

Our ref: RF/SK/HBF/147

26th May 2004

Colin Green
OFGEM
9 Millbank
London
SW1P 3GE

Dear Mr Green

Re: Electricity Distribution Price Control Review

Thank you for sending me the above document for the HBF to comment on. Although we received this document outside the Consultation Period I hope our brief remarks will be of some help to OFGEM.

Can we lastly express our disappointment that we were not asked to participate in the Workshop and received this document in March 2004. Hopefully this will be addressed in the future.

Yours sincerely



Ray Farrow

HBF COMMENTS ON OFGEM'S POLICY DOCUMENT 62/04 ELECTRICITY DISTRIBUTION PRICE CONTROL REVIEW

General Comment

The HBF have been an active Member of the Steering Groups for Competition in Connections over the last three years. Any aspect of competition in relation to DNO's is welcomed by the Industry. For many years the monopoly held by DNO's has resulted in higher electricity costs for House Builders and a lack of transparency in the changes they levy.

Although the HBF is not sufficiently knowledgeable to express a view on many aspects of this price review. We will endeavour to make comments on specific areas on a general basis.

One issue that does not seem to be addressed in this Price Review is the fact that House Builders provide a revenue stream to DNO's in perpetuity. An asset is financed by the Industry and gifted to a profit making DNO who is accountable to shareholders. We would ask OFGEM to address this imbalance in this Review. It is interesting to note that in the Water Act 2003 an asset payment has now become part of the new legislation.

Non-Contestable Connection Charges

It is obvious that most DNO's do not detail these charges when sending quotations to House Builders. Although competition may change this, we see it is important that these costs are set out as the agreed template. We would also welcome the introduction of financial penalties in this area where DNO's have acted inappropriately or outside accepted levels of service.

Quality of Service and other Outputs

As previously stated, levels of service are a major issue for House Builders when dealing with DNO's. It is evident that DNO's do not see House Builders as customers and in many cases act within their time constraints rather than what the Industry requires to enable development to progress. We are pleased that this has been recognised in the recently published Barker Review and we see OFGEM's response to recommendation 20 of this Review as an opportunity to stimulate the argument for competition further within the DNO's.