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dc/
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Rebecca Langford
Consultation co-ordinator
9 Millbank
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Dear Rebecca

I am making a non-confidential reply in response to the consultation on extending contestability to jointing to existing DNO mains proposed in your letter dated December 12th 2011.

The letter invited comment across 5 areas which I have addressed below.

Consultation questions

Q1. In considering trials of contestable live jointing and associated operational activities offered and/or run by DNOs:

a. Do you consider that trials have been a success? By what criteria has this been judged?

We have not participated in the trials but the feedback from ICPs who are, deem them a success insofar as they have participated and when the activity is reclassified as contestable works will allow them to deliver an end-to-end service.

b. Are the procedures and policies associated with the extension of contestability accessible and acceptable to competitors? If not, why not? Have you seen any examples of best practice? Do you consider that issues encountered during trials have been adequately addressed/resolved? If not, why not?

We have not had any specific issues raised with us.

c. Do you consider that DNOs will be able to implement the procedures/terms etc introduced for the trials on a business as usual basis? Please explain the reasons behind your view.

Yes. DNOs are adept at introducing and managing safe working procedures for any works associated with the distribution system whether it is for their own workforce or a contractor. There is no proven reason why this initiative should prove any different.

d. Has there been any interest from competitors to undertake jointing to existing DNO mains and associated operational activity? If not, do you consider that interest would exist if the activities became contestable? ie, would promotion from trial status (including the associated margin arrangements) encourage competition in the provision of this service?

Market participants who wish to provide the full range of services to their customers will benefit from extending the scope of contestability to include jointing to existing DNO mains. Customers will benefit as they need only one party to complete the connections works.

e. What are the views of respondents that have not had the opportunity / wanted to participate in trials?

ICPs have been free to decide whether to participate or not and some may decide the activity is not one that they are able to provide resource for. DNOs that then choose not to provide these services when they are longer contestable will disadvantage these ICPs competing in the market.

Q2. Do you consider that competitors should be able to compete with DNOs to undertake live jointing and associated operational activities? If not, why not? If yes, in which segments of the market do you consider that contestability should be extended?

Yes. There should be no segments that contestability is not extended to.

	Jointing to existing mains	Associated operational activities (<i>where applicable</i>)
Unmetered	Y	Y
Metered low voltage	Y	Y
Metered high voltage	Y	Y

The progression to operational activities should not become a barrier to entry

Q3. We note that, as yet, not all DNOs have completed trials at all voltage levels. Do you agree that learning from trials in one DNO area at one voltage level can be applied across all DNOs? Do you agree that learning from trials at one voltage level can be applied across other voltage levels? If not, why not

It is important to separate the varying degrees of technical, operational and safety complexity from the ability of the DNO to manage a process and an ICP ability to undertake the work in compliance to a process. All DNOs currently employ contractors on their system and manage the processes effectively irrespective on what their peer organisations do.

Q4. Do you consider that there are any Distribution Service Areas (geographical DNO areas) where live jointing and associated operational activities should not be made contestable or should these activities be made contestable in principle across all DSAs? Please explain the reasons behind your view.

No there are none. Extend contestability scope should be applied on a non-discriminatory basis.

Q5. If we decide that in-principle contestability should be extended:

a. Do you consider that where an ICP does not hold the accreditation required to joint to existing DNO mains, DNOs should continue to provide this service to the timescales set out in SLC 15 (the existing standards of service associated with the provision of non-contestable final connections services)?

Yes at least until the level of competition increases and the DNO market share has dropped significantly.

b. Do you consider that Ofgem should set a deadline by when it expects DNOs to amend their changing methodologies, or should it rely on the Competition Test to incentivise DNOs to extend contestability?

It ought to be a requirement before any DNO is allowed a non-regulated margin. Enforcing another deadline in addition to the Dec 2013 date where a DNO may face a competition commission referral may be inequitable. A DNO should be required to have submitted a change to the charging methodology as a condition precedent for facing a competition test.

c. Do you consider that there is scope to extend contestability further in the future? If so how?

Extension of contestability should continue until the DNO has no undue influence on the connection application process.

We very much hope that this extension to contestability scope can be agreed in principle and that all DNOs implement appropriate procedures at the earliest opportunity in 2012. We see no reason that this should not be in place by mid 2012.

Yours sincerely,



D Clare
Director
VBC Associates Ltd.