



GJJ/MAC

12 July 2011

Rachel Fletcher
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE



Dear Ms Fletcher

Competition for Part Funded Connections Work : Consultation Document

Please find herewith Sterling Power Group's formal response to the questions posed within the Ofgem Competition in Connections Part Funded Connections Work Consultation Document.

Question One:

Sterling Power Group believes that all the work associated with Connections work should be made contestable including any work component funded by more than one party.

Question Two:

Sterling Power Group believes that unless the rules associated with contestability are changed radically then the current monopoly position of Network Operators will be maintained and restrict competition.

Question Three:

Sterling Power Group would support any changes that would make Price Control money being made available to ICP's. In terms of the calculation, because of the recognised problems associated with Network Operator's estimation of costs, the project work should be tendered and competition allowed determining the market costs for the work. This would also allow price discipline on Network Operators because they should not be allowed to undertake the work themselves unless they can match or beat 'Market Price'.

Question Four:

Sterling Power Group does not believe that there should be any problems associated with ICPs undertaking Price Control work. At the moment, most ICPs like Sterling Power Group undertake this type of work as a first tier contractor to Network Operators. This work is generally undertaken through individualised versions of NEC 3 contract forms. Within these contracts are mechanisms to limit the financial and performance risks to the Network Operators. Therefore we do not believe that there would be any additional risk by offering Price Control work to ICPs.

Question Five:

Sterling Power Group believes that the percentage of costs borne by the Network Operator should not be a determining factor on whether part funded work should be considered contestable.

Sterling Power Group Limited

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Question Six:

Sterling Power Group believes that if connections are truly made fully contestable then Network Operators should also be allowed to compete on an equal basis and earn a margin. However, we would have some reservations unless any future rules restrict Network Operators from cross subsidising their cost base from their regulated activities.

Question Seven:

As stated above, Sterling Power Group believes that subject to a real level playing field then Network Operators should be allowed to make margin on the same basis as the ICPs.

Question Eight:

Sterling Power Group believes that with respect to RAV there would be a need to review and possibly amend the rules.

Question Nine:

In terms of IDNOs adopting Part Funded Network Assets, in principle we would not have any issues with this proposal. However, in practice we believe it probably will be impractical. For example if the IDNO adopted upstream assets or primary transformers the responsibility boundaries between the various different parties would be very confusing.

Question Ten:

Sterling Power Group fully supports the Ofgem proposals.

Question Eleven:

Sterling Power Group believes that suitable mechanisms will need to be made within Network Operators Electricity Distribution Licences and their Connection Charging Methodologies and the relevant Statutory instruments.

Question Twelve:

Sterling Power Group believes that there should be two main dispute resolution mechanisms. The first will be contained within the contract arrangements between the Network Operator and the ICP/IDNO undertaking the work. The second mechanism we believe should be an expansion of the current Ofgem 'determination provisions'

Question Thirteen:

Sterling Power Group believes that there should be a much wider review of competition in connections covering the application of G81, design standards, timescales and the construction sign off and acceptance process. In particular ensuring all of the provisions placed upon ICPs are also placed on Network Operators' own internal connections activities.

Please feel free to call me on the number below should you wish to discuss this further.

Yours sincerely



Glyn Jones
Managing Director