

DETERMINATION BY THE GAS AND ELECTRICITY MARKETS AUTHORITY OF A DISPUTE REFERRED TO IT UNDER SECTION 23 OF THE ELECTRICITY ACT 1989 CONCERNING THE CHARGE FOR AN ELECTRICITY CONNECTION TO THE PREMISES

1 INTRODUCTION

- 1.1 The Gas and Electricity Markets Authority (the "Authority") has been referred a dispute for determination by [REDACTED] (the "Customer") of [REDACTED] [REDACTED] (the "Premises") between the Customer and [REDACTED] [REDACTED] (the "Company").
- 1.2 The dispute concerns the level of charge applied for undergrounding an overhead service line by the Company to the Premises.
- 1.3 The dispute has been referred for determination under section 23 of the Electricity Act 1989 (the "Act"). Under section 23 of the Act, the Authority is required to determine such disputes once a Customer has requested that it do so.

2 BACKGROUND

- 2.1 On 21 February 2006, the Company supplied the Customer with a quote of £2,456 (including VAT) to carry out works to underground an existing service cable. The quote excluded excavation works which were to be carried out by the Customer.
- 2.2 The Customer complained about the Company's charges to energywatch in March 2006. The Customer received a reply from the Company on 7 June 2006 with a breakdown of the costs which the Company considered to be reasonable.
- 2.3 The Customer's project was subject to delays and a revised quote for the works was provided by the Company on 24 November 2006. The Company's quote had increased to £2,557 (including VAT). The Customer was not satisfied but accepted this quote and paid for the costs of undertaking the works in advance. The works were completed by the Company on 17 February 2007.
- 2.4 The Customer requested a final statement from the Company on 20 April 2007 and raised a further complaint with energywatch on 11 May 2007. On 15 June 2007, the

Customer received a letter and refund of £343 from the Company for some elements of work that were not carried out as part of the job at the Premises.

- 2.5 The request for a formal determination was received by the Office of Gas and Electricity Markets ("Ofgem") on 15 January 2008. The Customer asked the Authority to determine the dispute under section 23 of the Act. Ofgem is the office set up to assist the Authority to discharge its statutory responsibilities.

3 VIEWS OF THE CUSTOMER

- 3.1 On 21 February 2006, the Company supplied the Customer with a quote of £2,456 (including VAT) to change the electricity supply at the Premises from overhead to underground due to extension works at the Premises. This was from a pole situated approximately 60 metres away, on a neighbour's property. Excavating trenches was excluded from this as this was the Customer's responsibility. The Customer contacted energywatch in March 2006 with concerns that the Company's quote for undergrounding an overhead service line was excessive. The Company provided a breakdown of costs on 7 June 2006 to energywatch. energywatch was advised by the Company that their technical department considered the charges to be reasonable.
- 3.2 The Customer received a revised quote from the Company for £2,557 (including VAT) on 24 November 2006, and states that this was an increase of approximately 4%. As this work was essential for the Customer's project, the Customer accepted the quote and paid the full amount in advance as required by the Company. The Customer considered that the final cost for undertaking works would be significantly less and that the Company would provide a sizeable refund.
- 3.3 On 1 February 2007, two subcontractors laid a new cable in the trench the Customer had excavated.
- 3.4 On 17 February 2007, the Customer states a day later than agreed by the Customer, the Company's contractors disconnected and removed the old cable and connected the new service. The Customer states that the Customer accepted and paid the quote on 25 November 2006 but the work was not scheduled by the Company, after much prompting from the Customer, until Friday 16 February 2007, which was cancelled by the Company with no notice. The Customer states that knowing that the Customer

had scheduled a major element of building work on the understanding that the overhead line would be removed; the Company volunteered to carry out the work on Saturday 17 February 2007. The Customer states that the Company's contractors were on site at 10.10 am and left site at 12.20 pm. The Customer states that the only people affected were the Customer and a neighbour and the Customer had undertaken to keep the neighbour informed of when the work would be carried out.

