

Your ref

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Our ref

BMcC/energetics/Reg/Elec/300307

**Mr. Roger Morgan
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9 Millbank
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30th March 2007

Dear Roger,

Review of Competition in Gas & Electricity Connections – Proposals Document

Thank you for the opportunity to comment on the Proposals Document issued by Ofgem on 16th February 2007. In addition to the Gas & Electricity Connections Industry Review Results 2005-2006, the document raises a number of important issues that require immediate regulatory intervention in order to stimulate this flagging sector.

Referring to the questions raised in your document, Energetics Electricity has the following comments: -

Section 3 – Metered Electricity Connections: Introduction of a Licence Condition

In general terms the introduction of a licence condition will be a positive step and may serve to raise awareness within the DNO's on how important these standards are to the independent market.

The proposed performance targets however, give me cause for concern in that the 90% target is not sufficient. If you refer to the data published by Ofgem on the 2005-2006 Industry Review Results (Table 3.1) you will see that seven of the DNO's are allegedly beating that standard. Indeed, the companies with poor levels of performance are in fact those companies with little or no real competition. By setting the target at 90% Ofgem are effectively saying to a number of the companies that they can 'relax' on the basis that they are already out-performing the standard. Perhaps Ofgem are taking the view that the other DNO's have a long way to go since some of them are down in the less than 50% levels, however, I refer to my previous point that the volumes they are dealing with are miniscule. My own preference would be for a 95% target introduced in July 2007 and climbing to 98% by April 2008 at the latest.

Energetics Electricity has no issues with the drafting of the licence condition and do not see the requirement for supporting guidance. These issues have been around for many years and I take the view that the DNO's know precisely what is required to meet the standards.

Section 4 – Promotion of Convergence and Good Practices in Electricity Connections

The package of principles covers most, if not all, of the current issues and clearly this is an area that requires careful scrutiny from Ofgem. The following comments hopefully give some insight to the severity and impact of the DNO's practises and also highlight suggestions for consideration: -

Improve the Connections Application Process

1. Confirmation from the DNO of the classification of the POC request and subsequent timescales for the response (simple, complicated etc).
Many DNOS interpret this classification to suit their own needs.
2. Confirmation if this request is or becomes interactive with related applications.
They refuse to tell us that there are other offers out on this POC and that it is a case of first come first served.
3. Details of planned reinforcements.
Often reinforcement plans are dropped because it is convenient for the customer to fund them.
4. The most economic and technically viable adequate point of connection.
We are not in a position to challenge any POC from an engineering or commercial stand point.
5. A summary description of the likely electrical arrangement for the provision of supply.
We would need this to contest any arrangements we were not in agreement with. Why should we not get a point of connection within an existing DNO take off chamber for example?
6. HV/LV existing & proposed system diagrams.
To create an even playing field, we should have the same information that the DNO designers have at their disposal in order to secure contracts.
7. Physical Location of the Point of Connection and its relationship to the Point of Network Connection.
Many DNOs refuse to give us a physical point of supply where we want it e.g. in the middle of a development. They instead give us a supply at the boundary of the site which means that we have to design networks that are not designed to an optimal standard .i.e. at the centre of the load.

Provide Clarity on Charges

8. A full breakdown of the costs and charges.
Many DNOS refuse to even consider a breakdown of costs. Others offer the most basic of breakdowns.
9. Faster investigation turnaround from Ofgem on provision of non-contestable information
There have been many instances where a DNO affiliated connections business has issued a quotation to the customer but ICP is still waiting for non-contestable costs
10. Agreed rate for Design Studies etc
The quantum and variability of these charges are extremely prohibitive and a more sensible approach would be to have a limited tariff of charges, agreed by Ofgem, alongside a transparent process to ensure costs are recovered across all applicants, including affiliated connections business.

General Observations

11. Maximum demand data and information on available capacity for 11kV and 33kV feeders.
Like for like planning information.
12. Access to 5-year Asset Replacement Plans and projected system load plans.
Similar to reinforcement issues. Many DNO's happily allow the customer to pay for the removal or re-location of plant, which has been identified for re-placement.
13. Many DNOS have given written notice to ICP's that the minimum lead time to complete the non-contestable connection is ten to thirteen weeks.
This is solely down to the level of resources that the DNOs have at their regional offices. For the purpose of monitoring these standards there will be have to be a robust procedure as there is a huge gulf in the proposed levels and actual levels, which will not change in the short term due to resource restrictions.
14. Engineering Issues
 - *Testing often done to the DNO engineers' personal preferences rather than their published documents*
 - *Some DNO's not allowing IDNO's to have direct coupled metering units in their licenced area, but allowing their affiliated connections business.*
 - *Insisting on witnessing our testing, but not with own affiliated connections business, despite the fact that we each use the same contractors.*

Section 5 – Unmetered Electricity Connections

The minimum standards would not satisfy the concerns of the public over matters of safety and this area is a major concern for many local authorities. I would prefer to see a separate category to cover "multiple unit outages in areas of high risk to public safety". The specific neighborhoods would have to be agreed between the DNO's and each local authority with a suggested minimum restoration of two days during Winter extending to four in the Summer months.

Summary

The package of proposals put forward by Ofgem are welcomed, however, it must be stated that the issues raised through the consultation have been around the industry for a number of years with no significant improvements. Since the market was first opened twelve years ago we find that less than 5% of all new domestic connections are being provided by ICP's compared to 70% in gas. Despite the protestations by the DNO's on so called technical and safety matters, there is clear evidence that the DNO's are reluctant to support the development of a competitive market.

The initial thought of Ofgem to refer these issues to the Competition Commission should still be tabled as a serious consideration on the basis that the independent utility companies, and more importantly customers, cannot wait another 4/5 years to see improvements.

Yours sincerely,

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