18 March 2013

...leading utility networks

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By email only to: Connections@Ofgem.gov.uk

Dear James

Response to: Consultation on SSE's Competition Notice

[redacted]

GTC operates the BUUK licensed electricity distribution businesses of The Electricity Network Company Limited (ENC) and Independent Power Networks Limited (IPNL). Both of these licensee businesses operate as independent distributors (IDNOs) providing and operating last mile networks which in turn connect to DNO distribution systems. Therefore, we witness on a daily basis the behaviours, systems and processes of all the incumbent distributors across Great Britain in the offering of competition in connections.

Over the last 6 years DNO progress on improving competition in connections progress has been slow, punctuated by procrastination and a general lack of urgency. However, following the introduction of the Competition Test regime by Ofgem, coupled with the potential to earn an unregulated margin on contestable works progress has become quicker. Even so, it is evident to us that some DNOs have been much more dynamic than others in responding to this challenge. Therefore, we think there is still scope for improvement.

To date we have seen Competition Test submissions from some (but not all) DNOs for different market segments. In providing responses to Ofgem consultations on these submissions we have referred to the presentation delivered to DNOs at Ofgem in July 2011 by the Competitive Networks Association (CNA). This highlighted the actions that DNOs needed to take to facilitate competition in connections. In doing this the CNA compared and contrasted process differences for competition in electricity connections with those in place for gas, which is considered by the majority of operators in the competitive market as best practice borne out of significant pressure by Ofgas and latterly Ofgem. The key differences were illustrated in a check list which is reproduced in Annex 1. We believe that this offers a better bench mark than making relative comparisons with other DNOs (as SSEPD have done).

It is against this best practice that we make our judgement on SSE's submission and provide our response to the questions in Ofgem's consultation.

It is our conclusion that SSEPD have not (in their submission nor in practice) satisfied the competition test. Therefore, we do not support SSEPD's competition test submission in either of their DSAs for the RSMs that have been put forward.

Additionally, we note that in SSEPD's submission they state that they support the provision of part funded connections reinforcement work. This is an issue that was raised in May 2011 (possibly earlier) and is something that still awaits solutions. Whilst this is not solely an SSEPD issue, the point nonetheless demonstrates the slow progress (and lack of willingness of DNOs) to translate warm support into tangible, meaningful actions.

Our response to Ofgem's consultation questions are provided in Annex 2.

Please contact me if there are any points in our response you wish to discuss.

Yours sincerely

Mike Harding
Head of Regulation
GTC

Annex 1

Check list showing differences between Gas connections Process and Electricity Connections process.

Process Area	Gas	SSE
ICP in control throughout connections process	✓	X
In control of meeting delivery to customers	✓	X
No onerous application process	✓	X
Process removes need for onerous inspection regimes	✓	X
Self connection process in place	✓	Partial
Behaviour of Upstream Operator doesn't cause loss of work	✓	X
No additional boundary constraints imposed by upstream operator	✓	✓
Legal/commercial issues agreed and in place	✓	Partial
Agreed Industry wide arrangements (formal agreements)	✓	Partial

Note:
The self connect process is now partially in place for LV.
The legal process for substation leases and freehold acquisition is virtually finished and we expect this to be concluded in the next few months.

Annex 2

Table of the RMS and DSAs that are relevant to GTC.

RMS	SHEPD DSA (North Scotland)	SEPD DSA (South England)
2. Metered high voltage work (HV)	☒	☒
3. Metered HV and Extra High Voltage (EHV) work	☒	☒
6. Distributed Generation (DG) HV and EHV work	☐	☐

In providing details for the Competition Test GTC can confirm that we are involved in the highlighted RMS's within the DSAs shown in the table and hope to be involved in the 'Metered HV and EHV work' for SHEPD region in the future. GTC consider that we are able to respond on the relevant questions for all of these sectors.

