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Mr Sam Cope
Distribution
9 Millbank
London
SW1P 3GE

BY EMAIL & POST:
policy.connections@ofgem.gov.uk

Dear Mr Cope

UPDATE ON COMPETITION IN CONNECTIONS MARKET REVIEW CONSULTATION RESPONSE

Banks Renewables is a renewable energy developer and operator mainly focussed on the onshore wind market.

Thank you for this opportunity to provide a consultation response.

As a business it is essential for us that we secure at the right quality the lowest overall cost grid connections that meet our project development timescales. Competition in Connections is and will continue to support us in achieving this. In our opinion the key issues that if addressed and progressed would support the development of competition are:

- Clarity on and possibly improvement of access to statutory powers for Independent Connection Providers (ICPs).
- Provision of information on the network and capacity available by DNOs including a distribution version of the TEC register.
- Dual connection offers as standard
- Consistency in audit for DNO and ICP connection works
- Transferrable accreditation for craftsmen and technicians where applicable

More detailed responses to your questions are below.

Question 1: Please let us know if any of our issue descriptions do not adequately reflect your experience of the market.

Issue A – The DNO's level of control over the connections process.

The Nature of DNO accreditation regimes

As a developer we have no direct experience of this issue.

How DNOs determine the PoC

We have seen no evidence of DNOs using inconsistent processes for identification of PoC. The process and reasoning that has been given for the choice of a point of connection have though not always been clear or clearly communicated.



The way in which DNOs approve connection designs

To date we have no direct experience of this process but have now started our first ICP EHV connection.

The requirement for IDNOs to fund and install link boxes

This is not directly relevant to the type of connection we are involved in. It may though affect our Property division and we can understand why this could be an issue for IDNOs.

How DNOs inspect and monitor new assets provided by their competitors

Again to date we have no direct experience of this but have started to see estimates of charges for this work. An estimate around 3% of the overall connection value for approval, audit and adoption fees seems a significant figure. We would be interested to see how this aligned with DNO internal audit spend?

Inconsistent application of planning and design standards

To date we have seen no evidence of DNOs applying inconsistent planning and design standards.

Issue B – The customer's experience

Customers do not know that they can use alternatives

We are a customer who is aware that we can use alternatives. The decision for us is always a risk assessment of the balance of quality, timescale and cost.

Customers are reluctant to use alternatives

Customer's reluctance to use alternatives is an issue that will probably only get resolved over time and as ICPs demonstrate performance. We have been aware of the alternatives for some time but are only now completing our first ICP connection. The decision for us is always a risk assessment of the balance of quality, timescale and cost. To date the expected benefits in terms of timescale control, costs and service have not been viewed as outweighing the additional interfaces and risks.

Customers that want to use a competitor find difficulty in accepting just the non-contestable part of the DNO's quote

SSE and SPD provide clear dual offers. Northern Powergrid have not yet started providing dual offers but were supportive in us transferring from one type of offer to another recently.

It should also be noted here that DNO connection teams responsible for developing and issuing quotations have been under significant pressure recently dealing with large volumes of speculative generation connection requests. The fact that all of these requests are free and covered by guaranteed standards has led in our opinion to a very 'automated' process solution for delivering quotations with little opportunity for communication with the DNO.

Issue C – The impact of regulatory regimes and requirements

The licensees' statutory powers

We agree that this is a key issue and has been a part of our risk assessment. Working with DNOs who hold statutory powers gives a level of comfort that is difficult to match with ICPs. This is despite the competition in connection process aim of not making competition more difficult. We have had questions from legal colleagues relating to land agreements (wayleaves, easements and leases), planning permission (for underground cable and overhead lines) and adoption agreements, all of which demonstrate risks with ICPs around statutory powers. We agree that lack of statutory powers or lack of access to these statutory powers is a barrier to competition for ICPs.

The DNOs and IDNOs license requirement to provide an emergency response service

This is not directly relevant to the type of connection we are involved in. It may though affect our Property division. In our view the asset owner should have the emergency response service responsibility even if they then contract this out.

The ability of DNOs to provide part-funded connections

This is a complex issue but the aim should be fair treatment of ICP and DNO connections.

Issue D – Transparency of Pricing

DNO contracts are always, pay the outturn costs, and the quotations are based on estimates. It seems that in a number of recent cases significant risk allowances have been included. The presentation of these offers is therefore not transparent. After finding it difficult to justify the estimated costs for protection and control equipment included in a DNOs estimate, we have taken to stating to DNOs that we will want to inspect the installed equipment to see what has been paid for. This has been specifically in relation to protection and communication equipment on EHV connections.

Issue E – Competition not viable for certain types of connection

This is not directly relevant to the type of connection we are involved in. EHV and HV generation connections are definitely in the High Value category.

Question 2: Please provide comments on the solutions that stakeholders have suggested to deal with the issues that have been identified. Let us know if you have other ideas.

Issue A – The DNO's level of control over the connections process.

The Nature of DNO accreditation regimes

As a developer we have no direct experience of this issue. It does though seem to make sense to have an accreditation system that would allow staff trained and experienced in particular work to transfer skills across DNOs.

How DNOs determine the PoC

We have seen no evidence of DNOs using inconsistent processes for identification of PoC. The reasoning that has been given for the choice of a point of connection has not often been clear or clearly communicated and in some cases has not taken account of road or rail crossings. Clarity on the process or rules used would bring some benefits.

