

DETERMINATION BY THE GAS AND ELECTRICITY MARKETS AUTHORITY

A dispute referred to it under section 23 of the Electricity Act 1989 concerning the terms quoted for the provision of points of connection between a Customer and Southern Electric Power Distribution

INTRODUCTION

- 1.1 The Gas and Electricity Markets Authority ("the Authority"¹) was asked by [REDACTED] ("the Customer") to determine a dispute between the Customer and Southern Electric Power Distribution plc ("the Company"). The dispute concerns the cost of quoted charges for alterations to an existing connection at the Customer's property, [REDACTED] ("the premises").
- 1.2 The dispute was referred to us for determination under section 23 (1A)(a) of the Electricity Act 1989 ("the Act"). We are required to determine such disputes under section 23 (1A)(b) of the Act.
- 1.3 Copies of the statement of facts by the Customer and the Company in relation to the dispute are attached as Appendices 1 and 2 (respectively) to this Determination. The responses to the parties' statement of facts and further comments are attached as Appendix 3.

STATUTORY OBLIGATIONS

- 1.4. Section 16 of the Act provides that:

(1) An electricity distributor is under a duty—

(a) to make a connection between a distribution system of his and any premises, when required to do so by—

(i) the owner or occupier of the premises...

for the purpose of enabling electricity to be conveyed to or from the premises...

- 1.5. Section 19(1) of the Act provides that:

"Where any electric line or electrical plant is provided by an electricity distributor in pursuance of section 16(1) above, the distributor may require any expenses reasonably incurred in providing it to be defrayed by the person requiring the connection to such extent as is reasonable in all the circumstances."

- 1.6. 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 us under section 23 of the Act for determination.

¹ In this document the use of "we" and "us" means Ofgem or the Authority

FACTS OF THE CASE

- 1.7. The following is what we consider to be the facts of the case, based on our assessment of the information submitted to us.
- 1.8. During 2012, the Customer contacted the Company enquiring about the cost of upgrading the existing electricity connection to the premises.
- 1.9. A proposed expansion on the Customer's premises required a new 100kVA three phase supply and increased capacity to supply additional connection points (6 x single phase domestic connections). On 10 October 2013 the Company provided a formal quotation (DXE669/2) detailing connection costs of £37,057.65 (including VAT as applicable).
- 1.10. The Company claim that the quote was based on the following work (but we note that not all of this detail was included in the quote provided at the time):
 1. EHV WORKS
 - a. Extra High Voltage (EHV) network shutdown to allow upgrade of existing 33kV line and connection of new line (including customer notification, control room supervision and switching on EHV network)
 - b. Upgrade of 2 span/140m of existing 33kV for 2-wire (single phase) to 3-wire (three phase) (including line survey, procurement and transfer of equipment to site, steelwork and fusing)
 - c. Construct 3 new span of 33kV overhead line (210m/28mm CU conductor) comprising 1 H-pole and 2 interim poles and associated stays (including line survey, planning/legals, project management, procurement and transfer of equipment to site etc)
 - d. Erect a 100kVA 33kV/LV Pole Mounted Transformer on the new H-pole (including associated earthing and EHV fusing)
 2. LV WORKS
 - a. Dismantle, make good and remove from site of 4 span of existing low voltage line (including steelwork, stays, conductor, poles)
 - b. Lay and blind LV mains cable from the new transformer 280m and pot end. Lay and blind 6 single LV service cables and 1x 3-phase LV new mains cable to new service positions
 - c. LV cable jointing (including associated jointing material):
 - i. Connection to HV Transformer
 - ii. 1 x Pot-ending of mains cable and 2 x breech joint of mains cable
 - iii. 6 x single phase Service jointing of new underground service to mains cable, termination in new service positions (including 100A single phase cutout terminations)
 - iv. 1 x three phase termination in new service positions (including 3-phase 100A cutout terminations).
 3. For all above: Secure planning, wayleaves, legals and final records for new and modified overhead and underground assets.
- 1.11. The quote was valid for 30 days.

