9 November 2017: Maintenance of electrical distribution equipement

Published on November 09, 2017

**Schneider Electric makes commitments to ease the conditions for third-party service providers
to buy its spare parts**

Background

The *Autorité de la concurrence* has today released a decision in which it accepts the commitments made by Schneider Electric and makes them binding. Third-party maintenance providers may now buy a certain number of spare parts necessary for their operations, provided they agree to undertake required training.
In making these commitments, Schneider Electric accepts solutions that place fewer restrictions on competition but still address its concern to keep people and property safe, maintain its brand image, protect its intellectual property and maintain its technicians' skills.

As a reminder, in May 2016, the *Autorité* had opened ex officio proceedings in the medium- and low-voltage (MV/LV) electrical distribution equipment maintenance sector regarding the issue of maintenance service providers' access to the spare parts necessary for their operations.
To address the competition concerns of the *Autorité*'s investigation services, Schneider Electric had proposed commitments, which underwent a **market test** in June and July 2017 to gather any observations by the stakeholders concerned.

The MV/LV electrical equipment maintenance sector and access to spare parts

The electrical equipment maintenance sector is dominated by the subsidiaries of electrical equipment manufacturers (notably Schneider Electric, the leading manufacturer on the French market). There are also facility managers, installing electricians and third-party maintenance providers (often locally-based SMEs and very small businesses specialised in general, multi-brand maintenance).
The AFNOR FD X 60-000 "Industrial maintenance – maintenance function" standard, which serves as a benchmark for most companies, defines five levels of maintenance. Levels 3 to 5 correspond to in-depth maintenance operations carried out by specialised service providers. The standard makes no stipulation whatsoever that such operations are to be performed by the manufacturer of the equipment concerned.

The *Autorité*'s concerns

With regard to in-depth maintenance operations, Schneider Electric refused to sell a number of parts to third-party maintenance providers, without the associated maintenance service. The parts concerned could only be installed by its own employees. Schneider Electric justifies this policy on the grounds of the safety of property and people, the protection of its brand image, the protection of its expertise, and the maintenance of its technicians' skills.
In 2015, 2,495 of Schneider Electric's 6,833 spare parts were covered by this restriction. Observation of other equipment manufacturers' practices showed that they do not apply such a restrictive policy.

In their preliminary assessment, the investigation services deemed that these practices were likely to constitute an unlawful tied sale insofar as – among other things:

- they potentially prevent third-party service providers from carrying out a full range of maintenance services for Schneider Electric-branded MV and LV distribution equipment, which represent, respectively, around 70% and 60% of equipment sales in France;

- they deprive customers of a diversified service offering that may becheaper and of higher quality.

The proposed commitments

1) Set up a training scheme for third-party service providers

From now on, Schneider Electric will allow a significant number of spare parts to be sold (spare parts that, up until now, could only be installed by its own technicians), providing the third-party maintenance providers wanting to handle these parts undertake mandatory training. Considering the existence of severe risks in case of an incident involving the electrical equipment concerned, the level of expertise and safety to be attained is the same as for Schneider Electric's own technicians.

The spare parts concerned by the removal of these restrictions are those used to carry out level 4 maintenance operations, with the exclusion of a certain number of them.

A total of 1,506 references are currently concerned by the proposal. In subsequent years, the figure may be adjusted to include any new part intended for the maintenance of new primary equipment.

The spare parts concerned shall be sold at prices that should not be liable to crowd out third-party maintenance providers from maintenance services for end-users.

2) Proposed training and eligibility

The training offered could be divided into six modules, based on the parts ranges concerned and the roles these parts play in the architecture of electrical distribution. On completion of the training, the technicians concerned will be tested to validate the knowledge and skills acquired. A renewable, three-year certificate shall then be issued to the company that employs them, stating the

name of the employees trained and the module(s) they completed.

All third-party maintenance providers will be able to receive this training, provided that:

- their technicians hold certain educational qualifications and have sufficient skills and experience (**further information can be found in the full text of the commitments**);

- the company holds the required levels of certification and qualification; it signs a charter of rights and obligations, including, in particular, an obligation for the company to carry out repair services in the best possible conditions of quality and safety, and ensures that the employees trained carry out a minimum number of maintenance operations (one operation every six months per training module).

Schneider Electric proposes to set up a portal dedicated to third-party maintenance providers and accessible only to an independent third party, for the purpose of verifying the frequency of the operations carried out by each technician trained, while keeping the third-party maintenance providers' commercial information confidential.

Schneider Electric commits itself for a duration of five years from the date of notification of the *Autorité*'s decision. It shall send the Autorité an annual monitoring report, one month before the anniversary date of the decision making the commitments binding. The report shall set out Schneider Electric's general terms and conditions of sale for purchasing the spare parts covered by the commitments.

> **See the full text of Decision 17-D-21 of 9 November 2017 regarding practices implemented in the medium and low-voltage electrical distribution equipment maintenance sector**

> Press contact: Chloé Duretête Tel. +33 1 55 04 01 20 / EMail