Mr Mark Cox
Ofgem
9 Millbank
London
SW1P 3GE

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IDNO Proposals

Dear Mark please find attached Global Utility Connections response to the above.

Areas not discussed in our response we have considered to be adequately covered by Ofgem's proposal or our distribution licence conditions.

Yours sincerely

Jim Johnston

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Charging Arrangements

Introduction

Global Utility Connections Ltd are of the opinion that all the options for charging detailed in Ofgems consultation paper are unlikely to deliver savings for the customer.

It must be recognised that reductions in DUOS charges from IDNO's are unlikely to be enjoyed by customers. Differences in DUOS charges, even small percentage differences + or - , may create problems for supply companies which could result in additional costs to customers

GUC consider that there is an opportunity to deliver benefit to end customers either through improved services or in rebate of charges. These rebates would be paid directly to the customer rather than to the Supply Company. We consider this introduces a further element of competition into the connections market. If companies procuring electrical connections for their developments are aware that there may be long term benefits which accrue to their customers from an IDNO they are much more likely to select that IDNO to be the service provider. This is by far the greatest incentive to IDNO's to become more efficient and to pass on savings to customers. With a lower cost base and higher efficiency rates IDNO's would envisage being in a position, once volume is established to rebate their customers annually.

This arrangement would allow Ofgem the opportunity to measure the benefits being enjoyed by customers rather than simply limiting IDNO DUOS charges.

Experience in the Gas market has shown that additional costs seen by supply companies are simply passed through to the customer. It is unlikely given the relatively small number of customers connected to IDNO networks, that supply companies would pass on savings.

The conclusion from this is that, at least for an initial period IDNO charges should follow DNO charges.

Boundary Equipment

Assumptions

- G.U.C assume that networks will be built using best engineering practice and at lowest cost.
- That DNO's and IDNO's will co-operate to achieve the above
- Equipment used will satisfy ESQC Regulations
- That boundary equipment will not be used to compromise competition

Boundary Metering

- Is it necessary or expedient?
- Is it within current practice?
- What are the arguments for?
- What are the arguments against?
- Who are the beneficiaries?
- Does it affect MPAS-MPAN?
- What are the implications?

DNO/IDNO Interface

Point of Isolation

- Is it necessary or expedient?
- Is it in line with current practice?
- What are the cost implications?
- Who should own it?
- Who should have access?
- What are the technical implications?

Boundary Metering

Is it necessary or expedient?

EHV and HV tariff structures require demand metering. It is not possible to accurately estimate maximum demand from aggregated LV meter readings even if real time meter readings were available (which they are not). It is therefore difficult to argue against boundary metering. Unless tariff structures are changed there is a need to have monthly maximum demand recorded

The same cannot however be said for LV connections as duos at LV is not demand based. Demand metering is therefore not required.

Is it in line with current practice?

When HV maximum demand is required this is normal practice.

On LV networks metering would not normally be provided.

What are the arguments for boundary metering?

The principle argument put forward by DNO's is that boundary metering will protect their DUOS income.
Threats envisaged come from system losses and from meter theft. There is also an opinion that without boundary metering errors in MPAN registration could reduce DUOS income.

Since EHV and HV systems require to have demand metering at the boundary there is no argument as to system losses.

Meter theft on LV networks may exist whether or not the DNO or an IDNO owns a network. A situation should not exist where the IDNO is forced to indemnify the DNO DUOS against theft where they do not protect themselves in normal circumstances. The burden of theft is then placed exclusively with the IDNO.

MPAN registration is an activity which is carried out between the supply company, the Developer and the MOP. In real terms the IDNO have no part to play in this activity. If mistakes are made the IDNO should not be forced to indemnify the DNO DUOS.

What are the arguments against boundary metering?

The principle argument against boundary metering is that it increases cost. This cost is both in terms of capital and revenue. The costs in some cases can be avoided. Current DNO proposals for boundary metering, CT or whole current, require a protective housing. Where a sub-station is involved this may not be a problem. Where the connection is simply an extension to an LV network however, it involves the construction of a housing. The customer is obliged to relinquish additional land and pay for the meter housing. Additional wayleaves will be necessary and the cost of maintaining this housing will increase operating costs. Clearly this reduces the opportunity to reduce charges or increase services to customers.

By accepting boundary metering at all voltages IDNO's become unpaid revenue collectors for DNO's. Whilst the IDNO must collect DUOS based on data which may not be accurate and in some cases may even be profiles, and trust to the timely settlement of accounts from supply companies, the DNO can simply calculate DUOS charges based on its own readings. Thus the DNO is provided with an additional revenue stream which is without risk.

Who are the beneficiaries?

There are no significant benefits to be gained by any company.

Does it affect MPAN or MPAS?

The raising or registration of MPAN's is unaffected.

Point of Isolation

Is it necessary or expedient?

IDNO's, to satisfy ESQC Regulations require to fit devises to protect their network. In cases where HV connections are involved there is a need for circuit breakers. For LV connections fuses are used.

Is it in line with current practice?

Providing a point of isolation and circuit protection complies with regulation and is therefore in line with current practice.
The proposals from DNO's are there should be a physical separation between what they consider their equipment and the equipment owned by the IDNO. The proposal would allow IDNO's to trip circuit breakers isolating their networks but would not allow reclosure.

What are the cost implications?

DNO proposals at this time provide for separation of IDNO and DNO equipment. In practical terms this means the following;

- Additional land take for two buildings rather than one.
- Planning permission required due to building dimensions
- Significant additional switchgear cost
- Additional costs for land purchase or easement
- Additional costs of building and switchgear maintenance

For an example of cost breakdown see appendix (1)

Who should own it?

In a new installation the equipment will be providing protection for the IDNO's equipment, therefore the ownership should remain with the IDNO.

Who should have access?

In situations where there are operational reasons for the DNO requiring access, there should be shared access. No situation is envisaged where the DNO may isolate the IDNO connection without the IDNO's agreement.
Operational procedures can be written to facilitate shared access

What are the technical implications?

The technical implications will depend largely on the type of connection i.e.; EHV, HV or LV. Connections should be designed and constructed using best engineering principles and lowest cost. There should be recognition of the need to communicate with system control where appropriate. Notices describing procedures should be clearly displayed.

Appendix 1

Item	**Standard**	**Separate DNO & IDNO**	**Comment**
11kv S/S	£19680	£29315	Switchgear Labour and enclosure
Land Purchase	£500- £1000	£1000 - £2000	Could be significantly higher
Planning Perm	Nil	£200	Added delays in processing
Land Take	16 sqm	32 sqm	Significant issue for developers