- 1.12. The Customer sought advice from an independent electrical surveyor ([REDACTED] ('the Consultant')), in whose opinion the costs quoted by the Company were excessively high. The Customer did not accept the quote.
- 1.13. The Customer enquired with the Ombudsman and Citizen's Advice but was reportedly informed that they either did not cover grievances regarding the price of connections or that the Customer did not qualify in terms of the thresholds applied to domestic and micro business.
- 1.14. On 11 November 2013 the Customer raised his concerns on this matter with Ofgem. We explained the determinations process but encouraged the Customer to try to resolve the issue first with the Company.
- 1.15. On 21 November 2013 the Customer wrote to the Company raising his concern about the cost he had been quoted. He provided the independent Consultant's opinion on the quoted costs, including a breakdown of the work the Consultant felt was required at a total cost of £16,180.
- 1.16. On 9 December 2013 the Company responded to the Customer. The Company pointed out that the Consultant's assessment did not fully cover all aspects of the work required and highlighted the specific items which had been omitted.
- 1.17. Between November 2013 and November 2014 the Customer and Company continued to explore ways in which the scope of the works could be minimised while still meeting the Customer's needs.
- 1.18. The Company suggested lower cost solutions such as providing the alternative of a single rather than a 3-phase connection, or reducing the transformer size from 100 to 50kVA. The Customer however considered that the 3-phase supply and 100kVA transformer were essential to meet its plans to install a [REDACTED]; and possibly a [REDACTED] in future.
- 1.19. On 7 November 2014 the Company provided an updated formal quotation (DXE669/3) detailing costs of £37,574.85 (including VAT as applicable). The increase in the cost of this quotation reflected updated material, contractor and labour costs. This quote was valid for 90 days.
- 1.20. On 1 December 2014 the Customer contacted us to request a determination on what they consider to be the high cost of the work they had been quoted and the lack of choice available to them in choosing who to carry out the work.
- 1.21. On 15 December 2014 we notified the Customer that our initial view was that under section 23 of the Electricity Act 1986 we have the power to determine whether the prices quoted were reasonable for the work required to connect the customer. We also confirmed that the scope for the determination could not consider the concerns raised by the Customer at the shortage of independent connection providers available to carry out this work.
- 1.22. On 8 January 2015 we notified the Company of the Customer's request for a determination.

OUR CONSIDERATION OF THE EVIDENCE

- 1.23. We consider that the works requested by the Customer gave rise to a duty on the Company to complete the works under section 16 of the Act. Section 16(4)(a) of the Act provides that "*any reference to making a connection includes a reference to maintaining the connection*". The duty to make and to maintain a connection includes a duty to provide and continue to provide the electric lines or electrical plant that may be necessary for the connection (sections 16(2) and 16(4)(a)). The duty to provide includes both a duty to install new electrical apparatus and to modify existing ones (section 16(4)(c)). The making and maintaining of a connection requires that electric lines or plant must be provided or replaced as necessary. The moving of overhead lines to underground cables in order to maintain a connection would fall under this section.
- 1.24. The works quoted would therefore constitute the maintaining of an electricity connection that falls within the statutory obligations set out above.
- 1.25. In order to assess whether the costs were reasonable we have assessed both the scheme design and the associated costs. In order to inform our views on both of these points we commissioned an independent consultant to provide us with technical advice.

DISCUSSIONS AND CONCLUSIONS

- 1.26. We have assessed the requirements of the Customer. We note that the Company proposed two possible alternative schemes which would have reduced the total cost of the work, but the Customer rejected these as they did not meet his requirements.
- 1.27. Drawing on the views of the independent consultant we do not believe any additional or avoidable work has been proposed by the Company. We therefore consider that the scope of the works that reportedly informed the quotes issued met the requirements of the Customer. We have not identified any alternative scheme that could have led to lower costs while meeting the requirements of the Customer.
- 1.28. The most recent quote to the Customer (DXE669/3) was for £37,574.85 (excluding VAT). Based upon a desktop assessment of the reasonable cost associated with making the connection, we estimate that work requested could have been carried out for £36,392 (excluding VAT). We are mindful that our estimate could differ slightly from a cost derived from a more detailed process of cost estimation. Our estimate of cost is within 3.15% of that quoted by the Company.
- 1.29. Our estimate and the quote issued are sufficiently close for us to conclude that the price the customer has been quoted is a reasonable reflection of the cost of the work involved in providing the connection.
- 1.30. While overall our estimated cost for the proposed work is close to that quoted by the Company, the quoted labour cost of installing the LV cable is significantly higher than our estimate. This could however be explained by difficult terrain.

