



Competition in Connections Code of Practice – Modification Report

0002 – Self-Design Approval Processes

31 March 2016

1 Purpose and Objective

1.1 The intent of this modification proposal is to meet the requirements of the Competition in Connections Code of Practice (“Code of Practice”) paragraph 4.17.1, as published in July 2015, which stated that:

“By 15 January 2016, the DNO shall, in co-operation with other DNOs, review the processes and procedures for design approval by ICPs, taking into account lessons learned from the practical application of the processes and consultation with stakeholders. The conclusions of this review must propose a modification or series of modifications to this Code. The modification(s) must be progressed to decision through the change governance process. The modification(s) must ensure that the Code contains a clear, common process for design approval by ICPs. The modification must contain the criteria that establish when an ICP can approve its own designs and a definitive list of what information the DNO will provide to the ICPs”.

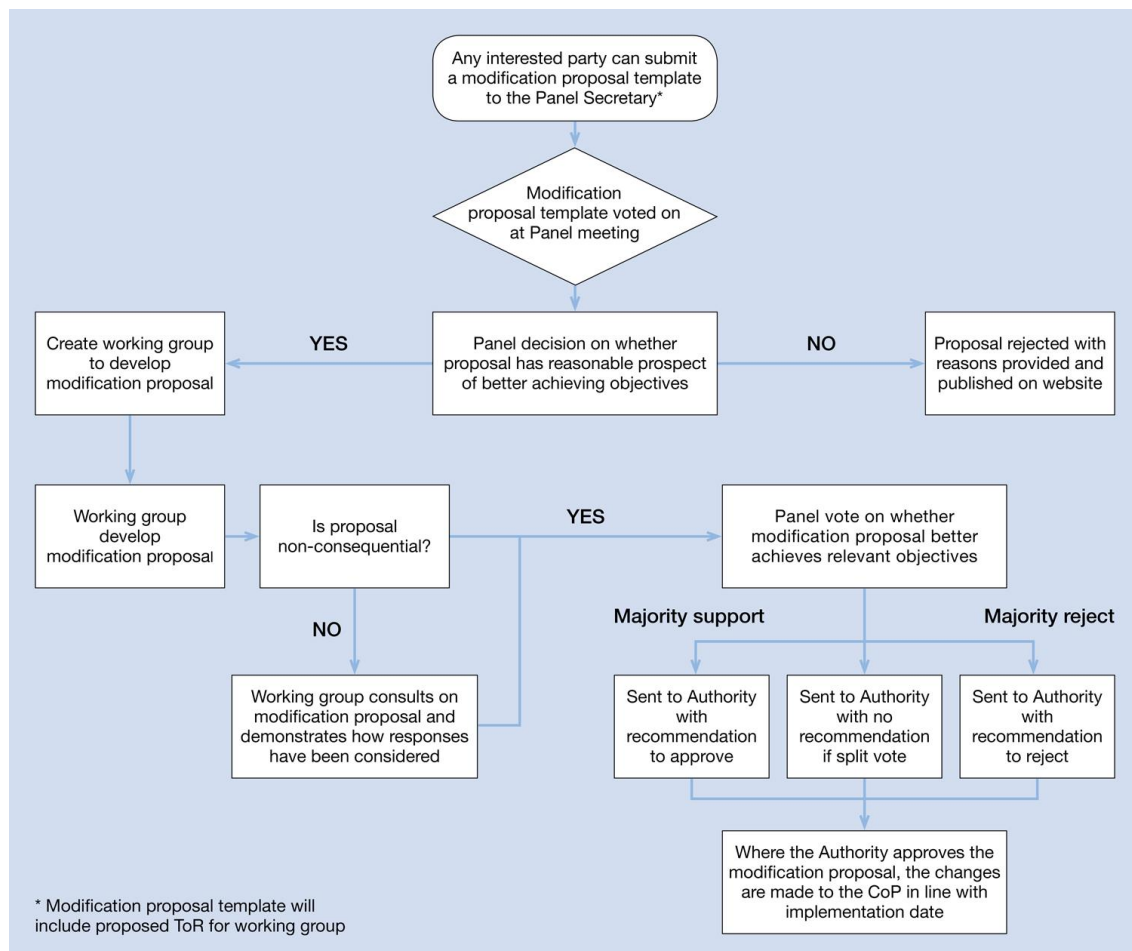
1.2 The modification proposal seeks to introduce a clear common process for self-design approval by Independent Connection Providers (ICPs). It contains criteria that establish when an ICP can approve its own designs, the criteria that dictates under which circumstances the ICP can approve its own designs. It also considers the suggestion that Distribution Network Operators (DNOs) provide a list of the information that they will give to ICPs.

