

10 February, 2004

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Attention: Nienke Hendriks Senior Price Control Review Manager

Dear sirs,

Subject: Electricity Distribution Price Control Review – Second Consultation 171/03

I am writing to respond to the second consultation document and have concentrated my comments on the section relating to non-contestable charges.

I am not surprised that the review on the nature and level of competition in the connection activity shows independent connections providers undertaking only about 4% of the total. It underlines why the DNOs need to have an incentive to open activities to competition when it is also recognised that universally only procurement of materials and installation of those assets, albeit in a limited form, is contestable. Certain activities were listed as contestable in the 1995 price review and how slow has progress been to embrace those.

The recovery of non-contestable charges not being included in the DPCR will delay further the opening of competition in this area.

Ofgem make reference to a number of initiatives including live working trials and service standards that have only come about because of the pressure ICPs place on DNOs, not because of any licence requirement or regulatory condition. It is fair to recognise, however, that the work Ofgem have led through the ECSG/ UCSG have provided a framework for competition to develop but the adoption of that framework by DNOs remains voluntary. Here is an opportunity for Ofgem to change that across the industry by bringing charges for non-contestable services in the regulatory regime rather than allow recovery of those to only be regulated through the determination process.

I am pleased that there is likely to be some movement toward a shallow connection policy and that there is potential for diversion and reinforcement to be the logical extension in the development of competition.

I urge Ofgem to reconsider how non-contestable charges are treated under this price review and draw attention again to the comments I made in my response to the October document.

Yours sincerely,
For and on behalf of Mowlem Energy

David Clare
General Manager
Competition and Business Development