- 1.31. This cost item difference is offset elsewhere, for example the cost of the LV mains cable which the Company has quoted at a lower cost than our estimate.
- 1.32. The cost estimate provided by the Customer's independent Consultant underestimates the works required to meet the customer's requirements. The significant costs associated with upgrading the existing 33kV (EHV) to three phase have not been included. The lack of a clear breakdown of the quote and the accompanying drawing (DXE669-2) could have led to this exclusion.
- 1.33. The Customer refers to a fall in copper prices from a previous high point which it considers should be reflected in the updated quotation (DXE669/3). The Company has noted that its cost estimates are based on costs at the time of quotation but that if actual costs are significantly lower there is a mechanism for the savings to be passed on to the Customer.

DETERMINATION

- 1.34. We have carefully considered the submissions of both parties. We determined the reasonableness of charges for the required connections to the Company's licence conditions and Connection Charging Methodology. On the basis of the evidence submitted by both parties we have determined the following:
 - i) we find the Company's quoted works to be the minimum cost scheme to meet the Customer's requirements; and
 - ii) that the charges quoted by the Company are reasonable.
- 1.35. We are disappointed that the Company did not engage more pro-actively with the Customer on this issue at an earlier stage of the process.
- 1.36. From the facts provided it appears that it is only since the dispute was referred to us for determination that the Company provided a more detailed breakdown of the quotation and costs, and highlighted the 'missing' elements of the cost comparison provided by the Customer.
- 1.37. We consider that better engagement by the Company could have more effectively addressed the Customer's perception that the costs quoted were high. In order to make our determination, we have incurred the cost of appointing a consultant to inform our decision.
- 1.38. In this case we will not be recovering our costs under the process set out in our guidance on the determination of use of system or connection disputes².

2

https://www.ofgem.gov.uk/sites/default/files/docs/2012/08/determinationsguidanceaug2012_0.pdf

1.39. This document constitutes a notice stating reasons for our decision for the purpose of section 49A of the Act.

A handwritten signature in black ink that reads "Andy Burgess". The signature is written in a cursive, flowing style.

Andrew Burgess (7 December 2015)
Associate Partner, Electricity Distribution
Duly authorised on behalf of the Gas and Electricity Markets Authority

Appendix 1 – Customer’s Statement of Facts

The Customer Statement of Facts was received on 23 February 2015.

- 1. Please explain exactly what is in dispute in this case, attaching any relevant paperwork to back up your argument.**

For some years now the [REDACTED] (“the Estate”) has been seeking to develop some areas of the estate to provide additional residential accommodation for local people to live. In 2012 the Estate asked for upgrade quotations from SSE to these prospective developments, as the current supply in most cases is insufficient. The greater proportion of these upgrades appears to be for incontestable elements of work, which the estate felt were very expensive. [REDACTED] had the SSE quotations reviewed by an independent electrical surveyor who confirmed that quotations were extremely overpriced. I attach a spreadsheet [Appendix 1A- redacted] that shows the marked difference in pricing between SSE and [REDACTED], for each of the project areas on [REDACTED]. I also attach the independent surveyor’s works breakdown and cost estimate [Appendix 1B – redacted] for the [REDACTED] project. Our specific dispute relates to the price of the original October 2013 quotation received from SSE in relation to the development at [REDACTED], for the sum of £37,057.65 [Appendix 1C - redacted], and the subsequent updated quotation received in November 2014 for the sum of £37,574.85. If you should require the remaining cost estimates provided by the independent [REDACTED] surveyor for the other projects I would be pleased to forward them in due course.

- 2. Where applicable, please provide a description of the works this dispute relates to attaching any relevant paperwork, please provide copies of relevant quotations received by you from the Company, including any alternative suggestions of specifications, attaching any relevant correspondence.**

Whilst [REDACTED] reserves its rights in connection with the all the quotations provided on the spreadsheet [Appendix 1A - redacted] this specific dispute is in connection with the price of the quotation/s provided for the [REDACTED]. [REDACTED] could not afford to delay the whole development programme so have progressed with the [REDACTED] project on which SSE has carried out much of the necessary upgrade works (at a price which [REDACTED] feels to be high), but due to the excessive price sought for the [REDACTED] upgrade this project has not progressed any further and completed buildings have been left without power. This is a great shame given the number of enquiries [REDACTED] receives from local people seeking accommodation in the area. Please find attached the latest quotation provided by SSE, dated 7th November 2014 [Appendix 1D - redacted], together with the alternative suggestions offered by SSE [Appendix 1E - redacted]. The original request was for upgrade works to provide 5 domestic connections together with provision at the farmyard for a [REDACTED] (it was understood that 3 phase would be ideal for this element of the project) in the future, together with an additional supply to the [REDACTED]. We also wished for the requirement to cater for [REDACTED] in the future.

