

To whom it may concern,
Please see our comments in response to the above consultation

General comments

Reinforcement – Connections are more and more reliant upon reinforcement of the existing network which has significant cost implications,. Third parties are unable to assess the costs that feed into reinforcement to judge the accuracy and fairness of such quotes being issued by DNO's.

3 - Discounting of areas where Ofgem already sees effective competition. Proposal is to not re-open areas previously assessed as having passed the competition test.

We disagree with this – is there any mechanism or reporting to ensure competition has not or does not worsen in these areas. There should also be a mechanism for parties to report on worsening conditions in areas that recently passed the competition test and which have previously failed.

4 - Set of principles by which Ofgem will assess effective competition should be limited to only those set out in section 5 of the consultation.

We disagree and propose that DNO behaviours 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 geographies.

5&6 - Where a market segment does not pass the competition review, but where Ofgem considers there to be a prospect of competition developing, should DNOs have incentives based on their performance included as part of their price control settlement? And should Ofgem maintain the regulated margin for DNOs?

Economically, incentives 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 lowered in subsequent years if there is sufficient evidence that competition could develop or is developing.

7&8 - Where a market segment does not pass the competition review, but where Ofgem considers there is no prospect of competition developing, should DNOs have incentives based on their performance included as part of their price control settlement? And should Ofgem maintain the regulated margin for DNOs?

It is not clear whether the prospect of competition not developing is considered post implementation of price control incentives. Application of incentives to improve DNO behaviour could encourage third parties to explore these market segments.

We would also question why the status quo of no competition should be maintained or is being maintained. Where market segments are primarily not an area of interest for third parties, it should be understood where this is due to competition concerns or economic concerns.

9&10 - Should there be a limit to the application of price control incentives? Should DNOs be permitted to charge an unregulated margin?.

We note that limiting the application of price control incentives and enabling DNOs to charge an unregulated margin may have the consequence of restricting competition. For example, if the market segment passed the test purely because of the price control incentive and/or regulated margin. Sufficient, robust evidence should guide any decision to remove either price control incentive or regulated margin.

Regards
Lisa Kerford (Managing Director)