

Major connections strategy

This document outlines the proposed scope of our major connections strategy and our proposed engagement strategy.

Date February 2021

About Electricity North West

Electricity North West Limited is one of 14 electricity distribution network operators (DNOs) in Great Britain. We are responsible for maintaining and upgrading 56,000km of network and nearly 500 major substations across the region. We supply the electricity to the diverse communities in the North West of England which extends from Macclesfield all the way up to Carlisle.

We are regulated by the Office of Gas and Electricity Markets (Ofgem) who provide DNOs with the license to operate and decide what's fair for us to charge our customers for each price control period.

Our current price control began in 2015 and runs to 2023. It's referred to as RIIO-ED1. In full, that stands for Revenue = Incentives + Innovation + Outputs, Electricity Distribution 1. Under this framework, the price we can charge our customers is fixed until the next price control, RIIO-ED2, which will run from 2023 until 2028.

Work is already underway to set the framework for RIIO-2 that applies to all energy network companies (i.e. gas and electricity distribution). The framework will determine what RIIO-ED2, which begins on 1 April 2023, looks like.

The period of time which the RIIO-2 price control covers will see significant change in the way electricity is generated, consumed and stored, driving innovation across the whole energy system both now and into the future.

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1. Welcome

Since taking over responsibility for connections activities in 2018, my aim has been to provide customers with the highest standards of service at competitive prices and to continue to promote supporting customer choice through competition in connections. To ensure both of these aims are met we undertake lots of engagement to seek feedback from customers and stakeholders and then make improvements to our processes.

This document plays its part in that ongoing engagement where we are looking for your feedback to shape our plans for our next regulatory period, known as RIIO-ED2 and which starts from April 2023. RIIO-ED2 will be an exciting time for new connections as there are likely to be significant changes in the way we all use electricity and Electricity North West is involved in many initiatives that support the transition to a low carbon world.

This document explains the scope of our proposed connections strategy and the approach we are taking to develop it for RIIO-ED2. We are seeking feedback on how we are currently performing against a set of baseline expectations that Ofgem has identified and we will develop proposals to address any shortfalls identified.

We plan to use established stakeholder engagement channels we have for each of the relevant market segment and this consultation seeks your views on that approach. To be as transparent and inclusive as possible we have published this consultation to include any stakeholders that are not included in that process.

We would still love to hear from you if you have any feedback on how we are performing or suggestions on how we could improve. The key questions are therefore set out below so that you have them at the front of your mind when reading this document and are then repeated at the end of the document.

I hope that you find this document useful to explain our approach to developing our strategy and look forward to any feedback you can give us.

Mark Williamson

Energy Solutions Director



2. Tell us what you think

This strategy is a work in progress. We have considered and incorporated the customer and stakeholder feedback we have received to date, but there are still areas where we need your input.

This strategy includes a series of questions, your responses to which will help inform our future approach. Please refer to the content in each relevant section before responding to the questions- we have repeated the questions throughout the document for ease. In addition to the questions listed below, we would welcome your feedback on any aspects of this document.

- Do you have any views on our current performance against the baseline expectations?
- If there are any areas where you think we need to improve, do you have any specific suggestions on what we should do?
- What do you consider best practice, perhaps from your engagement with other network companies?
- Do you agree that this is a sensible and appropriate approach?

3. Introduction

Electricity North West makes thousands of major connections to our network each year from new housing developments to new business premises. As we develop our business plans for 2023-28 we want to ask stakeholders their views on how we do this, and how we can modify our processes to continually improve what we do.

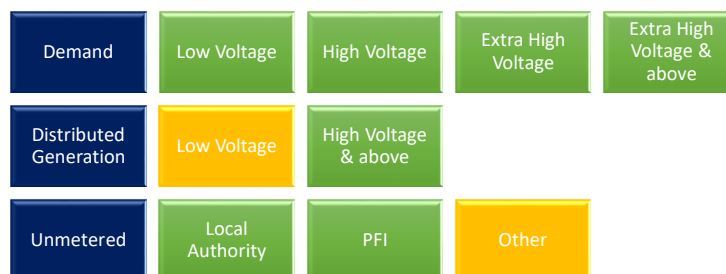
We recognise our critical role in regional economic development and our role to make connections happen. These strategies will set out, in line with guidance from our regulator, Ofgem, our improvement plan. The strategies do not cover every aspect of connections as, in line with Ofgem’s key principle of promoting competition and only regulating where it has not materialised, the strategies only focus in areas where there is not active competition. The following sections explain Ofgem’s rationale in more detail and the scope that the strategies do cover.

