

March 15th 2013

James Veaney
Head of Distribution Policy Ofgem,
9 Millbank,
London,
SW1P 3GE

By email

Dear James,

I am writing on behalf of the Metered Connection Customer Group (MCCG) to set out our Group's approach to the Scottish and Southern Electricity Power Distribution (SSEPD) competition notice consultation published by Ofgem dated February 4th 2013.

MCCG has worked with Ofgem and the Distributors for some considerable time and represents the interest of customers and ICPs in developing Competition in Connections. We are not representative of any Company or individual and present a collective view. You invited responses to be made on a standard template indicating which Relevant Market Segment and which Distribution Service Area respondents' comments were aimed at. I am not in a position to be prescriptive on that.

The previous competition notice consultations resulted in Ofgem reaching a decision on those RMS that members of MCCG agreed reflected their experience in operating within the DSA in question. We concluded at our last MCCG meeting on November 15th that the Ofgem letter to stakeholders should lead to a process similar to that followed by Ofgem in the previous assessments and in those cases MCCG were happy to endorse to outcome. It was agreed that subsequent competition notices from other Distributors follow are likely to follow the same process and MCCG would respond in a similar fashion providing that consistent outcomes were seen. Following your decision on February 26th in regard to WPD, there is no evidence presented to alter that view.

The MCCG view is that some RMS within a DSA not exposed to sufficient competition, should not be allowed an unregulated margin. MCCG recognise that a margin was allowed to encourage competition but should not be relaxed if competition has failed to emerge. There may be other factors other than price that drives the competitive market in some RMS. We are encouraged that Ofgem will only lift price regulation where Ofgem consider effective competition exists.

SSEPD have applied for a lifting of regulated margin in only 3 RMS. All three tend to be high value project segments. The market data executive summary provided on page 5 of the competition notice shows <2% of HV demand projects were won by an alternative provider in each DSA. SHEPD's claim that effective competition exists in the HV demand RMS is not proven, if only 46 projects of 1105 are quoted by an alternative provider.

I am concerned over the legitimacy of SHEPD, for HV and EHV Generation, issuing an applicant with both an SSEPD quotation and an alternative provider quotation as this "approved" alternative provider may be a benefactor to SHEPD when securing 80 projects but not on a competitive basis with other alternative providers. While in principle, this appears to be a "good" practice, it needs to be clear how alternative providers are given access in a non-discriminatory manner if maintained and extended across other RMS. The volume of HV and EHV Generation in SEPD is insignificant to judge the effectiveness of competition.

MCCG view is that SPED in common with most Distributors could do more to sufficiently promote competition in connections to customers at the application stage rather than leave it to the IDNOs and ICPs. The SEPD web site provides little information to developers on their options and directs customers to the Lloyds Register list which is less than customer friendly in assisting customer choosing an ICP if a customer has no concept of the scope of works required. The SEPD web site does not guide a developer through the options path he can choose leaving customers to unravel any differences which adds a layer of complexity they could avoid. It is also unclear what activities are excluded (such as final connection) and that the Distributor remains in charge of the connection date.

Lastly we look toward Ofgem to meet their assurance that competition in connections will continue to be monitored including those RMS where an unregulated margin has been allowed. MCCG would like to see evidence that lifting the regulated margin has had the desired effect to increase competition in those areas and also see more DNO applying across all RMS.

We have advocated and continue to do so, that there should be a plan from all DNOs to set out when they expect to file a competition notice on all RMS ahead of December 31st 2013, the cut-off date Ofgem identified in DPCR5.

Yours sincerely,



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