

Connections Team
Distribution
Ofgem
9 Millbank
London
SW1P 3GE

13th November 2008

Connections Industry Review 2007-08

Dear Sir / Madam,

Thank you for the opportunity to comment on your consultation titled, "Connections Industry Review".

RWE npower has been acting as an agent for Independent Connection Providers (ICPs) since the opening of competition in the electricity connections market. Whilst we have been able to resolve or progress some issues, we share your concern at the lack of development in the electricity connections market. As such, we welcome this consultation and the review of the connections industry.

RWE npower also provides residential and I&C gas connections for customers through subcontracts with Gas Distribution Networks (GDNs) and Utility Infrastructure Providers (UIPs).

We have structured our more detailed comments under the headings used in the consultation.

Gas Connections

We acknowledge increased competition in the gas connections market. However, this is primarily in the I&C and New Build sectors with no, or at best limited, competition within the existing one-off Domestic arena. This is due to issues related to the connection allowance that GDNs apply. These allowances make it uneconomic for third parties to compete. NRSWA rules make any third party participation more difficult as they do not have the same legal rights for "road openings" that GDNs have.

We welcome the fact that GDNs have, in the main, encouraged competition in the gas connections market; for example, in their support of the GIRS scheme for the industry. However, electricity DNOs do not appear to have embraced the same principle and the electricity market appears overly restrictive and complex, and thus unfavourable for new market entrants.

Although we are not actively involved in the IGT gas connections market, we believe that adoption payments are the principal reason why UIPs/ICPs have a much higher share of this market than the GDN market. As the consultation highlights, the regulatory framework places obligations and barriers on GDNs which prevent them making such payments. However, IGTs are not generally bound by the regulatory framework and therefore a level playing field does not exist.

IGTs focus their attention on those areas where they can compete most effectively and tend to be leaner and meaner in their approach. This, combined we suspect with the degree of headroom in relative price control that sometimes exists, gives IGTs greater financial flexibility to structure their connections to attract UIPs/ICPs, giving them a competitive edge.

RWE npower
Trigonos
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB
T +44(0)1793/89 22 69
F +44(0)1793/89 29 81
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

GT performance against Guaranteed Connection Standards

We believe the performance figures shown represent a fair and balanced view. It should not be forgotten, however, that the mandatory standards were, in a number of cases, more loosely defined and set at lower performance levels than previously applied. Any improvement in performance should be viewed in this context therefore.

Whilst not strictly within the remit of the consultation we would also point out that IGTs have no common standards, processes or timescales to send connection information. Suppliers have frequently attempted to resolve this issue between IGTs without success. We agree with the view that gas connection customers receive a better service than their electricity counterparts in terms of speed and cost. But, if the customer is then adversely affected by poor service from its supplier when attempting to register or bill the customer this advantage is less clear cut. In this instance, poor service is as a result of a lack of connection information provided by the IGT to the Supplier. Ofgem need therefore to consider this wider aspect of performance when reviewing the gas connections market.

Metered Electricity Connections

Why has competition been slow to develop in electricity connections compared to gas, and what measures if any, should be taken to address this issue?

We believe significant barriers to competition still exist in the electricity connections market. These barriers have been brought to the attention of the Electricity Connections Steering Group (ECSG) and through previous Ofgem consultations. However, many continue to pose a problem and remain unresolved. Either proposed solutions have not worked, or no solutions have been agreed.

Whilst Licence Condition (LC) 4F has greatly assisted in defining and therefore expediting various parts of the connections process, we have concerns over the following points:

- In certain circumstances, the standards within LC4F seem open to interpretation.
- Issues debated by the ECSG can become protracted, losing momentum and enthusiasm. In addition, some issues can become stifled.
- We do not believe a truly level playing field exists between ICPs and their agents, and DNOs and their affiliates. This is reflected by the comments made by Ofgem in this consultation.
- Items within the ECSG Outstanding Issues Register remain unresolved and some date back to before Ofgem's last review of the Competition in Connections.
- Non-contestable charges and charging methodologies lack standardisation and definition and can be open to interpretation and abuse in some instances.

Agents, customer representatives and ICPs do not necessarily have access to the appropriate industry groups and fora, and therefore competitive industry regulation is slow to develop at best.

We would welcome Ofgem's views on how the necessary legislation, licence conditions and other control measures could be developed beyond current measures. Our own views are reflected in this response.

Metered electricity connections: performance against standards

Why has there been limited reporting against the SLA15 performance standards, and what measures should be taken to address the issue?

Currently, we do not feel that we have sufficient industry-level insight into the reporting of performance standards to give a meaningful response to this question.

Is it appropriate to extend the scope of service standard requirements / reporting to the provision of connections not currently covered, and if so, what form the scope extension should take?

Extending the scope of the standards and reporting may not necessarily be appropriate. As the current standards could be misinterpreted, perhaps a review of the appropriateness of them should be included.

We suggest that reporting should be mandatory and that definitions should be precise to avoid ambiguity. We would also suggest reporting that reflects the total connection process associated with individual customers and contracts.

Why is there an apparent inconsistency between reported standards, and the level of complaints received? How should this issue be addressed?

As we have stated above, LC4F has helped provide better definition to the standards and their timing. However, we continue to experience some difficulties where some Distributors differ in interpreting the definitions, standards and how they are measured. As such, we have brought issues to Ofgem's attention. These issues are:

- Questionable adherence to the standards
- Difference in the interpretation of the standards
- Inconsistent charging methodologies and the items charged
- Issues encountered around the timing of closing joints; standards have on occasion been manipulated to circumvent the relevant standards.
- "Non-conforming" wayleave arrangements and charges
- Disputes relating to reinforcement charging methodologies
- Disputes relating to perceived inconsistent or high non-contestable charges
- Denial of access by Distributors to adequate system information, data and plans

We acknowledge that these issues could be resolved by the ECSG with the co-operation of the DNOs. In addition, issues relating to charging methodologies could potentially be resolved through work Ofgem is conducting in this area under the Code Governance Review.

Unmetered electricity connections

We do not participate in this area of the market and therefore have no comments relating to this chapter of the consultation.

Electricity connections: Good Practice Review

In light of experience, did Ofgem's Good Practice Review target the appropriate areas?

We believe the best practice review targeted the appropriate areas.

Do the DNOs' reports of their own performance in implementing the Good Practice measures accord with their customers' and other market participants' perceptions of their performance?

This is a difficult area to quantify in actual terms, and will therefore be more of a question of customer perception. However, we would like to highlight some issues:

- Inter-Business Disputes Resolution Processes are not always in place; no single point of contact or directions to website information. While a disputes mechanism may be useful in long-term disputes, many issues are "operational" and better served by an Escalation Process to fast-track minor issues.
- LC4F standards are inconsistently interpreted
- Disparity in application forms; there are differences in the quantity and type of information required, leading to a greater administrative burden on ICPs, agents and customers.
- No attempts at creating a common charging template. This leads to a significant difference in non-contestable charges essentially for the same tasks.
- We have not been approached for customer satisfaction surveys.

We recognise that the DNOs have agreed to provide a breakdown of charges on connection quotations, which should aid transparency and understanding of competitive connections. However, we have found this does not tend to occur unless we formally request the information.

We look forward to participating in the review; in the meantime please call if you have any questions about our response.

Yours sincerely

Jennifer Boraston
Commercial Analyst