Ofgem set out its requirements for DNOs to develop and submit ‘major connections strategies’ in its ‘Sector Specific Methodology Decision’¹ in December 2020.

5.63 We have decided to require major connections strategies as part of DNOs’ business plans. The DNO’s strategy will need to set out the activities the DNO plans to undertake to improve the services provided to major connections customers in RIIO-ED2. Major connection customers include those connections customers in market segments where there is an absence of effective competition (ie they have not passed the Competition Test) and which are not captured by the CSS or TTC incentives.

The scope of the ‘major connections strategy’ will vary for each DNO since they are dependent on the level of effective competition that has been demonstrated through passing the Competition Tests. Whilst we understand Ofgem intends to review the level of competition across GB, for now we are basing the scope of our consultation using the position from the most recent (2013) Ofgem Competition Tests.

For the purposes of the competition tests, new connections work was categorised into 11 market segments. Two of these were ‘excluded’ market segments which covered small connections (up to four premises) and where competition was expected to be less likely to develop; for these customers other mechanisms (eg customer satisfaction survey and time to connect incentive) are in place to ensure they receive good service. Of the other nine market segments, Electricity North West successfully passed seven of the nine as shown in green in the diagram below.



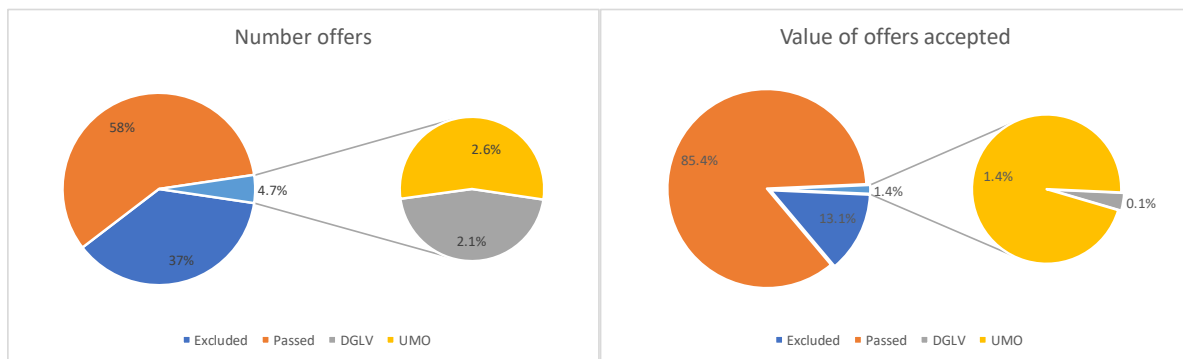
We were the most successful DNO in demonstrating that there was active competition and as a result of passing most of the market segments, our strategies are much smaller in scope than other

¹

DNOs. So, by comparison we may appear to be consulting on less than other DNOs, but this is by virtue of there being active competition that negates the need for regulatory intervention from Ofgem.

The two market segments we didn't pass are 'Distributed generation Low Voltage' and 'Unmetered Other'. These are described in more detail later in the document.

In terms of context it is important to appreciate the size and scale of these market segments. Both are relatively small segments. In terms of the volume of connection offers we make, they cover less than 5% of the total with 2.1% and 2.6% respectively as shown in the chart below. In terms of accepted work, they are even smaller with the combined value constituting just over 1% of the value of work accepted.



Our 'major connections strategy' therefore needs to cover these two market segments. In addition, we need to consider non-contestable activities for all the market segments. These are the activities that we still need to carry out to support competition in connections and these are further described later in the document.

5.64 We note that the DNOs are still responsible for completing non-contestable connection activities in market segments that have passed the Competition Test. To ensure that DNOs deliver best practice in the provision of non-contestable activities, DNOs' strategies should capture these activities, even where these have passed the Competition Test. As set out in more detail in paragraph 5.73, the application of the financial ODI will differ with regard to the provision of non-contestable activities.

4. Baseline expectations

As part of its Sector Specific Methodology Decision, Ofgem set out three high level principles that largely cover the three stages of connections activity:

- Pre-application information and engagement
- The application process
- Delivery of the connection

Principle 1: Support connection stakeholders prior to making a connections application by providing accurate, comprehensive and user-friendly information.