- 3. Please explain how you have escalated your complaint with the Company. Please provide your complaint ID (if you have one) and details of any correspondence attaching any relevant documentation. (Note: ofgem expects that any dispute has been escalated through the Company’s formal dispute resolution procedure and that this avenue has been exhausted prior to it being referred to Ofgem for determination)**

Complaint ID - NA

Contact - NA

Details of dispute escalation

We enquired with the Ombudsman and the Citizen's Advice but they informed us that their role does not cover the grievances regarding the price of connections. It may also have been that [REDACTED] did not qualify within their threshold of 'domestic and micro businesses' for any assistance. Following Ofgem advice my colleague [REDACTED], wrote to SSE on behalf of [REDACTED] [Appendix 1F - redacted] outlining that we feel that their proposed charges for various works are excessive whilst providing them with the cost estimates from the M&E surveyor. The review of the SSE prices that we commissioned by [REDACTED] was passed to SSE in the hope that they would be willing to reconsider or review their prices. [REDACTED] received a reply from SSE [Appendix 1G - redacted] recommending that we approach one of the independent connection providing companies for a comparable quote. It seemed to us that this was just an example of these various entities simply being in it together.

After writing back to [REDACTED] at Ofgem to ascertain whether she felt we had reached deadlock, I attempted to seek alternative quotations from companies on the Lloyds Register, despite my growing cynicism of the system and those involved in it.

- 4. Please provide your Citizens Advice Bureau/Energy Ombudsman reference along with details of any correspondence you have had with either of these bodies. Please attach any relevant paperwork. (Note Ofgem expects that any relevant dispute has been referred to Citizens Advice Bureau (CAB)/ the Energy Ombudsman and that this avenue has been exhausted prior to it being referred to Ofgem for determination.)**

See answer to question 3 regarding Citizens Advice and Ombudsman.

- 5. Please provide any additional information you have on this issue, in particular and additional reports or independent opinions you have received pertaining to the quotations and/ or alternative specifications.**

Despite our suspicions of the relationship between the power companies and the contractors listed on the Lloyds Register I researched the Register and took down details of companies that listed that they carry out work in Scotland. I made a number of enquires seeking quotations for the contestable elements of the project only to find that none of these companies would travel to the [REDACTED] [REDACTED] to carry out, what in their view, was such a small project. I eventually found 2 Scottish companies on the Register, one of which was only interested in turbine projects. The one company that did provide a quotation for the constable work, [REDACTED], did so for the sum of £12,500, which was £2000 more than the £10,584.53 quoted for this element of the work by SSE. Clearly, as with those companies that would not travel to [REDACTED], they would rather the work be done by SSE.

I have sought an opinion from another independent M&E consultant, [REDACTED]. We did not ask him for a detailed review of our grievance but simply for an opinion, as we were concerned that the Estate should not incur further unnecessary or avoidable expenditure in relation to this whole matter. On the basis of an initial appraisal of our file his view was that although [REDACTED] may well be morally right on this matter, and that he confirmed the SSE costs quoted are high, we chose not to engage his services any further, as he believed 'to do so could result in 'good money spent, with little chance of success'. We have discovered that this is the view commonly held by independent sources when referring to the major Distribution Network Operator (DNO) companies that appear to determine everything.

It should also be noted that the estimate provided by SSE relates to a surface installation for much of the proposed run from the 33,000 volt line on the west side of [REDACTED]. Given the visual impact of these overhead lines, this is clearly the least preferred option but the cost of £37,574.85 would be increased to something in the order of 50k in respect of an underground supply by SSE.

It should be noted, however, that the professional estimate supplied by [REDACTED] relates to an underground supply so the excessive charging by SSE amounts to the difference between SSE's figure for an underground supply (50k approx) and [REDACTED] (£16,180) i.e. an overcharge of over £30k.

We are informed by [REDACTED] that if an overground three phase supply were to be installed as SSE, their estimate would be in the order of £23,000 indicating an overcharge in the region of 27k.

We would also like to complain about SSE's market practices in terms of billing.

