

Roger Morgan
Senior Connections Policy Manager
Ofgem
9 Millbank
London SW1P 3GE

Your ref 26/07
Our ref Log 331
Name Stephen Rose
Phone 01793 892068
Fax 01793 892981
E-Mail stephen.rose@rwenpower.com

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Review of Competition in Gas and Electricity Connections Proposals Document

Dear Roger,

RWE npower welcomes the opportunity to comment on the above proposals document and does so on behalf of all its licensed gas and electricity supply businesses.

RWE npower has a business unit (Npower New Connections) which acts as an agent and Independent Connections Provider (ICP) offering an end to end service in providing electrical connections for Industrial and Commercial installations at voltages of 11kv and higher. It also supports the associated supply and metering activities. Experience gained by this unit leads us to the view that obstacles continue to exist when attempting to negotiate new connections of this type.

This response does not refer to electrical connections associated with un-metered supplies or multiple domestic installations (new housing sites), although the views expressed below are believed to be equally appropriate in relation to these activities. We would also point out that we have not attempted to quantify issues within the IDNO sphere of operations.

We broadly welcome the proposals set out set out by Ofgem in the above document and consider them to be fair, workable and timely.

We support the endeavours of Ofgem to promote competition in both the gas and electrical connections markets and will continue to do so on the understanding that Ofgem intend to secure a 'level playing field' environment for all interested parties operating within these spheres of work. However, the endeavours of the DNOs to frustrate this process and the apparent inability of Ofgem to resolve the numerous outstanding issues, or provide a timeframe for the resolution, are particularly unhelpful and threaten to erode such support. We hope therefore that Ofgem look upon these proposals as an opportunity to finally 'grasp the nettle' and confront the outstanding issues holding back competition on a 'once and for all' basis.

Whilst we appreciate there may be regulatory issues that were not considered at the outset when competition was first conceived, there is a growing realisation within the agent/ICP/consumer community that unless Ofgem is prepared to tackle these wider regulatory issues, competitive connections will be further constrained and the

[RWE npower](http://www.rwenpower.com)

Trigonos
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782

connections market will have both a limited scope and effect.

In response to the relevant individual questions raised in the proposals document we would make the following comments.

Chapter 3

Question 1

We concur with Ofgem's view that the voluntary standards for the provision of point of connection (PoC) information by DNOs have, demonstrably, not worked. There has been, even within the DNO encampment, dissent and concern that some DNOs were failing to adhere to both the spirit of the definitions and the voluntary standards applied to them. Hence we fully support the introduction of the licence condition to rectify this situation.

Question 2

Whilst we would agree with the scope and timescales of the suggested standards of services we remain concerned that the targets are not backed up by compensation payments when they are not met.

Whilst it is to be hoped that a licence condition requiring "compliance to be met within at least 90% of cases" will lead to improved DNO performance, such standards are of little help or comfort for up to 10% of the customers whose projects fail these standards. In the absence of any significant performance improvement by DNOs a licence condition should provide Ofgem with the means to take action against them, which may include fining them (as was the case with Fulcrum Gas Connections). Any such fine however, would go to the Treasury and not to the customers who had suffered as a result of DNOs poor performance.

We would therefore again request that, in addition to the proposed standards, due consideration be given to providing appropriate compensation to customers amounting up to, say, 50% of the non-contestable charges. Provision for this could be included within the licence or by statute (as in the case of gas connections) and would be paid to individual customers where the projects fail any of the new standards.

We believe that making them directly accountable for their failures will better incentivise DNOs and give recognition to individual customers where standards are not achieved. It would also better align the gas and electricity connections regimes, as customers will find it hard to understand why they are entitled to compensation in the event of performance failure for a gas connection but not for an electrical connection.

Question 3

Whilst in the drafting of the new licence condition seems clear we believe there are four points where the drafting could be improved, namely :-

- within the definition of "point of connection information" add the word "accurately" between the words "to" and "Identify". This should ensure that the requirement to meet the standard for provision of PoC information is based on information being provided in a clear and unambiguous form in the first instance;
- within the definition of "quotation" replace the words "an indication of the correct charge" with "a firm statement of the correct charge". We have already experienced difficulty whereby one DNO is interpreting the voluntary quotation standard on the basis that a 'budget' quotation will suffice and our suggested re-drafting makes it clear that this should not be the case;
- add the words "and/or associated works" between the words "connections" and "not" in clause 5 (f). This will ensure that quotations for connections other than those defined in clauses 5 (a) - (e) will

- also provide for associated works;
- clauses 5 (i) - (m) inclusive make reference to 'all conditions precedent being met' prior to energisation and the definition of "conditions precedent" then makes reference to the Construction and Adoption Agreement. The C&A Agreement remains a continuing source of grievance between DNOs and ICPs and until such time as a universal and satisfactory C&A Agreement is in place we, and we suspect the rest of the ICP community, are not prepared to accept it being referenced in the definition of "conditions precedent". In the absence of a universal and satisfactory C&A Agreement being in place prior to any licence condition taking effect we propose that "conditions precedent" be redefined as " means reasonable conditions specified by the licensee and agreed by the customer".