Principle 2: Deliver value for customers by ensuring simplicity and transparency through the applications process.

Principle 3: Facilitate the delivery of timely and economical connections that meet customers' needs.

The three Principles underpinned Ofgem's baseline expectations as shown in Appendix 1. These set the expectations that we need to deliver during RIIO-ED2 and we want your feedback on how we are currently performing against these.

5.70 In their strategies, DNOs will need to set out the activities and deliverables that will contribute to meeting customers' needs in RIIO-ED2, as well as how these activities and deliverables meet the baseline expectations. We expect the majority of activities in DNOs' strategies to be delivered through BAU baseline funding and do not expect DNOs to request additional funding to deliver their strategies.

5.76 We are inviting companies to propose metrics and performance benchmarks to be used in assessments within their strategies and we will engage with DNOs and wider stakeholders through the RIIO-ED2 working group to develop the assessment approach.

The following sections describe each of the three areas highlighted in section one and then how we are seeking feedback on our current performance with the aim to continuously improve.

5. Distributed generation low voltage

The distributed generation market segment (DG LV) covers activities which are defined as “*new or modified connection of generation and storage equipment involving only low voltage (<1,000V) work*”. Note that the segment is defined by the work necessary on our network and not necessarily the voltage of connection. If any high voltage work is needed, then the project will be classified as being in the distributed generation high voltage market segment.

In the North West, we have seen a gradual increase in the number of generation applications and connections in the DG LV market segment over the last three years. Although these numbers continued to increase in the last year, the overall number of customers remains low. Most of the connection offers (94%) and acceptances (96%) are zero cost, requiring no site works from Electricity North West, thus limiting the opportunity to engage with our customers. Of those where there is some work the majority are relatively small in value. The tables below demonstrate the level of applications and accepted jobs in the DG LV market in the North West of England.

Quotes Issued / Year	2017-18	2018-19	2019-20	Acceptances / Year	2017-18	2018-19	2019-20
Nil cost	168	225	265	Nil Cost	76	135	157
Up to £5k	17	26	11	Up to £5k	9	12	5
Over £5k	13	6	7	Over £5k	6	2	1
Total:	198	257	283	Total:	91	149	163

The DG LV market segment is closely aligned to Community and Local Energy stakeholders, a growing sector across the UK.

For us community energy relates to community-led projects or initiatives to reduce, manage, generate or purchase energy. Community energy projects focus on engagement and benefits to the local area and communities.

Local energy encompasses community energy projects and also includes activities by a wider set of local partners such as local authorities, housing associations, intermediary or advisory organisations and local businesses. Local energy projects may have a commercial aspect to their delivery but are also likely to benefit their local area and community. In many cases, the projects that both these groups will be considering result in connections that fall into the DG LV market segment and we coordinate our engagement efforts accordingly.

6. Unmetered other

Most new connections have a meter that provides an accurate measurement of the electricity used so that customers are only charged for the electricity they have used. In some circumstances, it is not practical or cost effective to meter all new connections, particularly when the load used is relatively small and predictable. What are known as ‘unmetered’ connections can be made in these circumstances and there are a set of regulations that set out the specific criteria for them.

Ofgem categorise unmetered connections into three market segments:

1. The Local Authority market segment, as its name suggests, includes unmetered connections for Local Authorities. This will be mainly new street lighting but will also include other road traffic street furniture such as traffic light and bollards.
2. The Private Finance Initiative (PFI) market segment includes any unmetered connections covered by a PFI. PFIs were put in place by several local authorities across the country and resulted in large replacement programmes of street lighting columns though these have now largely completed. We have a number in our area including Manchester, Blackpool, Oldham and Rochdale.
3. The Unmetered Other market segment comprises all unmetered work that is carried out for customers other than local authorities or under a Private Finance Initiative. This work can be for developers on new housing sites, for advertising hoardings and for telecommunication and internet providers.

Unmetered connections have been an area where competition has particularly flourished and we only complete about 10% of all unmetered activities in our region with the vast majority carried out by Independent Connections Providers working directly for the Local Authorities.

As described previously, we are only required to complete a connections strategy for the Unmetered Other market segment. Although it is relatively small, it represents a vital part of our local community. It helps ensure safety on our streets where bus shelters are illuminated, streetlighting is provided, and internet connections enable flexible working and maintaining social activity.

