

9 June 2015



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Dear colleagues

Update on our work to resolve issues in the market for new connections to electricity distribution networks and informal licence consultation

Please accept this response for and on behalf of The Electricity Network Company Limited (ENC) and Independent Power Networks Limited (IPNL).

As Ofgem is aware we have actively engaged in the development of a Code of Practice. We have recently provided our response to the DNOs' 2nd consultation on their proposed code of practice and have provided them with detailed comments on their proposals. A copy of our response has already been provided to Ofgem. This followed on from our initial response where we proposed a different form of Code of Practice to that originally proposed by DNOs.

We are pleased to note that DNOs have adopted many of the proposals we made in our submission. However, we note that the DNOs' final version (published on the 8 June) has removed some important drafting we proposed in our responses to both DNO consultations. Whilst we have yet to review this final version in detail, we consider that without this drafting, the COP is weakened and inadequate.

We continue to support the development of the Code of Practice. We still believe further work is required for the Code of Practice to be compliant with Ofgem's final decision on the minimum requirements. Our consultation response highlighted areas where further work was required. In this letter we provide comments on:

- The proposed licence condition.
- The criteria that Ofgem propose to use to assess the Code of Practice
- The final minimum requirements for the Code of Practice

Proposed Licence Condition

Paragraph 1.1

We think that placing a "*best endeavours*" obligation on DNO licensees is essential. We would not support a watering down of this obligation.

Paragraph 1.2

Ofgem state that one of the criteria they will use in assessing the code of practice is whether "...*The provisions reflect best practice in the market*". We think that this obligation should be incorporated in the relevant objectives set out in the licence condition. Further, we think the scope for looking at best practice should extend beyond the GB electricity connections market. Where relevant examples of best practice can be found in other relevant markets they should be considered for incorporation into the Code of Practice.

Paragraph 1.4

Our understanding of the governance arrangements is that all proposed [material?] changes to the Code of Practice must be approved by the Authority before coming into effect. We believe this requirement should be enshrined in the licence.

Paragraph 1.8

We believe reporting should be quarterly, at least until the Code of Practice has bedded down.

Criteria used to assess the Code of Practice

Broadly, we agree with the criteria that Ofgem propose to use to assess whether the Code of Practice meets the minimum requirements. However, we think the scope for assessing best practice should extend beyond the GB electricity connections market. Previously, we have argued that examples of best practice are in other comparable markets; e.g. gas connections.

The final minimum requirements for the Code of Practice

We are disappointed that Ofgem has chosen to not include areas relating to the provision of Emergency Services and the trading of UMS inventories within the scope of the Code of Practice. We believe these two areas potentially impact on Competition in Connections and that there is much sense in establishing a common solution to these areas of concern.

Notwithstanding the above point, we support the final minimum requirements. However, we think care will be required in their interpretation in some areas:

Authorisation: We fully support the principle that accreditation and authorisation should be transferrable across DNO areas. However, we also acknowledge that there may be some elements that are specific to a DNO, as such it may be appropriate to augment general requirements with specific exceptions which require authorisation on a DNO by DNO basis. These requirements should be published by each DNO, should not be unduly excessive and should not create undue barrier or delay.

Point of Connection. We agree that there should be a common process for allowing competitors to identify their own point of connection; however, we acknowledge that within common process DNOs may utilise different systems to make information available.

Approving the Code of Practice

We believe DNOs have made some significant progress in developing a code of practice. We still think further work is required, which may not have been completed by the deadline set by Ofgem for its submission. Therefore, should the code of practice be deemed to not meet the minimum requirements, the Authority should consider whether it is appropriate to give conditional approval and set out the areas that need to be addressed within a specified time.

We acknowledge that in making such judgement Ofgem will need to consider whether any deficiencies are capable of being remedied within a reasonable timescale.

I would be happy to discuss our comments in more detail if this would assist.

Yours faithfully

Mike Harding

Head of Regulation

Brookfield Utilities UK (for and on behalf of GTC)