2 Background

2.1 In July 2015, Ofgem approved the Code of Practice which had been developed by DNOs. This Code of Practice outlines the way in which DNOs will provide the input services to facilitate competition in the electricity connections market. DNOs are required to comply with the Code of Practice by Standard Licence Condition 52 of the electricity distribution licence.

2.2 The Code of Practice includes governance arrangements to manage changes to it over time. Under these governance arrangements a Panel was established. The Panel comprises DNOs and representatives from trade associations representing ICPs (specialising in both metered and unmetered connections) and Independent Distribution Network Operators (IDNOs). A full list of Panel members can be found on the [Code of Practice website](#).

2.3 Any interested party may submit a modification proposal to the Panel. If the Panel decides that the modification proposal can better meet the relevant objectives of the Code of Practice. A working group will be created to develop the modification proposal. Please see a diagram of the modification process below:



2.4 When Ofgem approved the Code of Practice in July 2015, it highlighted three areas where it wanted further details to be developed through the governance arrangements. These were self-design approval; self-determination of the point of connection; and reporting requirements to demonstrate compliance with the Code of Practice.

2.5 Ofgem stated that DNOs must work together to review their individual policies on design approval and that the conclusions of this review must propose a modification or series of modifications to the Code of Practice. The review was to be completed by 15 January, 2016 and DNOs are required to take all reasonable steps to progress the modification through the Code of Practice governance arrangements and implement them by 30 April, 2016.

2.6 This was on the basis that at the time the Code of Practice was developed, DNOs were still developing individual policies on design approval for ICPs so it was not clear which of these individual policies stakeholders would see as best practice. Therefore, time was provided to let these policies 'bed in', and gain a better understanding of how they work in practice, before developing a common DNO position in the Code of Practice.

3 Original Modification Proposal and Rationale

3.1 The modification proposal was raised by Scottish Power Energy Networks and was submitted to the Code of Practice secretariat on 20 November 2015. The rationale of the modification proposal was to provide further detail on the information available to ICPs wishing to carry out self-design approval.

3.2 The modification proposal was considered by the Panel who then voted to establish a working group, to develop the proposal further.

4 Working Group Considerations

4.1 The working group held its first meeting on 15 December 2015. Subsequent meetings were held on 12 January 2016 and 23 February 2016 after the release of a consultation document to discuss stakeholder responses.

4.2 The working group on self-design approval consists of the following members:

Ian Cobley (Chair)	Northern Powergrid
Andrew Hood	Western Power Distribution
Brian Hoy	Electricity North West
Catherine Falconer	SSEPD
Chris Beattie	High Voltage Systems and Services
Chris Hambling	SSE
Andy Page	SSE
Colin Jamieson	ES Pipelines
David Overman	GTC

Kevin Millward	Sterling Power Group
Martyn Crocker	UK Power Networks
Michael Catling	Northern Powergrid
Mike Scowcroft	SP Energy Networks
Steve Rogers	UK Power Networks
Paul Smith	Western Power Distribution
Peter Eagle	Balfour Beatty
Richard Bradburn	Power on Connections
Stephen Perry	Ofgem