Responses to Chapter Two Questions

Question	RMS(s)	DSA(s)	Response
One: Are customers aware that competitive alternatives exist?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	SSEPD do not appear to have held any seminars with Customers to explain what competition is or to encourage any ICP and IDNOs to work with them. This is different to all other DNOs. At other DNO events that we have attended there has been senior management or director support for the opening up of competition in the DSA, again this support is not seen coming from SSEPD. We have invited SSEPD on numerous occasions to meet with us at our office to discuss issues and potential solutions. SSEPD have declined these offers. As every other DNO has met with us at our office it is rather disappointing that they have not taken up this offer and this makes us believe that our view is not of

Question	RMS(s)	DSA(s)	Response
			interest to the Directors of SSEPD. [redacted] [redacted] [redacted]
Two: Do customers have effective choice (ie are customers easily able to seek alternative quotations)?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	We do not see many competitors in the SSEPD DSAs. [redacted] [redacted]

Question	RMS(s)	DSA(s)	Response
Three: Does SSEPD take appropriate measures to ensure that customers are aware of the competitive alternatives available to them?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	Whilst we note that SSE make reference on their website to competitive alternatives, we are not aware of any proactive actions that SSEPD have put to the market to encourage customers to look for alternatives.
Four: Are quotations provided by SSEPD clear and transparent? Do they enable customers to make informed decisions whether to accept or reject a quote?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	The SSEPD Point of Connection quotations are sometimes difficult to understand and lack transparency in relation to setting out the content of the work. Normally we can contact the designer and get a better understanding but this takes us time and effort to find the detail out.
Five: Have customers benefitted from competition? Have they seen improvements in SSEPD's price or service quality or have they been able to source a superior service or better price from SSEPD's competitors?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	The statistics produced by SSEPD would suggest that customers are not benefitting from competition. The predominant market is HV demand and the percentage of projects identified as being won by alternative provides is less than 2% in bothe of the DSAs. From our perspective we have not seen a large take up in the SSEPD area due to the price differential. We can only assume that the customers are receiving a good service for the price they are currently receiving from SSEPD. [redacted]

Chapter Three

Question	RMS(S)	DSA(S)	Response
One: Does the level of competitive activity in the RMSs show that there is the potential for further competition to develop?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	Whilst there is a significant potential for future development in competition in these DSAs, it is difficult for an ICP to succeed against the current competitive framework of SSEPD.
Two: Consider the organisational structure of SSEPD's business and its procedures and processes – **(a)** how do they compare to those you encounter elsewhere in the gas and electricity markets or other industries? Do they reflect best practice?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	In the SHEPD area the biggest issue an IDNO has is providing Emergency Response in a timely fashion to remote areas in all weather conditions. [redacted] Other DNOs have helped in providing this service particularly in remote areas. GTC have approached SSEPD on this matter but have been refused assistance in supporting these areas. We find this disappointing as SSEPD have grown their gas business on the fact that the GTs provide an emergency response service but they are not prepared to reciprocate this in their DSAs. SSEPD do not have any automation of the quote, design or connection process. Whilst this is acceptable due to the low level of penetration in their DSAs they will not be able to deal with the high volumes that other DNOs see as the normal workload. We do not believe that any of the process and procedures that SSE employs are close to the best practices seen in other DNOs or GTs.

Question	RMS(S)	DSA(S)	Response
			As an example we have been talking to SSEPD for many years about the validity period for their quotes which remains at 30 days compared to all of the other DNOs (90 days) and the Gas Transporters (180 days). Their response has been very slow. Whilst we can get an immediate extension for another 30 days upon application, this requires us to manage the process to ensure that the quote is still valid. This seems to be more difficult and is far harder than the other DNOs that we work with.
(b) do they enable competitors to compete with the timescales for connection (from quote to energisation) offered by SSEPD? Or do they offer SSEPD any inherent advantage over its competitors or prevent existing competitors from competing with them effectively?			Given that an ICP is constrained by the timescales imposed by DNO processes it is difficult for an ICP to compete in the same timescale that the DNO can deliver a connection (given that a DNO has more flexibility on how it imposes its processes on its own in house activities). Whilst some DNOs are now getting close to delivering a robust process to allow competitors to deliver to similar timescales, we do not see this in the SSEPD DSAs.
(c) do they assist, obstruct or delay connections providers entering the			Whilst we don't believe that SSEPD deliberately delay any work, their lack of IT systems makes everything harder to be achieved. All of the staff work very hard and support us as much as possible but it can be very difficult to keep our