We are not convinced that an impartial third party determining PoC for DNOs would add any value. The increased access provided by DNOs to network and capacity information is key and allows discussion with DNOs on finalising suitable PoC. There may be benefits in moving this on to allowing 'self' determination of PoC for certain connections.

A DNO version of the TEC register as recently suggested by Energy UK would also help.

The way in which DNOs approve connection designs

To date we have no direct experience of this process but have now started our first ICP EHV connection. The solutions suggested are not directly relevant to the type of connection we are involved in. Key for us is early communication with the DNO and clear communication of their standards and process. On a recent project Northern Powergrid have provided a pack of project specific specification documents at the design kick off meeting.

The requirement for IDNOs to fund and install link boxes.

This is not directly relevant to the type of connection we are involved in. It may affect our Property division and we can understand why this could be an issue for IDNOs. We agree that DNOs should fund or part fund link boxes where they are required.

How DNOs inspect and monitor new assets provided by their competitors.

Again to date we have no direct experience of this but have started to see estimates of charges for this work. An estimate around 3% of the overall connection value for approval, audit and adoption fees seems a significant figure. Audit should be consistent by DNOs for their own work and that of ICPs. There may be benefit in expanding the NERS arrangement to cover this auditing but only if it replaces DNO work and costs.

Issue B – The customer's experience

Customers do not know that they can use alternatives

We are a customer who is aware that we can use alternatives. The decision for us is always a risk assessment of the balance of quality, timescale and lifetime cost. We see DNOs already being encouraged to increase awareness of alternative connection providers through regulatory incentives. The NERS registration scheme does also give a list of accredited contractors.

Customers are reluctant to use alternatives

Customer's reluctance to use alternatives is an issue that will probably only get resolved over time and as ICPs demonstrate performance. We have been aware of the alternatives for some time but are only now completing our first ICP connection. The decision for us is always a risk assessment of the balance of quality, timescale and cost. To date the expected benefits in terms of timescale control, costs and service have not been viewed as outweighing the

additional interfaces and risks. Creation of an independent third party may not add many benefits but some method of publishing NERS accredited companies' performance and number of connections of different types may help to demonstrate competence to customers. Do Lloyds not already audit ICPs under the NERS scheme?

Customers that want to use a competitor find difficulty in accepting just the non-contestable part of the DNO's quote

SSE and SPD provide clear dual offers. Northern Powergrid have not yet started providing dual offers but were supportive in us transferring from one type to another recently. In our opinion dual offers allowing the customer to accept the full or non-contestable only options with a transparent breakdown of the pricing should be the standard.

It should also be noted here that DNO connection teams responsible for developing and issuing quotations have been under significant pressure recently dealing with large volumes of speculative generation connection requests. The fact that all of these requests are free and covered by guaranteed standards has led in our opinion to a very 'automated' process solution for delivering quotations with little opportunity for communication. It is possible that some kind of nominal design fee for HV or EHV connections would drive more consideration by developers of their options before application. This in turn may lead to fewer connection applications but a higher take up rate and more quality communication between DNOs and their customers (developers and ICPs).

Issue C – The impact of regulatory regimes and requirements

The licensees' statutory powers

We agree that this is an issue and has been a part of our risk assessment. Working with DNOs who hold statutory powers gives a level of comfort that is difficult to match with ICPs despite the process aim of not making competition more difficult. We have had questions from legal colleagues relating to land agreements (wayleaves, easements and leases), planning permission (for underground cable and overhead lines) and adoption agreements, all of which demonstrate risks with ICPs around statutory powers. We agree that lack of statutory powers or lack of access to these statutory powers is a barrier to competition for ICPs.

We believe that competition could be improved by:

1. Ofgem making it clear how existing statutory powers are applied to ICP works as it stands. This will help developers clearly understand the risks. e.g. How planning permission under permitted development powers from the DNO will apply to assets constructed for adoption.
2. Allow accredited ICPs to rely on the DNOs statutory powers for works being installed for adoption. OR Extend relevant statutory powers to accredited ICPs.

The DNOs and IDNOs license requirement to provide an emergency response service

This is not directly relevant to the type of connection we are involved in. It may though affect our Property division. In our view the asset owner should have the emergency response service responsibility even if they then contract this out. Possibly DNOs should be required to price for this service?

Issue D – Transparency of pricing

DNO contracts are always, pay the outturn costs, and the quotations are based on estimates. It seems that in a number of recent cases significant risk allowances have been included. The presentation of these offers is therefore not transparent. After finding it difficult to justify the estimated costs for protection and control equipment included in a DNOs estimate, we have taken to stating to DNOs that we will want to inspect the installed equipment to see what has been paid for. This has been specifically in relation to protection and communication equipment on EHV connections. Standardisation of quotations may help but a further or more detailed breakdown including showing risk and overhead apportionment would be more useful. Clear headings with detailed cost breakdown of the quotation would support us in our assessment of value and risk.

Issue E – Competition not viable for certain types of connection

This is not directly relevant to the type of connection we are involved in. EHV and HV generation connections are definitely in the High Value category.

We hope this response is helpful as you review your next steps. In our opinion, actions already in hand are starting to make a difference. Future actions around statutory powers and consistency of approach to DNO vs ICP connections would be our priorities.

If you would like to discuss please give me a call.

Yours sincerely



Dan Thomas
Grid Manager

DD: 0844 264 4633
E: dan.thomas@banksgroup.co.uk