



## Multi-utility The times they are a-changing

For those readers that have been involved with the utility sector as long as I have - some twenty years – it would be easy to dismiss an article that forecasts positive developments in the multi-utility market with a cynical dose of *deja-vu*. After all, the process of utility privatisation started in the late 1980's, competition was a buzzword of the 1990's and predictions of a burgeoning multi-utility market brought about by deregulation have seemingly been with us since the ark.

However, the bulk of the gas connections market in the domestic sector is now fully deregulated with all aspects of work being contestable and significant steps have been taken to ensure that the water and electricity connections markets follow suit. I believe that by 2006 over 50% of all contestable utility connections work will be undertaken by utility contractors or, to give them their new designation, Utility Infrastructure Providers (UIPs). Product sales destined for the multi-utility connections market already account for around 15% of Fusion Provida's turnover and are the single largest contributor to a growth in our UK turnover from £23mn in 1998 to £39mn in 2003.

Electricity and water regulators, supported and encouraged by the government, have seized the initiative and are now central to removing the barriers to competition in their respective sectors. Utilities themselves have also started to adopt a proactive stance to competition in the connections market with many of them – United Utilities and Scottish Power for example – becoming involved in contracting in one way or another. Ofgem has established the ECSG (Electricity Connections Steering Committee) to facilitate further competition by, for example, creating a standard adoption agreement. The Electricity Association and Ofgem are creating standard technical frameworks that should remove many of the anomalies in specifications and procedures that have developed over the years and which make it so difficult for UIPs to work competitively in adjoining areas. A national registration scheme for contractors – similar to the GIRS (Gas Industry Registration Scheme) – is being developed for the electricity market and similar moves are afoot for water.

The Water Bill 2002 created the framework in which competition in water connections could develop. For example, water companies are encouraged to have a self-lay policy available; water companies must allow companies other than themselves to lay water mains; and, water companies have to buy the water network 'asset' from the UIP once it has been installed. Ofwat has followed the example set by Ofgem and established a Self-Lay Advisory Group (SLG) that brings utilities, contractors, and developers together to discuss key issues.

The impact of a 'unified' multi-utility market should not be underestimated. In my own firm, Fusion Provida, the changes are already affecting every company and division. For example, Utilise – Fusion Provida's training company – now offers training courses across all three disciplines and is taking advantage of the progress made by GWINTO in establishing cross-sector qualifications in, for example, butt fusion welding of polyethylene pipes. The need for UIPs to have effective contract management systems and to improve communications between administrative office and site has

provided the stimulus for Origin – another Fusion Provida company – to develop robust digital communications systems using barcodes, GPRS and handheld PDA devices. Now contractors are able, for example, to order product directly from site and to communicate meter installation data direct to the Gas Transporter. Such innovations are vital if UIPs are to provide utilities with cost-effective connections services.

The move to multi-utility has thrown the spotlight on to the whole supply chain. I believe that supply chain integration and the development of open partnering between manufacturer, distributor and UIP – where inventory is replaced by information – will make the most significant contribution to cost reduction and thereby allow UIPs to compete successfully with utilities' direct labour organisations.

The estimated value of the multi-utility connections market to contractors is potentially £400mn per annum with approximately 20% of that accounted for by materials. There will undoubtedly be further rationalisation as UIPs, utilities and other organisations jostle for position. I believe the momentum towards a truly open multi-utility market is now unstoppable and that 2004 will prove to be a seminal period in accelerating the market's growth.

I could be wrong of course! I would welcome the views of other Gas Engineering and Management readers who can contact me on [kcameron@fusionprovida.com](mailto:kcameron@fusionprovida.com). Alternatively why not come and see how Fusion Provida has responded to the challenges of multi-utility evolution by visiting our stand at IWEX 2003 which runs from the 11th to the 13th of November. I look forward to meeting you there.

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