

James Veaney
Head of Distribution Policy
Smarter Grids & Governance
Ofgem
9 Millbank
London
SW1P 3GE

By email to: licence.exempt@ofgem.gov.uk

4 October 2013

Consultation on Distribution Connection Use of System Agreement (DCUSA) Change Proposal (DCP) 124: Third Party Network – National Terms of Connection

Dear James

Thank you for the opportunity to respond to the above consultation. This response should be regarded as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. The comments we have provided are not confidential and can be published via the Ofgem website.

Background to DCP124

DCP124 was raised by UK Power Networks in order to ensure that there are adequate connection terms in place in respect of Distribution Exemption Holders ("DEH") connections to licensed distributors ("DNOs").

Many customers connected to DEH networks already enjoy access to the competitive supply market. However, there may not be a connection agreement in place covering the connection of their DEH network to the DNO's system, in the absence of a bilateral arrangement. This is because the National Terms of Connection ("NTC") refer to metered connections or unmetered supplies only and DEH connections may not have a boundary meter.

It should be noted that, when considering a DEH network, one often pictures a large port or airport but these can take the form of a block of flats, a house conversion, caravan parks, business parks, warehouse conversions, commercial high rise buildings etc. Most of these will not have boundary metering and are not unmetered supplies and hence the NTC will not currently apply to their connection to the DNO's system.

The Electricity and Gas (Internal Markets) Regulations 2011 (“the Regulations”) are largely concerned with boundary metered DEH networks, for which the NTC would apply in respect of their connection to the DNO system. The scope of the NTC, as it applies to such metered connections, needs to be increased as a result of changes in market arrangements following the introduction of the Regulations. Moreover, in considering this, UK Power Networks identified the potential lack of connection terms for those DEH networks that are not boundary metered and hence DCP124 is intended to remedy that situation too.

Intent and Impact of DCP124

The intent of DCP124 is to enable DNOs to put in place standard terms, on a similar basis to terms that are already in place for other customers, in respect of DEH network connections to their systems. In doing so DCP124 also protects DEHs, who may currently be exposed to an unlimited liability through the lack of any connection agreement.

DCP124 relates to matters between the DNO and the DEH only. We believe that DCP124 does not impact suppliers, and this is explored in the subsequent paragraph of this letter. It is also not intended to directly impact customers connected to DEH networks; although they may be impacted under its terms – for example, if any action or inaction causes a de-energisation of the boundary. However, we believe that these customer impacts already exist in practice today, regardless of the outcome of DCP124.

DCUSA Rejection of DCP124

We note that the outcome of the DCUSA vote was a recommendation to reject this change. However, we believe that it is necessary to consider the voting results by DCUSA parties, to get a true representation of the overall vote.

Under DCUSA, in order to recommend acceptance of a change, every DCUSA party category’s voting has to reach a simple majority of the parties voting in favour of the change. For this change, only two party categories took part in the voting (DNOs and suppliers). All 14 DNOs accepted the change, no Independent Distribution Network Operators (“IDNOs”) voted and only three suppliers (less than 10 per cent of this DCUSA party category) voted, of which two were not in favour.

One supplier group rejected the change because they felt there should be a full industry solution to facilitate third party access. DCUSA changes cannot deliver a full industry solution, but we believe that sufficient work is going on in a number of forums that, taken together, is seeking to create such a full industry solution. Another supplier group expressed concerns about the impact on suppliers and supply contracts. We believe that this change will not create any new impact on suppliers or supply contracts.

In summary, therefore, it can be seen that the voting on this was not as obviously against the change as it might first appear, as the majority of suppliers did not register a vote.

Conclusion

In conclusion, we believe that DCP124 should be implemented. It brings DEHs on to the same legal footing as other connectees, protecting both them and the DNO to whose system they are connected.

I hope that you will find our comments helpful. If you have any questions, please contact me in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Hutton', written in a cursive style.

Keith Hutton
Head of Regulation
UK Power Networks

Copy: Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks