



meeting **STREET LIGHTING REPAIR SELECT COMMITTEE**

date **11 June 2007**

agenda item number

Final Report of the Street Lighting Repair Select Committee

Purpose of the report

1. To inform Members of the findings and proposed recommendations of the Street Lighting Repair Select Committee.

Background

2. The Highways Select Committee which concluded in March 2007 recommended that the issue of the street lighting repair performance of E-on be looked at in more detail. Further to that on 26th March 2007, Overview and Scrutiny Committee commissioned a Select Committee to examine this issue over the course of two meetings in April and May 2007.
3. At its second meeting, on 14 May, the Select Committee undertook detailed questioning of representatives from The Office of Gas and Electricity Markets (OFGEM). At the end of this meeting the Select Committee agreed that it would require an additional meeting to finalise and agree its recommendations.

Evidence Received

4. On 23 April the Select Committee received a briefing report from the Service Director (Highways) setting out current legal framework in relation to street lighting repair and the recent performance of Central Networks (E-ON). The report describes how Central Networks as the Distribution Network Operator (DNO) has a monopoly under primary legislation to fix faults which occur on the electricity supply; other faults, which are the majority, are fixed by the County Council. Under the performance indicator BV215a the County Council's target for repair time is seven days. In 2005/06 this was achieved with the full year figure reported as 6.63 days. By comparison, under BV215b, Central Networks' target for repairs is 15 days and for the full year 2005/06 it was only able to manage 35.69 – this average figure masks the particularly weak performance of the fourth quarter (68.72). Likewise, performance for the second quarter of 2006/07 is extremely poor (72.59).

5. The performance of Central Networks West is often in stark contrast to Central Networks East, who cover Nottinghamshire. The performance of Central Networks West is much better and this would seem to indicate an imbalance in the application of resources.
6. It is apparent that departmental officers have made strenuous efforts in their operational meetings with Central Networks to press for service improvements – to frustratingly little effect. There is also an issue around delays in receiving accurate invoices which Central Networks needs to properly address.
7. Central Networks' target of 15 days under BV215b is a performance indicator that is reported to central government by this Authority. It would seem to be manifestly unfair for local authorities to have a performance indicator over which they can exercise no control whatsoever (since Central Networks have a monopoly there is no option to source a better service from elsewhere).
8. In 2005 OFGEM introduced a trial National Service Level Agreement (NSLA) for all Distribution Network Operators requiring them to report their performance in a consistent format. In February 2007 in response to OFGEM consultation the County Council indicated that the NSLA be put on a formal footing with agreed targets and penalties for non-performance.
9. Also on 23 April the Select Committee heard from Richard Jackson and Steve Owen from E-ON. The E-ON representatives detailed how improvements might be made through the electronic dispatch of fault reporting, an action plan to clear the backlog of faults and a new reporting system. The Select Committee were also told that the appointment to a number of new posts would mean that fault backlogs such as the one which occurred in 2005 would no longer be a problem.
10. On the basis of the information from E-ON the Select Committee had little confidence that there would be service improvement. The Select Committee therefore decided to meet with the regulator, OFGEM.
11. The Select Committee received evidence from OFGEM on 14 May. The representatives from OFGEM were Mr Roger Morgan Senior Manager, Connections Policy accompanied by Mr Michael Dooley. Mr Morgan explained that in April 2005 all DNOs agreed to implement the Service Level Agreement. In October 2005 the trial was extended and in August 2006 performance data from the trial published. The DNOs report their performance data to the regulator on a quarterly basis. However, some Local Authorities are concerned about the accuracy of the data reported to OFGEM.
12. In May 2006 OFGEM initiated a review of competition in connections and held a workshop. The following points emerged:

