



Competition in Connections Code of Practice – Consultation

0002 – Self-Design Approval Processes

18 January 2016

Version 1

1 Purpose and Objective

1.1 The purpose of this consultation is to seek wider views on proposed changes to the input services which Distribution Network Operators (DNOs) will provide on self-design approval for connections undertaken by Independent Connection Providers (ICPs). This document has been published on the [Competition in Connections Code of Practice website](#) and communicated to ICPs / Independent Distribution Network Operators / DNOs and other interested Parties.

1.2 The intent of the modification 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".

1.3 Consequently this modification proposal is seeking to introduce a clear common process for self-design approval by 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 DNOs provide a list of the information that they will give to ICPs.

1.4 The working group is seeking responses by 17.00 on 08 February 2016 after which the working group will consider the responses and publish its conclusions alongside a final modification report. This report will go to the Competition in Connections Code of Practice Governance Panel ("The Panel") to consider its recommendation for approval or rejection which will then be submitted to Ofgem for their final decision on whether to include the changes in the Code of Practice.

1.5 Alongside this document, other Code of Practice working groups have issued consultations on [self-determining the point of connection](#) and on [how DNOs will report against the requirements within the Code of Practice](#).

2 Background

- 2.1** In July 2015, Ofgem approved the Code of Practice which had been developed by Distribution Network Operators (DNOs). This Code 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. This comprises of DNOs and representatives from trade associations representing ICPs (specialising in both metered and unmetered connections) and 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 may better meet the Code of Practice relevant objectives then a working group will be created to develop the modification proposal. The working group must consult with interested parties and produce a report for the Panel, to include both recommendations and how any consultation responses have been taken into account. The Panel will vote on whether the modification proposal better meets the Code of Practice relevant objectives and the outcome of the vote will determine if the report recommend that Ofgem approves or rejects the proposal. The report together with any recommendation will be sent to Ofgem for a decision. If Ofgem approves the modification proposal the Code of Practice will be modified accordingly.
- 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 is 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 Summary of Changes

- 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 working group has proposed the addition of two blank templates to the Code of Practice (see Appendix One) 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.
- 3.3** The first template, Table One, will require DNOs to indicate the availability of ICP self-design approval against each of the Relevant Market Segments (RMSs) 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 RMSs there is no intention to bring Unmetered Service work under the umbrella of the self-design approval process. Generally, DNOs have well established processes for this work and there is no reason to change these.
- 3.4** 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 but the intention is that levels should be added or removed as determined by the DNO's process.
- 3.5** Each table has a comments box to allow each DNO to enter any additional information about its arrangements that may be useful for ICPs or other interested parties.

4 Rationale for Changes to Code

- 4.1** The working group has proposed that it is more appropriate to provide common templates for DNO completion 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.
- 4.2** 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.
- 4.3** 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 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.

- 4.4** 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. As 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.
- 4.5** 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. 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.
- 4.6** 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 adequately covered in 4.6.2 and 4.13.2 of the Code so adding it to section 4.17 would just be duplication.
- 4.7** The working group also proposed changes to 'Figure Five - Process steps in carrying out the Connection Design Approval'. These changes are intended to clarify the flowchart self-design approval process and aid understanding.
- 4.8** 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

4.9 Rationale held against the Code of Practice Relevant Objectives Section 2.3.1:

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- 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”*

4.10 This modification proposal is considered to better meet 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.”*

5 Questions in summary

5.1 Do you agree with the amendments to the process in Figure Five?

5.2 Do you agree with the amendment to paragraph 4.16.3?

5.3 Do you agree with the use of the Relevant Market Segments in the Table One?

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 Do you consider that the modification proposal better facilitates competition in the market for new electricity distribution connections? Please give supporting reasons.

5.9 Do you agree that, given these proposals are accepted, Section 4.17 in the Code of Practice should be deleted? Please give supporting reasons.

5.10 Are there any alternative solutions or matters that should be considered by the Self-Design Approval Working Group?

6 Implementation

- 6.1** Responses should be submitted to the Code of Practice secretariat – code.administrator@energynetworks.org by 17:00 on 8 February 2016. All responses will be published on the Code of Practice website, unless otherwise listed as confidential.

7 Attachments

- 7.1** Appendix One – Legal changes to the text in the Competition in Connections Code of Practice.

- 7.2** Appendix Two – Modification Proposal: Self-design Approval.