When a price estimate is accepted, it is necessary to pay the full amount including any VAT at that point. No VAT invoice is available so VAT is thus inappropriately charged. Fortunately, there is no vat in this case. There then follows a significant lead-time before the works actually begin. Very few companies are in a position to charge such substantial sums so long in advance. It is appreciated that it may be appropriate for SSE to charge for the works prior to them taking place but this charge should only be levied immediately prior to the actual commencement of works – SSE inappropriately obtains the payment many, many weeks in advance and enjoys the benefit of that money for the relevant period. This is a significant cost to customers who may have to borrow money from Banks, which are very unwilling to lend and to pay substantial interest rates during that period. In the case of the Estate and its associated companies, interest has recently been paid at 7% in order to obtain funds. In the Estate's opinion, this is a clear abuse of SSE's position.

It should also be pointed out that copper prices have recently fallen substantially from a high point of £6,000 per ton to a current price of £3,670 per ton. This reduction should be reflected in SSE's pricing.

6. Please include any other facts relevant to the case for example where the Company has offered any alternative suggestions, and attach any relevant correspondence.

Certainly, and most particularly since it has become clear to SSE that we would refer our grievance to Ofgem, SSE have been increasingly keen to be seen as being helpful. On 7th November 2014 SSE provided an up to date quotation [Appendix 1D –redacted], which resulted in an increase of over £500 since the original one was submitted in October 2013. They have also offered a couple of alternative suggestions, to lower the capacity of the proposed 100kva transformer to a 50kva one, which would bring the quote down by £935, and if the requirement of '3 phase' were dropped completely this would reduce the quote by £8,625. These suggestions, whilst reducing the costs for the required upgrade, will need to be checked in relation to their appropriateness for the power requirements of the project as a whole given that the Estate will wish to install [REDACTED] in the future, and indeed either ourselves or future owners may wish to carry out further development, only to find that there is insufficient power on site. [REDACTED] (which are encouraged by the Scottish Government) mainly require three phase supply. The Estate wishes to install such a supply.

[REDACTED] Commercial Manager (Connections) at SSE, contacted me recently and restated the alternative suggestions made by his colleague, but it remains unclear that these changes will still

permit the requirements of the project in full or may be unsuitable or impractical solutions. He has also just now emailed details of Scottish Hydro Electric Community Trust Grants, which the Estate may investigate further, but this will require yet more time and expense on our part with no guarantee of any grant being awarded.

What these suggestions do not address is the fundamental issue that we, and indeed other independent third parties, believe the quotations to be excessively high in the first place, hence why we are now where we are.

Attachments to Customer's Statement of Facts (redacted):

- Appendix 1A: SSE v [REDACTED]
- Appendix 1B: [REDACTED] Cost Breakdown for [REDACTED]
- Appendix 1C: SSE 2013 Quote for [REDACTED]
- Appendix 1D: SSE 2014 Quote for [REDACTED]
- Appendix 1E: SSE Alternatives November 2014 [REDACTED]
- Appendix 1F: [REDACTED] letter to SSE November 2013
- Appendix 1G: SSE Letter to [REDACTED] December 2013

Appendix 2: Company's Statement of Facts

The Company's response to the Customer's Statement of Facts was received on 10 March 2015.

- 1. Please confirm your understanding of what is in dispute in this case, attaching any relevant paperwork to back up your argument.**

Our understanding, based on discussions with the customer and a review of the customer's statement of facts, is that the specific dispute relates to the level of fees quoted under our project to provide service upgrade work at [REDACTED] (our Project reference number: DXE669).

The two versions of the quotation in dispute are attached as Appendix 2A: Quotation DXE669/2 (Ver2_Oct 2013) and Appendix 2B: Quotation DXE669/3 (Ver3_Nov 2014) both redacted

- 2. Where applicable, please provide a description of the works this dispute relates to attaching any relevant paperwork. In particular, please provide copies of the relevant quotations provided by you, including any alternate suggestions or specifications, attaching any relevant correspondence.**

Please find attached as Appendix 2C: Quotation DXE669 Drawing (redacted) a geographic drawing and as Appendix 2D: Quotation DXE669 Schematic (redacted) a schematic network diagram showing the work to be carried out under this project. (The schematic and geographic drawing apply to both versions of DXE669.)

