

Roger Morgan
Senior Manager, Compliance
Ofgem
9 Millbank
London
SW1P 3GE

Paul Rogers
Regulation Manager

paul.rogers@uk.ngrid.com
Direct tel +44 (0)1926 655584
Direct fax +44 (0)Direct fax no.
Mobile +44 (0)7775 821 840

www.nationalgrid.com

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Dear Roger

Connections Assessment and Design fees levied by Electricity Distribution Network Operators

Thank you for the opportunity to respond to the consultation on Electricity Distribution Network Operators (DNO) Assessment and Design (A&D) fees. National Grid Gas Distribution (NGGD), as a gas transporter has regulatory obligations to offer connections to its system, but also actively supports measures to enhance competition in gas connections, providing customers with information and direct access to quotations from competitors on our web-site.

Although we have not sought external legal advice on the relevant provisions of the Electricity Act, we understand the reasons why Ofgem and some DNOs believe it may be unlawful to apply A&D fees as a pre-condition of providing a connection notice. This is not the case in gas, as the Gas Act 1986 (as amended) does not prescribe the process of making a formal connection offer, merely setting out the general conditions for provision of connections to premises or to pipe-line systems operated by other gas transporters. We believe this facilitates a more flexible approach and could be used as the basis for discussion with the Department of Business and Regulatory Reform (DBERR) in relation to changes to the Electricity Act.

We agree with Ofgem that a fundamental principle for the provision of services to customers is that those who cause costs to be incurred should pay directly for the service required. This ensures that the general customer base of the network operator does not subsidise the activities of a discrete subset of customers and that costs are recovered appropriately. In the case of network operators such as DNOs and Gas Distribution Networks (GDNs) who are required by statute to provide certain services, it is imperative that this principle is applied as the service is not discretionary.

Unless relevant costs are recovered for the A&D element, it will perpetuate the reliance on network operators to support those competitors who would otherwise have to carry out their own design work and incur the relevant costs, to the disadvantage of other market participants.

In promoting competition in gas connections we are applying the same principles outlined above and have given notice of our intention to implement design charges from April 2009 for non-standard

connections work. This will direct charges to those who impose costs on NGGD and encourage customers to examine alternative competitive service provision. Those who continue to take a connections service from NGGD will no longer be subsidising speculative quotation requests and therefore ultimately should receive a better quality and lower cost service.

Given our perspective in gas connections we would support Ofgem and DNOs in their aspiration to seek legislative changes to facilitate A&D fees. Should this not be possible before commencement of DPCR5, then Ofgem should ensure DNOs are not financially disadvantaged in providing the service as it is likely that in the absence of A&D fees, speculative connections requests will increase.

Should you wish to discuss any of the points raised in this response please contact me at your convenience.

Yours sincerely

Paul Rogers
by email