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Roger Morgan
Senior Manager, Compliance
The Office of Gas & Electricity Markets
9 Millbank
London
SW1P 3GE

MidCity Place
71 High Holborn
London WC1V 6QS

Tel: +44 (0)20 7061 7777

Fax: +44 (0)20 7061 7009

www.mottgreenwall.co.uk

Dear Roger,

Connections Assessment & Design (A&D) Fees Levied by Electricity Distribution Network Operators (DNOs)

I am writing in response to your letter dated 14 August 2008 requesting comments on the DNOs' practice of requiring up front A&D fees before assessing the impact of potential connections to their networks.

Consideration of future Upfront Charges

Whilst it would be our preference to dispense with the need for up-front charges, we do accept that it is reasonable for the party who is requesting the DNO to undertake work to incur the costs associated with that work.

However due to the delicate nature of the competitive market place and the power of the incumbent DNO to be able to distort the market with up front charges, we are concerned that little policing has been carried out to date in order to ensure that the charges that are applied are truly cost reflective. We do not believe that up-front charges should be applied to general applications for connections and non contestable costs associated with schemes that have been submitted for planning permission and therefore are not speculative. The cost for doing this work is only required to be done once and thus should be borne by the successful applicant either through Competition in Connections or Section 16.

At present there is a danger that multiple charges will be requested from competing ISPs when the investigative work has only been carried out once. This is an issue that Ofgem needs to address. Nevertheless where major protection or engineering studies are required for large export generation schemes such as wind farms etc. then there is a considerable amount of feasibility work completed by the DNO and we believe it is reasonable for the DNO to be able to request payment for these activities in advance.

Whilst there may be differing views as to what level of work undertaken would allow charges to be applied for A&D work by the DNO, we would draw Ofgem's attention to the fact that only when there is a level playing field in the Competition in Connection market will competition truly flourish. From an examination of the recent competition in connection review it is clear that there is little or no competition in many areas. When Ofgem considers the responses to this consultation it must ensure that it meets one of its primary objectives to protect the interests of consumers through the introduction of more effective competition in this activity.

Condition 4 Statements

Although it is clearly the responsibility of the DNO to comply with the requirements of The Electricity Act, we also believe that Ofgem must scrutinise the charges and methodology stated by the DNO's in their Condition 4 Statements to ensure that they fully comply with the Act and that these are monitored effectively to ensure that these remain **truly cost reflective**.

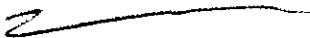
Too often DNOs make statements that Ofgem has approved their Condition 4 charging methodology when the reality is that Ofgem has merely approved the format they have used. The current situation of illegal up front charges illustrates the need for Ofgem to take a greater role in regulating these dominant players in the future. We believe that Ofgem should be conducting an audit of adequacy and compliance of charging methodologies and this might best be done in the future by providing a charging methodology framework against which DNOs should be audited for compliance with the Act, license and all other regulatory controls in Ofgem's jurisdiction.

Second Comer Rule

The application of the Second Comer rule is also a matter of concern and the inconsistencies of this have previously been identified to Ofgem. If a developer elects to move away from the DNO for contestable work then there is no opportunity for rebate if a second load on that circuit materialises. This has an inevitable negative impact on competition. Ofgem has identified that to change the current arrangements would take a change in primary legislation and is therefore likely to be a protracted process but it remains a contentious issue and one that should be addressed.

If after consultation, Ofgem is minded to allow up front charges in certain circumstances for Connection Assessment and Design, then we believe this would require primary legislation changes and would urge Ofgem to ensure that the Second Comer Rule anomalies are also dealt with during the same process.

Yours sincerely



Chris Trew
Partner
Davis Langdon LLP