3.5 On 20 April 2007, the Customer contacted the Company for a final statement and was informed that this could take up to two months. The Customer pointed out that two months had already elapsed and was informed by the Company that it would investigate this matter further and advise the Customer. The Customer states that he was informed that the final amount for the work was unlikely to differ significantly from the Company's quote of 24 November 2006. On 11 May 2007, the Customer again raised his complaint with energywatch since the Company had still not responded to the Customer.

3.6 On 15 June 2007, the Customer received a payment of £343 which the Company stated was a refund in respect of works not carried out. No further details were provided to the Customer. The Customer suggests that the Company's quote of 24 November 2006 can be broken down between labour and materials in the same ratio as the original i.e. 83% labour, then labour costs equate to £2,122 (including VAT). The Customer points out that even if the Company's refund relates only to labour costs, the final connections cost for undergrounding a service cable is £1,778 (including VAT) which the Customer considers to be excessive in light of the work the Company carried out.

4 VIEWS OF THE COMPANY

4.1 The Company states that the Customer requested a quotation for undergrounding the overhead service line to the Premises in November 2006. The quotation was accepted by the Customer and the work was carried out in February 2007.

4.2 The Customer's original overhead service was provided from a high voltage (HV) pole mounted transformer that also served another house. In order to underground the line the Company had to remove one span of overhead line service from the transformer pole to the Premises and terminate the remaining overhead service to the remaining neighbouring premises. The Company installed 60 metres of low voltage

cable from the transformer pole in a trench excavated and reinstated by the Customer.

- 4.3 The Company re-connected the transformer pole wiring to the remaining overhead service and ran new wiring on the transformer pole for the newly installed underground cable.
- 4.4 The Company states that at the Premises, the existing external cable from the overhead service was re-routed to ground level to facilitate jointing to the new installed underground cable.
- 4.5 The Company submitted a breakdown of the costs in its quotation with a letter to energywatch dated 19 October 2007.
- 4.6 The Company states that as stated in the letter to energywatch, the Company agreed with the Customer at his request, to carry out this work on a Saturday, as the extension works at the Premises could not progress until the overhead service was undergrounded. The Company states that the Customer agreed with the Company to carry out the work on the Saturday, as otherwise there would have been a further delay of several weeks to schedule the overhead line work involved. The Company disagrees with the Customer's assertion that their workers were on site only from 10.10 am to 12.20 pm. The Company states that their workers were on site from 8.30 am on the day in question. The Company states that the additional overtime costs for work on the Saturday were not passed on to the Customer and state that they do not recognise the source of the Customer's reference to 83% in paragraph 3.6. The Company states that the "refund" of 15 June 2007 was made as a goodwill payment, although the Company accepts that this is not explicit in their letter to the Customer of 15 June 2007.
- 4.7 The Company says that the charge levied was reasonable and in accordance with the Company's published statement of connection charging methodology.

5 STATUTORY OBLIGATIONS

- 5.1 Under section 19(1) of the Act, an electricity distributor may require any expenses reasonably incurred in providing any electric line or electric plant to be defrayed by the person requiring the connection to such an extent as is reasonable in all the

circumstances. Under section 19(4) of the Act, such expenses included in the recovery of the capitalised value of any expenses likely to be incurred in continuing to provide the electric line or electric plant.

5.2 Any dispute arising under sections 16 to 21 of the Act, between an electricity distributor and a person requiring a supply of electricity may be referred to the Authority under section 23 of the Act for determination.

5.3 The works undertaken is a connection that falls within the statutory obligations set out above.

6 CONCLUSIONS / DISCUSSIONS

6.1 Both parties have agreed that their arguments are reasonably reflected in sections 3 and 4 of this determination.

6.2 The Authority has carefully considered the arguments set out in the Customer's and the Company's sections and the additional information including the emails provided by both the Customer and Company.

