Network Planning & Regulation

Ofcom
Riverside House
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Your ref

Our Ref

Date
6th August 2015

Contact / Extension
[redacted]

Dear Colleague

This is the response of SP Energy Networks to the consultation on the Business Continuity Market Review (BCMR).

About Us

SP Energy Networks (SPEN) is part of the Scottish Power Group of companies and is regulated by The Office of Gas and Electricity Markets (Ofgem). SPEN transmit and distribute power on behalf of supply companies through a network of cables and power lines that it owns and maintains. SP Transmission plc, SP Distribution plc and SP Manweb plc are the licence holding companies within SPEN. All three licences contain specific confidentiality and business separation provisions to ensure that we remain separate to the supply and generation areas of Scottish Power.

SP Distribution and SP Manweb are the owners and operators of the electricity distribution network within Central Scotland, Southern Scotland, Merseyside, Cheshire, North Wales and North Shropshire. The network is used to distribute electricity from bulk supply points to around 3.5m customers

SP Transmission is the Transmission Network owner in central Scotland. The electricity transmission network consists of the high voltage electricity wires that convey electricity from power stations to distribution system entry points or, in certain cases, direct to end users' premises.

Why is the BCMR Important to Us?

We rely heavily on the provision of a quality and reliable service from BT to support protection and control systems on the networks that we operate. These systems are critical to the safe, secure and economic operation of the electricity transmission and distribution network.

SP Transmission plc, Registered Office: 1 Atlantic Quay, Glasgow, G2 8SP Registered in Scotland No. 189126 Vat No. GB 659 3720 08
SP Manweb plc, Registered Office: 3 Prenton Way, Prenton, CH43 3ET Registered in England and Wales No. 2366937 Vat No. GB659 3720 08
SP Distribution plc, Registered Office: 1 Atlantic Quay, Glasgow, G2 8SP Registered in Scotland No. 189125 Vat No. GB 659 3720 08

The most significant issue for SPEN, and for our customers, relates to leased copper BT services for critical protection applications. These services will be made obsolete by 2018 as part of BT's 21CN development programme. It is therefore essential that a timely transition to a modern equivalent service is made. As a result, we are reliant on Openreach, as a regulated monopoly, for the provision of modern alternative services. The Ethernet Access Direct (EAD) provides point to point data connectivity between sites and has a specification that meets our protection application requirements. The cost of providing alternative services between now and 2018 is in excess of £25m and this has been factored into the price controls that haven been agreed with Ofgem, the energy regulator.

In addition, we are reliant on Openreach to provide EAD services as part of our our multi-billion pound investment programme in the modernisation and extension of our electricity networks in support of Government energy policy.

The service that we receive from Openreach is poor with late delivery, an apparent lack of ownership/responsibility and poor communication. This has had a direct impact on SPEN and our customers in terms of increasing cost and has the potential to significantly impact the safety and security of our network. It is therefore very important that the BCMR drives significant improvements in service.

The table below shows the SPEN delivery experience thus far, which demonstrates that less than 30% delivery milestones are achieved against an Openreach forecast. This poor performance was highlighted recently when an Openreach delivery forecast of 12 and 13 EAD circuits in June and July 2015 respectively resulted in an actual delivery of zero in both months. This poor performance to deliver the forecasted volumes has a significant impact on the SPEN capital investment programme.

SPEN EAD Project Delivery Experience			
2014 Performance		2015 Performance	
Forecasted circuit delivery from Openreach *	Actual Circuits Delivered	Forecasted delivery from Openreach*	Actual Circuits Delivered
34	7	62	19
* (Forecasted dates only received following Executive escalations)			

We are of the view that the use of Committed Delivery Date is not an appropriate metric to measure Openreach delivery, as the committed delivery date is the last milestone in a long process. To support this view, despite orders being raised over 18 months ago for 69 circuits, Openreach have provided less than half of the Committed Delivery Dates so far. SPEN would prefer if the time taken from order placement to final circuit delivery was used.

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Whilst we appreciate there is a level of complexity and interdependency around civil works and permissions, this would enable us to use more realistic measurements to plan projects appropriately.

Improving Service

The regulatory regime that is applied by Ofgem to the operators of gas and electricity networks in Great Britain is heavily focused on service levels with strong financial incentives on licensees to provide minimum standards of service and strive for continual improvement. This has resulted in significant improvements in service over the last 25-years. The latest regulatory settlement for our distribution licences, RIIO-ED1, has approximately £54m in rewards and £97m in penalties associated with customer service.

A similar regime is required to drive a focus on customer service from Openreach. We note that tighter rules around quality of service are proposed but that these will not come into force until April 2017. Quality of service has deteriorated over a number of years and, in our view, April 2017 is too late for a new regime to be introduced.

Conclusion

As a large enterprise customer, responsible for operating large parts of the country's critical national infrastructure, we consider that that the current quality of service provided by Openreach is not acceptable. This has a significant and detrimental impact on SPEN and on our customers. We welcome recognition by Ofcom that additional regulatory measures are required to address Openreach's incentives to deliver an adequate standard of service. We encourage Ofcom to consider introducing an appropriate incentive/penalty regime at the earliest possible opportunity.
We are pleased to have the opportunity to contribute to this consultation. In addition, we would welcome a meeting with Ofcom to discuss our experience in more detail and provide some further thoughts on appropriate incentive regime.

Yours faithfully,

SP ENERGY NETWORKS