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Dear Kieran

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

I am writing on behalf of Fulcrum. An Independent Connections Provider and Independent Distribution Network Operator operating in the domestic, industrial, and commercial sectors across mainland UK.

First, we fully support the review of competition in the connections market, and we thank you for giving us the opportunity to respond to this consultation. We believe that this is an important step in highlighting the issues in the market, and in providing resolutions for these issues to support more effective competition, which will lead to better quality of service and reduced costs for connecting customers.

Below are our general comments on the current levels of competition in the market, followed by our comments to the consultation's specific questions.

General comments

1. General competition

The DNOs hold a dominant position in the connections market due to their nature as incumbents. This results in third parties relying on the DNOs to provide their customers with a cost-effective, smooth, quick, and effortless process to provide connections.

Given the DNOs' access to analytical tools and confidential information, they have the ability to restrict competition, and this is evident in some regions where third parties must utilise additional resources and incur greater costs to provide a connection, compared to other regions where competition is more effective.

There is a large variance between each DNOs' behaviours, which leads to a difference 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
- This is not consistent between DNOs, but where this behaviour exists, it increases the difficulty of activity in the market

We would welcome incentives in the price control framework which reward DNOs who better facilitate the provision of connections through efficient, easy and consistent non-contestable services. We believe this will reduce the variances third parties face and help drive the more efficient provision of connections.

There are also direct issues, e.g. capacity ramping and subsequent DNO claw-back issues which impede competition due to cost implications.

2. Reinforcement

Although reinforcement is a non-contestable activity, connections in some parts of the country will require reinforcement of the existing network. This has significant cost implications on connection projects, but third parties are unable to assess the costs that feed into reinforcement to judge the accuracy and fairness of these quotes. This results in third parties having to make uninformed decisions, with large cost implications, and often comes with little or no justification as to how these costs are fair or where they have been derived from.

3. EHV market segments

While progress is being made in securing large EHV connections, there is a lack of transparency in the EHV market due to reliance on DNO processes and publication of charges by the DNOs. Prescriptive timescales are followed but incentivise customers to approach DNOs directly to reduce the overall duration of the connection process.

Comments relating to specific consultation questions

Question	Comments
3	We generally agree. However, we 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.
4	We disagree. We 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 GSPs.
5 and 6	Economically, incentives for poor performance (penalties) and good quality of service (bonuses) should both serve to improve competition. Therefore, 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 and 8	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 position 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 established whether this is due to competition concerns or economic concerns.
9 and 10	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.
11	We would support the inclusion of criteria that records DNO behaviour towards third parties. 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.

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

Yours sincerely



Terry Dugdale

Chief Executive Officer

By email only.