

27 July 2015

Stephen Perry
Senior Manager, Electricity Distribution
Ofgem
9 Millbank
London
SW1P 3GE

Sent by email to: connections@ofgem.gov.uk

Dear Stephen

RE: Proposed Modification of the electricity distribution licence

This response is provided for and on behalf of the Electricity Network Company Limited and Independent Power Networks Limited, both of which are subsidiary businesses of Brookfield Utilities UK. This letter is in response to Ofgem's letter of 16 July 2015 on proposals to modify standard licence condition 1 (definitions for standard conditions), standard licence condition 14 (charges for Use of System and connection) and to insert a new standard licence condition in the electricity distribution licence.

Currently, the definition of Connection Activities only applies to licence condition 14 and is used only in the narrow context of the Margin that a licensee can recover in respect of works falling under that definition (see SLC14.16 (b) and (c)). The proposal is to move the definition of this term to standard licence condition 1, and separately to use it to define the term "Local Connections Market" in the proposed standard licence condition 52.

We think that the use of the definitions of "Connection Activities" and "Local Connections Market" leads to unintended consequences:

- Firstly, the current drafting places no requirement on DNOs to facilitate competition on partially funded reinforcement elements of new connections. This is because the term Connection Activities only covers activities which "*...are fully funded by the owner or occupier of the premises...*". By its very nature, partially funded reinforcement is not fully funded by the customer.

Similarly, Ofgem's recent consultation on quicker and more efficient distribution connections, contemplates scenarios where types of connection will not be fully funded by the customer at the time of provision.

- Secondly, given that the term Connection Activities only covers activities which are fully funded by the owner or occupier of the premises, we are concerned that the definition does not include IDNOs. This is because under the Electricity Act 1989 Section 16(1) separately discriminates between:

- i. the duty to make a connection to a premises when requested to do so by the owner or occupier (or an authorised supplier acting on the behalf of an owner or occupier) (section 16(1)(a)); and,
- ii. the duty to make a connection to the distribution system of an authorised distributor.

By making this distinction the Act appears to infer that a distribution system does not fall under the definition of premises.

We suggest that the above concerns point can be addressed by changing the proposed drafting for "*Connection Activities*" as follows

Connection Activities

means any and all of such activities that comprise or are associated with the provision, modification, or retention of a Relevant Connection to the licensee's Distribution System as are able, in accordance with the licensee's Connection Charging Statement, to be undertaken by persons other than the licensee, ~~where those activities are fully funded by the owner or occupier of the premises in respect of which the activities are required.~~

Additionally, we think this modification may remove potential issues in respect of what constitutes an owner or occupier. For many developments it will not always be clear (at least to the DNO) who the relevant owner or occupier is and whether and to what extent they will fund activities directly.

Please contact me if you wish to discuss further the points raised in this response.

Yours sincerely

Mike Harding
Head of Regulation