In the North West, we have seen a consistent number of customers over the last three years in the Unmetered Other market segment. The table below shows that a high proportion of customers only have connections that are valued under £2,000. The majority of our customers in this area are one-off connections with only a small number of returning customers, therefore this limits our opportunities for enduring engagement.

Year	2017-18	2018-19	2019-20
Number of customers	54	60	53
Number of customers under £2k	30	29	22
Number of customers over £10k	9	9	7

7. Non-contestable activities

The vast majority of new connections work is open to competition. This means that our customers have choices when it comes to deciding who they choose to make a new connection. We can give quote for the work but there are alternative providers who may also be suitable for our customer's needs.

Independent Connection Provider (ICP) - an ICP is an accredited company that can build electricity networks to agreed standards and quality required for them to be owned by either a Distribution Network Operator (DNO) such as Electricity North West or an Independent Distribution Network Operator (IDNO). For an ICP to carry out some of the connection works they must be registered with National Electricity Registration Scheme (NERS) that is administered by Lloyds' Register.

Independent Distribution Network Operator (IDNO) - an IDNO is a company licensed by Ofgem, to own and operate electricity networks. An IDNO network will be connected to the local power network, which is owned by us. However, the IDNO will be responsible for managing and operating their local network, including all future maintenance and fault repairs. Networks that are built or operated by ICPs will be adopted by either a Distribution Network Operator such as Electricity North West or by an Independent Distribution Network Operator (IDNO).

Customers can choose to employ an accredited contractor (ICP or IDNO) to carry out 'contestable' elements of the work or ask us to complete all the connection work for them. If they choose to use an ICP or IDNO, there are some aspects that we still need to be involved with and these are known as 'non-contestable' activities. A high-level summary of these are shown in the table below.

Contestable	Non-contestable
Design of the network extension to the existing network	Reinforcement of the existing network
Provide all materials and equipment for the work	Agreeing any suitable legal consent that we require for assets we will adopt
Construct the network extension and any other contestable work including all excavation and reinstatement	Inspection, monitoring and testing of any contestable work
Recording any work done and the location of cable routes and other equipment and providing the information to us	Maintaining and providing records of the existing networks

To ensure that DNOs actively facilitate competition, there are a set of obligations defined in the Competition in Connections Code of Practice. This document was jointly developed with representatives from ICPs and IDNOs and ultimately approved by Ofgem. We know that we meet the requirements of this document and demonstrate our compliance annually in a published report. Nevertheless, we are keen to understand if and how we could make improvements to our processes.

8. Engagement approach to develop our connections strategy

As our connections strategy is targeted at customers and stakeholders involved in new connections, our intended approach is to seek feedback from and engage with them in the development of each of the strategies.

We will be following the same phases of engagement used across a wider stakeholder base to help develop our overall business plan. For our connections strategy we will undertake the following stages, albeit in more compressed timescales.

Shaping

The first phase will be to seek feedback from each of the relevant stakeholders for each of the three areas that will have a specific strategy. This will be through a multi-channel approach to seek feedback on our current performance and whether stakeholders think that we meet each of the baseline expectations relevant to their market segment (shown in Appendix 1). If there are any areas where stakeholders do not think we meet the baseline expectations, we will ask them for suggestions as to what else we would need to do to improve.

In terms of engagement with these stakeholders, we have well established channels shown below. We propose to use these to develop our major connections strategies for ED2. We have already held online workshops and are issuing a simple questionnaire to all the relevant stakeholders on our distribution lists.



Our proposed approach is to engage with these specific stakeholders to seek their feedback on how we are currently performing against the baseline expectations. For any baseline standard where we fall short of meeting the baseline expectations we will seek feedback on what we need to put in place to meet or exceed the expectation. This insight will be used to formulate our strategies. Where possible, we will endeavor to make any identified improvements in advance of ED2 so that we are confident we are meeting stakeholders' expectations in advance of the ED2 period commencing.

Creating

Once we have received feedback on our current performance we will focus on any areas where we are not currently meeting baseline expectations. Using any suggestions received and other engagement such as our 'expert panels', we will develop the appropriate plans to address any shortcomings.

Consulting

The final phase will be to share our planned improvements with stakeholders to close the loop on our proposals.

