quotations”.

4.15 However, the response goes on to say that MCCG’s members “believe that it is still too early to lift price regulation”, because “UKPN’s own in house connections business still has a distinct advantage over any of its competitors”.

- 4.16 The response highlights UKPN's "recent decision to insist that ICPs adhere to a new, totally unworkable earthing policy", and that this policy has led to "substantial incremental costs and delays". The response alleges that UKPN's approach to secondary substation earthing "does not make technical sense", and that "UKPN's own connections business has not been using this policy to date, because if they were, these fundamental flaws would have come to light sooner than now".
- 4.17 The response also notes that UKPN's "insistence that an ICP must approach land owners to seek a Construction License to take advantage of a cable easement that UKPN already holds" is causing concern amongst MCCG members. According to the response, other DNOs assist "the ICP to work under the DNO's easement".
- 4.18 In relation to UKPN's approach to asset inspections and audits, the response notes that MCCG members have expressed concerns about the "consistency of approach taken by UKPN recently and have called for a detailed guidance to be issued for ICPs to ensure that they know what to expect when the UKPN auditor turns up on site".
- 4.19 In relation to providing ICPs with access to technical information and records, the response notes that "we look forward to seeing information technology developments within UKPN that will ensure that its competition in connections competitors will have the same access to technical planning and records data that its own connections business enjoys". It adds that providing this access would lead to "far better outcome for all customers".

Power On Connections

- 4.20 Power On Connections (POC) is an ICP, and its response relates to the alternative metered demand HVHV RMS in all three DSAs.
- 4.21 The response states that POC "is unwilling to support the lifting of price regulation in the any of the UKPN distribution service areas for the alternative HV metered market segment proposed in the consultation".
- 4.22 The response does not express a view on UKPN's proposal to create the "Metered Demand HVHV work" alternative market segment.
- 4.23 The response makes very similar points to those in the MCCG response.
- 4.24 The response states that "there are large areas within the UKPN distribution service areas where our opportunity to compete with UKPN has significantly improved in the past year or so".
- 4.25 However, the response goes on to say that POC "believe that it is still too early to lift price regulation", because "UKPN's own in house connections business still has a distinct advantage over any of its competitors".
- 4.26 The response highlights UKPN's "recent decision to insist that ICPs adhere to a new, totally unworkable earthing policy", and that this policy has led to "substantial incremental costs and delays". The response alleges that UKPN's approach to secondary substation earthing "does not make technical sense", and that "UKPN's own connections business has not been using this policy to date, because if they were, these fundamental flaws would have come to light sooner than now".
- 4.27 The response also notes that UKPN's "insistence that an ICP must approach land owners to seek a Construction License to take advantage of a cable easement that UKPN already holds" is causing concern. According to the response, other DNOs assist "the ICP to work under the DNO's easement".

- 4.28 In relation to providing ICPs with access to technical information and records, the response notes that “we look forward to seeing information technology developments within UKPN that will ensure that its competition in connections competitors will have the same access to technical planning and records data that its own connections business enjoys”, adding that providing this access would lead to “far better outcome for all customers”.

TUSC

- 4.29 TUSC is a multi-utility consultancy firm that offers advice on new connections projects. The response from TUSC relates to the metered and unmetered segments covered by UKPN’s applications.
- 4.30 On UKPN’s proposal to create the “Metered Demand HVHV work” alternative market segment, the respondent does not believe that the proposed split is appropriate. The respondent believes that the proposed segmentation would not be clear and unambiguous “from the perspective of the typical customer”, and that it doubts that “the customer for whose benefit this entire process is being carried out would typically recognise the distinctions”.
- 4.31 The response makes the following specific points in relation to the metered demand HVHV RMS in all three DSAs -
- The respondent believes that some customers are aware of competition, but that “most” customers who do consider using alternative providers “suspect that there is significant risk cost wise, delivery times and in terms of the affect on future co-operation” if they were to use them. The response adds that UKPN has taken steps to promote awareness of competition, and that awareness “has improved enormously over the past 3 years”.
 - The transparency of UKPN’s quotations has “improved greatly but we have still been seeing items of tens of thousands of pounds categorised as ‘other’”.
 - In relation to UKPN’s systems and processes, the response states that these have improved in recent years, although they “certainly do not reflect best practice”.
 - The response alleges that UKPN’s charges for non-contestable works are sometimes a barrier to competition, and that “we and an ICP lost a considerable amount of money due to a UKPN mistake which led to us having to advise the customer not to avail itself of competition as the S16 Offer was below cost”.
 - The response claims that UKPN’s organisational culture acts as a barrier to competition. The response states that, in the LPN area, UKPN “regards itself as apart from the rest of the country and the culture is monopolistic and dictatorial”. In the SPN area, “we are starting to feel that our and therefore UKPN’s customers could be better off not availing themselves of competition”.
 - According to TUSC, customers would not benefit if the restrictions on UKPN’s margin were to be lifted, and that “what will happen is that, particularly in LPN, it will revert to being a monopoly and the customer will do as it is told”.

Unmetered Connections Customer Group (UCCG)

- 4.32 The response is submitted on behalf of the UCCG, which represents customers and ICPs operating in the unmetered market segments. The response relates to the Unmetered Other RMS in all three DSAs, and to the Unmetered Local Authority RMS in the LPN DSA.
- 4.33 The response does not express a view on UKPN’s proposal to create the “Metered Demand HVHV work” alternative market segment.

- 4.34 In relation to the Unmetered Local Authority RMS in the LPN DSA, the response states that "UCCG does not support the Competition Notice in respect of the LPN DSA and the local authority RMS", because "there is no evidence that appropriate protocols have been put in place to ensure that ICP activity in this area is "business as usual", that significant competition exists, and that customers are aware of competitive alternatives and able to easily source such alternatives".
- 4.35 In relation to the Unmetered Other RMS in all three DSAs, the response states that UCCG has "not received any confirmation from UKPN as to whether design fees are charged for unmetered connections, transfers etc. and this is critical in ensuring that competition is facilitated". The response adds that "based on a representative sample of work, UKPN non-contestable charges are approximately 3.5 to 4.5 times higher than the best performing DNO", and that "UKPN insisting on tri-partite agreements between the developer and the proposed ICP which effectively acts as a barrier to competition". In conclusion, the response states that UCCG "does not support the Competition Notice in respect of "other" unmetered connections across the DSAs".
- 4.36 The response adds that UCCG members have expressed a concern that "is not possible for customers to determine whether UKPN meet the [Connections Guaranteed Standards of Performance] as the information required is not available or made available to customers either by UKPN or Ofgem or both".