Standard Licence Condition 4F Guidance Document Version 1 (Ref: 181/07)

Response by SP Transmission and Distribution

SP Transmission and Distribution ("SPT&D")[1] welcomes the opportunity to respond on this guidance document. Before commenting on the guidance detail, we would first make some general comments.

1. Development of Competition

The latest statistics for electricity connections continue to show low competition activity in most DNO areas. Rather than focus on measures that penalize those DNOs that have successfully supported competition, we would again ask Ofgem to do more to promote and introduce full competition throughout GB.

2. DNO Impact

We have already commented that the change in definitions has resulted in timescales for some "complicated" applications being reduced and that this will have a significant impact on our business due to the volume of applications that we manage. We have also commented that there is a significant cost overhead on those DNOs that support market participants in a fully competitive market, with considerable effort incurred at the pre-application stage, and that this has not been taken into account. In addition, the new licence condition requires further modification of our systems and processes at further cost. It is therefore essential that Ofgem ensure that the costs faced by DNOs in supporting high volume competitive electricity connection markets are fully funded through their distribution price controls.

Process Change

Due to the introduction of the licence condition, and the very high volume of POC applications that we manage, we are modifying our applications process to require those market participants with high application volumes to submit their POC applications through our Connections Registration and Management (CRAM) system. As CRAM is an internet based application, the costs of implementation will not be material and should be more than offset by the potential benefits for connection providers. Training in the use of CRAM is already being provided free of charge.

[1] SP T&D is the licence holder for SP Transmission Ltd, SP Distribution Ltd and SP Manweb plc

3. Comments on Guidance

3.1 Licence Prevails Statement

The guidance document should include a statement to the effect that the guidance document does not take precedence over the licence condition in the event of any inconsistency. The following text is an extract from Ofgem's Revenue Reporting RIGs that should apply here also with appropriate changes.

"For the avoidance of doubt this document is subordinate to those licence conditions that may apply… The document will not change, alter, or amend, any definition or obligation contained within the distribution licence and, in the event of any inconsistency between the licence conditions and this document; the licence conditions will take precedence. "

3.2 Working Day Definition (Section 2)

We have already explained that our CRAM system works by counting the day of receipt as day zero. Our experience is that the vast bulk of applications generally arrive later in the day after the applicant has completed their preparation work on them. Our CRAM system, in common with most systems, uses midnight to differentiate from one day changing to the next, so anything received before midnight is counted as day zero. Practically, the 5pm deadline results in performance timescales being reduced by one working day.

Due to the large number of connection applications that we manage, this one working day reduction has serious implications for our performance against the 90% target. We will have to introduce new processes to "time tag" the receipt of applications and also to track the impact of late pm receipt of applications.

Although Ofgem intend to discuss specific concerns about IT systems with individual DNOs, we believe that the most sensible solution is to amend the guidance to make clear that the first working day after the receipt of the application is day 1.

3.3 Conditions Precedent (Section 3)

Since the introduction of competition, our experience has been that over 60% of connections were not ready for final connection on the original requested programmed date. As a result, we modified our energisation process to only accept the connection request once all the conditions precedent had been met. As the guidance allows the connection provider to make an energisation request before all conditions precedent are in place, we will have to consider changing this process and, in so doing, significantly increase our workload.

If this guidance goes ahead we intend to take a much firmer stance on recovering abortive costs for short notice cancellations in order to encourage connection providers to ensure that all conditions precedent are met.

3.4 Charging Arrangements

The guidance should not refer to charges / costs

We commented at the June ECSG sub-group meeting that charges / costs should not be referred to in the guidance if they are not covered in the licence condition. Charges / costs should be dealt with via the charging statement and the contract arrangements between the DNO and the developer. For example, paragraphs 3.3 to 3.4 purport to give guidance on when the licensee should be able to charge abortive costs for cancellation of final connections works. Any such guidance should be outwith this document, as it not concerned with the application or interpretation of the standards.

Payments (Appendix 1 Process)

As noted above, the guidance should not refer to charges / costs. However, it should be noted that the process in Appendix 1 refers, in brackets, to a payment being made for the service at the application stage before a design is submitted for approval. We will not accept payment until after a connection offer has been made under the adoption terms as any earlier payment could create potential capacity reservation problems before a design has been agreed.

3.5 Design Submissions for EHV Connections (Paragraph 2.51)

We acknowledge the extended period from fifteen to twenty working days for design submission of EHV connections. Paragraph 2.51 requires to be amended to reflect this extended timescale.

Please also note that paragraph 2.31 refers to day five when it should refer to day six.

10 August 2007