

Our reference: REG/CJB/07/010

Connections Policy
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

29th March 2007

For the attention of Martin Crouch – Director, Electricity Distribution

Dear Sirs,

Review of Competition in Gas and Electricity Connections

We write in response to your Review of Competition in Gas and Electricity Connections Proposals Document 26/07 & 26a/07.

Power On Connections Ltd is the most active non-affiliated ICP. Based in the Midlands, and with experience of delivering connections in 8 of the 12 England and Wales DNO franchise areas, we specialise in the C&I market including high density urban residential developments. We engage in no other commercial activity and have no affiliations of any kind with any other organisations.

Power On Connections was formed in September 2003 solely in response to the development of the Competition in Connections market. We have subsequently undertaken over £30 million of connection projects and made over 1000 applications for points of connection.

Our response to this review is based on significant experience and whilst we believe the intention of previous Ofgem Decision Documents are clear our experience has shown that DNO's have an ability to interpret these intentions in a completely different manner to the rest of the industry. Therefore it is imperative that all elements associated with this review are clearly detailed to avoid interpretations by the DNO occurring.

Yours faithfully

Chris Bean
Director

Competition in Gas & Electricity Connections
Response to Proposal Document

Chapter Three Responses

Q1 – Do you agree with our proposals to introduce a license condition?

In previous consultation responses we have frequently stated our belief that the single most positive step that Ofgem could take would be to formalise the existing “voluntary” basis of competition in connections by introducing appropriate license conditions. Power On Connections wholeheartedly agree with the proposal.

Q2 – Do you agree with the proposed scope, performance targets and timescales?

We agree in principle but remain concerned that any standard not requiring 100% compliance provides opportunities for the subtle use of statistics to blur the true picture.

With regard to those proposed standards which are subject to the fulfilment of conditions precedent, enormous scope remains for DNO's to insist that a request to connect cannot be made until all works are 100% complete including legal consents. Whilst we fully accept that the DNO cannot be under any obligation to actually energise a scheme until it is fully complete and any necessary legal consents are completed, insisting that the 10 or 20 day lead time from request to connect cannot begin until such a stage has been reached is completely unacceptable. It effectively adds two or four weeks to an ICP's programme. Provision must be made for requests to be made in anticipation of full completion with the ability of a DNO to recover its reasonable costs for cancellation without a reasonable notice period. This is a crucial element in improving the effectiveness of Competition in Connections.

Q3 – Is the proposed structure and drafting of the license condition clear?

Whilst the drafting seems clear and concise, there remains plenty of room for varying interpretations – particularly associated with definitions. OFGEM should consider a formal review after 12 months in order to introduce any amendments necessary to ensure that the effect of the license condition in practice matches OFGEM's intentions.

Q4 – Does the license condition require a supporting guidance document?

If this assists with limiting the scope for differing interpretations of the license condition to be made then it would appear to be an extremely valuable aid to ensuring effective implementation. Presumably, it would also be far simpler for such a document to be modified than for the license condition itself to be amended should it prove necessary from time to time to clarify issues that come to OFGEM's attention.

The guidance document should detail specifically the Ofgem's accepted standard for "Conditions Precedent" to be incorporated into the Construction & Adoption Agreement, rather than allow DNO's to manipulate these "Conditions Precedent" in their favour.

Whilst not covered by this consultation we also believe detailed guidance is required on the overall Construction and Adoption Agreement and in the future Ofgem should work with the ECSG to develop a single model C&A Agreement to remove onerous conditions the DNO inflicts on the ICP in the current one sided agreements.

Chapter Four Responses

Q1 – Do you agree with the package of best practice principles?

We agree with all the principles proposed.

Q2 – Are there other areas of improvement to the connections application process that are required?

- a) Commonality across condition 4B charging statements including a standard definition of non-contestable charging elements and a common approach to the timing of recovering the charges is urgently required.
- b) Greater information regarding upstream reinforcement needs to be provided at POC / quotation stage including: a description of the quantity and nature of work (to enable an approximate check of the reasonableness of the total costs applied); locations where work has to be carried out (to facilitate coordination of highway works); a clear date by which the works will be completed (to enable an ICP's offer to include a firm date by which full capacity will be available) and a statement of how any partial funding has been calculated.

Q3 – Do you agree with the reporting arrangements set out in this chapter? Are specific guidelines required?

We will reserve judgement until we see the output generated and whether this reflects what we perceive as a highly active ICP.

Chapter Five Response

Q1 – Do you agree with the proposed key performance indicators for the SLA?

No response offered.

Q2 – Do you agree that the scope of contestability should be based on contractor accreditation rather than the one metre rule?

Yes. Often the same staff with the same skills are used by the same company and yet the work they are considered competent to undertake differs depending on whether they are acting as an ICP on a Monday or a DNO service provider on a Tuesday.