

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

**1. INTRODUCTION**

- 1.1 The Gas and Electricity Markets Authority ("the Authority") has been asked by the Customer to determine a dispute between the Customer the Company. The dispute concerns the cost of a connection at the Premises.
- 1.2 The dispute has been referred to the Authority for determination under section 23 of the Electricity Act 1989 ("the Act"). The Authority is required to determine such disputes once a customer has requested that it do so.

**2. BACKGROUND**

- 2.1 On 5 July 2005 the Company provided the Customer with a quotation of £526.24 for the connection of an existing supply cable at the Premises. The Customer accepted the Company's quotation and the final connection was made on 25 August 2005.
- 2.2 On 1 August 2005 the Customer complained to energywatch about the cost of the quotation and requested a formal determination. energywatch reviewed the case informally with the Customer's agreement and sought informal advice on the reasonableness of the charge from Ofgem. After reviewing the case informally Ofgem found the charges applied by the Company to be reasonable.
- 2.3 On 22 November 2005 the Customer wrote to energywatch asking for Ofgem to proceed with a formal determination of the reasonableness of the charges.

### **3. VIEWS OF THE CUSTOMER**

3.1 The Customer states that substantial renovations have been made to the Premises and as part of the works the mains electricity supply was disconnected and then re-connected.

3.2 The Customer states that it was necessary for the reconnection to be carried out by the Company, who charged £526.24 for the service. When the Customer queried the costs with the Company they responded that:

- The costs were in line with the Company's price list.
- The costs needed to cover not only the work done but also overheads such as back office administration and staff training.

3.3 The Customer believes that the cost of re-connecting the electricity supply to the mains is excessive for the following reasons:

- *The amount of work done - the cost covers the supply and connection of approximately 20 meters of cable. The Customer's contractor had to:*
  - Locate the end of the cable;
  - Dig a one meter square hole;
  - Lay ducting between the meter housing and the pot-end; and
  - Provide a draw cord for the cable.

Therefore the Customer believes that the Company's charge covers attendance, pulling a cable through pre-prepared ducting and connecting three wires.

- When the supply was disconnected on 7 March 2005, it took the two-man team less than two hours: and that included digging the hole to the cable.
- The gas connection for the same property cost £349.14. This cost included a road crossing as well as overhead costs and staff training. Workers who were, presumably, as well trained as those employed by the Company carried out the connection.

#### **4. VIEWS OF THE COMPANY**

- 4.1 The Company states that its quotation for £526.24 for works to reconnect a new electricity service cable to a previously disconnected service cable on the Premises was issued on 5 July 2005. The price quoted included the full direct and indirect costs associated with both the handling of the application and the provision of the works.
- 4.2 The Company notes that in a letter to energywatch dated 27 September 2005, the Customer made comparison to charges for a gas connection to the Premises which are stated to be £349.14. It is understood by the Company that for a new gas connection to single domestic or other low consumption premises some of the costs are normally met by the Gas Transporter and are not included in connection charges. The Company notes that this results from the different treatment of costs provided for in the relevant legislation and it is assumed that this could be a factor to explain the variation of charges in this case.
- 4.3 The Company has submitted to the Authority a full description of works in a technical appendix.

#### **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 include 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. DISCUSSION/CONCLUSION**

6.1 The Company and the Customer have provided details of the history of this case to Ofgem. Both parties have agreed in writing that their arguments are reasonably reflected in sections 3 and 4.

6.2 At the Customer's request, the Company disconnected the supply to the Premises prior to the commencement of the renovation work to the property. The Company made no charge for the disconnection works. In view of the fact that the planned renovation work to the property was substantial, the Company made the disconnection close to the boundary of the site so that any damage to the cable within the site boundary would not present a hazard or cause interruptions to other customers.

6.3 When the Customer requested the supply to be reconnected, the Company decided to lay a new service cable across the property to ensure that it was fault-free. The Authority understands that damage was caused to the service cable during the renovation works which the Company repaired at no charge. It was therefore considered to be a prudent measure to lay a new cable from the point of disconnection close to the site boundary to the property.

6.4 The Company has provided a breakdown of the total connection charge of £526.24. This charge covers the cost of an on-site survey prior to the work being carried out, all materials, the labour necessary to lay and connect the cable, the new service cut-out and the necessary design and administration functions.

6.5 The Authority notes the Customer's comparison between the cost of gas and electricity connections. However, the basis of connection charging is not the same for these utilities. For example, for domestic premises

within 23 metres of a relevant gas main a Gas Transporter ("GT") is obliged, upon request, to install assets necessary for the connections of the premises and is entitled to recover the reasonable costs for providing the connection. In most cases the GT will bear the costs of installing the first 10 metres of pipe in the public highway. Therefore direct comparisons are potentially misleading.

- 6.6 Taking account of all the information presented by the Customer and the Company the Authority has decided that the charges made for the works are reasonable.

## **7. DETERMINATION**

- 7.1 Having regard to the points outlined above, the Authority determines that the charges for the connection of an existing supply cable at the Premises, which are reasonable in all the circumstances for the Company to require the Customer to defray, are £526.24. This figure is exclusive of VAT, which should be levied at the appropriate rate.
- 7.2 This document constitutes a notice stating the reasons for the Authority's decision for the purpose of section 49A of the Act.

**Martin Crouch (07/03/2006)**  
**Director of Distribution, Networks**

Duly authorised on behalf of the Gas and Electricity Markets Authority