6.3 In considering all these arguments the Authority has set out its findings and conclusions below. In particular, the Authority has considered whether the charges under the Company's connection charging methodology are reasonable for the works undertaken by the Company.

The amount of time the Company's workers/contractors were on site

6.4 We note the differences in opinion about the amount of time the Company's workers/contractors were on site. This matter is reflected in paragraph 3.4 of the Customer's section and paragraph 4.6 of the Company's section. We sought further clarity on this matter from the Company when we asked the Company to provide further details of the labour and materials costs for the works the Company undertook. The Company considered this request but considers the cost breakdown as provided to energywatch to be of sufficient detail for the Authority to progress its decision on this determination.

- 6.5 We note that the Company's hours are inclusive of time allowed to travel to the Premises to carry out the required works and that the Company asserts that it did not charge overtime rates for completing works on a Saturday. We also note that the Customer's email of 26 June 2008, explained that the works undertaken at the Premises by the Company were video recorded by the Customer and that the Customer asserts that the Company's workers/contractors were on site from 10.10 am and the left site at 12.20pm.
- 6.6 In reaching the Authority's decision on this determination we have focussed on whether the costs levied by the Company for undertaking the works as a whole are reasonable in their entirety.

The Company's refund

- 6.6 We note that the Customer received a refund from the Company on the 15 June 2007 for £343. Paragraph 3.6 of the Customer's section explains that the refund was for works that were not carried out by the Company. We note that section 4.6 of the Company's section suggests that the refund was made as a goodwill payment and that the Company accepts that this is not explicit in their letter to the Customer of 15 June 2007. We have obtained a copy of the refund letter and note that it clearly states that the refund relates to work that was not carried out. We have asked the Company to clarify this point and it was unable to explain this discrepancy. Therefore, for the purposes of this determination, the Authority has concluded that the Company refunded the Customer for works that it has not undertaken.

The reasonableness of the Company's charges

- 6.7 The Authority notes that a pole-mounted transformer provided overhead line LV connections to two properties, one of which supplied the Customer's property.
- 6.8 We understand that the Customer requested that the Company replace the overhead line connection with an underground connection and that the works were completed by the Company in February 2007.

6.9 We requested from the Company a detailed breakdown of the costings for the work undertaken. The Company has declined to provide additional costing information and considers the cost breakdown as provided to energywatch to be of sufficient detail for the Authority to progress its decision on this determination.

6.10 When assessing the reasonableness of the Company's costs, the Authority has also taken into consideration the scope of the works undertaken by the Company. We also note, following completion of the works, the Customer received a refund from the Company of £343.

6.11 The Authority has concluded having reviewed the scope of the works undertaken, the breakdown of the costs provided by the Company and the refund for works that were not undertaken by the Company, that the reasonable costs for undertaking the works by the Company at the Premises to be £1,915 (including VAT)

7 DETERMINATION

7.1 Having due regard to all the points outlined above, the Authority has concluded that the Company's expenses of providing the connection (after deducting the refund for works not undertaken) to the Premises is £2,214 (including VAT). The Authority has determined that the reasonable costs of undertaking the works to be £1,915 (including VAT). Therefore, the Authority determines that the Company should refund the Customer the difference between £2,214 (including VAT) and £1,915 (including VAT) which amounts to a refund of £299 (including VAT). The Authority's breakdown of the costs are set out below:

Summary of the Authority's costs findings

Customer's original quote	£2,557 (including VAT)
Less Refund	£ 343 (including VAT)
	£2,214 (including VAT)
Authority's decision on reasonable costs	£1,915 (including VAT)
Amount payable to the Customer which includes VAT	£ 299 (including VAT)

7.2 This document constitutes a notice stating the reasons for the Authority's decision for the purpose of section 23 of the Act.

Rachel Fletcher (16 September 2008)

A handwritten signature in black ink, appearing to read "Rachel Fletcher". The signature is written in a cursive style with a large, sweeping initial "R".

Director, Distribution

Duly authorised on behalf of the Gas and Electricity Markets Authority