Question	RMS(S)	DSA(S)	Response
RMSs?			customers satisfied due to the timescales that we encounter.
Three: Are the non-contestable charges levied by SSEPD for statutory connections in the RMSs consistent with those levied for competitive quotations? Are they easily comparable with competitive quotations?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	We have to challenge SSEPD more than any other DNO on consistency between quotations to us and directly to our customers. Whilst we have received apologies for these issues occurring they appear to be at a higher level than any other DNO. These mistakes often add significant overall connection costs to the IDNO solution when compared to that offered in SSEPD's competitive offer to the customer. We have 4 recent examples where mistakes ended with a more expensive solution being offered
Four: What factors are key influences on development of competition in the RMSs? In particular, if you are an existing/potential competitor **(a)** what is the potential for you to enter new RMSs, or grow your share of an RMS you already operate in? **(b)** are there are any types of connection in any of the RMSs, or geographic locations in SSEPD's DSAs, that by their	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	The potential to grow in the SSEPD DSAs is considerable [redacted] [redacted] these markets enjoying competition.

Question	RMS(S)	DSA(S)	Response
nature, are not attractive to competition? Please explain your response.			However we are committed to supporting our customers in all areas and would, whenever possible, endeavour to offer an alternative to SSEPD.

Chapter Four

Question	RMS(S)	DSA(S)	Response
One: Do you agree with the methods used by SSEPD to analyse the level of competition in each of the RMSs covered by its application? In particular, do you consider that SSEPD gives a clear indication of the current level of competitive activity?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	We believe that the figures shown by SSEPD are correct and reflect the lack of competition in their DSAs.
Two: Do you consider that competitive activity is at a level that in itself indicates that effective competition exists?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	We do not believe that competition is close to being effective in the SSEPD DSAs.

Chapter Six

Question	RMS(S)	DSA(S)	Response
One: Do you consider customers have an effective choice of connections provider? In particular, do you feel that levels of choice, value and service will be protected and will improve if the restriction on SSEPD's ability to earn a margin is removed?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	At the present time we do not believe that customers have an effective choice in connection providers in these RSMs. GTC do not see how the customers would be protected by SSEPD being allowed to earn an unregulated margin in these DSAs.
Two: Do you consider that there is scope for competitors to grow their market share (for example, if SSEPD put up its prices or if its quality dropped), or are there factors constraining this?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	There is scope for competitors to grow their market share in these RSMs [redacted]
Three: Do you consider that there is scope/appetite for new participants to enter the market? Do you consider that new entrants would be able to provide similar or better services than existing participants or are there factors constraining this?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	In talking to a number of competitors they all consider the SSEPD DSAs hard to break into and so look at easier markets where they can win market share.
Four: Given your overall view of SSEPD, do you consider that we can have	Metered HV ☒ Metered HV/EHV ☒	SHEPD ☒ SEPD ☒	GTC believe that SSEPD are an extremely professional organisation and would act appropriately if price regulation was lifted. However, GTC do not believe that the market conditions

Question	RMS(S)	DSA(S)	Response
confidence in them to operate appropriately in the event that price regulation is lifted?	DG HV/EHV ☐		are ready for this to happen in the near future.
Five: Do you consider that there are factors not addressed in this consultation that should be taken into consideration in determining whether price regulation should be lifted?	Metered HV ☒ Metered HV/EHV ☒ DG HV/EHV ☐	SHEPD ☒ SEPD ☒	GTC believes that this consultation has adequately covered all of the issues related to the RSMs in these DSAs.