- Structural and operational issues are impeding the development of competition in the electricity market
 - OFGEM should consider establishing a stringent regulatory framework to support the electricity connections market
 - Local Authorities are concerned about the poor performance of DNOs
13. In February 2007 OFGEM launched a series of proposals in relation to the SLA as follows:
- Minimum benchmarks performance levels proposed for the SLA
 - OFGEM expects DNOs to exceed these benchmark levels in 2007/08
 - Regular liaison meetings should take place between DNOs and Local Authorities
 - Reporting data should be agreed before it is submitted to OFGEM
- And regarding competition in unmetered connections:
- DNOs should raise awareness of competitive options
 - Scope of contestability should be driven by contractor accreditation rather than the 1 metre rule
14. OFGEM went on to present a series of graphs to the Select Committee which only served to highlight the shortcomings of Central Networks East, particularly as compared to Central Networks West. For example Central Networks West is the second highest performing DNO on fixing emergency faults in under two hours with almost 90% completed to that timescale, whereas Central Networks East can only manage just over 70% - well below the agreed benchmark of 80%. On each OFGEM measurement Central Networks East proved itself to be amongst the worst performing DNOs. The Select Committee registered a concern that OFGEM did not appear to have statistics to indicate Central Networks East performance on High Priority faults (i.e. these to be completed within 1 day). For information OFGEM's graphs are attached to this report as Appendix 1.
15. The Select Committee were appalled by the performance of Central Networks as set out in the OFGEM presentation and did not feel that the regulator's "light touch" approach was working. Stringent and severe financial penalties and/or other sanctions were obviously required for DNOs who did not meet Service Level Agreements. In addition, the regulator seemed to be sluggish in responding to the concerns of Local Authorities about poorly performing DNOs. The regulator had after all been aware of the concerns at least as far back as the commencement of their own review in May 2006.
16. The Select Committee were disappointed by OFGEM's apparent hesitation to put in place a robust regulatory framework. Judged from

the perspective of a Local Authority, the time for velvet glove regulation has long since expired. The moment has come for an iron hand to descend on weak, recalcitrant DNOs.

Draft Recommendations

17. Further to the evidence received a series of draft recommendations are set out below for agreement by the Select Committee:

1.	While the Select Committee welcomes OFGEM's proposals to strengthen the requirements on electricity distributors via licence modification, and the proposals to improve performance in parts of the market that are non-competitive, the Select Committee would like to see Ofgem shift its focus onto robust compulsory regulation and away from protracted consultation and, ineffectual arbitrary benchmarking exercises as a priority.
2.	The Select Committee recommends that the Department for Trade and Industry put in place legislation to compel DNOs to meet Service Level Agreements, with financial penalties if they do not comply.
3.	The Select Committee recommends that OFGEM place the protection of the interests of customers at the centre of its regulatory activities rather than the views of DNOs.
4.	The Select Committee recommends that OFGEM liaise closely with individual authorities about their specific problems rather than rely on representation from regional champions.
5.	The Select Committee recommends that the Senior Connections Policy Manager at OFGEM is invited to 'shadow' the NCC officers responsible for street lighting issues in order to gain a realistic perspective on street lighting repair performance by the DNO.
6.	The Select Committee recommends that when a DNO appears to favour one particular region over another (in terms of the application of its own resources) it should receive a severe financial penalty from the regulator.
7.	The Select Committee recommends that the County Council should continue to receive quarterly monitoring of Central Network's performance in relation to street lighting repair and make official complaints whenever they are unsatisfactory.
8.	The Select Committee recommends that for a trial period a record be kept by the Communities Department of the delays and inaccuracies associated with Central Networks invoices.

	Following the expiry of the trial period the levels of delays and inaccuracies should be reported to the senior management at the DNO and the regulator.
9.	The Select Committee recommends that in the long term the Authority should campaign heavily for amendment to the legislative framework in order to allow properly accredited Local Authority staff to undertake street lighting repair in areas where the DNO is unable to meet the Service Level Agreement.
10.	The Select Committee recommends that a communication be sent to all Nottinghamshire Members of Parliament requesting their support for necessary amendments to current legislation to enable these changes to be enacted.
11.	The Select Committee recommends that if the status quo is preserved in relation to the legislative framework then BV215b should be deleted by central government as a performance indicator for Local Authorities since their influence over it is minimal.

Thanks to Departmental Officers

18. The Select Committee would like to express its thanks to the departmental officers who attended to brief it on street lighting repair issues – Mr Gary Wood, Team Manager Traffic Services and Mr David Beniston, Lighting and Signals Manager.

Recommendation

19. It is recommended that

the Street Lighting Repair Select Committee consider this report along with draft recommendations and then agree a final report which will be sent to Council Cabinet in July (with a view to the recommendations also being communicated to OFGEM and Central Government as necessary)

Councillor the Hon Joan Taylor Chair of the Street Lighting Repair Select Committee

Background papers: Agendas and minutes of the Street Lighting Repair Select Committee – 23 April and 14 May 2007.

Members of the Street Lighting Repair Select Committee

Councillor the Hon Joan Taylor (Chair)
Councillor Andy Stewart (Vice Chair)
Councillor Jen Cole

Councillor Vincent Dobson
Councillor Helen Holt
Councillor Jim Napier
Councillor Philip Owen
Councillor Dave Shaw
Councillor Jason Zadrozny