

# **HBF Response to the Ofgem Strategy Consultation for the RIIO-ED1 Electricity Distribution Price Control**

## **Introduction**

The HBF welcomes the opportunity to respond to the above Consultation. It is clear to see that the Government's emphasis is being placed on the short term and long term objective to support house building as one of the ways to promote economic growth. Therefore the forthcoming Price Determination is one which has many issues to address for our Industry as we move closer to Zero Carbon Homes.

Issues surrounding electricity supply and electricity infrastructure are of primary importance, especially as the 2016 deadline approaches where the Government intends to introduce the concept of Zero Carbon Homes. The balance between demand and generated supply for new homes is an area of opportunity as well as concern in relation to the constraints of the existing electricity infrastructure.

In our response to this consultation we have sought to only answer some of the questions which in the main affect our Industry. Also as we have been part of the pre-consultation meetings this has enabled the HBF to have an input to the direction being taken by Ofgem of which we are grateful and supportive.

### **Chapter 3. Driving Sustainable Networks**

**Question 3.** *Do you agree that an uncertainty mechanism is required to manage the uncertainty around the penetration of low carbon technologies?*

From a house building perspective, in 2016 all new homes will have to be zero carbon, so there will be a mix of demand and generated supply required for what we would project as being between 120,000 to 150,000 new homes being built in 2016.

We would therefore suggest that the DECC projections for take up of low carbon technologies in Figure 3.1 could be somewhat conservative. No mention is made in the narrative on the introduction of Zero Carbon Homes at the foot of the page which is quite alarming. This may be a matter which needs highlighting to DECC to ensure their projections are sufficiently robustly derived. In fact no mention is made in this Chapter about the 2016 Zero Carbon Home requirement.

## Chapter 8 - Connections

**Question 1:** *Do you consider that our proposed package will drive the appropriate behaviour for connecting both demand connections and generation connections?*

Yes we do and the opportunity given to DNO's to be incentivised to perform better than GSOP if the developer so wishes is a move towards a more customer orientated approach.

In paragraphs 8.24 and 8.25 issues are raised in relation to A and D fees. We are aware of the rationale behind the introduction of upfront payments for A and D Fees. However where this became distorted in the past by many DNO's was with regard to the magnitude of the upfront payments. The range of fees was as diverse as from £500 up to £30,000. This is not acceptable. Although the HBF would support a ceiling level fee of say £300 per application with the deficit being charged in acceptance of the Section 16 Quotation. We would also suggest another alternative is that the DNO's are given the powers to recover their abortive costs if Section 16 Quotations are not progressed. We have always opposed the way this issue was covertly introduced into the Energy Act many years ago without full discussions with our Industry. However it would be true to say that things have moved in the relationship between DNO's and developers since those dark days. So if cost savings can be made in relation to the genuine applicant for a Section 16 Application. It would be true to say that the HBF would be more than happy to work with Ofgem to reach a satisfactory compromise on this matter.

**Question 3:** *Do you agree that we should split the BMCS customer satisfaction survey into major and minor connections customers? If not, why not?*

Yes, the HBF does agree with this split. Such a move should aim to address some of the disparities that exist in the way DNO's communicate and interact with all customers.

**Question 6:** *Are additional or alternative incentives required to encourage the DNOs to provide better information to connection customers upfront? If so, what would these measures and incentives be?*

Feedback from our Members still highlights issues on the extent of the cost information provided with quotations. Where we stand at present there is still a lack of detail around many aspects of Section 16 quotations that they receive from DNO's. This probably is an issue of compliance by some DNO's but across the board it is an area where Ofgem does need to investigate further.

We again would highlight our concern of the upfront payment of A and D Fees as documented in Question 2.

**Question 7:** *We seek stakeholders' views on the introduction of a new Average Time to Connect Incentive?*

In being party to the pre-Consultation discussions on this matter we are in agreement of its objective as set out in the Consultation.

We would however convey to Ofgem that any of this should aim to dilute or change any part of GSOP.

**Question 9:** *Do you agree with our proposed approach for the treatment of connection customer contributions by the DNOs during RIIO-ED1?*

Yes we are in agreement to Ofgem's approval in this area.