



Roger Morgan
Ofgem
9 Millbank
London
SW1 3GE

Energy House
Woolpit Business Park
Woolpit, Bury St Edmunds
Suffolk IP30 9UP
T 07920 238095
F 01359 243377

info@gastrans.co.uk

www.gtc-uk.co.uk

mike.harding@gtc-uk.co.uk

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Dear Roger

Re: Connections Assessment and Design (A & D) fees levied by Electricity Distribution Network Operators (DNOs)

We welcome Ofgem's letter on this subject.

Our original complaint against the levying of A & D fees arose because of a DNO refusing to provide connection offers in response to connection requests.

We understand that DNOs are concerned that, by not being able to charge for providing offers, additional work will be required to deal with speculative abortive and "frivolous" requests.

DNOs face increased enquiries as a result of the genuine needs of competitive market not "speculative abortive" requests. No one has any interest in sending anything but genuine requests. The focus should be on delivering the POC information efficiently; not being able to charge for providing offers provides DNOs with such incentive.

We have made the point on several occasions that DNOs should make appropriate information available so that IDNOs can determine the costs themselves. DNOs could achieve this by, inter alia, making available:

- network records by CD, or more preferably, on line;
- details on network loadings (substation capacities and maximum demands, network feeder loadings and reserved capacities).

In having such information available, the IDNO (or ICP) has to make the assumptions and bear the risk of getting such assumptions wrong. In taking this approach, the DNO would only need to get involved in those projects that proceed. Such involvement would focus around validation of assumptions. Whilst this approach may not be possible in respect of all connections, it could be adopted in the majority of cases.

The above approach is similar to that used by Transco in facilitating competition in connections and has worked in gas connections any years. We would be happy to work with the industry to develop such a framework which reduces the burden on DNOs and which enables us to provide a better service to our customers.

We note that some DNOs suggest significant increase in volumes of work and that consequently they are unable to provide responses in accordance with the licence condition which has been in force for almost one year, and just as importantly, within a reasonable time to allow us to serve our customers and not cause unacceptable delays to developments.

We make two comments on this.

- Firstly, work is required to determine what an offer should comprise. A formal offer should not in every case require a site visit, network records should be adequate to allow desktop analysis to be sufficient. Any specific risks and assumptions as a consequence can be clearly stated by the DNO. (By this we don't mean that every offer should contain the same list of risks and assumptions as a generic standard list). Such an offer would satisfy the requirements under the Act. If a customer requests more detailed work (to underpin assumptions or to reduce risks), then it may appropriate to levy a charge in those circumstances, although clearly we would need to establish on what basis DNO's could levy such charges.
- Secondly, previously where some DNOs refused to provide an offer they provided an "indicative price". We accept that for some DNOs, complying with the Electricity Act means that the number of formal quotes will rise. However, we question to what extent this is netted off against the reduction or complete removal of providing indicative enquiries, in other words this is largely a substitution activity. In addition, we question what work, over and above that required for an indicative price, is required to provide an offer.

In respect of the first bullet point, we would be happy to work with DNOs to develop a framework and common set of principles for providing connection offers. We believe such a framework would mitigate many of the concerns raised by DNOs.

The housing market has crashed in recent months and our experience is that over the last 3 months requests for new connections has fallen by 50% compared to the normal level. Industry wide statistics from the NHBC and HBF also support this collapse in the volume of work. In the current climate, we are surprised that DNOs claim they cannot keep up with this much reduced flow of work. We do not accept that obligations to meet performance standards prescribed in the licence (SLC 15) should be relaxed.

Compliance with the Electricity Act is not an optional extra that parties can choose to do at their own convenience. All the parties concerned have significant expert legal resource available to them. In developing charging statements, it is incumbent on all concerned to ensure that these are compliant with the relevant licence conditions and with the Electricity Act. Parties have no grounds for complaint where they fail to do this.

There may be some circumstances where it may be appropriate to charge for the provision of an offer. Any changes to primary legislation to accommodate these must not compromise competition.

Please contact me if you wish to discuss the points raised further.

Yours sincerely

Michael Harding
Regulation and Compliance Manager
GTC