



Independent Networks
Association

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Consultation on the proposal to review competition in the electricity connections market for RIIO-ED2

By e-mail only

Dear Kieran,

I am writing on behalf of the Independent Networks Association (INA). The INA represents and consists of the UK's leading independent utility network owners and operators who serve the domestic and commercial and industrial sectors across the UK.

Thank you for the opportunity to respond to this consultation detailing the proposal to review competition in the connections market. Our members are supportive of the intent to look at where competition has grown or stagnated and implement adequate mechanisms and controls to improve upon the status quo, appreciating the benefits that improved competition will offer to connecting customers.

Whilst there is broad agreement that the current proposal to assess the prevalence of competition will be a useful tool and will inform subsequent decision-making for the development of the competitive connections market through price control mechanisms, we believe some key topics, which sit outside the scope of the competition test framework Ofgem are proposing, must be highlighted and considered with this review.

Firstly, a large variance exists between each DNOs' behaviors which leads to a disparity in the effectiveness of competition within their respective distribution service areas. DNO behaviour at the administrative level, such as delaying the provision of information, or other requests, until the limit of the regulated timescale, increases the difficulty of obtaining a connection from the DNO. Where this behaviour exists and we reiterate that this is not consistent between DNOs and note that DNOs whose senior management teams embrace competition tend to facilitate the process more effectively. We think that the framework proposed by Ofgem is unlikely to be able to account for these nuances. We would welcome incentives in the price control framework which rewarded those DNOs who better facilitate the provision of connections through efficient and easy non-contestable services. We believe this will reduce the variance we are facing and drive efficient provision of connections without a negative impact to competition.

Secondly, there are also direct issues, e.g., capacity ramping and subsequent DNO claw-back issues which impedes competition due to cost implications. These issues have been previously raised to Ofgem by our members but overall, our members' experience of these activities has largely remained the same. Further, DNOs should be incentivised to apply fair standards uniformly across the connections market, considering the process and cost implications for the connection journey. We also encourage the use of modern technologies where applicable rather than adherence to outdated historical standards used on the DNO's legacy networks as this would ultimately benefit customers.



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Lastly, we would question whether existing incentives have performed as intended such as the Incentive on Connections Engagement and welcome Ofgem's decision in their Sector Specific Methodology Decision to replace the ICE incentive. Our members would note that ICE has not been wholly effective, given the varying levels of quality of service between DNOs. We believe that incentives which reward the performance of DNOs should be limited to non-contestable activities where there is competition or there is a prospect of competition developing. In general, we agree with the direction of travel that Ofgem have outlined in developing various frameworks for different market segments and would like to work further with Ofgem to help shape how those incentives can be applied through the price control period for the benefit of connections customer.

Our members look forward to the outcomes of this review and are keen to engage with Ofgem to ensure this review is successful and leads to positive outcomes going into RIIO-ED2 for the connections market and ultimately, customers.

Yours sincerely,

Vicky Bell

Chair to the Independent Networks Association Regulations Sub-Committee



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Annex 1: Comments to Consultation Questions

Q3 - We broadly agree but question whether there exists any mechanism or reporting to ensure competition has not or does not worsen in these segments. There should also be a mechanism for parties to report on worsening conditions for those segments that recently passed the competition test and which have previously failed.

Q4 - We disagree and propose that DNO behaviour should also be included as a key indicator. DNO behaviour often drives the ease of processes and better customer awareness and create a better market for new connections in their incumbent areas. We have noticed significant variances between DNOs and even within the same DNO company for different GSPs.

Q5/Q6 - Economically, PCIs for poor performance (penalties) and good quality of service (bonuses) should both serve to improve competition as a direct result and we would strongly support this. Additionally, we support maintaining the regulated margin and note that this may be increased in subsequent years if there is sufficient evidence that competition could develop or is developing.

Q7/Q8 - It is not clear whether the prospect of competition not developing is considered post implementation of PCIs. Application of incentives to improve DNO behaviour could encourage third parties to explore these RMS. We would also question why the status quo of no competition should be maintained or is being maintained. Where RMS are primarily not an area of interest for third parties, it should be understood where this is due to competition concerns or economic concerns.

Q9/Q10 - We note that limiting the application of PCIs and enabling DNOs to charge an unregulated margin may have the consequence of restricting competition i.e., the RMS passed the test purely because of the PCIs/regulated margin. We think that it is important to target incentives in areas which allow the continuation of the development of competition and do not act to incentivise DNOs beyond competition.

Q11 - We would support the inclusion of criteria that records DNO behaviour towards third parties due to our concerns and issues noted in our letter above. This is an area that directly affects competition in the market and while this would be reflected in part in the noted assessment criteria, we propose explicitly recording this to better assess the effectiveness of current incentives and potentially strengthen any new incentives applied in ED2.