Question 4

On the basis that the points above are fully addressed, supporting guidance documentation may not be required. However, and as an aside, Ofgem have made reference under paragraph 3.18 to caveats being in place by which a DNO may incur costs for abortive works and charge these to the competing party. We would respectfully point out that, to date, ICPs are also incurring substantial costs for abortive works where the DNO fails to complete or undertake works at the required times. Unlike DNOs, ICPs receive no compensation for such abortive works and this situation will persist under the proposals envisaged in this document. We would therefore suggest that any caveats should not be discriminatory and solely in favour of the DNO but should also address the fact that the DNOs are in a position to delay the works of the agent, ICP and client/customer.

Chapter 4

Question 1

With regard to the package of best practice principles we fully agree with and support the measures suggested.

We would further suggest that, as a matter of priority, DNOs should be required to update and publish their G81 Statements on their websites or, alternatively, make them available free via a CD ROM disc. This will ensure consistency and the general availability of what must now be considered to be 'standard' information.

We take issue with Ofgem's contention that one-off connections fail to raise a genuine interest from ICPs. We would refer you to our previous submission regarding this¹ and would again state that we are unable to function within this market sector due the disproportionately high level of non-contestable charges applied by the DNOs to this type of project.

In our opinion connections contestability should now formally be extended to include voltages up to 66kv, if not 132kv. This is on the basis that one DNO has already acknowledged this point and has formally received acceptance from Ofgem through a licence modification.

We would also point out that generation connections may well reside within the parameters of higher voltage connections and therefore by constraining the voltage limits Ofgem are also constraining generation type connections. Again we see this as unacceptable.

With regard to the Connections Application Process and specifically:-

- the associated application forms; and
- the forms for disseminating the non-contestable charges

we also note and applaud the timeframe that has now be put in place by Ofgem for the DNOs to provide and formally agree single standard format templates.

¹ Review of Competition in Gas and Electricity Connections dated 31st October 2006, Page 3, Para 1

Question 2

Other improvements are most definitely required to bring about improvements in the transparency of the connection and charging process and we have listed our thoughts on this below.

1. We note under paragraph 4.49 that Ofgem are considering the merit of extending the SP Manweb commitments to all of the other DNOs. From our experience we would welcome the introduction of such proposals at the earliest possible opportunity.
2. There are glaring deficiencies in the transparency, methodology and content within the Licence Condition 4B Statements that require addressing as a matter of urgency.
3. There are glaring deficiencies in the transparency, methodology and content within the Licence Condition 25 (LTDS) Statements that require addressing as a matter of urgency.
4. There are glaring deficiencies within the 2nd Comer Rule that discriminate against ICPs (and thus their customers and clients) and act as a deterrent within the competitive connections environment.
5. The question of 'partly funded schemes' has not been fully explored which again actively deters competitive connections and, in the view of the ICP community, remains an anachronism. We therefore do not accept that the points made under paragraphs 4.54 are acceptable and would challenge Ofgem to defend the basis on which partly funded diversions and reinforcement should not be included within the remit of competitive connections.
6. There are glaring deficiencies within the application of Apportionment Rules that discriminate and act against the interests of ICPs and customers in general. Whilst we have attempted to resolve the problem via the appropriate channels it would appear that Ofgem is in no hurry to resolve the situation. We regard this as unacceptable.

With regard to the ICP/DNO/IDNO disputes resolution process it is widely acknowledged that the existing arrangements (through energywatch) are cumbersome, labour intensive and protracted to the extent that they are ineffective in dealing with routine and time-sensitive competition in connection issues. We therefore accept and welcome Ofgem's proposals under paragraphs 4.34 and 4.35.

In our opinion a number of the 'generic type disputes' that fall into the Business Disputes category are to some extent of interest on a 'national' basis and therefore could and should be resolved initially through a suitable Ofgem promoted industry workshop / forum. Thereafter, we consider that day to day business disputes should be resolved through the ongoing offices of DCUSA.

Question 3

We fully support the reporting arrangements as detailed within the proposals document and, at this time, would suggest that a specific guideline document would not be required.

Should you wish to discuss our response in more detail please do not hesitate to contact myself or Bob Weaver (0121 541 2328).

Yours sincerely,

Steve Rose
Economic Regulation

Sent by e-mail and therefore not signed