

Question 1: We welcome respondents' views as to the total value and proportion of part funded work that would be deemed contestable in the case that the methodology is modified to make clear that connections work may be contestable where it is funded by more than one party?

Overall within the market place it is difficult to establish the total value and proportion of partially funded connection work and the only organisations that can fully respond to this request are the DNO's.

We do have experience on a large amount of projects where partially funded worked has been included within the non contestable works and over the past few years this would equate to approximately £2m pounds worth of works that Power On Connections could have completed.

Furthermore we have completed partially and fully DNO funded works associated with a customer connection in WPD (CN), SSE and UKPN in the past. In each case in benefited the DNO in doing this and so they allowed it. We established simple mechanisms for payment and process etc therefore we believe from our experience that all the aspects being consulted upon can be resolved. However the problem is it only appears to work when it suits or benefits the DNO, as such clear guidance is required so the DNO is not the body determining if they will allow an ICP to undertake the work.

We also note Ofgem's statement in the consultation that reinforcement work that is not electrically separate from the existing system is not contestable. However with the current developments in final connections proposals we do not believe this statement alone would necessarily result in the work always being non contestable and consideration should be given as to if this work could be completed by the ICP in the same manner as the final connection work. We do not believe this would impact on any of the other areas being consulted on, such as payment mechanism etc and so could be incorporated once the final connections work has become business as usual.

Question 2: Do respondents consider that further changes to the rules surrounding contestability should be made in tandem with any move to introduce competition for part funded connections and, if so, what affect would this have on question 1?

Taking in to consideration the previous points made, alterations to the wording of various Ofgem guidance documents would be required to detail that partially funded connections are contestable and the mechanism for payment and process etc, would need to be detailed to provide clarity and avoid confusion or misinterpretation.

However this work would be limited to the above as the basic provisions of the G81 information and further detailed DNO information should provide all the relevant technical standards required etc.

Question 3: We welcome respondents' views on whether arrangements should be established under which DNOs would make price control money available to ICPs, and how the amount of money should be calculated.

There should be a clear mechanism developed for payment with guidelines on the areas where ambiguity could arise. The calculation for payment should ensure that the customer is not adversely impacted by the proposals.

The payments for partially funded works should also be in line with current processes for the DNO. Option 1 follows this process and therefore makes the valuation simple and easily understood.

Options 2 and 3 could be utilised, but having worked within the original group considering this area, either one of these areas could be subject to one of the parties adjusting the figures and as such benefiting themselves.

Question 4: We welcome respondents' views on any commercial issues that might arise if DNOs provided such payments to ICPs. For example, the timing of payment(s) and risks associated with an ICP being unable to complete a project.

Payments need to be considered against current practice by the DNO. Currently the DNO expects customers to make full payment prior to even accepting the scheme and therefore before the DNO has expended any costs. We are uncertain why the DNO's would feel it is acceptable to expect customers to fund all their works prior to them completing anything and not being prepared to fund ICP works until all the work is completed.

We appreciate this has risks and therefore we believe any payment mechanism agreed for this area of work must then be replicated in the general connections process of the DNO to allow for fairness and equity.

The risk associated with ICP's not being able to complete the works was a statement that was made when DNO's resisted the move to develop general competition in connections work. It would be interesting to establish from DNO's how many projects and the value of them, where DNO's have had to complete works that were originally started by ICP's over the past three years. These have been difficult economic times and so this would be a good indicator of the real risk that is present.

Question 5: We welcome respondents' views in respect of whether the percentage of costs borne by the DNO should affect whether the part funded work is considered to be contestable?

Whilst we understand how the 50% rule was established by the ECSG sub group, this was part of a discussion with the DNO's to start to allow partially funded connections becoming contestable. We believe that the rationale behind this position is not one that is sensible and so we believe that all partially funded works should be open to competition.

Question 6: Do respondents consider that DNOs should be allowed to earn a margin on contestable part funded connections?

Yes, once fully competitive there is no reason why DNO's should not be able to create margin on these works. This should then determine the RAV formula for payment to any ICP.

Question 7: Do respondents consider that the margin should be applied to the whole connection or restricted to the customer funded element of the connection?

See above question 6.

Question 8: We welcome respondents' views as to whether the introduction of competition would have any effect in respect of the RAV?

If the payments to the ICP are in line with the DNO's current mechanism then we do not believe this should significantly impact on the RAV.

Question 9: We welcome respondents' views on whether and, if so, under what circumstances, IDNOs should be able to adopt part funded network assets?

If the works are embedded within the existing DNO network than these should not be open for adoption by an IDNO. However where they are distinct and stand alone with clear ownership then there is no reason why they could not be owned by an IDNO.

On rising mains some DNO's have chosen not to adopt certain aspects of the distribution network but have made BNO's own them. These are similar situations with the exception that it is not the DNO determining who adopt and we believe this is the correct position.

Question 10: Do respondents consider there is any reason why such provisions cannot be included within the current regulatory arrangements?

We believe the current arrangements can cater for this area with some additional clear guidance.

Question 11: We welcome respondents' views on the appropriate nature and location of such provisions?

Within the existing CinC documentation from an ICP perspective.

Question 12: We welcome respondents' views on the need for and the appropriate nature of a dispute resolution process?

Disputes resolution processes should already be in place with DNO's and so there should be no need to alter these. However Ofgem must be the final decision maker in any disputes through determination.

Question 13: Do respondents have any views on any issues not covered above?