The project involved:

- 1. EHV WORKS**
 - a. Extra High Voltage (EHV) network shutdown to allow upgrade of existing 33kV line and connection of new line (including customer notification, control room supervision and switching on EHV network).*
 - b. The upgrade of 2 span/140m of existing 33kV for 2-wire (single phase) to 3-wire (three phase) (including line survey, procurement and transfer of equipment to site, steelwork and fusing)*
 - c. Construct 3 new span of 33kV overhead line (210m/28mm CU conductor) comprising 1 H-pole and 2 interim poles and associated stays (including line survey, planning/legals, project management, procurement and transfer of equipment to site etc)*
 - d. Erect a 100kVA 33kV/LV Pole Mounted Transformer on the new H-pole (including associated earthing and EHV fusing)*
- 2. LV WORKS**
 - a. Dismantle, make good and remove from site of 4 span of existing low voltage line (including steelwork, stays, conductor, poles).*
 - b. Lay and blind LV mains cable from the new transformer 280m and pot end. Lay and blind 6 single LV service cables and 1x 3-phase LV new mains cable to new service positions*
 - c. LV cable jointing (including associated jointing material):*
 - i. Connection to HV Transformer*
 - ii. 1 x Pot-ending of mains cable and 2 x breech joint of mains cable*
 - iii. 6 x single phase Service jointing of new underground service to mains cable, termination in new service positions (including 100A single phase cutout terminations).*

- iv. 1 x three phase termination in new service positions (including 3-phase 100A cutout terminations).
3. For all above: Secure planning, wayleaves, legals and final records for new and modified overhead and underground assets.

The load requested required to be provided at 3-phase. This requirement had a significant effect on the costs as the local network is only single phase (2 wire).

Discussions were subsequently entered into with the customer regarding the potential for a lower cost solution, which could be delivered as an alternative if a single rather than 3-phase connection was required, or the transformer size was reduced from 100 to 50kVA. However, our current understanding is that the 3-phase supply and 100kVA transformer are essential, due to the wish to install a 3-phase [REDACTED] and [REDACTED] in future.

3. Please provide a breakdown of the disputed charges for the work complete, attaching any relevant paperwork.

Please find attached a detailed breakdown (Appendix 2E: DXE669 cost breakdown comparison - redacted) comparing the costs included in quotation DXE669/3 against "[REDACTED] Consultant cost breakdown for [REDACTED]

Points to note in reviewing this comparison are:

1. Elements required to provide the 3-phase connection have not been costed nor included in [REDACTED].
2. DXE669 includes an extension of the 33kV line to a new Pole Mounted Transformer. The [REDACTED] [REDACTED] assumes that the original Pole Mounted Transformer position is retained and an entirely low voltage underground cable connection for the site provided. While this is electrically possible (as shown in Appendix 2F: Windebut LV studies - redacted) and we originally considered this solution as one of three options in an initial Budget Estimate made in 2012 (see Appendix 2G: Budget Estimate letter 25 12 2013 - redacted) we did not quote on this basis as:
 - a. this was not the minimum scheme since the overall the costs are higher to install a larger and longer LV cable than to extend the overhead EHV line
 - b. this solution would not have allowed for the future installation of [REDACTED] as the network would have been at the limits of its capacity.
3. The upgrading of the single phase (2 wire) spur to 3-phase was fully funded by the customer as this requirement for 3-phase was driven by the customer's requirements, not the size of the required capacity which could have been accommodated on the existing 2-wire spur.
4. In line with current Regulated charging policy, no credit has been given for the redundant Pole Mounted Transformer. (Connection Charging Methodology Statement 5.33 You will not receive any credit for the value of any equipment recovered by us as a result of the connection.)

We note the customers statement of facts highlights a fall in copper prices from a previous high point and states this should be reflected in SSEPD's pricing. Our cost estimates are based on costs to SSEPD at the time of quotation, but if actual costs of the job are significantly lower there is a mechanism for savings to be passed on to the customer. We explained this in a response to correspondence from the customer in July 2014 regarding charges for another job on the [REDACTED] Estate (Appendix 2H: Response to customer 17 07 2014 - redacted):

"When designing and quoting new connections we always select the minimum scheme and seek to produce accurate estimates. Should this job progress to completion and a surplus in excess of

the regulated margin remain, you will be given a refund. If we find that the works have cost more to deliver than estimated, we will bear that loss.”