- 4.3** The working group proposed the addition of two blank templates to the Code of Practice which each DNO will be required to complete and publish on their website. The templates will support the self-design approval process and allow comparison between DNOs.
- 4.4** The first template, Table One, will require DNOs to indicate the availability of ICP self-design approval against each of the Relevant Market Segments (RMS') as defined in the standard electricity distribution licence and as has been used previously in the development of competition in connections. In listing all the RMS' there is no intention to bring Unmetered Service work under the umbrella of the self-design approval process as generally, DNOs have well established processes for this work and there is no reason to change these.
- 4.5** The second template, Table Two, requires DNOs to indicate their terms for allowing ICPs to move between the various levels of inspection. The example shows four levels with the last showing the ICP fully able to self-approve contestable designs. The intention is that levels should be added or removed as determined by the DNO's process.
- 4.6** Each table has a comment box to allow each DNO to enter any additional information about its arrangements that may be useful for ICPs or other interested parties.
- 4.7** The working group has proposed that it is more appropriate to provide common templates for DNOs to complete than to define precisely aligned arrangements. This would be difficult at this time due to the lack of stakeholder experience in using new procedures and lack of understanding on what constitutes best practice.
- 4.8** The working group decided to remove the suggested Table Three, as they felt that the information that was asked for would be duplicating information required for self-determination of POC and therefore not necessary for the design approval stage.
- 4.9** The proposals should provide a clear indication for ICPs of the market segments when self-design approval is available in any particular DNO area and the criteria that must be met.
- 4.10** Most DNOs have an inspection process for self-design approvals submitted by ICPs that will dictate the quantity of self-approved designs they will inspect from any given ICP. Table Two will show the criteria that will apply to allow an ICP to move between the

different levels of design approval by the DNO. A proven and consistent ICP performer can expect fewer DNO inspections of their self-approved designs, with some DNOs moving to a position where the ICP is fully able to self-approve their own designs with the DNO carrying out no further inspection.

4.11 Whilst not in themselves providing full harmonisation, the templates will provide ready comparison for ICPs between DNOs and in themselves ought to encourage harmonisation between DNO practices. A DNO not offering self-design approval in a particular market segment, or having different criteria for design inspections, may feel obliged to change and come more into line with other DNOs.

4.12 At the same time by providing blank templates for each DNO to complete and publish, a DNO wishing to change their practices can do so immediately without having to take their proposed changes through the governance process which they would have to do if the templates were prescribed in the Code of Practice. The working group noted that the lack of a prescribed solution and formal governance may allow DNOs to make changes that could be construed as detrimental, as well as those which could be beneficial.

4.13 After debating the point, the working group has rejected the suggestion of adding a further table showing a definitive list of what information the DNO will provide to ICPs on the basis that such information would not be beneficial at the self-design approval stage and was not really needed to self-determine the POC. The working group considered that this requirement was already adequately covered in 4.6.2 and 4.13.2 of the Code of Practice, so adding it to section 4.17 would just be duplication.

4.14 The working group also proposed changes to 'Figure Five - Process steps in carrying out the Connection Design Approval'. These changes can be seen in the legal text.

5 Consultation

5.1 The working group published a consultation on 18 January 2016. The consultation was circulated via email to a distribution list which included:

- Over 100 ICPs and DG parties including trade associations and other interested parties.
- The distribution list contained members from the Metered Connection Customer Group (MCCG) mailing list.
- The consultation was also by request, forwarded onto other contact mailing lists by representatives of Unmetered Connection Customer Group (UCCG).
- The consultation was also sent to National Electricity Registration Scheme (NERS) with the request of onward circulation to companies holding NERS accreditations.

