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Roger Morgan
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Your ref: A&D fees_14_08_08-123/08

Dear Mr Morgan

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

I am responding to your letter of 14 August 2008 regarding the above topic.

In a truly competitive market, outside the monopoly of the current DNOs position as sole owners of the local distribution network, they would not even consider charging for preliminary A&D fees in advance of the opportunity of connecting new revenue earning business. Their customers, mainly property developers of one kind or another, work in an environment where the provision of estimates and quotations is an expected service from their suppliers. In turn, contractors regularly expect to be bidding against at least four others for new business. On the basis of 20% acceptance, they are only working effectively for one day a week. The costs of the remaining days are oncosts recovered when the quotation is accepted.

In the case of DNOs, they are looking at a position where one of the developer's that enquire about a new prospect will eventually connect to their network. If the DNOs were commercially proactive to sensing new business, they would already have background knowledge of impending development of either Greenfield or brownfield land in their area. Otherwise, how can they do their longer planning for upstream capacity? They have only to check their network records once to design for a project but seem entitled to charge all potential customers for enquires about the same land/scheme. Some DNOs even charge advance design fees for new, nested, load to be connected within an existing larger development (Business Park) after the new network has been installed to cater for the land in question.

In the case of rural properties, many enquiries can be received by the DNO prior to auction/sale of a remote unconnected property. Even in the days of the old REC's they would not have considered it fair to charge enquirers for making an enquiry for the same property. Therefore, there is no precedent for DNOs to commence charging fees that were not levied before privatisation of the industry.

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Speculative connection requests are surely so rare as to be considered unnecessary of further debate. Commercial enterprises are not in business to make spurious enquiries for imaginary developments. All enquiries for any specific piece of land will be related to the development potential of that land and, at some time, ultimately there is a developer who will proceed with a scheme that eventually becomes another revenue earner for the DNO. DNOs cannot for ever expect retail customers to form a queue in the street before the shopkeeper has confidence to build the shop to serve them.

If existing legislation precludes the payment in advance of A&D fees, it was probably because it would never have been considered as appropriate business procedure when the Act was framed, based on common practice at the time. Neither is it appropriate today. DNOs can shed their crocodile tears but some discipline is required to abate the present tendency for them to pass on costs that are theirs to bear at part of general commercial practice.

I support Ofgem's view that A&D fees are not chargeable until the applicant accepts an offer notice for a new connection.

Yours sincerely
Utility Connections Engineering Ltd

Robert Rowling

Robert Rowling
Director