This consultation

This consultation document acts as a further channel to solicit feedback for any stakeholders who do not get captured by our targeted engagement described above. We would love to hear your feedback on how we perform against the baseline expectations and any suggestions on how we can improve, so please respond to the questions below.

Questions:

- Do you have any views on our current performance against the baseline expectations?
- If there are any areas where you think we need to improve, do you have any specific suggestions on what we should do?
- What do you consider best practice, perhaps from your engagement with other network companies?
- Do you agree that this is a sensible and appropriate approach?

Appendix 1 – baseline expectations

Baseline expectation - Principle 1	Relevant Market Segment (RMS)
1) Provide access to up to date and relevant information to enable a connection stakeholder to decide whether, and where, to connect to the distribution network. This should include, but not be limited to, graphical network records that show the location, size and type of assets.	Applies to all RMS
2) Communicate a clear connections process for all customers. This should include providing clarity of DNO, customer and third-party responsibilities. This should also include providing clarity on how issues that arise can be raised and resolved.	Applies to all RMS
3) Provide clear explanations of the types of connection products available, the associated costs of each and the information that would need to be provided by the customer to make an application. Where appropriate, this should also include the provision of general information on the potential implications for a customer’s connection offer if they change their own requirements, if other customers are seeking to connect in the same area or if they do not accept an offer within its validity period.	Applies to all RMS, except Unmetered
4) Provide support and help to customers through appropriate channels which should include, but not be limited to, connections surgeries.	Applies to all RMS, except Unmetered
5) Have robust processes in place to proactively engage with stakeholders. This should include how the DNO plans to both identify and address connections issues.	Applies to all RMS
6) Provide clearly signposted information on capacity available to enable points of connection to be identified.	Applies to Metered demand HV, EHV and 132kV; Metered DGHV

7) Provide guidance that explains to customers the criteria to allow an unmetered connection to be made, ensuring compliance with the Unmetered Supply Regulations.	Applies to Unmetered LA, PFI and Other
8) Provide support in the form of tailored pre-application communication to suit different stakeholder needs.	Applies to Unmetered LA, PFI and Other

Baseline expectation – Principle 2	Relevant Market Segment (RMS)
9) Have clear and simple customer application process, which accounts for the particular needs of different groups of customers and which can be shaped by the parties involved. This should include, but not be limited to, providing options for how customers can apply for new connections and ensure these are clearly communicated.	Applies to all RMS
10) Provide tailored communication plans to suit different customer needs, including the provision of specified points of contact during the application process. This should include the provision of various channels through which customers can access support or help.	Applies to all RMS, except Unmetered
11) Provide customers with clear connection quotation cost breakdowns, listing out the cost components and any assumptions used in the formulation of a connections offer.	Applies to all RMS, except Unmetered
12) Have processes in place to help customers identify how they could make changes to their connection requirements, that would meet their needs and allow them to get connected more quickly or cheaply.	Applies to all RMS, except Unmetered
13) Specifically, in relation to flexible connection customers, provide clarity around conditions and circumstances of current and future curtailment associated with a connections offer.	Applies to Metered demand EHV and 132kV; Metered DGHV and EHV

14) Provide guidance that explains to customers the criteria to allow an DG connection to be made to ensure compliance with relevant Engineering Recommendations (G98/G99).	Applies to metered DGLV, HV and EHV
15) Have in place options for 'fast track' reconnections of critical infrastructure such as internet cabinets that have been damaged in road traffic accidents or similar.	Applies to Unmetered Other

Baseline expectation – Principle 3	Relevant Market Segment (RMS)
16) Provide tailored communication plans to suit different customer needs, including the provision of specified points of contact during the delivery process. Ensure various channels are available for customers to access support or help.	Applies to all RMS, except Unmetered LA, PFI and Other
17) Complete any cost reconciliation in a timely manner.	Applies to all RMS
18) Where there are slow moving projects and where these may impact on other customers, have processes in place for releasing capacity that is not being used.	Applied to Metered demand HV, EHV and 132kV; Metered DG HV and EHV
19) Have processes in place for the promotion of certain types of customers (such as storage) in connection queue in circumstances where they will help others connect more quickly/cheaply.	Applies to Metered DG HV and EHV
20) Provide access to services that facilitate the delivery of timely and economical connections such as 'rent a jointer' services.	Applies to Unmetered LA, PFI and Other

