



Ofgem Connections Working Group

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Background

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On going concern amongst development community in CBD over:

- Lack of timely delivery of electricity connections to new office sites in CBD posing severe risks to development
- Perceived lack of capacity in existing network for future developments
- Effect on occupier confidence when making strategic property decisions



Delivering Power: The Future of Electricity Regulation in London's Central Business District

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Study commissioned by City of London Corporation, London First and City Property Association to review:

- DNO regulation in London's Central Business District (CBD) and impact on ability for DNO to provide timely connections to development sites.
- Framework for investment ahead of need
- Existing approach to demand modelling
- Impact of ad hoc street works in CBD



Methodology

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- Study undertaken by South East Economics and Stephen Jones Associates
- Structured interviews held with range of developers and businesses across the CBD to test anecdotal concerns.
- Discussions also held with the GLA, UKPN and Ofgem.
- Desk based research of existing regulatory arrangements which DNO's currently work to



Key stakeholder concerns

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- Universal concern over timeliness of connections
- Lack of capacity for future developments, causing delays.
- Delays lead to significant penalties for developers
- Developers willing to pay more if connection can be delivered within a guaranteed timeframe.
- Competition in connections unlikely to provide solutions (legacy issues etc).
- Lack of anticipatory investment under existing regime
- Communication regarding progress of connection / stakeholder engagement
- GSOP's not relevant to this customer group given size of losses / penalties caused by delays



Recommendations

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- Improved transparency & stakeholder consultation into DNO demand modelling
- Greater clarity on DNO's investment programme and how it incorporates future demand
- Consideration of how DNO's can be incentivised to facilitate investment ahead of need in selected substations / ducting ahead of need to avoid disruption caused by ad hoc street works
- To explore implementation of KPI's / GSOP's to demonstrate customer satisfaction & stakeholder consultation amongst developers / businesses.
- Further exploration of willingness to pay
- Review unused reserved capacity to ensure optimum utilisation of the network
- Formation of joint working group with DNO & key stakeholders to take forward recommendations.



Electricity Regulation Working Party

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Questions for Ofgem to consider

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- Is relying on DNO's to demonstrate effective stakeholder engagement ,and encouraging competition, the right approach for London considering conflict of interest from DNO's?
- How can we put developers / businesses in a position to ask meaningful questions as part of stakeholder consultation?
- How does National Grid undertake anticipatory investment in their transmission network, and can the same approach be adopted for DNO's?
- No existing framework on how DNO's should consult – Could Ofgem produce a list of KPI's for DNO's to demonstrate effective consultation ?