4. Please include any other facts relevant to the case.

We set out below a timeline of events covering issue of budget estimates and quotations for the work on the [REDACTED] Estate in order to provide context. We have had correspondence and discussions with the customer during this time in response to queries about quotation costs, in which we have aimed to explain the cost of works and variance from estimates provided by an independent third party.

05/12/2012: Budget estimates issued for DXE669 [REDACTED] (the subject of this case) plus DXE672 [REDACTED] and DXE673 [REDACTED]

10/10/2013: Formal quotation issued for DXE669-2 [REDACTED] at £37,057

07/11/2013: Formal quotation issued for DXE673-2 [REDACTED]

22/04/2014: Formal quotation issued for DXE673-3 [REDACTED] including diversion of 33kV overhead line.

12/05/2014: Formal quotation issued for DXE673-4 [REDACTED] excluding diversion of 33kV overhead line as customer decided not to pursue this

11/06/2014: DXE673-4 [REDACTED] accepted

05/08/2014: Formal quotation issued for DXE673-5 [REDACTED]; re-quote required following refusal of wayleaves

03/09/2014: DXE673-5 [REDACTED] accepted

07/11/2014: Formal quotation issued for DXE669-3 [REDACTED] at £37,574, suggestions to reduce charges by removing 3-phase supply and reducing transformer size from 100 to 50kVA provided.

11/11/2014: Email received from customer requesting information on price reductions for suggested options

20/11/2014: Email response provided giving indicative price reductions for alternative options

5. Attached to the email [along with this letter is a copy of the Customer's statement of facts. If you have any comments on this please make them here.

None

Attachments to Company's Statement of Facts:

Appendix 2A: SSE Quotation v2 10102013 Same as Appendix 1C - redacted

Appendix 2B: SSE Quotation v3 07112014 – redacted

Appendix 2C: SSE Quotation drawing dated 03122012 - redacted

Appendix 2D: SSE Quotation schematic dated 29102014 - redacted

Appendix 2E: SSE Quotation cost breakdown comparison – redacted

Appendix 2F: SSE Quotation win debut studies - redacted

Appendix 2G: SSE budget estimate letter dated 25122012 – redacted

Appendix 2H: SSE response to Customer 17071014 – redacted

Appendix 3: Additional responses

1. [REDACTED] Estate response to SSE's Statement of Facts

The [REDACTED] Estate response was delayed and was finally received on 13 May 2015.

Further to your email of 13th March requesting comments from [REDACTED] I discussed the matter with the Estate and was advised to seek an expert's opinion before reverting with comments. I have now consulted with [REDACTED] whom we originally consulted in 2013 in relation to this matter. I did so because SSE had made reference to [REDACTED] work in its own response. [REDACTED] has now reviewed the SSE comments and his letter/report is now attached [[Appendix 3A: Consultant letter 13 May 2015 - redacted](#)].

[REDACTED] original cost estimate was based in reference to drawing NR DXE669 -2 and was reviewed by him at that time. [REDACTED] fair and reasonable quote together with breakdown (see [REDACTED] original submission – Appendix 1B redacted) was for this the sum of £16,180.50 against SSE's quote of £37,057.65. His attached letter/report should be read in conjunction with this work.

The clear observation remains that all quotations from SSE lack the detail necessary to make clear and fully costed comparisons in relation to labour and materials etc. Unfortunately, from the information provided by SSE it is impossible to assess the cost properly, which [REDACTED] mentions in his letter/report.

Another observation in relation to the difference between DXE669 -2 and DXE669-3 is that you would expect an overhead line to be a good deal less expensive than an underground cable (4.1).

This latest exchange between [REDACTED], in order to provide additional responses to Ofgem, and ourselves has further highlighted the key issue in this matter, namely that it remains our belief and that of independent third parties that the quotations provided by SSE are excessively high. The reluctance by SSE to include more detail to enable independent analysis is telling.

Thank you for permitting us to extend the period for our response, but as explained in our exchanges, this was unfortunately due to [REDACTED] unplanned absence from work in connection with personal matters. Your patience in this regard is greatly appreciated.

Appendix 3A: Consultant letter 13 May 2015

2: SSE's response to [REDACTED] Estate's additional comments – 19 May 2015

Thank you for passing on the response from [REDACTED] Estate. We have reviewed this and while we appreciate the opportunity to comment, we do not have anything further to add at this stage. We do note that the expert opinion is not from a NERS accredited provider.