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3 September 2018

Dear David

### **Independent Distribution Network Operators – licence applications from affiliates of existing licensees**

Thank you for the opportunity to respond to the open letter issued on 24 July 2018. We are the Distribution Network Operator for the service area that serves 2.4 million customers in urban Manchester, through Lancashire and into rural Cumbria to the Scottish Border.

Our licence already allows us to distribute electricity across Great Britain, with key licence conditions applying within our Distribution Service Area (DSA) that provide customers within this area with certain key benefits such as incentivised customer service and interruptions performance. To date, we have not pursued the opportunity to distribute electricity outside of our DSA.

We have been a strong advocate of competition in connections for many years and continue to support customer choice through competition in service provision where this is in all customers' interests. Indeed, within our DSA, Ofgem has assessed that competition is effective and the majority of the market segments are open to competition. This was demonstrated by the Competition Test assessment made during DPCR5 and continues to be demonstrated as part of our annual returns to you.

As mentioned above, we do not currently provide distribution services outside of our DSA. However, we do support DNOs continuing to have the opportunity to provide them out of area. A move towards allowing an affiliate of a DNO to be separately licensed as an IDNO would benefit customers; we therefore support any DNO affiliate being able to apply for a standalone IDNO licence for activity outside of the DNO's DSA. This ensures a level playing field between IDNOs and DNO affiliates out of area.

An IDNO affiliate seeking to operate within the DNO Group's DSAs does raise more complex policy issues and potentially more material concerns for customers and stakeholders. However, since the last affiliate IDNO licence application, Ofgem has introduced Standard Licence Condition 52 and the Competition in Connections Code of Practice. This sets obligations on DNOs to support competition and has created an environment of increased transparency in terms of data and policies and ICPs and IDNOs now have extensive access to our network information. As we move into a world where the Distribution System

Operators role grows, we believe that the operation of the connections market will need significant review to ensure there is a level playing field between IDNOs and DNOs.

Please contact me if you have any queries regarding this response or would like to discuss it further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PB', written in a cursive style.

**Paul Bircham**  
**Commercial Strategy and Support Director**