

**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 ELECTRICITY CONNECTIONS TO PREMISES**

**1 INTRODUCTION**

- 1.1 The Gas and Electricity Markets Authority (the "Authority") has had a dispute referred to it for determination under section 23 of the Electricity Act 1989 (the "Act") by [REDACTED] (the "Customer").
- 1.2 The dispute is between the Customer and [REDACTED] (the "Company") and concerns the reinstatement of electrical supply to premises at [REDACTED], [REDACTED] (the "Premises") which are situated within the area for which the Company is the licensed electricity distribution services provider.
- 1.3 The Authority is required to determine a dispute referred to it by a person requiring a connection which falls within the provisions set out in section 23 of the Act. The dispute between the Customer and the Company in this case falls within those provisions.

**2 BACKGROUND**

- 2.1 The dispute concerns the amount charged for re-connecting the Premises to the existing electricity main via a new service cable and a single phase cut out, with a second cut out connected using a loop connection from the first cut out.
- 2.2 The referral for determination was received by Ofgem (the office set up to assist the Authority to discharge its statutory responsibilities) via the London office of energywatch on 3 June 2008.

**3 VIEWS OF THE CUSTOMER**

- 3.1 The Customer's builder initially applied for the supply to be reinstated after 30 March 2007 but was unable to obtain a meaningful response from the Company. The Customer subsequently became involved but received no effective response from the

Company until 18 August 2007, at which time he requested a breakdown of the quote which the Company had provided.

- 3.2 The Customer made further requests for a breakdown of the quote on 30 August 2007, 13 November 2007, 16 November 2007 and 20 November 2007 but did not receive a further response from the Company until 22 November 2007. The Customer made a further request in respect of a breakdown of charges on 4 December 2007. The Customer says that he made additional requests for a full breakdown of costs on other occasions.
- 3.3 The Customer says that the initial quote from the Company indicated that most of the work was to be done by the Customer's builder and made no mention of a requirement for excavation in the public footpath.
- 3.4 The Customer considers that the charge of £1,405 (including VAT) to reinstate connections at the Premises was grossly excessive and has not been justified by a sufficiently detailed breakdown of the costs involved. In particular, the Customer points out that he has not been provided with details of man-hours and hourly labour rates included by the Company in its calculation of the amount charged and the Customer requires a proper calculation.

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

- 4.1 An initial request for a quotation for reinstatement of two supplies to the Premises was received by the Company on 5 July 2007 and a quote issued on 9 July 2007. This quotation expired and a new request was received from the customer on 13 August 2007, in response to which the Company issued a quote for £1,405 (including VAT). The Customer queried the amount quoted and was provided with a breakdown of the costs on 28 August 2007. The Customer paid the Company the full amount of the quote on 3 December 2007.
- 4.2 The Customer then wrote to the Chief Executive of [REDACTED] (the corporate group which includes the Company) asking for a more comprehensive breakdown and also argued that the Customer's builder would be able to carry out some of the work quoted for by the Company.
- 4.3 In response, the Company sent a letter to the Customer dated 11 January 2008 providing additional details of the quotation and also explained that the Customer's own builder could not undertake the excavation associated with the works since this would involve excavation of the public footpath and therefore a statutory street works licence would be required. The Company also stated that it was satisfied that the charge of £1,405 (including VAT) reflected the minimum cost scheme necessary to

complete the works requested in a safe manner. The Company completed the connection works on 22 February 2008.

## **5 STATUTORY OBLIGATIONS**

- 5.1 Under section 19 of the Act, an electricity distributor may require any expenses reasonably incurred in providing electric line or electric plant necessary to provide a connection (including the capitalised value of any expenses likely to be incurred in continuing to provide it) to be defrayed by the person requiring that connection.
- 5.2 Any dispute arising under sections 16 to 21 of the Act, between an electricity distributor and a person requiring a connection may be referred to the Authority under section 23 of the Act for determination.

## **6 CONCLUSIONS/DISCUSSIONS**

- 6.1 Both parties have agreed that the summaries presented in this document are a reasonable reflection of their arguments and the Authority has carefully considered the information which has been provided.
- 6.2 In considering all the arguments the Authority has set out its findings and conclusions below. In particular, the Authority has considered whether the charges were properly made under the Company's connection charging methodology and were reasonable for the works undertaken by the Company.

### **Provision of Information by the Company to the Customer**

- 6.3 The Authority has considered the Customer's representations concerning the level of information provided to him by the Company and, in particular, the degree of detail in the breakdown of costs which was provided to him on 11 January 2008. This breakdown did set out the basic components and associated costs for the connection but did not give details of labour rates or the costs ascribed to specific materials.
- 6.4 The Authority appreciates the Customer's concern that the breakdown of costs he was given did not enable him to challenge the overall charge which he felt was excessive. However, in the circumstances of this case and, taking into account the commercially sensitive nature of some detailed costing information, the Authority considers that the cost breakdown provided by the Company was in an appropriate format and degree of detail.

## Consideration of the reasonable costs for the work undertaken

- 6.5 The Authority notes that the works to reinstate the electricity supply to the Premises in this case were relatively straightforward in nature, allowing the Authority to review the reasonable costs of each component in terms of labour, materials and overheads against industry benchmarks, but taking into account the particular conditions in this case.
- 6.6 Having reviewed the scope of the works undertaken and the information provided by the parties to the dispute the Authority considers the reasonable costs for the works undertaken by the company at the Premises to be £1,092 (including VAT).

## 7 DETERMINATION

- 7.1 Having due regard to all the points outlined above, the Authority has concluded that the Company's charges for providing the connection to the Premises amounted to £1,405 (including VAT). The Authority has determined the reasonable costs for the works undertaken by the Company at the Premises to be £1,092 (including VAT). Therefore, the Authority orders that the Company should refund to the Customer the difference between the amount charged and the amount determined as reasonable which is £313. The Authority's breakdown of the amounts referred to are set out below:

Summary of the Authority's costs findings:

Amount charged by the company	£1,405 (including VAT)
Authority's decision on reasonable costs	£1,092 (including VAT)
Amount payable to the customer	£313

- 7.2 This document constitutes a notice stating the reasons for the Authority's decision pursuant to section 49A of the Act.

**RACHEL FLETCHER (5 NOVEMBER 2008)**



**DIRECTOR, DISTRIBUTION**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**