

Kieran Brown  
Policy Manager,  
Ofgem,  
10 South Colonnade,  
London E14 4PU

18 May 2022

Dear Kieran,

### **Minded-to proposals on Ofgem's review of competition in the electricity distribution connections market**

SSEN welcomes the opportunity to respond to Ofgem's minded-to proposals following the review of competition in the electricity distribution connections market. We are supportive of this review in advance of RIIO-ED2 and in the main we agree with the proposals, as detailed further in our response to the individual consultation questions in Appendix 1.

We would highlight that although the 'guiding principles' under which the assessment of competition has been made are clear, no information has been provided on the specific criteria used in the assessment. This has made it difficult for us to determine if competition in the various market segments across the DNOs has been assessed on a consistent basis.

We are pleased to note that the outcome of this review demonstrates that competition has developed significantly in the connections market across the industry since the previous competition test in 2014. This aligns with our expectation, given the increase in competitive activity that we have seen in recent years and suggests that the introduction of SLC52 and the Competition in Connections Code of Practice (CiC CoP) have been effective in ensuring a level playing field and allowing competition to develop.

As Ofgem is aware, since 2017, SEPD has had additional binding Commitments in relation to competition in connections. These Commitments have been in place for five years and, under the terms of the Commitments, Ofgem is required to review by May 2022. We have held an initial meeting with Ofgem to start the process of release from the Commitments to ensure that a decision is reached in a timely manner to allow for RIIO-ED2 preparation. We trust that Ofgem's review of competition in the connections market will feed into that review and note that its conclusion that competition has developed considerably, with effective competition now existing in an additional four market segments in the SEPD area, confirms our view that industry measures now in place under SLC52 and the CiC CoP are effective and that as such these additional Commitments are no longer required.

Yours sincerely

**Gwen McNaughton**  
Regulation Manager

## Appendix 1

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 agree with the proposal to retain the regulated margin where the level of third-party activity is low. This provides a level of protection for customers in areas of the market where competition is still developing.

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 view.

We agree with the proposal to maintain the regulated margin in those RMS where market data was not submitted. Note that the RMS that we did not provide market data for are those where we do not have any projects: 'Unmetered PFI' and 'Metered Demand EHV and above' in the SHEPD area.

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 had difficulty in reviewing whether the assessment of the level of competition was carried out consistently across each DNO and RMS as the criteria used in the assessment were not clear.

An example of this is in the Unmetered Other RMS in our SHEPD area. The minded to position is that this RMS does not pass the competition test, however, the data appears to be very similar to Unmetered Other in ENWL which has passed the competition test. SHEPD's market share appears similar to ENWL, with an average market share of 61% compared to ENWL's 66%. We note that ENWL's market share is particularly low in 2021, but we understand that the competition assessment considers the trends over the four years of data rather than any one individual year and we agree with this being the fairest approach. In terms of the number of third parties completing units, these also appear to be at comparable levels at between zero and five for ENWL and between two to four for SHEPD.

It would be helpful for Ofgem to explain the criteria that have been used to allow us to understand the conclusions that have been reached.