5.2 The consultation documents were also uploaded on the [website for the Code of Practice](#).

5.3 The list of questions asked were:

5.4

- 5.4.1** Do you agree with the amendments to the process in Figure Five?
- 5.4.2** Do you agree with the amendment to paragraph 4.16.3?
- 5.4.3** Do you agree with the use of the Relevant Market Segments in Table One?
- 5.4.4** Do you agree that Table One will enable DNOs to outline the criteria by which an ICP can approve its own designs? Please give supporting reasons.
- 5.4.5** Do you agree that Table Two will enable DNOs to outline the criteria that dictate when an ICP can approve its own designs? Please give supporting reasons.
- 5.4.6** Do you agree that no additional DNO information, other than that provided by DNOs for the self-determination of POC in section in 4.6.2 and for 4.16.3 of the Code of Practice, is required for an ICP to do self-design approvals? Please give supporting reasons.
- 5.4.7** Do you consider that the modification proposal better meets the Relevant Objective 2.3.1 a) iii) of the Code of Practice i.e. “harmonising, to the fullest extent reasonably practicable, the Input Services provided by Distribution Service Providers? Please give supporting reasons.
- 5.4.8** Do you consider that the modification proposal better facilitates competition in the market for new electricity distribution connections? Please give supporting reasons.
- 5.4.9** Do you agree that, given these proposals are accepted, Section 4.17 in the Code of Practice should be deleted? Please give supporting reasons.
- 5.4.10** Are there any alternative solutions or matters that should be considered by the Self-Design Approval Working Group?

5.5 The vast majority of the comments back from the consultation were in agreement with the proposals. All responses, along with the working group’s assessment of them can be found in the reporting matrix in Appendix Two. Below are the specific comments which have led to changes in the approach taken by the working group:

5.5.1 Do you agree with the amendment to paragraph 4.16.3?

Six out of the eight respondents to this question were in agreement with paragraph 4.16.3.

Electricity North West suggested that there was a superfluous ‘on’ within the text, which the group agreed should be removed.

Power On Connections said that they did not believe that the current paragraph made it clear what the criteria were for an ICP to carry out its own

design approval. They said this should be no more onerous than those employed by the DNO when giving the same authority to its own designers, and suggested alternative text. The group discussed the issues raised and recognised the sentiments expressed but agreed that the two tables, when considered together, should be enough to indicate the requirements an ICP had to meet in order to self-approve their own designs. There had been some discussion in the working group regarding individual DNO design approval criteria and how it should itself cater for ICPs coming into a licence area and would be able to demonstrate the ICPs own capability in another DNO area. The group considered the Code of Practice itself should place enough obligations on DNOs to cater for this situation arising.

5.5.2 Do you agree that Table Two will enable DNOs to outline the criteria that dictate when an ICP can approve its own designs? Please give supporting reasons.

Seven out of the eight respondents to this question were in agreement with the proposed Table Two.

Power On Connections said that they did not agree with the current table, stating that when the ICP qualifies to approve their own design, they should have the immediate right to implement that design. They felt that the current template would give the impression that there are a number of different levels or stages that the ICP must go through before achieving its own design approval. They said that this was not the case across all the DNOs, stating some examples. They produced their own table which they felt better reflected the right of the ICP. The group considered this at length, but it was decided that it was too early to make changes as there was not currently consensus over what was best practice in the area. The working group also considered that this proposal came from one ICP and that this may not be reflective of how best practice is viewed by other ICPs. The group felt this was something that could be developed in the future as what constitutes best practice becomes clear.

5.5.3 Do you consider that the modification proposal better meets the Relevant Objective 2.3.1 a) iii) of the Code of Practice i.e. “harmonising, to the fullest extent reasonably practicable, the Input Services provided by Distribution Service Providers? Please give supporting reasons.

Seven of the eight respondents to this question considered that the modification proposal better met the relevant objective.

GTC stated that if all DNOs took the same view and worked together to provide the relevant information, then they believed the modification could fulfil the objective. They stated that this could be achieved though designers in DNO businesses treating ICPs in a similar way to their own business. They also suggested that there could be other measures put in place to ensure that DNOs do not provide a different level of service to its own connection teams, than it does to its competitors. The working group noted this observation and considered this an area that could be considered as they continue to develop best practice. It was also noted that it would be a significant increase in the scope of the modification to add this detail in at this stage.

