



12 March 2019

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Dear David,

**Informal consultation on proposed modifications to the Electricity
Distribution Licence:**

Thank you for giving Leep Electricity Networks Limited (LENL) the opportunity to comment on the informal consultation detailed above.

We acknowledge the proposed amendments made to the licence and agree that they do, in so far as the wording allows, mitigate risk. Specifically, by making reference to the 'distribution' of electricity when there was no such reference previously. However, it remains a concern that allowing licence applications from affiliates of Distribution Network Operators, (DNOs) could create an environment where the DNOs dominance can be used to their advantage, by introducing distortions in the market.

Of particular concern is the impact of preferential access to information, services and resources, that is currently not available to non-affiliated Independent Distribution Network Operators (IDNOs).

In our view unbundling and separation arrangements are essential where an IDNO is an affiliate of a DNO. In addition to legal and financial separation, such unbundling needs to incorporate separation of people, systems and premises. It is our concern that without physical separation, there will always be the possibility of interactions between staff of the affiliate IDNO and its parent DNO. Inevitably, this could result in the sharing of knowledge, data, working practices and systems knowledge.

However, we note this alone cannot guarantee complete separation. The new affiliate IDNO could also have access to preferential contractual treatment through its DNO. For example, more generous terms, or relaxing the exercising of standard rights when compared to non-affiliated IDNOs.

An affiliate IDNO may also benefit from sunk costs already incurred by the parent DNO. Theoretically a start up IDNO would have an increased set-up cost. It may also benefit from having 'head office' shared services resources, for example HR or IT functions. It is unlikely that Ofgem would be able to effectively 'police' such activity without incurring additional expenditure, who would pay for this activity? It is our view that all these issues combined, distort the idea of a 'level playing field' for all entrants into the market place and we remain strongly opposed to this proposal.

Yours sincerely



Paul Jeffery
Regulatory Compliance Manager
For Leep Electricity Networks Limited