

All those with an interest in competition in the market for new connections to electricity distribution networks

Direct Dial: 0207 901 1806
Email: connections@ofgem.gov.uk

Date: 16 July 2015

Decision to approve the revised Competition in Connections Code of Practice and statutory consultation on introducing a new Competition in Connections licence condition

This letter contains our decision to approve the revised Competition in Connections Code of Practice (CoP).

We published our conditional approval on 30 June 2015.¹ The approval was conditional on distribution network operators (DNOs) revising sections of the initial CoP. The DNOs have now made the necessary changes and we are formally approving the revised CoP. Today we are also launching a statutory consultation on the proposed new licence condition. This licence condition will make the CoP legally enforceable.

Background

Last year we reviewed the market for new connections to the electricity distribution network. The review identified issues limiting effective competition as a result of the DNOs' role in the connection process.² To address these issues, we decided to introduce:

- **a new licence condition** – which places a duty on DNOs to have in place and comply with an enforceable Code of Practice; and
- **a detailed Code of Practice** – which specifies how the DNOs must provide services to its competitors in the connections market.

Detailed Code of Practice

On 5 June 2015, the DNOs submitted the initial CoP to us for our approval. We assessed this against a range of criteria,³ including the extent to which it incorporated stakeholder feedback. Overall, we consider that the initial CoP addressed the issues we identified in the market. Last week, we published our conditional approval of the DNOs' initial CoP. Our final approval was dependent on the DNOs:

1. adding an absolute requirement for the DNOs to propose changes to the CoP by 15 January 2016 to make the processes for self-determination of POC and design

¹ Our decision on the suitability of the Competition in Connections Code of Practice, 30 June 2015; <https://www.ofgem.gov.uk/publications-and-updates/our-decision-competition-connections-code-practice>

² The findings of our review of the electricity connections market, 21st January 2015; <https://www.ofgem.gov.uk/publications-and-updates/findings-our-review-electricity-connections-market>

³ These criteria were detailed in our [May 2015](#) letter and required that the CoP covers the end-to-end connections process and reflects existing best practice that would force DNOs to change their current practices.

approval more definitive (once the DNOs had completed further testing on these new processes);

2. adding an absolute requirement for DNOs to specify by 15 January 2016 how they will report on their performance against the various requirements of the CoP (including the inspection regimes); and
3. clarifying references to subsidiary documents in the CoP.

On 8 July 2015, the DNOs submitted a revised CoP. The revised CoP addresses each of the conditions specified in our conditional approval. We are therefore able to approve it.⁴

We expect DNOs to be able to comply with the new licence condition from the date of its implementation. Therefore, DNOs should take actions now to ensure compliance with processes outlined in the CoP. The DNOs should also establish the governance arrangements specified in the CoP to progress any further changes to the document.

New licence condition

In May 2015, we consulted on the new licence condition.⁵ We received eight responses to our consultation.⁶ We held an initial stakeholder working group on 12 June and a follow-up session on 26 June.

As a result of the feedback received, we made several key changes to the licence condition. We have amended:

- the structure of the licence condition to split the direct licence obligations from the Relevant Obligations of the CoP;
- the direct licence obligations that we are placing on the licensee (eg we removed obligations that duplicate existing licence requirements and removed the direct obligation to harmonise Input Services, as this is best captured within the CoP); and
- the proposed wording to be clearer and more specific about the licensee's obligations (eg we have introduced a new definition for the Local Connection Market, Connection Parties and revised the definition for Input Services);

Attached to this letter is an issues log outlining our detailed response to issues raised in the consultation.

Based on the feedback received from all stakeholders, we have updated the licence condition. Today we are publishing our statutory consultation to introduce this new licence condition and make subsequent amendments to standard licence conditions 1 (Definitions for the standard conditions) and 14 (Charges for Use of System and connection).

Next steps

Responses to our statutory consultation are due on 17 August 2015. If we decide to make the proposed modification, it will take effect on not less than 56 days after our decision is published.

The CoP includes formal requirements for the DNOs to propose further modifications to the document by 15 January 2016. It is important that these modifications are of sufficiently high-quality, so that they can be implemented in a timely manner. For example, we expect

⁴ The CoP can be found on the ENA website.

⁵ Update on our work to resolve issues in the market for new connections to electricity distribution networks and informal licence consultation, 12 May 2015; <https://www.ofgem.gov.uk/publications-and-updates/update-our-work-resolve-issues-market-new-connections-electricity-distribution-networks-and-informal-licence-consultation>

⁶ Responses are published alongside our May 2015 Informal consultation.

the DNOs to have tested the new processes and sought stakeholder feedback on them, prior to raising the modifications.

We will undertake a further review of the market 18 months' after the CoP takes effect to determine the success of the remedy.

Yours faithfully,

A handwritten signature in blue ink that reads "Andy Burgess".

Andrew Burgess
Associate Partner, Electricity Distribution
For and on behalf of the Authority