5.6 The working group noted that some of the responses recognised, that the code was still developing and there was no single view over what constitutes best practice among DNOs. This means that some of the points raised from the consultation about best practice can only be developed over time.

5.7 The Panel considered the responses matrix, while discussing whether to approve the modification proposal.

6 Legal Text Change

6.1 Please see the proposed changes to the legal text in Appendix One.

7 Implementation

7.1 The proposed changes to the CoP will be implemented on 30 April 2016 or on whichever date thereafter when Ofgem approves the modification.

8 Evaluation against Code Objectives

8.1 The working group considered the modification proposal against the Code of Practice Relevant Objectives Section 2.3.1:

“

- a) *Facilitate competition in the market for new electricity distribution connections through:*
 - i) *Minimising, to the fullest extent reasonably practicable, the number and scope of Input Services which are only available to the DNO;*
 - ii) *providing Input Services on an equivalent basis to all Connection Parties that operate in the Local Connections Markets; and*
 - iii) *harmonising, to the fullest extent reasonably practicable, the Input Services provided by Distribution Service Providers.*
- b) *Not to distort, prevent or restrict competition in the market for new electricity distribution connections; and*
- c) *Facilitate compliance with the regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators”*

8.2 The purpose of this modification was to introduce in the Code of Practice a clear, common process for self- design approval by ICPs. The modification proposal outlines the information DNOs must provide and dictates the format in which it must be presented.

8.3 Once completed and published on their websites by each DNO, Table One will show by relevant market segment, where an ICP can self-approve designs and any conditions that may be applied by the DNO. Table Two will show the criteria by which a DNO allows an ICP to move between the various levels of inspection and when read together; the conditions when an ICP can self-approve its own designs should be clear.

8.4 When completed and published, Table One will allow DNOs to demonstrate that how they are minimising Input Services and how they are providing Input Services on an equivalent basis to all Connection Parties that operate in the Local Connections Markets. It will be readily identifiable if there are difficulties in allowing ICPs to do self-design approval in a particular market segment.

8.5 As the tables will be common to all DNOs this will enable comparison to be drawn by ICPs and by DNOs, which will drive further harmonisation, help to identify ‘best practice’ and benefit the development of competition in connections.

8.6 Taking this into consideration, the working group concluded that this modification proposal, with the deletion of Table Three from the original proposal, met the requirements of paragraph 4.17 of the existing Code of Practice which places an obligation on the DNOs to take all reasonable steps to progress such a modification through the governance process for implementation in the Code of Practice by 30 April 2016. The Panel believed that the modification better meets the harmonisation requirements of the Relevant Objective shown at section 2.3.1 a) iii) of the Code of Practice i.e. *“harmonising, to the fullest extent reasonably practicable, the Input Services provided by Distribution Service Providers.”*

9 Panel Recommendation

9.1 The Panel considered the responses to the consultation and the report submitted by the working group. The following Panel votes are set out below:

Name	Decision
Andrew Green – CNA	Approve
Brian Hoy - ENWL	Approve
Catherine Falconer – SSE	Approve
Chris Roe – UCCG	Approve
David Overman - CNA	Approve
Gareth Pritchard – UCCG	Approve
Glyn Jones – MCCG	Approve
Ian Cobley – NPg	Approve
Mike Scowcroft – SP	Approve
Neil Fitzsimons – MCCG	Approve
Neil Magrath – UKPN	Approve (submitted vote via email before

	meeting)
Tim Hughes – WPD	Approve

9.2 The Panel voted to send a recommendation to the Authority to approve the modification proposal.

10 Attachments

Appendix One: 0002 Self Design Approval Legal Text

Appendix Two: 0002 Self Design Approval Modification Proposal

Appendix Three: 0002 Self Design Approval Consultation Document

Appendix Four: 0002 Self Design Approval Consultation Responses

Appendix Five: 0002 Self Design Approval Consultation Responses Matrix