

Kieran Brown  
Onshore Networks-Price Control Setting  
Ofgem  
10 South Colonnade,  
Canary Wharf,  
London  
E14 4PU

**Electricity North West**  
Frederick Road,  
Salford, M6 6QH

Email: [enquiries@enwl.co.uk](mailto:enquiries@enwl.co.uk)  
Web: [www.enwl.co.uk](http://www.enwl.co.uk)

Direct line: 07795 447817  
Email: [brian.hoy@enwl.co.uk](mailto:brian.hoy@enwl.co.uk)

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**By email only**

Dear Kieran

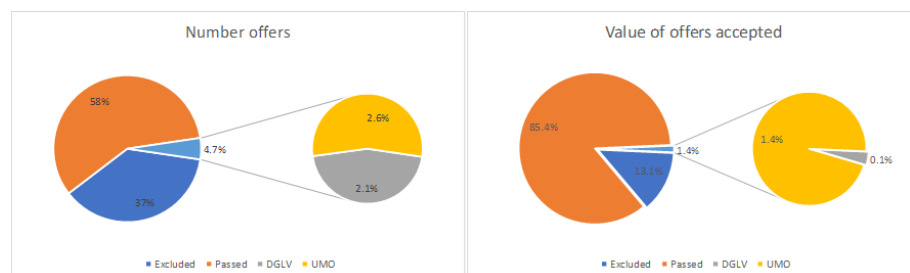
**Our response to Ofgem's consultation on its review of competition in the electricity connection market**

Thank you for the opportunity to provide comments on your 'minded to' proposals following your review of the level of competition in the electricity connection market. Our responses to your three consultation questions are below, together with an additional thought on the licence.

Overall, we think Ofgem has done a good job of assessing and determining which RMS have effective competition.

**Q1 Do you agree with our treatment of RMS where we found low levels of third party activity? Please provide reasons for your views.**

We note Ofgem's comments in the assessment of Distributed Generation LV for our RMS that there is relatively more third party activity across other DNOs than in Electricity North West. Whilst we recognise that taken in isolation, there has been only limited levels of competition against the criteria used in the review. However, if taken in a wider context of the levels of competition in the north west, then this RMS should pass. We passed seven of the nine market segments in the original review completed in 2013. The two remaining market segments together represent less than 5% of our connections activity. In terms of the volume of connection offers we make, Distributed Generation LV covered only 2.1% as shown in the chart below. In terms of accepted work, it is an even smaller proportion of our activity with the value constituting just 0.1% of the value of work accepted.



So overall, it is clear there is extensive and prolonged levels of competition demonstrated in our area for LV connections work. We passed the Demand LV market segment previously in 2013, demonstrating that we have consistently facilitated competition down to these sorts of smaller LV jobs and similarly the Generation HV and EHV RMS supporting competition for these types of generation connection. We would also draw Ofgem's attention to our annual 'Competition Test Report' which is submitted in June each year. The levels of competition we continue to experience are to a much greater level than observed in most other DNOs.

So, considering that have passed all other markets segments and in particular the two most relevant to the of type of job and type of customer, namely Demand LV and Generation HV and EHV, our view therefore is that Ofgem should make an 'in the round' assessment, and pass this Distributed Generation LV RMS.

**Q2      *Do you agree with our proposal to maintain the regulated margin in those RMS where we did not receive market data through the DNO submissions? Please provide reasons for your views.***

Yes we agree with Ofgem's proposal which seems the best way forward in the circumstances. It is unclear whether DNOs chose not to submit the market data or if it was due to none being available eg no street lighting PFIs being undertaken.

**Q3      *For each RMS and DNO where we have assessed the level of competition, do you agree with our proposal to keep or remove the regulated margin? Please state why, providing evidence and reasoning for your views. When responding, please mark clearly which DNO and RMS you are referring to.***

We agree with your proposal to remove the regulated margin from our Unmetered Other market segment. It is encouraging that our efforts to support competition in the unmetered markets has been recognised as competition has extended into this final unmetered market segment.

As an addition, we would encourage Ofgem to review the reporting obligations that are included in Special Condition 2K. This requires an annual report explaining the extent to which evidence used to pass the original Competition Tests is still valid. We believe that this obligation should be removed.

- It requires DNOs to review and assess evidence that was presented for 2011 which will be 17 years old by the last year of ED2.
- The Competition in Connection Code of Practice and SLC52 are now in place which have superseded these original submissions.
- This will create an extra regulatory burden for DNOs that passed the original Competition Tests in 2013 compared to those that have passed as a result of this review. That would create a perverse situation where a DNO that supported and delivered on achieving Ofgem's policy of encouraging competition are faced with extra regulatory burdens.

If you would like to discuss any of these points, please let me know.

Yours sincerely

**Brian Hoy**  
**Head of Market Regulation and Compliance**