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Dear Donald,

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Competition for part funded connections work: consultation document

British Gas is pleased to respond to the above consultation. The response is not confidential and may be placed in Ofgem's library and on its website.

British Gas is disappointed at the continued lack of growth in the competitive electricity connections market when compared to the gas market. We can see this from the latest Ofgem Connections Industry Review where only 4% of metered electricity connections are made by third parties as opposed to 20% in the gas market.

We are very supportive of the initiatives to increase competition in the electricity connections market as we believe increased competition will give customers greater choice of service provider along with reduced prices and better service levels.

We believe that Ofgem should be reviewing the contestable versus the non-contestable connections activities. We are concerned that some requirements exist which stifle competition such as requirements that DNOs must complete the jointing process, which can negate any improved install timescale as the overall completion timescale is then controlled by the DNO.

Our overall view is that industry should have accredited parties that are able to undertake connections work and then the industry processes should support the most effective installer based on service and price.

I have answered your specific questions below.

1. We believe all work associated with connections should be contestable including any work part funded by more than one party.
2. We strongly support considering further changes to the rules surrounding contestability in tandem with any move to introduce competition for part funded connections. Without considering these changes we do not believe the level of connections provided by ICPs will significantly increase.
3. We agree that arrangements should be established under which DNOs would make price control money available to ICPs. Any arrangements must provide good value to customers and the best way to do this would be to ensure that all project work is competitively tendered for in the open market. DNOs would then only be able to undertake connections work where they are able to offer better prices to customers.
4. It is our understanding that many ICPs already carry out connections work as a sub-contractor to the DNO. We do not believe therefore that there would be any

additional risk by providing price control payments to ICPs directly. ICPs already operate under contractual conditions that ensure the financial and performance risks are managed and therefore we do not believe the proposal would add any additional risk. Payments should be made post receipt of confirmation of completion or in staged payments upon completion of specific phases along with a defined SLA for the DNO to receive and progress payment requests.

5. We, like Ofgem, are yet to be persuaded that the percentage of costs borne by the DNO should affect whether the part funded work is considered to be contestable. As long as there is an accredited party undertaking the connections work and the DNO has a process to review the quality of the work then the customer should be free to select their preferred provider based on cost, service and timescales offered.
6. In a truly competitive market all potential providers should be able to earn a margin on contestable part funded connections. We would need to be assured that DNOs would not be able to subsidise connections activity from their regulated activities.
7. We would refer to our earlier point that further work is required to review what is deemed contestable and non-contestable. In a truly contestable market the DNOs should be able to earn a margin like any other party.
8. We agree with Ofgem's initial view that any money paid to ICPs or IDNOs via the price control should enter the RAV in same manner as if the DNO had carried out the work.
9. We agree that proposal to allow IDNOs to adopt part funded connection assets raises a number of complex issues. In principle we do not have any objections to this proposal but in practice we believe this is probably impractical as it will be difficult to draw the boundary of responsibility between DNOs and IDNOs.
10. We do not see any reason why the provisions cannot be included within the current regulatory arrangements.
11. We believe that the new provisions will need to be made within the DNOs Licence and their Connection Charging Methodologies.
12. We agree that there needs to be an appropriate dispute resolution mechanism. This should be built into the arrangements between the DNO and the ICP. There should also be a role for Ofgem to provide a final dispute resolution process.
13. As mentioned under earlier responses we believe that there should be a complete review of what is contestable and non-contestable connections activity. Alongside this we believe that a review covering the following connections processes should be undertaken:
 - The application of G81
 - Design standards
 - Timescales associated with the construction sign off and acceptance process
 - Review to ensure provisions placed on ICPs are also place upon DNOs internal connections businesses

Yours sincerely


Kevin Woollard
Regulatory Manager